

# Casta Diva

Sector: Business Services



## Bigger means stronger and more resilient

Casta Diva Group (CDG) is active in Live & Digital Communication and in Creative Content Production, mainly focusing on corporate clients, but with an exposure also to individual target audience.

### Focus on Live Communication and Content Production

With targeted **2022E Value of Production and EBITDA at €57.6mn and €4.8mn** respectively, and top tier clients such as Ferrari, Allianz, Intel, Moncler etc., Casta Diva Group is focused on:

- 1) Live & Digital Communication:** creation and execution of corporate events, but also B2C ones in the legendary Blue Note jazz club;
- 2) Creative Content Production:** origination and execution of commercials, digital videos, branded content, movies / TV / OTT content.

### Increasing in size to boost profitability and resiliency

Casta Diva Group has reported weak economic and financial results in 2017-21 years, driven by some intrinsic fragilities of the reference market and by some company specific elements that in the latest couple of years have been removed, mainly via M&A, thus paving the way for a deeply positive change in its economic performance potential.

Indeed, the rule of the game to make profits is to grow in size in order to improve competitive positioning towards clients and resiliency towards macroeconomic downturns. CDG management is aware about it and is:

- 1) Acquiring companies / assets.** Ca. €30mn annual revenues and €4mn EBITDA in the latest two years have been added through M&A and hire deals, with a lower than €5mn investment. And more is to come;
- 2) Strengthening its positioning in new verticals,** such as fashion or luxury cars, and **entering in contiguous markets** such as the TV / OTT.

Based on its brand new consolidation perimeter, we forecast CDG to post:

- 1) Value of Production and EBITDA at ca. €67mn and €6.6mn in 2024E;**
- 2) Net Cash Position at €2.5mn in 2024E** thanks to OpFCF<sub>b.t.</sub> at around 85% of EBITDA for the whole period, partially absorbed by financial investments, dividends and taxes.

### 2022E fair value at €1.25 per share vs. €0.65 market price

At current €0.65 market price CDG is trading at 2.7x EV/EBITDA'22E and 31% OpFCF yield'22E, not really an adequate valuation. In our view, based on 2022E forecasts **€1.25 per share is a reasonable fair value per share (implied 5.1x EV/EBITDA'22E and 16.5% OpFCF yield'22E)**, due to increase by ca. €0.25-€0.35 per year in the next two years if current forecasts are confirmed. Additional value could come if CDG continues in its successful M&A activity.

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Fair Value (€) **1.25**Market Price (€) **0.65**Market Cap. (€m) **12.8**

KEY FINANCIALS (€mn)	2021A	2022E	2023E
VALUE OF PRODUCTION	29.7	58.5	63.5
EBITDA	1.2	4.9	5.9
EBIT	0.5	3.4	4.5
NET PROFIT	0.4	1.7	2.4
EQUITY	6.7	8.5	10.7
NET FIN. POS.	-1.6	-0.3	-0.3
EPS ADJ. (€)	0.04	0.10	0.14
DPS (€)	0.00	0.03	0.04

Source: Casta Diva (historical figures)  
Value Track (2022E-23E estimates)

KEY RATIOS	2021A	2022E	2023E
EBITDA MARGIN (%)	4.0	8.3	9.3
EBIT MARGIN (%)	1.7	5.8	7.0
NET DEBT / EBITDA (x)	1.3	0.1	0.1
NET DEBT / EQUITY (x)	0.2	0.0	0.0
EV/SALES (x)	0.5	0.2	0.2
EV/EBITDA (x)	12.0	2.7	2.2
EV/EBIT (x)	n.m.	3.8	2.9
P/E ADJ. (x)	n.m.	6.3	4.6

Source: Casta Diva (historical figures)  
Value Track (2022E-23E estimates)

### STOCK DATA

MARKET PRICE (€)	0.65
SHS. OUT. (m)	19.6
MARKET CAP. (€m)	12.8
ENTERPRISE VALUE (€m)	12.9
FREE FLOAT (%)	34.92%
AVG. -20D VOL. ('000)	503.5
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	0.29 – 0.70

Source: Stock Market Data



## Business Description

Casta Diva Group is a communication company operating in branded content, advertising productions, films, tv programming, corporate events, viral videos, digital content and live music shows. A pocket-sized multinational with a presence in fourteen cities across four continents. Casta Diva Group team has worked successfully with over 100 of the world's top brands. In August 2016 Casta Diva Group went public and is currently listed on the EGM under the ticker CDG.

## Key Financials

€mn	2021A	2022E	2023E	2024E
<b>Value of Production</b>	<b>29.7</b>	<b>58.5</b>	<b>63.5</b>	<b>67.0</b>
Δ y/y (%)	70.5%	96.8%	8.5%	5.5%
<b>EBITDA</b>	<b>1.2</b>	<b>4.9</b>	<b>5.9</b>	<b>6.6</b>
EBITDA Margin (% of VoP)	4.0%	8.3%	9.3%	9.8%
<b>EBIT</b>	<b>0.5</b>	<b>3.4</b>	<b>4.5</b>	<b>5.1</b>
EBIT Margin (% of VoP)	1.7%	5.8%	7.0%	7.6%
<b>Net Profit</b>	<b>0.4</b>	<b>1.7</b>	<b>2.4</b>	<b>2.9</b>
Δ y/y (%)	-112.9%	nm	44.6%	19.6%
<b>Adjusted Net Profit</b>	<b>0.6</b>	<b>2.0</b>	<b>2.8</b>	<b>3.3</b>
Δ y/y (%)	-118.8%	nm	37.1%	17.2%
<b>Net Fin. Position</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.3</b>	<b>2.5</b>
Net Fin. Pos. / EBITDA (x)	1.3	0.1	0.1	nm
Capex	-0.7	-1.4	-1.4	-1.4
<b>OpFCF b.t.</b>	<b>0.3</b>	<b>4.2</b>	<b>4.9</b>	<b>5.6</b>
OpFCF b.t. as % of EBITDA	24.5%	86.3%	83.2%	84.3%

Source: Casta Diva (historical figures), Value Track (estimates)

## Investment case

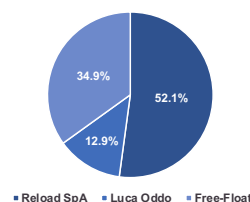
### Strengths / Opportunities

- ◆ Among top three players in Italy in its sector;
- ◆ Long-lasting retention of highly spending clients;
- ◆ Opportunity to act as consolidator of a fragmented market thanks to stock market listing and to innovative SME status.

### Weaknesses / Risks

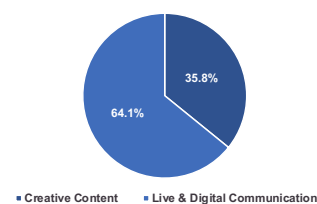
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Investment needs in technology and highly qualified personnel;
- ◆ Market exposed to macroeconomic shocks.

## Shareholders Structure



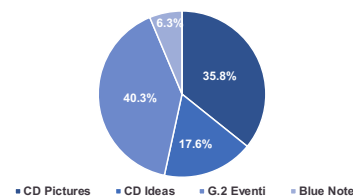
Source: Casta Diva

## Sales breakdown by BU



Source: Casta Diva, FY21

## Sales breakdown by Legal Entity



Source: Casta Diva, FY21

## Stock multiples @ €1.25 Fair Value

	2022E	2023E
EV / SALES (x)	0.42	0.39
EV / EBITDA (x)	5.1	4.2
EV / EBIT (x)	7.2	5.5
EV / CAP.EMP. (x)	2.8	2.2
OpFCF Yield (%)	16.5	19.6
P / E (x)	12.1	8.8
P / BV (x)	3.1	2.5
Div. Yield. (%)	2.3	3.3

Source: Value Track

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*Many thanks to Tommaso Martinacci for his participation to this report*

## Executive summary

### Live & Digital Communication + Creative Content Production

Casta Diva Group (or “CDG”) is a communication company active in Live & Digital Communication and in Creative Content Production, listed on the Italian Stock Exchange (Euronext Growth Milan, ticker CDG) thanks to a reverse merger with Blue Note company that took place back in 2016.

With targeted (see the Industrial Plan recently released) **2022E Value of Production and EBITDA at €57.6mn and €4.8mn** respectively, CDG is among the top three players in Italy in terms of revenues in its segments, with clients such as Allianz, Intel, Enel, Moncler, Ferrovie dello Stato Italiane, Enel, TIM, Ferrari, Iveco, Fendi, Huawei, Poste Italiane and many more.

Business wise, Casta Diva Group is currently divided in two main Units: 1) Live & Digital Communication, and 2) Creative Content Production.

### Business Unit # 1: Live & Digital Communication (ca. 64% of CDG total Sales FY21)

This Business Units is focused on creation and execution of all forms of so-called live communication, mostly for the corporate (B2B) segment but also for the individual (B2C) target audience. In details:

- ◆ **Corporate events**, such as conventions, web events, road shows, trade fair stands, team building, product launches, experiential events such as test drives for car companies;
- ◆ **Solutions for corporate communication and marketing needs**, going from ideas to implementation of TV and global campaigns
- ◆ B2C events such as **concerts** and **festivals**, that mostly take place in the legendary Blue Note jazz club and restaurant in Milan.

### Business Unit # 2: Creative Content Production (ca. 36% of CDG total Sales FY21)

This Business Units is focused on **creative content production**, that’s to say the origination and execution of commercials, digital videos, branded content, event and corporate videos, documentaries, films and TV / OTT content.

Thanks to the branches active in several countries around the world, in this field CDG can offer to its clients one of the most extensive advertising production networks worldwide and has worked in more than 30 countries for more than 100 of the biggest global brands.

Since a couple of years, CDG has launched a new line of activity dedicated to the world of television (Italian / foreign broadcasters) and OTT platforms (Amazon Prime Video, Netflix, Discovery+, etc..) that has proven to be extremely competitive from the very beginning in terms of production and commercialization of proprietary format and adaptation for the Italian market of international ones.

### What went wrong in recent years

Casta Diva Group has reported weak economic and financial results in 2017-21 years, posting volatile figures, very low profitability, and cash absorption.

This not satisfying performance was driven, in our view, by some intrinsic fragilities of the reference market, (also exacerbated by covid-19 outbreak), but also by some company specific elements that in the latest couple of years have been partially removed, thus paving the way for a deeply positive change in the economic performance potential of CDG.

- ◆ **Reference markets features.** CDG reference markets are very rich ones, but also: 1) highly cyclical / exposed to macroeconomics shocks; 2) under continuous evolution, thus affecting companies unable to adapt their offer to new modes; 3) granting low bargaining power to suppliers, given their much lower size if compared to clients.
- ◆ **Company specific troubles**, related to corporate governance issues (litigations and claims) and to the organizational structure (too many intra-group mergers / spinoff, acquisition / divestiture of stakes in foreign subsidiaries etc...).

### How can it be different from now on

Casta Diva Group management has proved to be aware about the necessity to grow its size in order to improve the competitive positioning towards clients and resiliency towards macroeconomic downturns, and is actively pursuing several ways to do it:

1. **Acquiring companies / assets.** We estimate that CDG through M&A and hire deals has added more than €30mn annual revenues and €4mn EBITDA in the latest two years, with an upfront investment (M&A cash out plus startup costs) lower than €5mn. We expect CDG to negotiate more deals of this kind, with both very small players (€1mn-€5mn revenues) and with bigger ones (€10mn-€20mn) lured by a “merger of equals” scenario.
2. **Entering and / or strengthening its positioning in new verticals**, such as fashion or luxury car manufacturers, as these verticals boast: 1) higher resiliency against macroeconomic downturns; 2) higher capacity to invest in marketing.
3. **Improving its skills in digital / hybrid tools offering** (e-sports, metaverse, influencer marketing), as hybrid and flexible marketing content is now a must-have tool in post covid-19 era;
4. **Exploiting its skills in contiguous markets such as the TV and OTT arena**, where the launch of Casta Diva Entertainment, should allow CDG to profit from the rising need for creative content driven by both the demand side (new consumer habits that will endure even as the pandemic fades) and the offer one (more and more Digital Free TV channels and Internet based streaming platforms (OTT, e.g. Netflix, Amazon Prime, Disney+ and HBO).

### 2022E-24E Financials

For 2022E-24E fiscal years, we forecast:

- ◆ **Value of Production to ca. €67mn in 2024E** (31% CAGR<sub>21A-24E</sub>) and **EBITDA to €6.6mn in 2024E**, (EBITDA margin 2024E at 9.8% +581bps vs 2021A) driven by substantial contribution of recently acquired Genius Progetti, by organic growth triggering positive operating leverage and by the rampup of the newly established Casta Diva Entertainment;
- ◆ **Net Cash Position** lifting up to **€2.5mn in 2024E** thanks to ca. €4.1mn cumulated Free Cash Flow over 2022E-2024E.

Indeed, OpFCF (before taxes) should stay at around 85% of EBITDA for the whole period but should be partially absorbed by financial investments, dividends (we are assuming ca. 33% payout) and taxes, especially in 2022E-23E.

Comparing our 2022E-24E forecasts with the targets announced by CDG, we underline the following:

- ◆ While on 2022E we are basically aligned to company’s Revenues and EBITDA targets, on 2023E-24E ones we are slightly more conservative due to the possible macroeconomics risks that could affect global marketing spending;
- ◆ As far as the evolution of the Net Financial Position is concerned, we are slightly more conservative on 2022E-23E, while getting in line with company’s targets in 2024E.

### 2022E fair value at €1.25 per share

Based on 2022E forecasts, **€1.25 per share is a reasonable fair value per share**. This is driven by the analysis of Peers’ historical 2018-22E multiples to which we have applied pretty high discounts justified by CDG lower size and consequent higher risk profile.

As we forecast CDG to increase its 2023E-24E EBITDA and EBIT by ca. €1mn per year (€0.7mn per year at Net Profit level), the fair value could increase by ca. €0.25-€0.35 per year in the next two years.

Last but not least, we note that if CDG continues in its M&A activity it can create much more value. Indeed, we calculate that adding two more companies with €10mn revenues each and profitability in line with CDG each and exploiting some Opex synergies could boost total EBITDA by more than 50% and fair value by ca. 30%.

## Corporate Profile

*Casta Diva Group is a communication company operating in branded content, advertising productions, films, tv programming, corporate events, viral videos, digital content and live music shows. A pocket-sized multinational with a presence in fourteen cities across four continents that has worked successfully with over 100 of the world's top brands.*

### Casta Diva Group at a glance

Casta Diva Group (“the Company” or “CDG”) is a communication company active in Live & Digital Communication and in Creative Content Production. With **2022E targeted** (see the Industrial Plan recently released) **Value of Production and EBITDA at €57.6mn and €4.8mn** respectively, Casta Diva Group is one of the main Italian players in the communication sector. Indeed, its main activities are:

- ◆ Design and organization of B2B and B2C live & digital events;
- ◆ Creation of traditional & digital advertising campaigns;
- ◆ Production of commercials and videos for social media, films and TV shows;
- ◆ Management of the legendary Blue Note jazz club in Milan.

CDG boasts a presence in four continents and offices in some of the most important international cities such as Milan, Rome, London, Prague, Beirut, Istanbul, New York, Los Angeles, Buenos Aires, Montevideo, Cape Town.

Since August 2016, the Group has been listed on the Italian Stock Exchange (Euronext Growth Milan, ticker CDG) thanks to a reverse merger into Blue Note company.

### Casta Diva Group: National and International Footprint

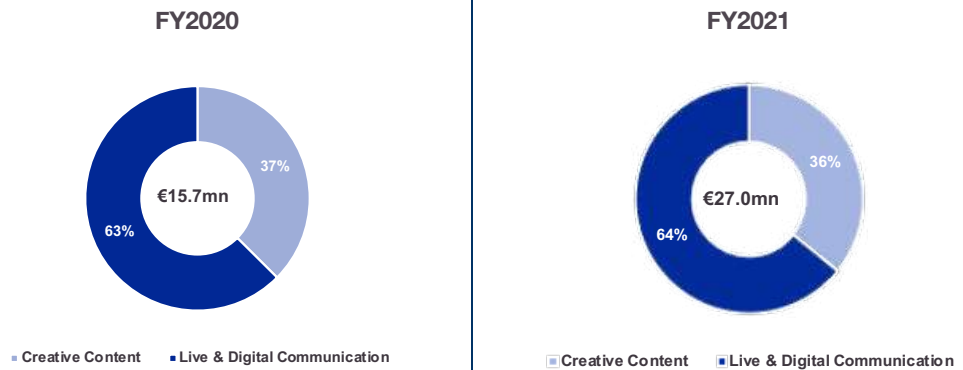


Source: Casta Diva Group, Casta Diva Group

Business wise, Casta Diva Group is currently divided in two separate units:

1. **Live & Digital Communication**, (63% and 64% of total Group Revenues in 2020A and 2021A respectively), focused on creation and organization of conventions, web events, road shows, trade fair stands, team building, product launches, press conferences, experiential events such as test drives for car companies, concerts and festivals, i.e. all forms of so-called live communication, mostly for the corporate (B2B) segment but also for the individual (B2C) target audience;
2. **Creative Content Production**, (37% and 36% of total Group Revenues in 2020A and 2021A respectively), focused on production of commercials, digital videos, event and corporate videos, documentaries, films and TV content.

**Casta Diva Group: Revenues from Sales by Business Units – FY2020 and FY2021**

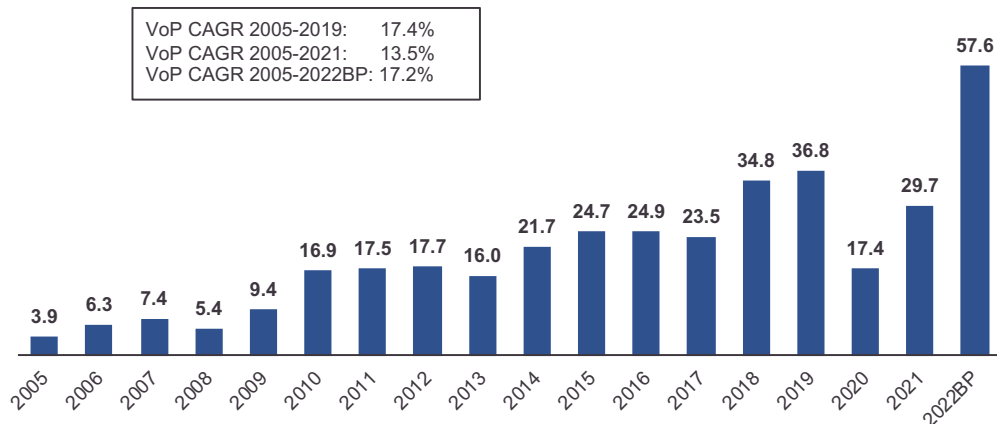


Source: Casta Diva Group, Value Track Analysis

**Historical Milestones**

Casta Diva Group was **founded back in 2005** by Andrea de Micheli and Luca Oddo, both already active in the content production industry but for different firms, and from 2005 to 2022BP (Industrial Plan target) is calculated to post a sound 17% Turnover CAGR driven by both organic growth and acquisitions. Quite obviously, 2020-21 pandemic has deeply hit business volumes, but 2022E should be back at all-time high levels thanks to both organic growth and recent acquisitions.

**Casta Diva Group: Value of Production evolution FY2005A-FY2022BP (\*)**



Source: Value Track analysis, Casta Diva Group (\*) 2022BP refers to Industrial Plan target recently released

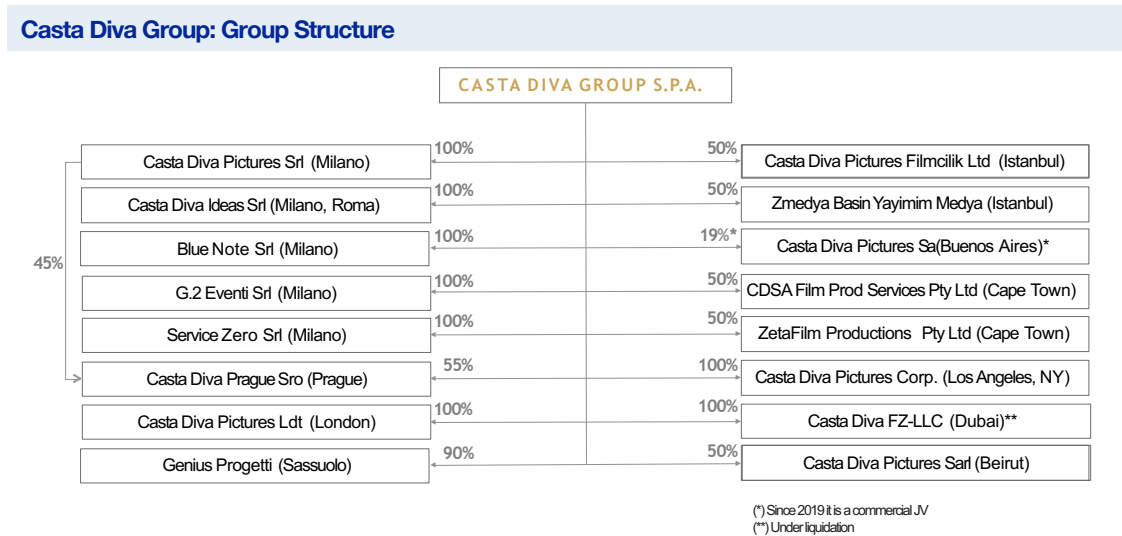


Worthy to note, CDG historical growth was not only domestic but also driven by the setup of local offices abroad. Indeed, in these years the Group opened new locations under the Casta Diva Pictures brand in London, Manchester, Istanbul, New York, Los Angeles, Mumbai, Cape Town, Buenos Aires, Beirut, Prague.

Casta Diva Group current business profile is the result of some very important deals that took place in the latest couple of years:

- ◆ **July 2020** - CDG signs a business rental agreement with **Over Seas Srl**, a company that organizes Live Communications events for some Italian State participated companies such as Poste Italiane and Enel. The rented business generates roughly €7mn-€8mn revenues per annum;
- ◆ **January 2021** - CDG launches **Casta Diva Entertainment**, a new business line dedicated to the world of television, located in the Creative content production business unit, within Casta Diva Pictures that already produced for the cinema. The new business segment is assigned to chief creative officer Massimo Righini, previously active in Banijay Italia. This new business is targeted to generate at maturity roughly €3mn-€5mn revenues per annum;
- ◆ **April 2022** - CDG acquires a 90% stake in **Genius Progetti**, a company that organizes Live Communications events for luxury car manufacturers (e.g. Ferrari) and high end tiles manufacturers. The acquired business is expected to generate more than €20mn revenues per annum.

As a result, Casta Diva Group currently boasts the following structure:



Source: Casta Diva Group



## Corporate Governance

### Shareholders structure

Share capital is made of 19,644,719 no-par value shares.

Mr. Andrea de Micheli, (CDG Co-founder and current Chairman and Chief Executive Officer), and Mr. Luca Oddo (CDG's Co-founder, no more active in the Company) are the direct and indirect majority shareholders. Indeed, they own a 40% stake each in the non-listed holding vehicle named Reload S.p.A that owns a 52.1% stake in CDG. Reload S.p.A. minority shareholders are Rhea Vendors Group (Italian-based company that manufactures and distributes vending machines for hot and cold drinks and snacks, it owns a 10% stake), Fabio Nesi (5% stake) and Raffaele Cozza (5% stake).

In addition, Mr Oddo is reported to own ca. 12.9% direct stake in CDG while the remaining 34.9% of CDG share capital is Free Float.

### Casta Diva Group: Shareholding structure

Shareholder	Shares (#)	As % of Total
Reload S.p.A.	10.243.422	52.14%
Luca Oddo	2.540.843	12.93%
Free Float	6.860.454	34.92%
<b>Total</b>	<b>19.644.719</b>	<b>100.00%</b>
<i>o/w treasury shares</i>	220,465	1.12%

Source: Casta Diva Group

It's worthy to note that back in 2021 it has been approved the possibility to introduce **multiple voting rights (3x)**.

Ordinary shares, registered in a specific list kept by the Company, **may be converted into Multiple Voting Shares by 20 May 2026**, with a request for conversion certifying the uninterrupted possession of the shares since 10 May 2021.

Multiple vote attribution is a rewarding tool for shareholders who have chosen to prefer a long-term investment in the Company, which strengthens their role in governance. At the same time, it guarantees an enhanced shareholder stability, valuable in supporting the company's development projects in the medium to long term. At the moment, the conversion of ordinary shares into multiple voting shares has been submitted by 8,000 shares.

Should the majority shareholder Reload S.p.A. exercise the right of conversion for all ordinary shares held on the date of this publication, and no other shareholder obtain inclusion in the list, the **percentage of voting rights due to Reload S.p.A. would be ca. 76.6%**.

### Casta Diva Group: Voting rights structure if Reload S.p.A. alone asks for 3x voting rights

Shareholder	As % of Total
Reload S.p.A.	76.6%
Luca Oddo	6.3%
Free Float	17.1%
<b>Total</b>	<b>100.00%</b>

Source: Value Track Analysis

### Top Management: Structure & Powers

Casta Diva Group's top management includes:

- ◆ **Andrea de Micheli** – CEO and Founder, produced over 1000 commercials for more than 100 top brands in 30 countries. He founded two corporate web TVs, for Enel and Intesa. He has two Master's degrees, one in cinema and one in multimedia;
- ◆ **Guido Palladini** – Chief Financial Officer of CDG, has gained extensive experience in the sector by holding the position of financial director for companies such as Fandango and Lucisano Media Group. Previously worked in the administration and finance areas of Birra Peroni and Einstein Multimedia Group;
- ◆ **Fabio Nesi** – Partner of CDG and Head of Casta Diva Pictures. He began his career as a wholesaler and entrepreneur in the international diamond industry. In 1998, he left the gem industry to dedicate to his passion for filmmaking, eventually becoming a partner. He has coordinated the production of many commercials around the world for national and international clients, working especially with the Far Eastern market;
- ◆ **Michele Costantino** – General Manager of CDG and CEO of G.2 Eventi, co-founder of Abaco S.p.A Group active in the field of city billboards, engineering and land planning. He has successfully concluded several M&A transactions, until he organized, together with the Private Equity Fund Advent International, the acquisition of the Avip S.p.A Group, of which he became General Manager and CEO. He also worked in Prodea Group where in 2015 he was appointed General Manager/CFO and later Chairman of some subsidiaries;
- ◆ **Massimo Righini** – Casta Diva Pictures Chief Creative Officer. He has created and adapted many formats for Italy, working for a long time with Mediaset. He has explored and studied every genre of television, also working for Endemol, Fascino and Magnolia. He also held the position of Head of programming and Channel Manager for Agon Channel. After having been CCO of Nonpanic, a company of the Banijay group, he became chief creative officer of the Casta Diva Pictures in January 2021;
- ◆ **Francesca Panigutto** – Operations Manager, has more than 15 years' experience in the communication sector, founder of the communication agency 'The Mine', she has held positions as product manager in companies such as Bayer and Artsana.

## Business Profile

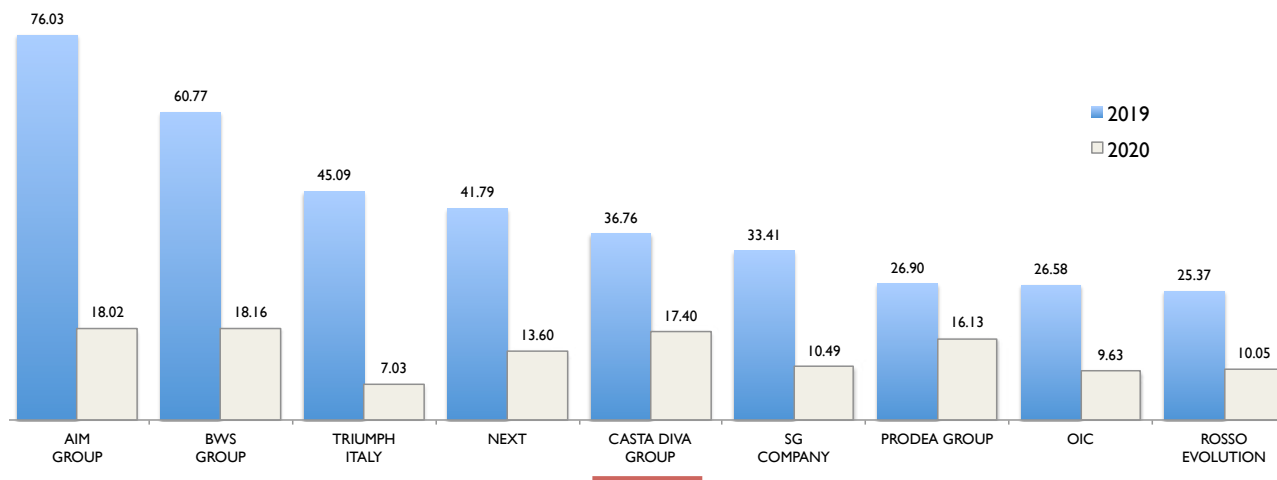
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### Business Unit #1 – Digital & Live Communication

The Digital & Live Communication Business Unit creates and organizes corporate events, conventions, web events, road shows, exhibition stands, team building, product launches, press conferences, incentive trips, festivals and concerts, both live and in streaming, i.e. all variations of so-called Live Communication, both for target companies (B2B) and for target people (B2C). This BU accounts for ca. **64% of the FY21 Group's total Sales** (vs. 63% in FY20).

Within this market, CDG is among domestic leaders. Indeed, it ranked fifth in FY19 and third in FY20 in Italy in terms of revenues.

#### Value of Production of the Top Italian Companies of the Live Communication Market



Source: Casta Diva Group Industrial Plan 22-24

Such an outstanding competitive market positioning is not only the result of organic growth but also of some very successful M&A and hiring deals that we already mentioned, i.e. the July 2020 lease of **Over Seas**, (worth €7mn-€8mn revenues per annum) and the end of 2021 hiring of some managers with proven expertise in the **fashion industry**, (generating collaborations with prestigious fashion brands such as Bulgari, Fendi, Moncler and Zegna).

We expect CDG to further improve its ranking in 2022” after the April 2022 purchase of **Genius Progetti**, an events agency in Sassuolo, expected to generate more than €20mn revenues per annum.

Worthy to note, this leading competitive positioning is achieved thanks to commercial relationships with more than 40 top tier clients, out of which seven tied with specific framework agreements. Just to mention a few names: Moncler, Ferrovie dello Stato Italiane, Allianz, Enel, TIM, Ferrari, Iveco, Fendi, Huawei, and many more.

#### Casta Diva Group: Live Communication clients

CASTA DIVA IDEAS	G.2 EVENTI	GENIUS PROGETTI (2022)	BLUE NOTE
        	            	    	<ul style="list-style-type: none"> <li>• 65.000 clients per year</li> <li>• 20.000 dinners served</li> <li>• 60 private and corporate events per year</li> <li>• 25% of jazz concerts turnover in Italy (source: SIAE)</li> </ul>

Source: Casta Diva Group Business Plan 22-24

Clients served by CDG in the Digital & Live Communication Business Unit, can be grouped in two different markets: **B2B** and **B2C** one.

#### B2B Market

In the B2B market, Casta Diva Group creates and organizes large and small events, conventions, web events, roadshows, exhibition stands, team building, product launches, press conferences, incentive trips and unique events such as test drives for automotive companies. The events and experiences created by Casta Diva are based on four pillars:

- ◆ Creativity;
- ◆ Technology;
- ◆ Sustainability;
- ◆ Measurability of results.

The company offers reliability, experience and ability to manage even very complex events both in communication (conception, recruitment of stars, artists and presenters, set-ups, video, audio and lighting management) and in event logistics (organizational secretariat, travel and hotel booking, catering).

There are several subsidiaries of Casta Diva Group active in the provisioning of B2B Digital & Live Communication services, each one with different geographical footprint, client bases and skills. The most important ones are:

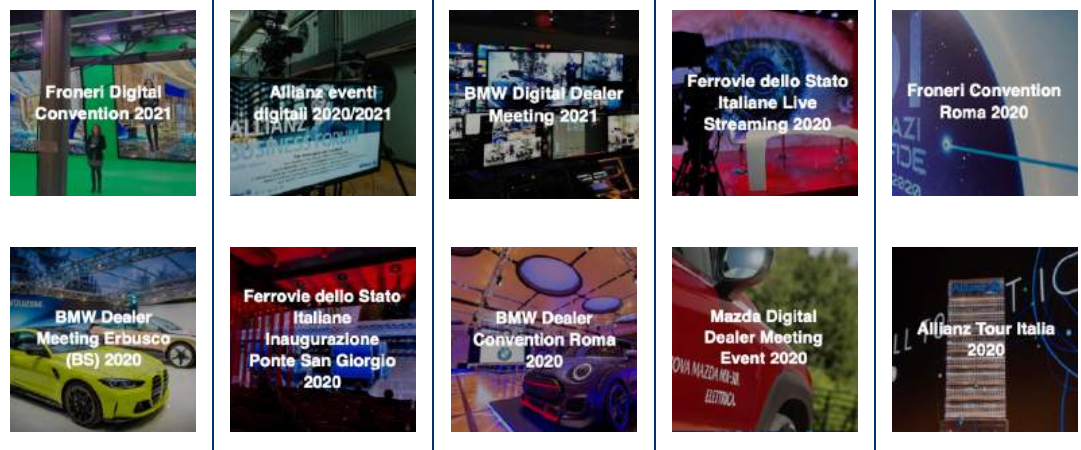
- ◆ G2 Eventi;
- ◆ Casta Diva Ideas / Over Seas / We are Live;
- ◆ Genius Progetti.

## G2 Eventi

G2 Eventi has offices in Milan and Rome and is focused on the origination and execution of **corporate events (and on a lesser extent also corporate communication strategies)**, with the aim of creating content, new experiences and innovative formats for customers, stakeholders and the general public, taking care of every aspect of the event from the brief to the direction.

Among its latest works, we mention Froneri Digital Convention 2021, Allianz Digital Events 2020/2021, BMW Digital Dealer Meeting 2021, Ferrovie dello Stato Italiane Live Streaming 2020 and so on.

### G2 Eventi Latest Works



Source: G2 Eventi Website

## Casta Diva Ideas / Overseas / We are Live

On 1st July 2020, Casta Diva Group signed an agreement with HDRÀ Group, aimed at leasing the Over Seas **"Events" business unit** for three years. CDG also has a purchase option.

Over Seas brings several contracts for the design and organization of communication projects & events mainly with some Italian State participated companies such as Poste Italiane and Enel.

The rented business generates roughly €7mn-€8mn revenues per annum and is in line with Casta Diva Group's strategy of strengthening the corporate events area.

In January 2022, an onboarding of a new executive specializing in **fashion and luxury events** ("**We Are Live**") led to the acquisition of new customers such as Bulgari, Fendi, Moncler and Zegna, allowing the realization of events such as Zegna and Moncler Investor Day, Fendi World Convention and others.

## Genius Progetti

Genius Progetti has been purchased by CDG starting as of end of April 2022 and is a well-known organizer of **B2B2C events** with 25 years of experience in the **luxury sports car, ceramics and cosmetics sectors**, with clients such as Ferrari, Italo, Kohler Engines, Chiesi, Caprari, Confindustria Ceramica, Smaltochimica, Pramac and so on.

A special role is played by Ferrari, by far the main customer in terms of loyalty and revenue contribution.

### Genius Progetti: Main clients



Source: Genius Progetti Website

In more details, Genius Progetti main activities are:

- ◆ **Corporate Events:** milestone anniversaries, gala dinners, conferences and awards ceremonies bringing together clients, staff, executives and prospects;
- ◆ **Exhibition Stands** for any situation: trade shows, showrooms, public displays and outdoor events in Italy and Europe. Genius Progetti has built stands for some of the most prominent companies in the ceramics, medical, automotive and cosmetic industries;

### B2C Market

Casta Diva Group manages the **Blue Note**, jazz club and restaurant in Milan, which is icon of the Milanese musical offer.

The location is utilised for B2C market, (concerts) and for B2B one (conventions, road shows, business meetings, gala evenings, product and institutional presentations). More over a Blue Note Off-brand has been developed and, in collaboration with Teatro dell'Arte and Ponderosa Music & Art, a jazz festival is organized every year.

Active since 2003, Blue Note Milano is a part of the Blue Note network, together with the historic Blue Note Jazz Club in Greenwich Village in New York, the Blue Note in Tokyo and Nagoya in Japan, the Blue Note in Beijing and Shanghai in China, the Blue Note of Honolulu in Hawaii, Rio de Janeiro in Brazil and Napa in California.

Before being hit by the pandemic limitations, Blue Note alone earned about 25% of jazz concert turnover in Italy (source: SIAE) for over 300 live events and nearly 70,000 paying spectators, of which around 20,000 dined in the venue.

Many of the most important jazz, blues, soul, Italian and Latin music artists have performed on the stage of the Blue Note in Milan. Among others, The Blues Brothers, Dee Dee Bridgewater, Chick Corea, Level 42, The Manhattan Transfer, Wynton Marsalis, and many more.

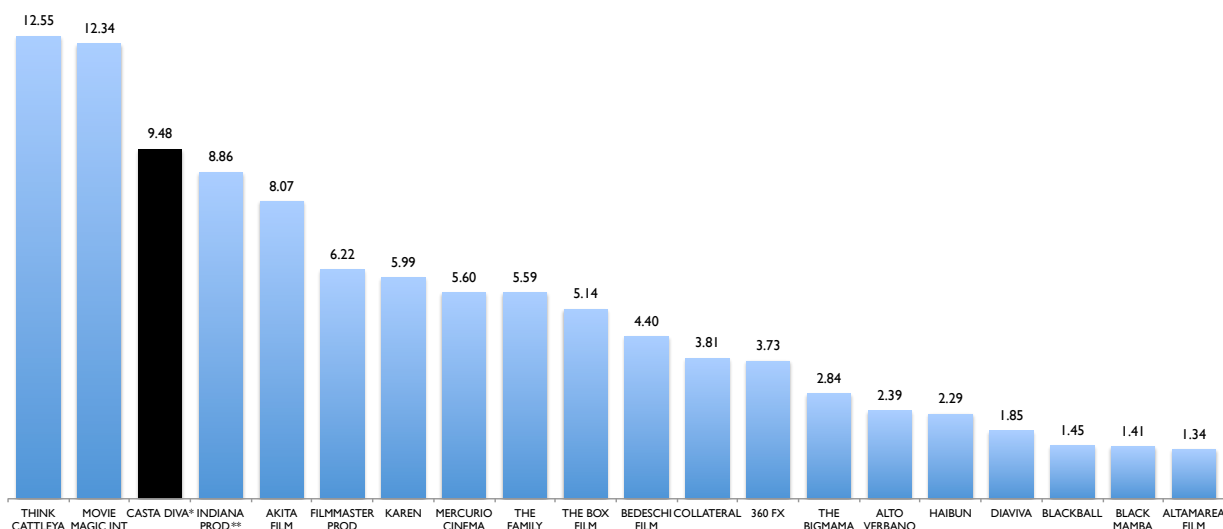
Blue Note Milano aggregates, also thanks to a partnership with Radio Monte Carlo that broadcasts every week live from the club, a community of over 100,000 individuals.

### Business Unit #2 – Creative Content Production

The Creative Content Production Business Unit deals with the production of commercials, digital and viral videos, branded content, event and corporate videos, documentaries, films and web/TV series. It accounts for ca. **36% of the FY21 Group's total Sales** (vs. 37% in FY20).

Also in this market CDG is among domestic leaders. Indeed, it ranked third in FY20 in Italy in terms of revenues from commercials production.

### Casta Diva Group competitive positioning in the Italian market of commercials production (2020)



Source: Casta Diva Group Industrial Plan 22-24

The Creative Content Business Unit is managed by the sub-holding **Casta Diva Pictures**.

#### Casta Diva Pictures

Casta Diva Pictures (CDP) is a **Production company** dealing with the creation of creative content, mainly commercials but also TV format since a couple of years. As far as commercials are concerned, CDP works with the objective of creating content that successfully position a product/service on the market by engaging the viewer and conveying him / her the desired messages.

This represents the “core” of CDP business, which entails the preliminary valuation, pre-production, production and post-production phases (albeit “Production” and “Post-Production” may be outsourced under supervision of CDG):

- ◆ **Preliminary Valuation**, is the first stage of the idea generation and preliminary screenplay writing which includes the identification of key figures such as cast and directors;
- ◆ **Pre-Production**, in which the Company studies the screenplay, determines expenses and locations, designs and creates the shooting-board;
- ◆ **Production**, the Company carries out the filming and shooting of the content;
- ◆ **Post-Production**, the content is edited, mixed, modified with special effects, dubbed.

It’s worthy to note that within branded content production value chain, CDP has to deal with both Advertisers and Agencies. Indeed:

- ◆ **Advertiser**. It’s the end customer, (call it also “demand”, “brand” or “brand owner”), i.e. the one who pays for the content/advert (e.g. P&G, Rolex, Jeep) aimed at stimulating sales of the product / service marketed;
- ◆ **Agency**. It plays the intermediary role between the advertiser and the production company, and is responsible of all aspects of creativity of the commercial campaign.

Thanks to the Group’s many branches, active in several countries around the world, Casta Diva Pictures constitutes one of the most extensive advertising production networks worldwide.



Indeed, its strong international footprint ensures that it can also handle supranational, highly ambitious projects with specific skills and expertise thanks to producers who have successfully worked in more than 30 countries for more than 100 of the biggest global brands.

**Casta Diva Pictures: Openings of some International Subsidiaries**

<p><b>2005</b> Casta Diva Pictures Prague</p>		<p><b>2012</b> Casta Diva Pictures New York</p>	
<p><b>2008</b> Casta Diva Pictures Buenos Aires</p>		<p><b>2013</b> Casta Diva Pictures Cape Town</p>	
<p><b>2010</b> Casta Diva Pictures London</p>		<p><b>2014</b> Casta Diva Pictures Los Angeles</p>	
<p><b>2011</b> Casta Diva Pictures Istanbul</p>		<p><b>2015</b> Casta Diva Pictures Montevideo</p>	

Source: Casta Diva Group Business Plan 22-24

The Creative Content Production client portfolios is mainly made up of big spender customers, with whom it is possible to establish long – lasting relationships. Procter & Gamble’s companies are among the biggest client of CDG.

**Casta Diva Group: Content Production BU's Clients Portfolio**



Source: Casta Diva Group

Among its latest works, we mention: TBS Europe TV Campaign, Geffer TV Campaign, Panerai Global Campaign, Burp! In action.

### Casta Diva Ideas Latest Works

#### TBS Europe: TV Campaign



#### Citrosodyne and Burp effect



#### Geffer – TV Campaign



#### Burp! In action



#### Panerai Global Campaign



#### The Heart of Jazz



Source: Casta Diva Ideas Website

### Casta Diva Entertainment

Back on January 2021 Casta Diva Group launched Casta Diva Entertainment (CDE), a new line of activity of the Creative Content Production Business Unit dedicated to the world of television (Italian / foreign broadcasters) and OTT platforms (Amazon Prime Video, Netflix, Discovery+, etc..).

This new division, positioned in Casta Diva Pictures responds to the rising need for content resulting from the blocking of sets and the over-consumption of films and series at home in a covid and post covid world.

Chief Creative Officer is the successful TV author and producer Massimo Righini, which in the past has worked on more than 80 different TV formats, adapting for Italy foreign formats such as Guess My Age, Il Collegio, Matrimonio a Prima Vista, Bake Off, This Time Next Year, and creating dozens of original formats such as Singing in the car, Camionisti in trattoria and many more.

CDE has proven to be extremely competitive from the very beginning, with the production of one proprietary format and the successful adaptation for the Italian market of seven international formats in slightly more than one year of operations.

Indeed, already in 1H21 it obtained orders from Discovery Channel (Discovery +) and Amazon Prime, which resulted in a total of four TV programmes produced in the same year: One proprietary format (Back in Time – Un Amore da Favola) and three imported foreign formats (Tarabaralla, C'è Ciccìa, Fare Detailing).

- ◆ **Back in Time – Un amore da Favola:** dating show set in the 19th century, which takes the characters back in time in search of their soul mate without the help of technology. This title was broadcast on NOVE and Real Time channels and is also available in streaming on Discovery+;
- ◆ **Tarabaralla:** cooking show dedicated to the world of pastry with Damiano Carrara grappling with VIPs / influencers who try to make sweet, good and above all Instagrammable recipes. Available in streaming exclusively on Discovery+;
- ◆ **C'è ciccìa:** cooking show with the chef and butcher Luca Terni, which takes the public on an original journey to discover the most succulent and typical dishes of Tuscan tradition. This show was broadcasted on Food Network;
- ◆ **Fare detailing:** motor show with Marcello Mereu' focusing on the secrets of car care and how to keep vehicles in the best possible condition. Broadcasted on Motor Trend and DMAX.

In 2022, eight programmes are expected to be in place (considering also 2021 formats second editions):

- ◆ Two biopics: one on the life of Italian entrepreneur and influencer Gianluca Vacchi (**Mucho Más**), already available on Amazon Prime Video, while the other on the life of the singer Milva, which is still to be produced;
- ◆ **Questa è casa mia!**: adaptation of the original BBC factual game-show “This is my House” in which participants compete to describe their home in front of a jury that has to guess who is telling the truth. It is currently broadcasted on Real Time;
- ◆ **Trasformazioni incredibili**: show in which the protagonists experience a 360 degree transformation thanks to the help of three experts led by Enzo Miccio. It is currently broadcasted on Real Time.

### TV formats vs. Cinema (or TV) Movies: Legislative and Economic similarities / differences

From a legislative point of view, proprietary TV formats belong to the category of intellectual works pertaining to the cinematography sphere, so they fall within the scope of Law n.633 of 1941, and are:

- ◆ Protected by copyright;
- ◆ Theoretically eligible for Tax Credits granted by the Italian State to bolster the Italian cinematic industry, according to the guidelines of the Law Number 220 of 2016, so-called “Franceschini Law”. These tax credits can cover up to 30% of a production’s costs but, in order to be gained, the content producer must prove some kind of “cultural angle”. That’s why while most of movies are granted with Tax Credits, only few original TV formats produced in Italy are actually eligible for them.

As a matter of fact, once CDE productions are completed, Casta Diva Group automatically acquires the full property of all the exploitation rights of the production (or a percentage in case it acted as co-producer) perpetually and valid for the entire World.

Generally speaking, there are three ways in which content owners can commercially exploit their rights:

1. by granting to some distributor / sales agent a distribution license for a certain period / territory / channel of distribution, at the end of which the intellectual property goes back in full possession of content owner. In this case the agreement with the Sales Agent typically includes:
  - **Minimum Guaranteed** – Prepayment made by the sales agents to the production company for the future profits stemming from the distribution of the content produced and used by the production companies to cover the majority of the production costs associated with a particular product;
  - **Backend profits** - Payments that may arise by the sales agent distribution of the company’s intellectual property rights once he has covered some distribution costs and the Minimum Guaranteed amount paid to content producer;
2. by definitively selling to some distributor / sales agent the rights for certain territory / channel of distribution. In this case the agreement with the Sales Agent typically includes a one-off payment for the content producer;
3. by directly and definitively selling to some broadcaster / media the rights for certain territory / media channel. Again, in this case the agreement with the purchaser of the content typically includes a one-off payment for the content producer.

We note that CDE agreements with TV broadcasters / OTT platforms are almost always belonging to the third case. As such, CDE earns a one-off payment for the content produced and both revenues and costs of production flow into the P&L, i.e. costs are not capitalized.

## What went wrong in recent years

*Casta Diva Group has reported weak economic and financial results in 2017-21 years, and this was driven, in our view, by some intrinsic fragilities of the reference market, (also exacerbated by covid-19 outbreak), but also by some company specific elements that in the latest couple of years have been partially removed, thus paving the way for a deeply positive change in the economic performance potential of CDG.*

Casta Diva Group has reported weak economic and financial results in 2017-21 years, and this was driven, in our view, by some intrinsic fragilities of the reference market, (also exacerbated by covid-19 outbreak), but also by some company specific elements that in the latest couple of years have been partially removed, thus paving the way for a deeply positive change in the economic performance potential of CDG.

### Weak economic-financial performance 2017FY-2021FY

Casta Diva Group financials are built in accordance with Italian OIC accounting principles (IT GAAP) and we note that in 2017FY-21FY were on a substantial like-for-like basis, as no material change in the consolidation perimeter occurred.

Overall, over 2017FY-21Y period, CDG has reported not satisfactory economic and financial results:

1. Top Line and Gross Profit volatility;
2. Stagnant profitability, with EBITDA margin in the low single digit space;
3. Steady cash absorption, burdened by heavy capital requirements.

#### 1. Top Line and Gross Profit Volatility

After reporting a 17% CAGR<sub>2005FY-19FY</sub>, CDG top line witnessed a 55% y/y decrease in FY20, deeply suffering clients' cuts in marketing budgets, events suspensions, lockdowns driven by covid-19 outbreak.

2021FY recorded only a partial rebound, with Revenues from Sales at €27.0mn and a Value of Production at €29.7mn (+70% y/y).

In 2020FY, both divisions underwent the same downwards trend of the Group as a whole, but with the Live & Digital Communication BU generating ca. 63% of the total, with Creative Content back at 37%.

#### Casta Diva: P&L 2019FY-21FY

(€mn, IT GAAP)	2019FY	2020FY	2021FY	Δ y/y (%)
<b>Revenues from Sales</b>	<b>35.1</b>	<b>15.7</b>	<b>27.0</b>	<b>72.4%</b>
o/w Creative Content Production	13.5	5.9	9.7	64.6%
o/w Live & Digital Communication	21.5	9.8	17.3	77.1%
Δ Orders in Progress	-0.2	0.0	0.0	.
Δ Internally Generated Fixed Assets	1.2	0.8	0.4	
Other Revenues	0.7	1.0	2.3	
<b>Value of Production</b>	<b>36.8</b>	<b>17.5</b>	<b>29.7</b>	<b>70.3%</b>

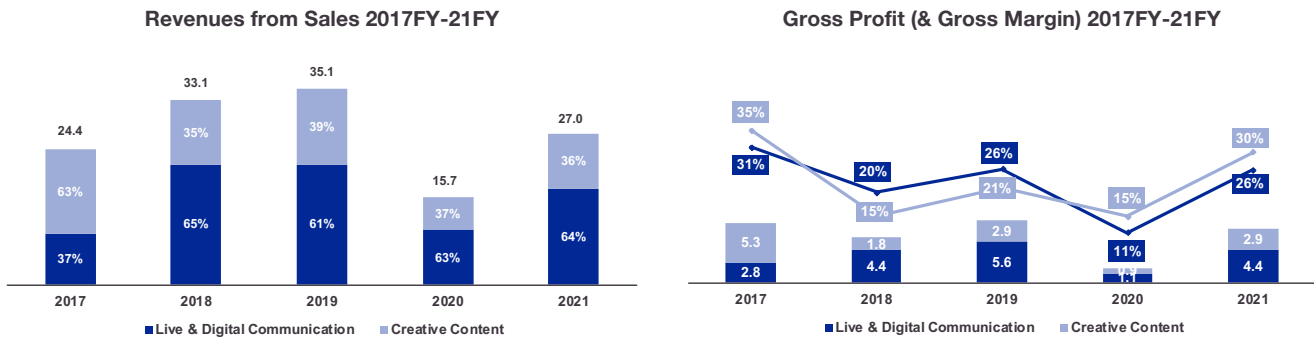
Source: Casta Diva, Value Track Analysis

Gross Margin as well, (calculated as the difference between Revenues from Sales and Costs of Production), suffered a bit of volatility changing from year to year but averaging around 20%-25%.

However, the Communication business unit seems to be the one that rebounded more in FY21, especially after the full establishment of the Group digital events offer, with 2021FY Gross Margin at ca. 30% (up 9 pp vs. 2019) vs. 26% of Creative Content BU.

Obviously, also Gross Profit in absolute terms was deeply volatile.

**Casta Diva Group: Revenues from Sales and Gross Profit (Revenues – Production Costs) evolution by BU**



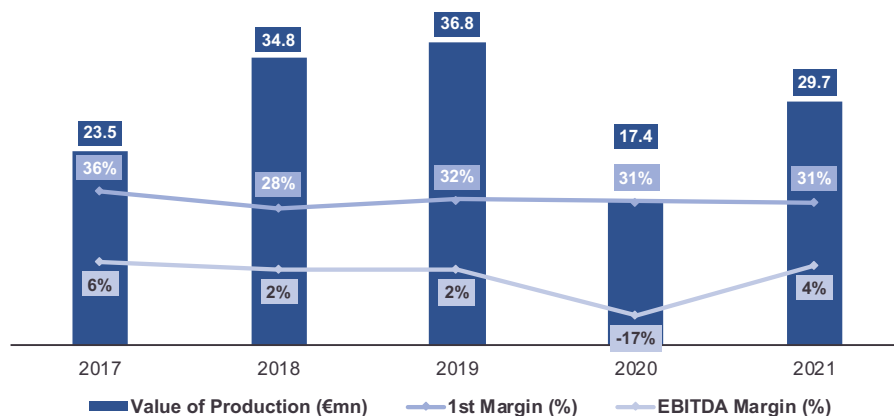
Source: Casta Diva, Value Track Analysis

**2. Stagnant Profitability, with EBITDA margin in the low single digit space**

Despite a 1<sup>st</sup> Margin, (difference between Value of Production and Direct/Variable Costs), stable at ca. 30% along the whole 2017FY-21FY period, the EBITDA Margin has always been low single digit (and negative in 2020FY), especially burdened by Service Costs.

This is a sign, in our view, of a lack of critical mass that has not allowed in the past any economy of scale or positive operating leverage.

**Casta Diva Group: Value of Production, 1<sup>st</sup> Margin, EBITDA Margin evolution**

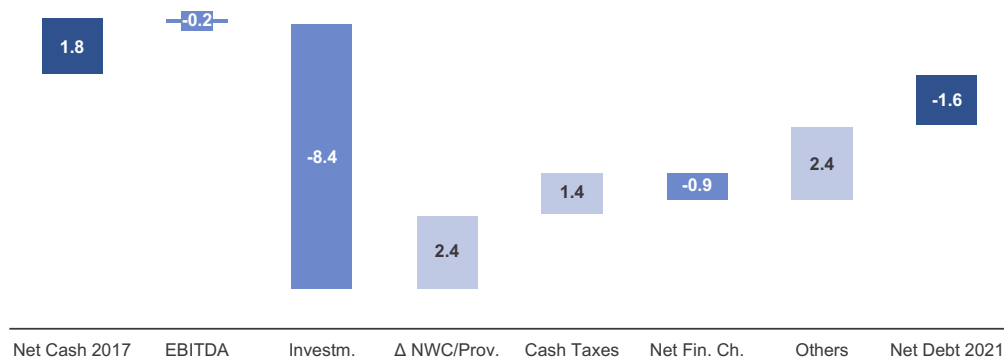


Source: Casta Diva, Value Track Analysis

### 3. Heavy Cash Absorption

A favourable trend of Net Working Capital and Provisions was not enough to offset the high level of cumulated investments (including costs capitalizations). As a matter of fact, Net Debt stood at €1.6mn as of 2021FY vs. Net Cash of €1.8mn in 2017FY despite some minor capital increases (included in “Others” in the chart below).

#### Casta Diva Group: Net Financial Position bridge 2017FY-21FY



Source: Casta Diva, Value Track Analysis

#### Casta Diva: P&L 2019FY-21FY

(€mn, IT GAAP)	2019FY	2020FY	2021FY	Δ y/y (%)
Value of Production	36.8	17.5	29.7	70.3%
EBITDA	0.8	-3.0	1.2	n.m.
EBIT	-0.4	-3.4	0.5	n.m.
<b>Net Profit</b>	<b>-0.4</b>	<b>-3.4</b>	<b>0.4</b>	<b>n.m.</b>

Source: Casta Diva, Value Track Analysis

#### Casta Diva: Balance Sheet Structure 2019FY-21FY

(€mn, IT GAAP)	2019FY	2020FY	2021FY
Total Capital Employed	10.7	8.1	8.3
Group Net Equity	9.0	5.9	6.7
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>-2.2</b>	<b>-1.6</b>

Source: Casta Diva, Value Track Analysis

#### Casta Diva: Cash Flow Statement 2019FY-21FY

(€mn, IT GAAP)	2019FY	2020FY	2021FY
EBITDA	0.8	-3.0	1.2
Investments	-1.9	-1.9	-0.7
Δ Net Working Capital / Prov.	-1.4	4.1	-0.1
<b>OpFCF b.t.</b>	<b>-2.5</b>	<b>-0.8</b>	<b>0.3</b>
Net Fin. Charges / Cash Taxes	0.1	0.0	-0.1
Other (incl. equity injections)	1.5	0.3	0.3
<b>Net Cash Generated (Absorbed)</b>	<b>-0.8</b>	<b>-0.5</b>	<b>0.6</b>

Source: Casta Diva, Value Track Analysis

### Cyclical Reference Markets with Low Bargaining Power for small size suppliers

CDG is active in the **Advertising & Media industry**, operating in two different branches of the marketing services arena however both strictly correlated with the amount of communication and marketing budget allocations of corporates, either dedicated towards the so-called **M.I.C.E. sector**, i.e. “Meetings, Incentives, Conference, Events” (BU Live & Digital Communication), or the **production of TV commercials and/or web/social media branded content** (BU Creative Content).

These are very rich markets, but with some intrinsic features have to be considered:

- ◆ **Strong cyclicity**, i.e. high direct correlation with GDP evolution and heavy exposure to macroeconomics shocks such as recessions or covid-19-like settings;
- ◆ **Never ending evolution**, with new communication strategies / tools rapidly taking the centre of the scene;
- ◆ **Suppliers’ low bargaining power** vs. industry clients, i.e. usually large corporations with pre-established advertising/marketing budget allocations dealing with a plethora of service suppliers.

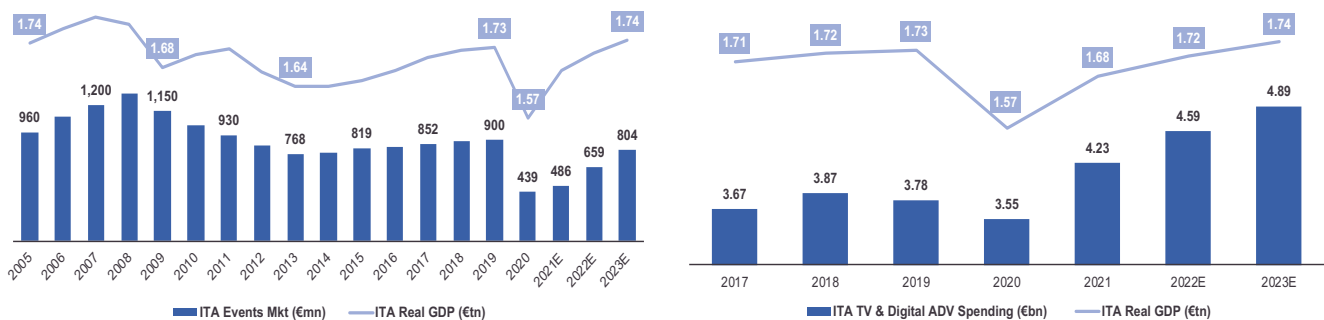
#### Strong Cyclicity

Corporates marketing spending is obviously affected by macroeconomic conditions and often the first one to be cut and restored during and after recessions.

This was true in Italy in the latest recession periods (2008-2009, 2011-2012, 2020) both in the MICE sector (events and so on) and in the Advertising one.

The pandemic was even worse than usual period of crisis due to lockdowns, not allowing the organization of any physical event at all.

Italian Events Market (lhs) and Italian TV & Digital Advertising Spending (rhs) vs. Italian GDP evolution



Source: ADC Group (BEA 2021), Statista, IMF (World Economic Outlook April 2022), Value Track Analysis



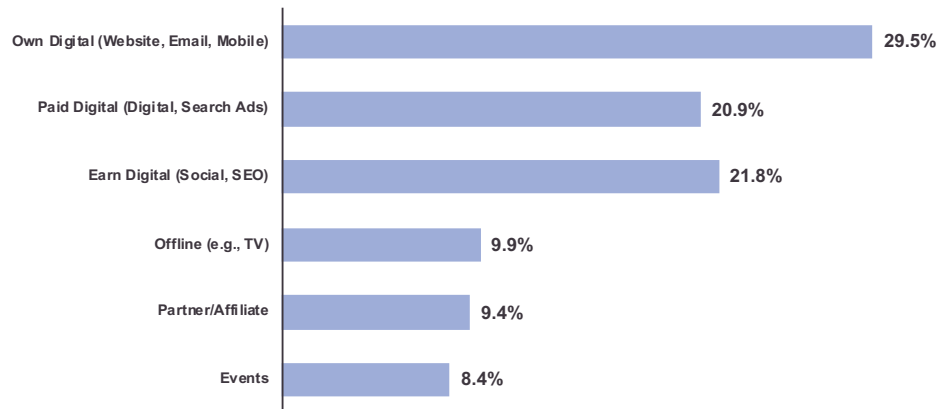
### Never ending evolution

Markets such as Live & Digital communication and Creative Content Production are always subject to fast innovation with new communication strategies / tools rapidly taking and leaving the center of the scene.

Covid-19 outbreak has exacerbated the markets development pace, with the necessity (or opportunity) for corporates to find new ways of interaction based on cost-efficient digital and hybrid tools, therefore affecting companies more intensively active in the M.I.C.E. sector unable to shift their offer to digital/hybrid modes.

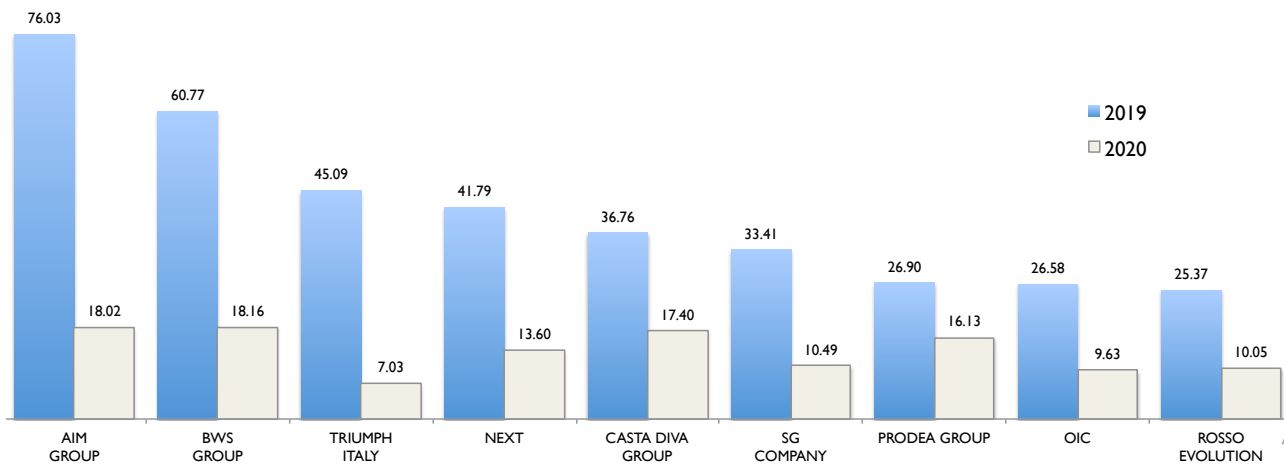
Hence, many small players with no business diversification outside of the organization of in-person events were unable to survive the pandemic or saw their top line almost completely slashed vs. 2019.

### 2021 Marketing Spending Allocation by Channel (%)



Source: Gartner (The State of Marketing Budget and Strategy 2021), Value Track Analysis

### Value of Production of the Top Italian Companies of the Live Communication Market



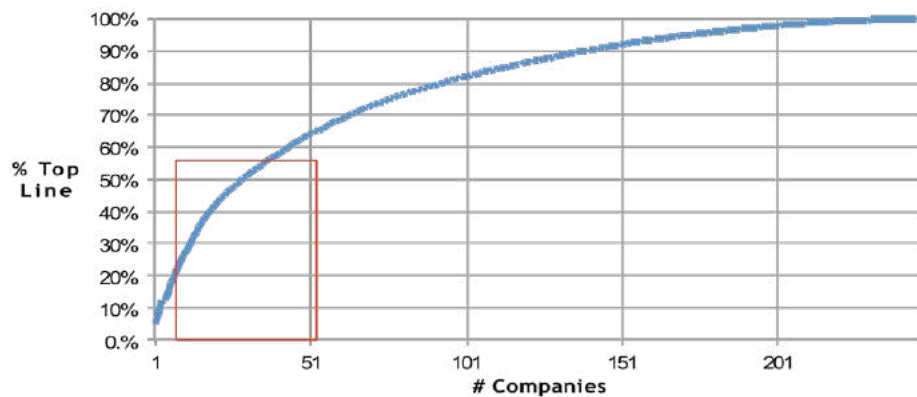
Source: Casta Diva Group Industrial Plan 22-24

### Low Bargaining Power for small size suppliers

Markets such as Digital & Live communication and Creative Content Production are almost always boasting a low bargaining power of suppliers vs. clients because of:

- ◆ **Small size of suppliers.** For instance, the Italian Live Communication market counts 250 companies, with the first 50 agencies weighting ca. 60% of total market value and a pre-Covid median top line of only €2.6mn;
- ◆ **Huge size of clients,** usually large multibillion companies (for example, look at Casta Diva and Genius client base) in search of a one-stop shop and mainly driven by price concerns.

#### Italian Live Communication Market Fragmentation



Source: Casta Diva, Value Track Analysis

### Troubled Governance and Organizational Structure

In our view, CDG economic and financial performance in 2017FY-21FY has been burdened also by some company specific effects:

- ◆ Troubled corporate governance;
- ◆ Volatile organizational structure.

#### Troubled corporate governance

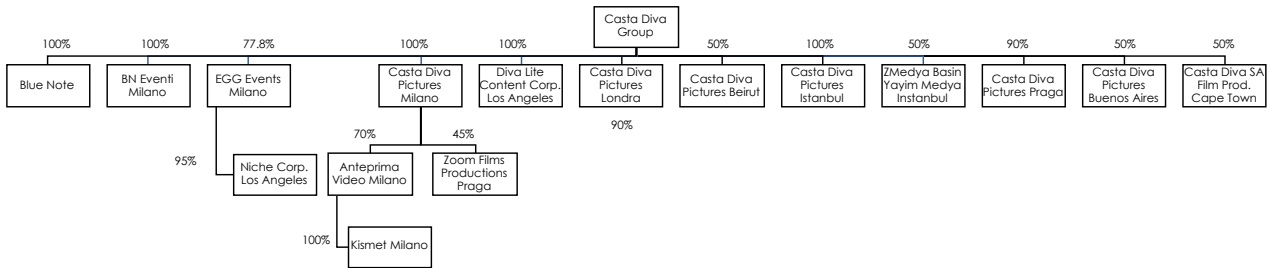
In the past CDG had to deal with some litigations that for sure have drained focus and resources:

- ◆ In 2018, an M&A deal on Monaco Growth Forums (MGF) turned into a \$15mn lawsuit (now legally-closed with no damage for CDG), with the seller;
- ◆ In 2019 Rhea Vendors, shareholder of Reload S.p.A., (the non-listed holding company that is CDG majority shareholder), started a litigation aimed at obtaining the direct control on ca. 874k CDG shares;
- ◆ In the same period Mr. Luca Oddo, CDG co-founder, decided to badly leave the company.

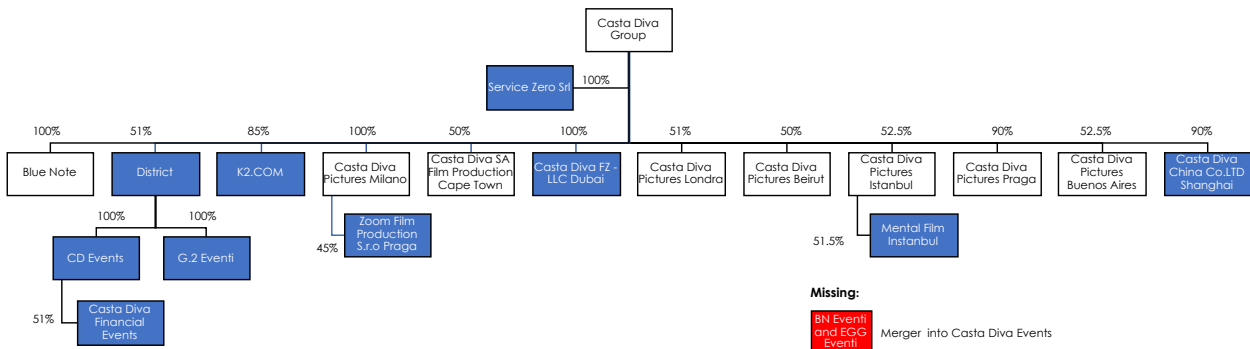
### Volatile organizational structure

In the latest few years several changes in the organizational structure took place, ranging from intra-group mergers to spinoff, from new units setup to closure, from acquisition of stakes in foreign subsidiaries to their divestiture. All this resulting in the difficulty to achieve stable and profitable results. See Appendix for more details on this point.

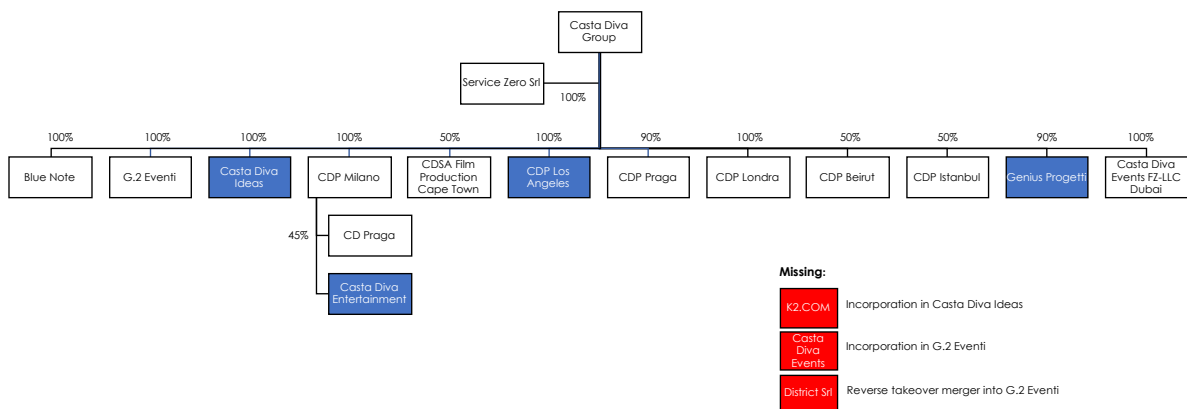
#### Casta Diva Group: Group Structure in 2016



#### Casta Diva Group: Group Structure in 2018



#### Casta Diva Group: Group Structure in 2022



Source: Casta Diva

## How can it be different from now on

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*Near-term future seems brighter thanks to the new growth strategy of the Company, focused on (i) the execution of additional M&A deals to act as market consolidator and increase size at decent multiples, (ii) organic growth and client acquisition activity in luxury verticals to become the resilient leader of its highly cyclic reference market, (iii) a stronger digitalization of the services offered while maintaining a high-end approach on events organization, hence developing a powerful hybrid value proposition, (iv) the new business opportunity given by the entrance in the OTT (“Over-The-Top”) media sector (with the newly established division “Casta Diva Entertainment”)*

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We saw before that small size players in the Live & Digital Communication and Creative Content Production boast a weak competitive positioning towards clients (low bargaining power) and towards macroeconomic downturns (no economies of scale).

Increasing in size is thus paramount for companies such as Casta Diva Group. Indeed, a higher size may trigger:

- ◆ “Snowball” effect on clients’ orders, as corporate clients are not keen in assigning big orders to small players;
- ◆ Stronger purchasing power vs. suppliers that are used to grant volume-based discounts;
- ◆ Positive operating leverage driven by better coverage of fixed costs (e.g. SG&A);

thus unlocking higher margins and eventually generating value.

Casta Diva Group management is aware about the necessity to grow its size, and is actively pursuing several ways to do it:

1. Acquiring companies / assets;
2. Entering and / or strengthening its positioning in new verticals;
3. Improving its skills in digital / hybrid tools offering;
4. Exploiting its skills in contiguous markets (e.g. OTT);

### 1. M&A opportunity: Increasing size at decent multiples

2020FY affected by covid-19 outbreak was the “death blow” for the ambitions of several players of the highly fragmented Live Communication market (ca. 250 players with a median turnover of only €2.6mn) to have a profitable future on a stand-alone basis.

This is an unprecedented market opportunity for Casta Diva Group to act as consolidator of this fragmented market by convincing these players that contributing their activities to a larger group would trigger the above mentioned “snowball effect” and allow them to maintain their identity over time, obtain new chances of success, retain the majority of the workforce and overcome downtimes without excessive damages. Indeed, CDG already boasts:

- ◆ **Industrial credibility**, achieved thanks to its longstanding track record;
- ◆ **Stock market listing**, which allows to pay with cash or with paper that can be viewed as a cash equivalent;
- ◆ **Innovative SME status**, which allows to pay managers with shares (work for equity) in a tax effective way.

Casta Diva Group has already started capitalizing on its “attraction power”. Indeed, the recent reshaping and revamping of Casta Diva Group profile is mainly the result of some very positive M&A and hiring deals that, in our calculations, are adding more than €30mn annual revenues and €4mn EBITDA, with an upfront investment (M&A cash out plus startup costs) lower than €5mn.

More specifically:

- ◆ On July 1st 2020, Casta Diva Group signed a three-year agreement signed with **Over Seas**, a company of the HDRÀ Group, aimed at leasing the "Events" business unit with a purchase option that can be exercised between the closing date and the following 30th month. The purchase price is provisionally defined as €1.5mn if, between the closing date and the next 2-years, Over Seas' cumulated turnover will be equal to or greater than €15mn and will be reduced proportionally if the turnover is less than €15mn, with a minimum price limit of not less than €0.5mn. Note that the final purchase price will subtract already paid rents and any emerged liabilities. Overall, we calculate a ca. 0.3x EV/Sales multiple;
- ◆ By the end of 2021, CDG took over the brand "**We Are Live**" and some managers specializing in the fashion & luxury sector. That contributed to the new customers onboarding, such as Bulgari, Fendi, Moncler and Zegna. CDG cashed out €60k to acquire the brand;
- ◆ In 2021, CDG launched **Casta Diva Entertainment**, the new business line dedicated to the production of content for TV and OTT platforms. The launch was possible thanks to the start of a collaboration with Massimo Righini, previously active in Banijay Italia.
- ◆ Back in April 2022, Casta Diva Group purchased the 90% of **Genius Progetti** share capital for a total €5.2mn consideration. Genius Progetti unveiled 2021A Revenues and EBITDA at ca. €23mn and €3.6mn respectively (EBITDA Margin ca. 16%), with a Net Cash position at ca. €2.3mn. We note that the deal was structured on the basis of 3.5x EV/EBITDA multiple with EBITDA being calculated as the average of the 42 months before the LoI signature, and taking into account the risk profile represented by clients concentration;

We expect CDG to negotiate more deals of this kind, with both very small players (€1mn-€5mn revenues) and with bigger ones (€10mn-€20mn) lured by a "merger of equals" scenario.

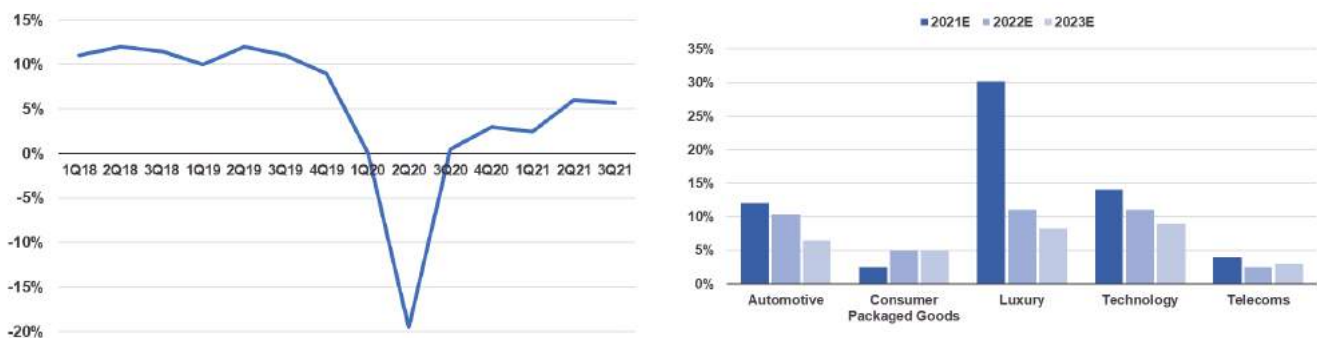
## 2. Entering and / or strengthening the positioning in new verticals

Thanks to We Are Live deal and to Genius Progetti deal, CDG is now in the position to competitively address corporates positioned in the very high end of their sectors, be them fashion players, or automotive manufacturers.

The reason to hunt potential target in these verticals is twofold:

- ◆ **Higher resiliency against macroeconomic downturns.** As seen before, real GDP growth has a deep impact on the stance of the Marketing spending related industry. Focusing on deep pocket luxury clients can thus be a smart defensive move, as this sector has demonstrated a higher long-term resiliency, (ca. 6% CAGR between 3Q19 and 3Q21);
- ◆ **Higher capacity to invest in marketing.** As a consequence of their resiliency towards GDP downturns, "luxury" players are keen in maintaining a sound and growing flow of marketing spending.

Luxury Industry Growth (Two-Year CAGRs %, lhs) and Expected Growth of Advertising Spend by Sector (y/y %, rhs)



Source: GroupM ("Global Marketing Monitor", "Portraits of Change: The New Economy", Nov. 2021), Value Track Analysis

### 3. Improving skills in digital / hybrid tools offering

Now that covid-19 restrictions and lockdowns in Europe and North America are easing up, customers journey have recalibrated, with funds flowing back to traditional medias and physical events without abandoning the successful digital format. Marketing is, thus, going hybrid with top brands trying to establish multichannel acquisition and management strategies to meet their consumers at different steps of their experiences.

Therefore, hybrid and flexible marketing content is now a must-have tool.

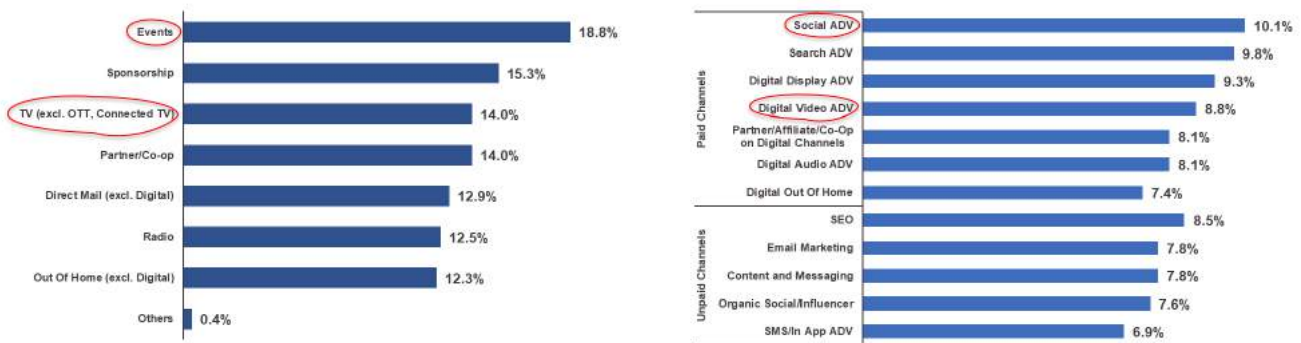
#### Marketing Spending Allocation between Offline and Online Channels (%)



Source: Gartner (The State of Marketing Budget and Strategy 2021, 2022), Value Track Analysis

Interestingly, Casta Diva seems to be active in the most attractive channels in terms of marketing spending, both considering offline (events, TV advertising) and online (Social and Digital Video advertising) segments.

#### 2022 Marketing Spending Allocation among Offline (lhs) and Online Channels (rhs)



Source: Gartner (The State of Marketing Budget and Strategy 2022), Value Track Analysis

Given CDG great experience in the deployment of offline channels content, the Group should now concentrate on developing stronger digital skills and become a market leader in the Digital Communication sector as well.

The path has already been started during the pandemic, thanks to the organization of web events, social campaigns and concerts in streaming. However, we believe that a stronger digitalized value proposition could be achieved by bringing in-house young talent specialized in dealing with influencers and the new trends of the digital and tech industry such as NFTs and the metaverse. In this view, CDG top management does not exclude further M&A.

#### 4. New opportunities in the TV and OTT arena

The launch of Casta Diva Entertainment, new business line dedicated to the world of television, allows CDG to ride the emerging trends of the higher consumption of video contents on TV and OTT markets, especially since the new Entertainment division is able to produce proprietary formats that could then be licensed or sold to broadcasters (as has already happened with “Back in time: Un Amore da Favola”).

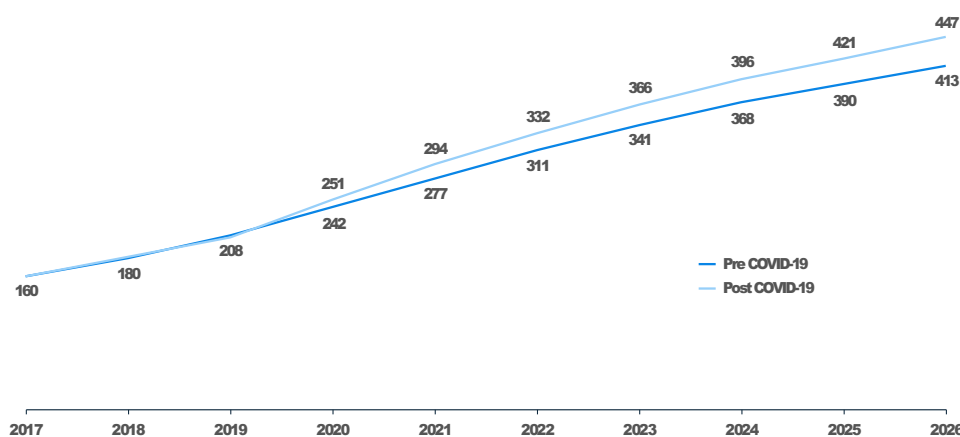
Indeed, we see strong drivers backing higher and higher needs for TV-like contents both on the demand and offer side.

##### **Demand side: Video content consumption is growing**

Covid-19 lock-in has caused demand for audio-visual content to skyrocket, creating consumer habits that will endure even as the pandemic fades.

This provides the opportunity to diversify a business that is basically strongly tied to GDP, by introducing an 'anti-cyclical' business unit capable of generating revenues even in times of economic downturn.

**Global Digital Media: Pre-Covid vs. Post-Covid revenue forecast (\$bn)**



Source: Statista Digital Market Outlook (2021)

##### **Offer side: More and more TV channels (Digital TV and OTT platforms) need content**

A phenomenon of increasing competition on the offer side is taking place driven by:

- ◆ Transition to digital Free-TV frequencies, that has boosted the number of available channels;
- ◆ Availability of ultra-wide bandwidth Internet, that is allowing the rise of a growing number of Internet based Streaming platforms (OTT), such as Netflix, Amazon Prime and HBO, offering unlimited access to their content libraries for a subscription fee (sVod - i.e. Subscription-based Video-on-Demand services).

Video streaming s-Vod in particular, is a US\$12.9bn market expected to grow at 7.3% CAGR reaching US\$26.2bn value in 2026E (Source: Statista Digital Market Outlook, 2021).

Having exclusive content to offer to viewers is more and more a necessity for OTT players if they want to gain more and more subscribers.



## Forecasts 2022E-24E

We expect Casta Diva Group to post a 31% Value of Production CAGR<sub>21A-24E</sub> to €67mn Value of Production in 2024E, mainly boosted by the contribution of Live & Digital Communication business. EBITDA Margin should increase from 4.0% in 2021A up to ca. 10% in 2024E driven by the inclusion of Genius Progetti in CDG consolidation perimeter and by positive operating leverage. Capex requirements and negative Working Capital should lead to ca. 85% OpFCF/EBITDA conversion rates thus allowing CDG to remain slightly cash positive.

### Introduction

As far as 2022E-24E CDG financial forecasts are concerned, we note that our estimates are:

- ◆ Built under IT GAAP principles;
- ◆ Based on current consolidation perimeter, thus not factoring any future M&A;
- ◆ Developed bottom-up, driven by the evolution of the single entities of the Digital & Live Communication and Creative Content Production business units.

### 2022E-24E at a glance

For 2022E-24E fiscal years, we forecast:

- ◆ **Value of Production** to post **31% CAGR<sub>21A-24E</sub>** to ca. **€67mn in 2024E**;
- ◆ **1<sup>st</sup> Margin** to remain stable around 30% and totaling **€20.8mn in 2024E**.
- ◆ **EBITDA** to reach **€6.6mn in 2024E**, with **EBITDA margin at 9.8% in 2024E**;
- ◆ **OpFCF (b.t.)** at ca. **€5.6mn in 2024E** (85% OpFCF / EBITDA conversion);
- ◆ **Net Cash** to increase by €1.9mn on a cumulative basis and stand at **€2.5mn in 2024E**.

### Casta Diva Group: Key Forecasts 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E	CAGR 21A-24E (%)
<b>Value of Production</b>	<b>29.7</b>	<b>58.5</b>	<b>63.5</b>	<b>67.0</b>	<b>31.1%</b>
<b>1<sup>st</sup> Margin</b>	<b>9.2</b>	<b>18.1</b>	<b>19.7</b>	<b>20.8</b>	<b>31.2%</b>
<i>1<sup>st</sup> Margin (%)</i>	30.9%	31.0%	31.0%	31.0%	5bps
<b>EBITDA</b>	<b>1.2</b>	<b>4.9</b>	<b>5.9</b>	<b>6.6</b>	<b>76.6%</b>
<i>EBITDA Margin (%)</i>	4.0%	8.3%	9.3%	9.8%	581bps
<b>OpFCF (b.t.)</b>	<b>0.3</b>	<b>4.2</b>	<b>4.9</b>	<b>5.6</b>	<b>n.m.</b>
<i>OpFCF (b.t.) / EBITDA (%)</i>	24.5%	86.3%	83.2%	84.3%	n.m.
<b>Net Fin. Pos. [Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.3</b>	<b>2.5</b>	<b>n.m.</b>

Source: Casta Diva, Value Track Analysis

In our view, key features of the forecasted financial evolution are:

- 1. Substantial Top Line contribution from Genius Progetti**, coupled with solid organic growth of historical business entities and of Casta Diva Entertainment;
- 2. High profitability of Genius and positive operating leverage effect;**
- 3. Low Capex and Net Working Capital requirements.**

### Growth expected everywhere

After the 2021A rebound, we expect Casta Diva to continue growing. Indeed, the Group should post a **Value of Production 31% CAGR<sub>21A-24E</sub>**, reaching **€67mn in 2024E**, mainly thanks to:

- ◆ Substantial contribution of Genius Progetti, adding ca. €25mn yearly Revenues, with Ferrari becoming the first client in terms of concentration of the entire Group;
- ◆ Significant organic growth from historical business entities, with many of them getting closer or even overperforming pre-pandemic results. Among them, Blue Note and Casta Diva Pictures should grow at the highest rates (not considering Genius and CDE), i.e. at 27% and 20% CAGR<sub>21A-24E</sub>, respectively;
- ◆ Acceleration of the newly established **Casta Diva Entertainment**, that should total €4.0mn revenues in 2024E, increasing at a 36% CAGR<sub>21A-24E</sub>.

#### Casta Diva Group: Revenues from Sales evolution by BU 2021A-24E

(mn, IT GAAP)	2021A	2022E	2023E	2024E	CAGR 21A-24E (%)
<b>Creative Content (Casta Diva Pictures)</b>	<b>9.7</b>	<b>14.0</b>	<b>16.0</b>	<b>18.0</b>	<b>23.1%</b>
<i>As a % of Total Sales</i>	<i>35.8%</i>	<i>24.3%</i>	<i>25.6%</i>	<i>27.3%</i>	<i>-853bps</i>
o/w Commercials, Branded Content	8.1	11.0	12.5	14.0	20.3%
o/w Casta Diva Entertainment	1.6	3.0	3.5	4.0	35.7%
<b>Live &amp; Digital Communication</b>	<b>17.3</b>	<b>43.5</b>	<b>46.5</b>	<b>48.0</b>	<b>40.5%</b>
<i>As a % of Total Sales</i>	<i>64.2%</i>	<i>75.7%</i>	<i>74.4%</i>	<i>72.7%</i>	<i>853bps</i>
o/w Casta Diva Ideas	4.7	5.0	5.5	6.0	8.2%
o/w G.2 Eventi	10.9	11.5	12.0	12.5	4.8%
o/w Blue Note	1.7	2.0	3.0	3.5	27.3%
o/w Genius Progetti	0.0	25.0	26.0	26.0	n.m.
<b>Revenues from Sales</b>	<b>27.0</b>	<b>57.5</b>	<b>62.5</b>	<b>66.0</b>	<b>34.8%</b>

Source: Casta Diva, Value Track Analysis

Because of Genius' weight on total, Revenues from Live & Digital Communication should more than double over 2022E and climb to €48mn in 2024E, with an implicit 40.5% CAGR<sub>21A-24E</sub>. On the other hand, the Creative Content business unit should follow back at a 23.1% annual rate.

As a consequence, the Group Revenues mix is expected to change in favour of the Communication business, gaining ca. 9 percentage points of incidence, going from 64.2% in 2021A to 72.7% in 2024E.

#### Casta Diva Group: Revenues from Sales breakdown by BU in 2021A (lhs) and 2024E (rhs)



Source: Casta Diva, Value Track Analysis

### EBITDA getting close to 10% level

Genius contribution on CDG P&L is also reflected at profitability level. We forecast Group 1<sup>st</sup> Margin stable at around 30% (in line with historical data and assuming direct/variable costs to grow in line with VoP), and **EBITDA** to grow more than proportional vs. Top Line (ca. **76.6% CAGR<sub>21A-24E</sub>**) reaching **€6.6mn in 2024E**. Hence, **EBITDA Margin** is forecasted to raise by ca. 581 bps to **9.8% in 2024E** driven by:

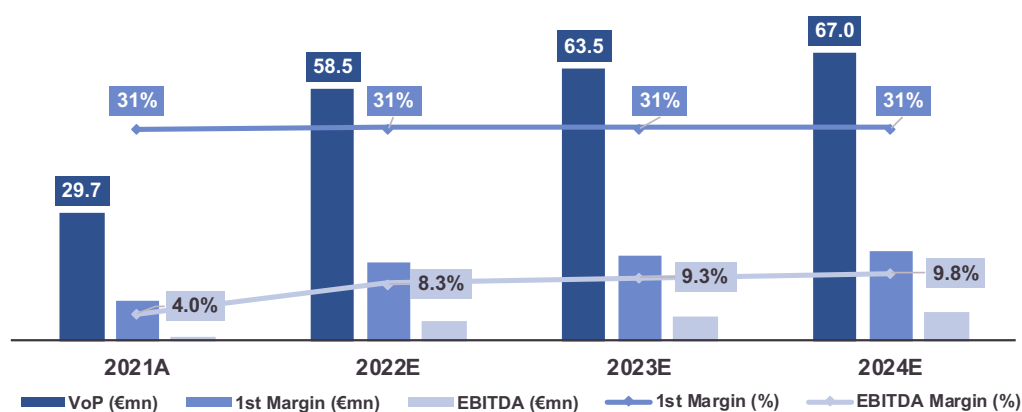
- ◆ Genius much lower fixed costs base, with the great majority of its 1<sup>st</sup> Margin being translated into EBITDA (we remind that in 2021 Genius reported €3.6mn of EBITDA with a margin of ca. 16%);
- ◆ Additional positive operating leverage effect of CDG as a whole on labour and SG&A costs.

We forecast D&A expenses to grow from €0.7mn in 2021A to ca. €1.5mn per year over the analyzed period, as a result of the restoration of full amortization accounting after the 50% suspension of the last two years adopted by CDG following OIC dispositions in response to the pandemic crisis.

However, **EBIT** should experience a brilliant growth and amount to **€5.1mn at the end of 2024E**, with **EBIT Margin at 7.6%** (+596bps).

After financial charges and taxes, we predict the Group to be able to generate **cumulated Net Profit for ca. €7.0mn 2022E-24E**

#### Casta Diva Group: VoP, 1<sup>st</sup> Margin and EBITDA evolution 2021A-24E



Source: Casta Diva, Value Track Analysis

### Capex and NWC driving 85% OpFCF/EBITDA conversion rate

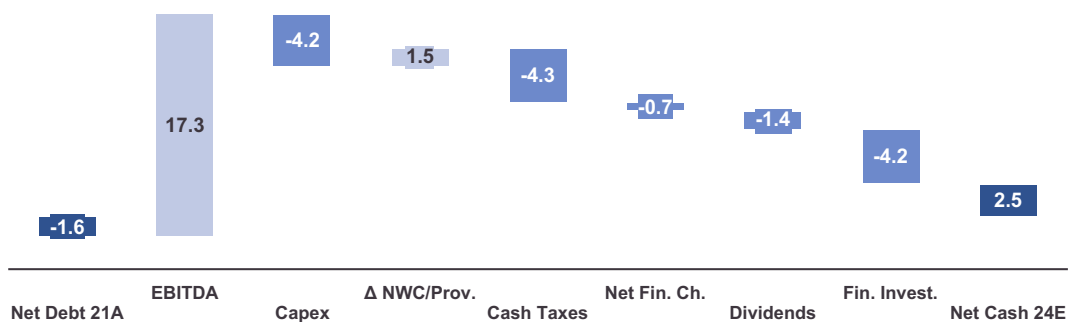
At the Balance Sheet / Cash Flow level, we expect:

- ◆ **Net Working Capital** gradually lowering to -2.2% of VoP thanks to Genius and its commercial relationship with Ferrari, that usually provides payables settlements towards the end of the year and also some advance payments for the events of the following period;
- ◆ **Net Fixed Assets** progressively increasing to €13.8mn in 2024E, consistently with the company's business perimeter expansion but still maintaining a light asset-based business.  
The increase is mainly attributable to financial investments: €1.9mn cash out in 2022E for the acquisition of Genius, and €2.5mn in 2023E (o/w €1mn related to the payment of the remaining 20% of Genius deal and €1.5mn as we expect the exercise of Overseas acquisition option);
- ◆ **Net Cash Position** lifting up to **€2.5mn in 2024E** thanks to ca. €4.1mn cumulated Free Cash Flow over 2022E-2024E. Indeed, OpFCF (before taxes) should stay at around 85% of EBITDA for

the whole period but should be absorbed by financial investments, dividends (we are assuming ca. 33% pay-out) and taxes, especially in 2022E-23E.

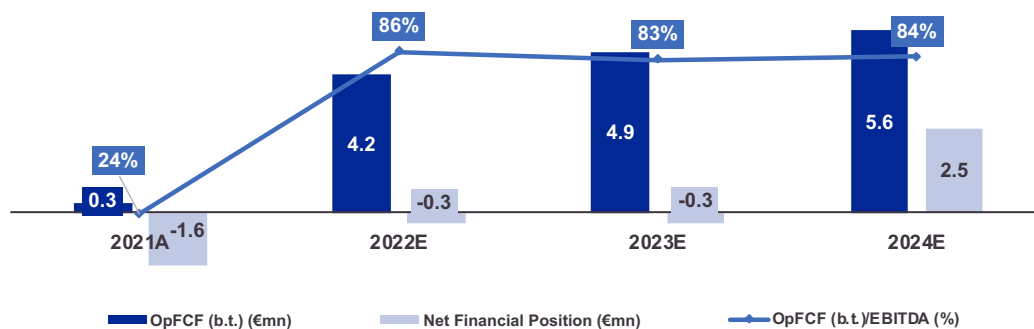
From 2024E onwards, we expect ca. €2.5mn-€3.0mn annual free cash flow, all else being equal.

### Casta Diva Group: Net Financial Position bridge 2021A-24E (€mn)



Source: Casta Diva, Value Track Analysis

### Operating FCF and Net Financial Position Evolution (€mn)



Source: Casta Diva, Value Track Analysis

### Casta Diva Group: P&L 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
<b>Revenues from Sales</b>	<b>27.0</b>	<b>57.5</b>	<b>62.5</b>	<b>66.0</b>
Other VoP Components	2.8	1.0	1.0	1.0
<b>Value of Production</b>	<b>29.7</b>	<b>58.5</b>	<b>63.5</b>	<b>67.0</b>
Direct Costs	-20.5	-40.4	-43.8	-46.2
<b>1<sup>st</sup> Margin</b>	<b>9.2</b>	<b>18.1</b>	<b>19.7</b>	<b>20.8</b>
1 <sup>st</sup> Margin (%)	30.9%	31.0%	31.0%	31.0%
Other Opex	-8.0	-13.3	-13.8	-14.2
<b>EBITDA</b>	<b>1.2</b>	<b>4.9</b>	<b>5.9</b>	<b>6.6</b>
<b>EBITDA Margin (%)</b>	<b>4.0%</b>	<b>8.3%</b>	<b>9.3%</b>	<b>9.8%</b>
D&A	-0.7	-1.4	-1.4	-1.5
<b>EBIT</b>	<b>0.5</b>	<b>3.4</b>	<b>4.5</b>	<b>5.1</b>
EBIT Margin (%)	1.7%	5.8%	7.0%	7.6%
Net Financial Charges	-0.2	-0.4	-0.3	-0.3
<b>Pre tax profit</b>	<b>0.3</b>	<b>3.0</b>	<b>4.1</b>	<b>4.8</b>
Taxes	0.1	-1.3	-1.7	-1.9
<b>Net Profit</b>	<b>0.4</b>	<b>1.7</b>	<b>2.4</b>	<b>2.9</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Balance Sheet 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Net Fixed Assets	9.6	11.4	13.9	13.8
Net Working Capital	-0.3	-0.9	-1.2	-1.5
Provisions	1.0	1.7	1.8	1.9
<b>Total Capital Employed</b>	<b>8.3</b>	<b>8.9</b>	<b>11.0</b>	<b>10.5</b>
<b>Group Net Equity</b>	<b>6.7</b>	<b>8.6</b>	<b>10.7</b>	<b>13.0</b>
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.3</b>	<b>2.5</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Cash Flow Statement 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
EBITDA	1.2	4.9	5.9	6.6
Capex	-0.7	-1.4	-1.4	-1.4
Δ Net Working Capital, Provisions	-0.1	0.7	0.4	0.4
<b>OpFCF b.t.</b>	<b>0.3</b>	<b>4.2</b>	<b>4.9</b>	<b>5.6</b>
As a % of EBITDA	24.5%	86.3%	83.2%	84.3%
Cash Taxes	0.1	-1.1	-1.5	-1.7
<b>OpFCF a.t.</b>	<b>0.4</b>	<b>3.1</b>	<b>3.4</b>	<b>3.9</b>
Net Financial Charges	-0.2	-0.3	-0.2	-0.2
Dividends Paid	0.0	0.0	-0.6	-0.8
Others (incl. Financial Investments)	0.3	-1.5	-2.6	-0.1
<b>Net Cash Generated (Absorbed)</b>	<b>0.6</b>	<b>1.3</b>	<b>0.0</b>	<b>2.8</b>

Source: Casta Diva, Value Track Analysis

## Value Track vs. CDG Business Plan 2022E-24E

Casta Diva Group has recently announced its new 2022E-24E Industrial Plan, including some economic / financial targets.

Comparing our 2022E-24E forecasts with the targets announced by the company, we underline the following:

- ◆ We do not factor any cash-out or contribution from possible future acquisitions or shares buy-back. The only M&A deal that we take into consideration in our model is the acquisition of the 90% stake in Genius Progetti, announced in April 2022 and included in our forecasts starting as of January 2022;
- ◆ While on 2022E we are basically aligned to company's Revenues and EBITDA targets, on 2023E-24E ones we are slightly more conservative due to the possible macroeconomics risks that could affect global marketing spending. Indeed, our estimates of Value of Production are about 7.7% and 4.4% lower than the BP for the years 2023E-24E, respectively; instead, as regards 2022E, our forecasts are ca. 1€mn higher;
- ◆ As far as the evolution of the Net Financial Position is concerned, we are slightly more conservative on 2022E-23E, while getting in line with company's targets in 2024E. Casta Diva Group has not provided a detailed cash flow evolution for its Net Cash targets, but we hint that they should likely include some cash out for shares buy back and M&A in 2024E that we are not including in our forecasts.

### Value Track 2022E-24E Estimates at a glance

P&L (€mn)	2021A	2022E	2023E	2024E	Cum. 22E-24E (%)	CAGR 21A-24E (%)
Value of Production	29.7	58.5	63.5	67.0	189.0	31.1%
EBITDA	1.2	4.9	5.9	6.6	17.3	76.6%
EBITDA Margin (%)	4.0%	8.3%	9.3%	9.8%	9.2%	581bps
EBIT	0.5	3.4	4.5	5.1	13.0	117.7%
EBIT Margin (%)	1.7%	5.8%	7.0%	7.6%	6.9%	594bps
<b>Net Fin. Pos. [Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>-0.3</b>	<b>-0.3</b>	<b>2.5</b>	<b>1.9</b>	<b>n.m.</b>

Source: Value Track analysis

### Casta Diva Group Industrial Plan 2022E-24E at a glance

P&L (€mn)	2021A	2022E	2023E	2024E	Cum. 22E-24E (%)	CAGR 21A-24E (%)
Value of Production	29.7	57.6	68.8	70.1	196.5	33.1%
EBITDA	1.2	4.8	6.6	7.0	18.4	80.1%
EBITDA Margin (%)	4.0%	8.3%	9.6%	10.0%	9.4%	596bps
EBIT	0.5	3.4	5.2	5.6	14.2	124.7%
EBIT Margin (%)	1.7%	5.9%	7.6%	8.0%	7.2%	633bps
<b>Net Fin. Pos. [Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>1.6</b>	<b>2.3</b>	<b>2.5</b>	<b>6.4</b>	<b>n.m.</b>

Source: Value Track analysis

## Valuation

We calculate that based on 2022E forecasts, €1.25 is a reasonable fair value for CDG shares. Indeed, it is the result of the analysis of Peers' historical 2018-22E multiples to which we have applied pretty high discounts justified by CDG lower size and consequent higher risk profile.

Casta Diva Group share price is down more than 70% vs. its 5y time high price recorded back as of June 2017, but it is up ca. 100% vs. its all-time low posted in March 2022, with the rebound being driven by the release of new Industrial Plan 2022E-24E.

### Casta Diva Group share price evolution 2017-22



Source: S&P Capital IQ, Value Track Analysis

Despite the recent rebound, at current €0.65 stock market price CDG is trading at very low multiples partially due to the uncertainties at macroeconomic and geopolitical level and partially to a not complete reckoning of how much CDG business profile and size have changed in the latest quarters.

We calculate that based on 2022E forecasts, **€1.25 per share is a reasonable fair value per share**. As we forecast CDG to increase its 2023E-24E EBITDA and EBIT by ca. €1mn per annum (€0.7mn per annum at Net Profit level), without any worsening of estimates the fair value could increase by ca. €0.25-€0.35 per annum.

### Casta Diva: Stock trading multiples at current stock market price and at 2022E fair value per share

Equity Value p/s (€)	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E (x)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
€ 0.65	0.22	0.21	0.15	2.7	2.2	1.5	3.8	2.9	2.0	6.3	4.6	3.9
€ 1.25	0.42	0.39	0.33	5.1	4.2	3.3	7.2	5.5	4.3	12.1	8.8	7.5

Source: Value Track Analysis



CDG €1.25 fair value per share is the result of the analysis of Peers' historical 2018-22E multiples to which we have applied pretty high discounts justified by CDG lower size and consequent higher risk profile.

As a matter of fact, our €1.25 fair value per share is driven by 0.55x-5.0x-7.0x-10.0x EV/Sales, EV/EBITDA, EV/EBIT, P/E fair multiples.

#### Casta Diva Group fair multiples vs. Peers' historical ones

Multiple FY1	2018-22E Sector Avg.	CDG "fair" multiples	CDG "fair" multiples vs. Sector Avg.	CDG fair equity value p.s. (€)
EV/Sales	1.0x / 1.1x	0.55x	-45% / -55%	1.46
EV/EBITDA	7.0x / 7.5x	5.0x	-29% / -33%	1.23
EV/ EBIT	9.0x / 10.0x	7.0x	-22% / -30%	1.21
P/E	12.0x / 13.0x	10.0x	-17% / -23%	1.10
<b>CDG fair equity value (€ p.s.)</b>				<b>1.25</b>

Source: Historical stock market data, Value Track analysis

#### Casta Diva: Sensitivity of implicit stock trading multiples between €0.65 and €1.85 equity value per share

Equity Value p/s (€)	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E (x)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
€ 0.65	0.22	0.20	0.15	2.7	2.2	1.5	3.8	2.9	2.0	6.3	4.6	3.9
€ 0.80	0.28	0.25	0.20	3.3	2.7	2.0	4.6	3.5	2.6	7.7	5.7	4.8
€ 0.95	0.33	0.30	0.24	3.9	3.2	2.4	5.5	4.2	3.1	9.2	6.7	5.7
€ 1.10	0.38	0.35	0.29	4.5	3.7	2.9	6.4	4.9	3.7	10.6	7.8	6.6
<b>€ 1.25</b>	<b>0.42</b>	<b>0.39</b>	<b>0.33</b>	<b>5.1</b>	<b>4.2</b>	<b>3.3</b>	<b>7.2</b>	<b>5.5</b>	<b>4.3</b>	<b>12.1</b>	<b>8.8</b>	<b>7.5</b>
€ 1.40	0.48	0.44	0.38	5.7	4.7	3.8	8.1	6.2	4.9	13.5	9.9	8.4
€ 1.55	0.53	0.49	0.42	6.3	5.2	4.2	9.0	6.8	5.4	15.0	11.0	9.4
€ 1.70	0.58	0.54	0.46	6.9	5.7	4.7	9.8	7.5	6.0	16.4	12.0	10.3
€ 1.85	0.63	0.58	0.51	7.5	6.2	5.1	10.7	8.2	6.6	17.9	13.1	11.2

Source: Value Track Analysis

For the sake of clarity, we underline that DCF model is, in our view, not the best valuation tool to address companies such as Casta Diva Group so heavily exposed to macroeconomic swings and to hiring / resignations of key people managing the budget of top tier clients.

That said, utilizing it as a sanitary cross check (and taking into account some sector specific adjustment) returns €1.77 DCF based fair value per share.

Last but not least, we note that if CDG continues in its M&A activity it can create much more value. Indeed, we calculate that adding two more companies with €10mn revenues each and profitability in line with CDG each and exploiting some Opex synergies could boost total EBITDA by more than 50% and fair value by ca. 30%.

Here follows some more details on Peers Analysis and DCF model.

## Peers' analysis

### Choice of comparables

After the latest M&A deals, CDG has increased its focus on Live & Digital Communication business, but it also maintains a presence in Creative Content Production.

As such we believe necessary to take into consideration Peers in both sectors while reckoning that CDG business model is not entirely comparable to Peers. Indeed:

- ◆ **Live & Digital Communication business.** CDG is focused on corporate events so it doesn't manage trade fairs or B2C events, and it doesn't own substantial amount of tangible fixed assets dedicated to events;
- ◆ **Creative Content Production Peers.** CDG is focuses on Executive Production so it doesn't own a significantly large library of TV / Movie rights.

That said, we have selected the following Peers:

- ◆ **Live & Digital Communication peers** - i.e. companies operating in corporate communication and advertising sector (Dentsu, Interpublic, Publicis,WPP), and firms that are notably exposed to the events sector such as exhibitions or congresses organizers or service providers (GL Events, Fiera Milano, Viad, SG Company);
- ◆ **Creative Content Production Peers** - Entertainment sector players, both Italian (Notorious Pictures, Leone Film Group, Lucisano Media Group) and foreign (Xilam Animation, Lions Gate, Thunderbird Entertainment).

### Live & Digital Communication: Peers' Business Profiles

**Dentsu** – Japanese international advertising and public relations joint stock company headquartered in Tokyo. Dentsu is currently the largest advertising agency in Japan and the fifth largest advertising agency network in the world in terms of worldwide revenues.

**GL Events** – France based company operating in the events sector with a comprehensive service offer: event design, production and logistics, venues management, exhibition and congresses organizer.

**Interpublic** – American publicly traded advertising company and provider of marketing solution. IPG consists of dozens of businesses organized into six groups, mainly operating in media services company, marketing services group, and several independent domestic digital agencies.

**Publicis** – France based company multinational advertising and public relations company. One of the oldest and largest marketing and communications companies in the world by revenue, it is headquartered in Paris.

**Viad** – USA-based company providing experiential leisure travel and face-to-face events in the United States, Canada, United Kingdom, Europe, and the United Arab Emirates.

**WPP** – British multinational communications, advertising, public relations, technology, and commerce holding company headquartered in London. The group' s companies are mainly of three types: 1) Advertising agencies; 2) Public relations firms; 3) Market research companies.

**Fiera Milano** – Trade fair and exhibition organizer headquartered in Milan. Fiera Milano mainly operates in the fields of management and organization of exhibitions, trade fairs and conferences.

**SG Company** – Italy-based digital company active in the entertainment & communication sector and focused in digital & live Communications, hybrid events, video production, consumer format, meetings & events industry.

Source: Various, Value Track Analysis

### Creative Content Production: Peers' Business Profiles

**Notorius Pictures** – One of the leading operators in Italy in the entertainment sector for the production, acquisition and marketing of film rights in all distribution channels (cinema, home video, TV, new media), and in the management of cinemas through its subsidiary Notorious Cinemas.

**Leone Film Group** – Italy-based independent company operating in the entertainment sector. It mainly deals with the production and distribution of national/international films and audiovisual contents.

**Lucisano Media Group** – Italy-based film distribution and production company founded by Fulvio Lucisano. In the distribution field, boasts collaboration with American International Pictures and O1 Distribution.

**Mondo TV** – Mondo TV is an Italian production and television distribution company. Founded by Orlando Corradi in 1985 and based in Rome, Mondo TV is a public company, quoted on the STAR segment of Borsa Italiana.

**Thunderbird Entertainment** – Canadian film and television entertainment company with offices in both the Canada and the United States of America. Thunderbird's multiple divisions develop movies and television programs for various demographics.

**Lions Gate Entertainment** – USA based entertainment company. In addition to its flagship Lionsgate Films division, the company contains other divisions such as Lionsgate Television and Lionsgate Interactive.

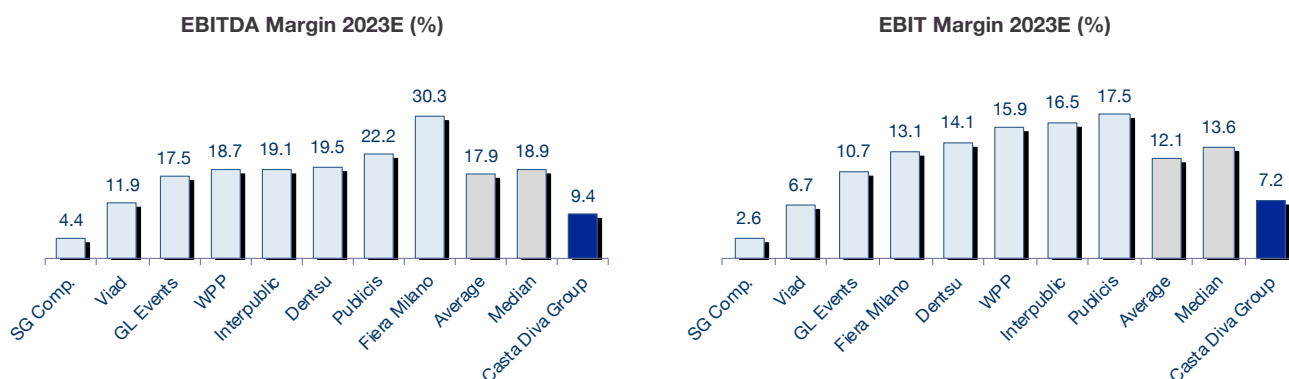
Source: Various, Value Track Analysis

### Casta Diva Group vs. Peers: a look at economic performances

Casta Diva Group boasts:

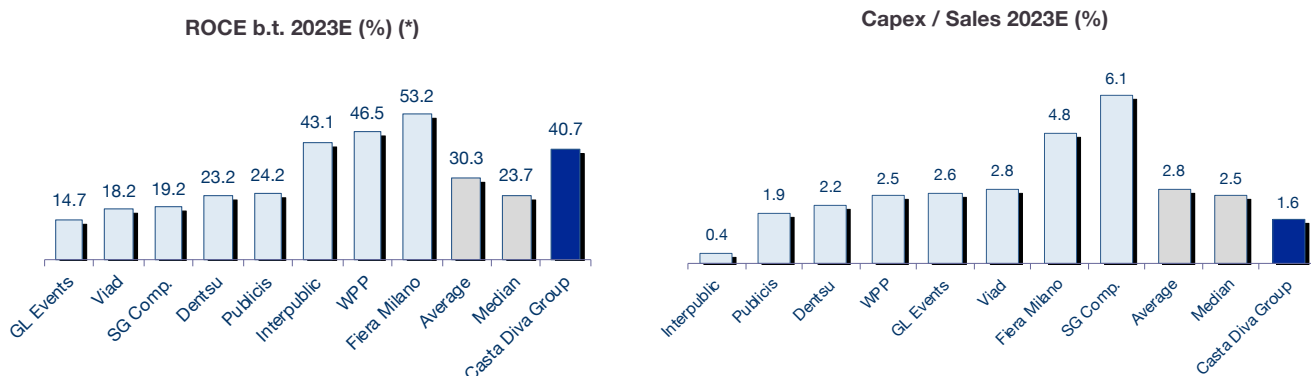
- ◆ Lower than average operating profitability ratios, given its current lower size that has not triggered operating leverage yet, and;
- ◆ Higher than average ROCE, thanks to its asset light business model.

### Casta Diva vs. Peers



Source: Market Consensus, Value Track estimates and analysis

**Casta Diva vs. Peers (cont.)**



Source: Market Consensus, Value Track estimates and analysis

**Stock trading multiples of comparable companies**

Based on 2022E market consensus forecasts, we highlight the following key figures:

- ◆ Digital & Live Communication Peers on average trade at 0.9x-7.4x-8.9x-17.4x EV/Sales, EV/EBITDA, EV/EBIT and P/E multiples respectively;
- ◆ Creative Content Production Peers on average trade at 1.1x-3.9x-8.3x-9.3x EV/Sales, EV/EBITDA, EV/EBIT and P/E multiples respectively;

thus resulting in a total average of 1.0x-5.7x-8.6x-13.3x EV/Sales, EV/EBITDA, EV/EBIT and P/E multiples respectively.

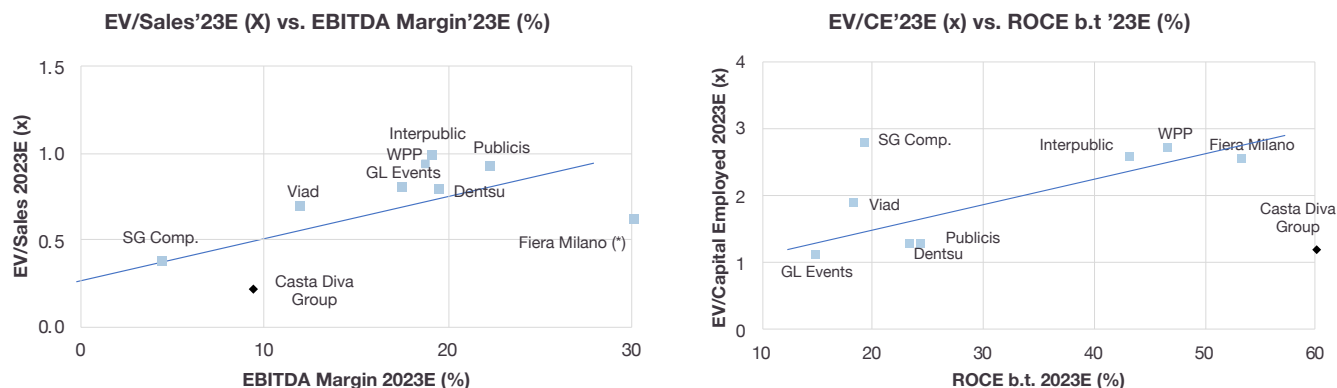
**Casta Diva Group: Current Peers' trading multiples**

Company	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E (x)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
<b>Digital &amp; Live Comm.</b>												
D&L Comm. - Average	0.9	0.8	0.7	7.4	4.9	3.9	8.9	7.5	5.7	17.4	11.7	10.8
D&L Comm. - Median	1.0	0.8	0.7	5.4	4.8	3.7	6.3	5.9	5.2	12.0	11.3	9.8
<b>Content Creation</b>												
Content - Average	1.1	0.8	0.7	3.9	3.0	2.7	8.3	8.3	6.7	9.3	5.7	12.4
Content - Median	1.1	0.9	0.7	2.8	2.0	1.8	6.5	5.4	4.7	6.0	4.4	5.1
<b>Total Average</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>5.7</b>	<b>4.0</b>	<b>3.3</b>	<b>8.6</b>	<b>7.8</b>	<b>6.1</b>	<b>13.3</b>	<b>9.1</b>	<b>11.6</b>
<b>Total Median</b>	<b>1.0</b>	<b>0.8</b>	<b>0.7</b>	<b>4.5</b>	<b>4.2</b>	<b>3.4</b>	<b>6.3</b>	<b>5.8</b>	<b>5.2</b>	<b>10.5</b>	<b>9.4</b>	<b>8.9</b>
<b>Casta Diva</b>	<b>0.22</b>	<b>0.21</b>	<b>0.15</b>	<b>2.7</b>	<b>2.2</b>	<b>1.5</b>	<b>3.8</b>	<b>2.9</b>	<b>2.0</b>	<b>6.3</b>	<b>4.6</b>	<b>3.9</b>

Source: Market Consensus, Value Track Analysis

We note that at current stock market price, Casta Diva Group is trading at massive discount compared to its Peers, a discount that it's easier to be quantified if we look at selected value maps.

### Casta Diva Group vs. Peers: Value maps



Source: Value Track Analysis, Market Consensus

### Casta Diva Group: Peers' trading multiples (detailed view)

Company	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P/E (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
<b>Digital &amp; Live Comm.</b>								
Dentsu	0.9	0.8	4.5	4.0	6.2	5.6	13.1	12.1
GL Events	1.0	0.8	6.0	4.6	10.2	7.5	14.4	9.2
Interpublic	1.0	1.0	5.6	5.2	6.4	6.0	10.9	10.6
Publicis	1.0	0.9	4.5	4.2	5.9	5.3	10.3	9.5
Viad	0.9	0.7	9.1	5.8	18.5	10.4	nm	13.0
WPP	1.0	0.9	5.3	4.9	6.3	5.8	10.3	8.6
Fiera Milano	1.2	0.6	4.1	2.1	nm	4.8	nm	12.0
SG Company	0.5	0.4	19.7	8.5	nm	14.4	45.5	18.7
<b>D&amp;L Comm. Average</b>	<b>0.9</b>	<b>0.8</b>	<b>7.4</b>	<b>4.9</b>	<b>8.9</b>	<b>7.5</b>	<b>17.4</b>	<b>11.7</b>
<b>D&amp;L Comm. Median</b>	<b>1.0</b>	<b>0.8</b>	<b>5.4</b>	<b>4.8</b>	<b>6.3</b>	<b>5.9</b>	<b>12.0</b>	<b>11.3</b>
<b>Content Creation</b>								
ILBE	0.5	0.5	0.6	0.6	3.5	3.4	2.7	2.8
Notorious Pictures	1.3	1.0	3.1	2.8	9.7	7.6	6.8	5.2
Leone Film Group	1.3	1.0	2.8	2.0	18.6	13.5	10.7	7.6
Lucisano Media Group	0.9	0.8	2.3	2.0	6.9	5.4	3.5	2.5
Mondo TV	1.2	0.9	1.6	1.2	5.0	2.7	5.3	3.5
Lions Gate Entertainment	1.1	0.9	10.6	8.0	nm	20.9	nm	nm
Thunderbird Entertainment	1.0	0.8	6.3	4.6	6.1	4.5	26.6	12.5
<b>Content - Average</b>	<b>1.1</b>	<b>0.8</b>	<b>3.9</b>	<b>3.0</b>	<b>8.3</b>	<b>8.3</b>	<b>9.3</b>	<b>5.7</b>
<b>Content - Median</b>	<b>1.1</b>	<b>0.9</b>	<b>2.8</b>	<b>2.0</b>	<b>6.5</b>	<b>5.4</b>	<b>6.0</b>	<b>4.4</b>
<b>Total Average</b>	<b>1.0</b>	<b>0.8</b>	<b>5.7</b>	<b>4.0</b>	<b>8.6</b>	<b>7.8</b>	<b>13.3</b>	<b>9.1</b>
<b>Total Median</b>	<b>1.0</b>	<b>0.8</b>	<b>4.5</b>	<b>4.2</b>	<b>6.3</b>	<b>5.8</b>	<b>10.5</b>	<b>9.4</b>

Source: Market Consensus, Value Track Analysis

## Discounted Cash Flow Model

DCF model is, in our view, not the best valuation tool to address companies such as Casta Diva Group so heavily exposed to macroeconomic swings and to hiring / resignations of key people managing the budget of top tier clients.

That said, we can utilize it as a sanitary cross check by taking into account some sector specific adjustment.

### WACC and other assumptions

We calculate a “fair” 11.5% WACC for CDG as a result of:

- ◆ 2.0% risk free rate in line with medium term target inflation;
- ◆ Implied Italian Equity Risk premium ERP at 6.42% (Source: Damodaran on line web site);
- ◆ Unlevered Beta at 1.1x that averages “official” 0.86x value provided by Damodaran for Advertising, Broadcasting and Entertainment companies, with ca. 1.3x value that we deem fair for companies with such high volatility of economic and financial results;
- ◆ 2.5% Small Size Risk Premium, appropriate when dealing with small sized companies;
- ◆ 4.0% pre-tax cost of debt;
- ◆ 3% debt / equity ratio.

Last but not least, Terminal value is calculated at 2030YE and obtained by applying a 1.0% Perpetuity Growth Rate, that we think consistent with average long term annual growth expectations for Italy.

### Casta Diva DCF based Fair Equity Value

We calculate a “fair” DCF based **€1.77 equity value per CDG share**, which is the result of:

- ◆ €34.9mn fair Enterprise Value, almost equally split between the present value of future explicit 2023E-30E cash flows and of Terminal Value at 2030E (implicit 5.1x TV/EBITDA<sub>30E</sub> and – 6.4x TV/EBIT<sub>30E</sub>);
- ◆ €0.3mn Net Debt and €0.1mn value of Treasury shares.

#### Casta Diva: DCF model

€mn	g=1.0%
PV of future cash flows (2023E-30E, €mn)	18.3
PV of Terminal value (€mn)	16.6
TV / EBITDA 2030E (x)	5.1x
<b>Fair Enterprise value (€mn)</b>	<b>34.9</b>
Net Fin. Position 2022E	-0.3
Peripheral assets (e.g. Treasury shares)	0.1
<b>Casta Diva Group Fair Equity value (€mn)</b>	<b>34.7</b>
Number of shares (mn)	19.6
<b>Casta Diva Group Fair Equity value per share (€)</b>	<b>1.77</b>

Source: Value Track Analysis

## Appendix 1: Historical Milestones

- ◆ In 2005, Casta Diva Pictures S.r.l. (now Casta Diva Group) was **founded in Milan by Andrea de Micheli and Luca Oddo**, both already active in the industry but for different production firms. In the same year, internationalisation began through the **acquisition of Casta Diva Pictures Prague**;
- ◆ In 2007, **the Company acquired Egg Events**, a Milan-based events company specializing in conventions, roadshows, new product launches, music events, exhibition stands, team building, festivals, press conferences, web events and VIP parties;
- ◆ In 2009, the second foreign subsidiary **Casta Diva Pictures was opened in Buenos Aires**. The same year, **Rhea Vendors Group Spa**, an Italian-based vending machines manufacturer, **acquires a 10% stake in Casta Diva Pictures S.r.l.** (in 2016, at the time of the reverse merger, all the shareholders of Casta Diva Pictures S.r.l. will transfer their shares to the newly incorporated "Reload S.r.l.": 40% De Micheli, 40% Oddo, 10% Rhea Vendors Group, Fabio Nesi (5%) and Raffaele Cozza (5%));
- ◆ **Between 2010 and 2014, the Group opened new locations under the Casta Diva Pictures brand** in London, Manchester, Istanbul, New York, Los Angeles and Cape Town, reaching a total of nine locations globally;
- ◆ In 2011, a representative office of Casta Diva Pictures was established in Mumbai;
- ◆ In 2014 Egg Events opens a second office in Rome;
- ◆ In 2015, CDP Buenos Aires opens a representative office in Montevideo;
- ◆ In 2016, both the **acquisition of Anteprema Video** and the listing on the AIM Italia Stock Market are finalized: **Casta Diva Group become a publicly traded company** thanks to a **reverse merger into Blue Note**. In the same year, the Group continues its expansion with the inauguration of Casta Diva Pictures Beirut, intended to serve the Arabic-speaking market;
- ◆ In 2018, Casta Diva Group announced the **establishment of District**, a newco into which 100% of Casta Diva Events (CDE) was transferred, while Fiducia (Newco of Matteo Valcelli and Ernesto Pellegrini) has been 100% absorbed by G.2 Eventi and Mete Travel and Events (which are both transferred into District too). In the same year, CDG announced the birth of K2Com, as part of the reorganization of the business into 3 strategic areas, which however was not later maintained;
- ◆ In **2020**, CDG adopted a **series of actions to simplify the group structure**: 1) Incorporation of K2Com in Casta Diva Ideas S.r.l (previously Casta Diva Financial Events S.r.l.); 2) Incorporation of Casta Diva Events S.r.l. (a wholly-owned indirect subsidiary of District S.r.l.) into G.2. Eventi S.r.l.; 3) Reverse takeover merger of District S.r.l. into G.2. Eventi S.r.l.; 4) Acquisition of the remaining 55% stake in Casta Diva Prague SRO, which leads to a 100% ownership; 5) sale of 31% of Casta Diva Pictures SA Buenos Aires, which reduced the share to 19%, taking it out of the scope of consolidation.
- ◆ Again in 2020, **Over Seas Srl's** events business unit is rented, resulting in the acquisition of certain contracts with key clients such as Poste Italiane and Enel;
- ◆ In January 2021, **Casta Diva Entertainment is founded**, focused on the production of content for Free TV and OTT platforms;
- ◆ In 2022, **CDG acquired a 90% stake in Genius Progetti**, active in the luxury events sector. The onboarding of new fashion/luxury-specialized executives, led to the acquisition of new clients such as Bulgari, Fendi, Moncler and Zegna.



## Appendix 2: Board of Directors structure

Casta Diva Group's Board of Directors includes:

- ◆ **Andrea de Micheli** – CEO and Founder, produced over 1000 commercials for more than 100 top brands in 30 countries. He founded two corporate web TVs, for Enel and Intesa. He has two Master's degrees, one in cinema and one in multimedia;
- ◆ **Gianluigi Rossi** – Vice President, chartered accountant and auditor specializing in national and international corporate and contractual matters. He holds the position of director and member of the board of statutory auditors in the corporate bodies of industrial, real estate, financial, commercial and service companies;
- ◆ **Pietro Candela** –Board Member, electronics engineer graduate with an MBA from Milan Polytechnic. Previously Partner in EY and Booz & Company, he is now responsible for Alipay's Italian market development. Piero has developed a proven track record in the innovation and digital transformation of companies, participating and leading growth strategies in the media, telecommunications, financial services, retail, automotive, luxury, tourism and transport, and public sector sectors;
- ◆ **Vittorio Meloni** –Board Member, General Director of UPA, the association that represents the major Italian investors in advertising. He has been external relations director of Intesa Sanpaolo; image and communications director of Telecom Italia and Olivetti; communications manager of Alfa Romeo. He has been involved in media and publishing on several occasions. He sits on the boards of directors of the Institute for the Treccani, Auditel and ADS. He is a member of the advisory board of Save The Children;
- ◆ **Francesco Savelli** - Board Member, Chartered Accountant and Auditor, General Manager of the media company Lux Vide S.p.A. and Sole Director of the subsidiary company Film Factory (Post production and studio management services). Previously manager at Bain & Company, responsible for conducting and supervising projects strategic and financial planning areas, mainly in the Services sector. He held the position of Finance Manager at Sara Lee Branded Apparel, an American multinational active in the FMCG sector. He was a supervisor in EY with responsibility for complex audit projects at leading companies.

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