17 December 2019

ClearStar, Inc.
("ClearStar" or the "Company")

Trading Update

ClearStar (AIM: CLSU), a provider of Human Capital Integrity℠ technology-based services specialising in background and medical screening, provides the following update on trading.

The Company has continued to experience excellent sales momentum and, as a result, expects to report revenue for full year 2019 in line with market expectations at approximately $23m, representing year-on-year growth of 14%.

This reflects stronger than expected growth in the fourth quarter in its medical information services ("MIS") revenue. However, revenue generated by financial institutional screening has been lower in the fourth quarter than previously anticipated due to the impact on the financial services industry of political uncertainty in the US and abroad and market realignments. The customer has notified ClearStar that it expects these projects, which had been scheduled for 2019, to occur in 2020.

The alteration in product mix, with a higher-than-anticipated contribution from MIS, which is a lower margin business, is expected to have a negative impact on adjusted EBITDA. In addition, the Company has made certain investments in cloud data management, security compliance and sales team infrastructure to support the Company's growth in 2020 and beyond. Consequently, the Company expects to report adjusted EBITDA for full year 2019 of approximately $0.3m.

However, the Board remains encouraged by the Company's progress during the year to date, with key highlights including:

- Revenue growth of approximately 15% to $21.5m for the 11 months to 30 November 2019 (same period 2018: $18.7m):

    o Sustained revenue growth in direct services business channel of 36% over the same period in 2018 – with direct services accounting for approximately 35% of total revenue (same period 2018: 30%)

    o Medical information services (MIS) continued to be the primary growth driver by service offering, with revenue increasing 23% over the same period in 2018

- Growth supported by strong recurring revenue and upselling of further services with some of the Company's largest existing channel partners customers, primarily for MIS

- Following the expansion of the direct sales team at the beginning of the year, ClearStar has continued to increase its pipeline with sustained transitioning up-channel to higher value prospects

Looking further ahead, the Company's order book is at its highest ever and ClearStar has a healthy pipeline that it expects to convert to further orders in 2020 as it continues to receive increasing demand for its technologically differentiated solutions. The Company's management is also focused on taking steps to reduce operating expenses and cost of revenue. Consequently, while remaining cautious over the potential impact of global political economic uncertainty, the Board remains confident in ClearStar's future prospects.

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About ClearStar

ClearStar, Inc. is a leading provider of Human Capital Integrity℠ technology-based services specialising in background and medical screening. It provides employment intelligence direct to employers and via channel partners/consumer reporting agencies ("CRAs") to support better recruitment and other decisions affecting employees by increasing the quality, reliability and visibility of information.

A seven-time Inc. 5000 honouree and founding member of the National Association of Professional Background Screeners, ClearStar has provided innovative technology solutions to businesses in the human capital management industry from its corporate offices in Alpharetta, Georgia since 1995. For more information about ClearStar, please visit: www.clearstar.net.