

# Casta Diva

Sector: Business Services



## Positive business momentum still there

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.

### 2023E looking brilliant, as it was 2022FY

Some days ago, Casta Diva Group's Shareholding Meeting eventually approved FY22 figures that mark the best year in the company's history, i.e. triple digit y/y growth of the top line, skyscraping operating profitability and positive Net Cash position.

The hints provided so far on 2023 business evolution are encouraging as well, as the whole market is still growing and CDG is gaining market share. Indeed, in 1Q23 Value of Production was up +73.4% y/y to €21.2mn and backlog to be fulfilled within 2023 year-end stood at €41.6mn. The two values combined means that some 72% of the whole 2023E Value of Production target is already in house.

### Fine-tuning upwards 2023E-24E estimates again

On the back of the positive hints provided so far, we are fine tuning upwards our 2023E-24E forecasts (and unveiling 2025E ones) for the 2<sup>nd</sup> time in the recent months: Value of Production has been revised upwards by ca 8%-9% per annum, EBITDA-EBIT-Net Profit up more than proportionally, (+15%, +20%, +25% p.a. respectively) thanks to positive operating leverage, only partially offset by higher G&A costs.

As a result of the change in estimates we are now higher than CDG 2023E-24E targets, while a bit lower vs. 2025E ones.

### News flow at corporate level is positive as well

- ◆ CDG has confirmed that is going to distribute some €3mn cumulated dividends in 2023E-25E (we calculate an average annual 5% div. yield);
- ◆ CDG's CEO is buying shares also at current stock market price, and now owns 5% direct stake on top of the ca. 47% stake indirectly controlled through Reload Srl.

### Fair Value revised at €1.85 p/s (from €1.60)

Based on revised estimates CDG is currently trading at 0.24x - 3.0x - 3.9x EV/Sales, EV/EBITDA and EV/EBIT 2023 respectively, i.e. at ca. 76% - 45% - 60% discount respectively vs. its Peers.

We revise Casta Diva Group fair value at €1.85 per share (up from €1.60). At €1.85 fair value, CDG would trade at 0.36x-4.4x-5.8x EV/Sales, EV/EBITDA, EV/EBIT 2023E multiples, still at substantial discount vs. comparables.

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<b>Fair Value (€)</b>	<b>1.85</b>
<b>Market Price (€)(*)</b>	<b>1.31</b>
<b>Market Cap. (€m)(*)</b>	<b>26.3</b>

KEY FINANCIALS (€mn)	2022A	2023E	2024E
VALUE OF PRODUCTION	84.0	93.8	100.4
EBITDA	6.3	7.7	8.9
EBIT	3.9	5.8	7.1
NET PROFIT	1.5	2.7	3.7
EQUITY	8.2	10.6	13.8
NET FIN. POS.	2.8	3.3	6.0
EPS ADJ. (€)	0.09	0.15	0.20
DPS (€)	0.04	0.05	0.06

Source: Casta Diva (historical figures)  
Value Track (2023E-24E estimates)

KEY RATIOS (*)	2022A	2023E	2024E
EBITDA MARGIN (%)	7.5	8.2	8.9
EBIT MARGIN (%)	4.6	6.2	7.0
NET DEBT / EBITDA (x)	nm	nm	nm
EV/SALES (x)	0.1	0.2	0.2
EV/EBITDA (x)	1.2	3.0	2.2
EV/EBIT (x)	1.9	3.9	2.8
P/E ADJ. (x)	5.8	8.7	6.5
DIV YIELD (%)	6.5	3.6	4.9

Source: Casta Diva (historical figures)  
Value Track (2023E-24E estimates)

### STOCK DATA (\*)

MARKET PRICE (€)	1.31
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	26.3
ENTERPRISE VALUE (€m)	23.0
FREE FLOAT (%)	29.7
AVG. -20D VOL. (*000)	156,250
RIC / BBG	CDG.MI / CDG IM
52 WK RANGE	0.56-1.45

Source: Stock Market Data

(\*) Stock Market Price as of 29/06/23 market close



## 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	2022A	2023E	2024E	2025E
<b>Value of Production</b>	<b>84.0</b>	<b>93.8</b>	<b>100.4</b>	<b>106.3</b>
Δ y/y (%)	nm	11.7%	7.0%	5.8%
<b>EBITDA</b>	<b>6.3</b>	<b>7.7</b>	<b>8.9</b>	<b>10.2</b>
EBITDA Margin (% of VoP)	7.5%	8.2%	8.9%	9.6%
<b>EBIT</b>	<b>3.9</b>	<b>5.8</b>	<b>7.1</b>	<b>8.2</b>
EBIT Margin (% of VoP)	4.6%	6.2%	7.0%	7.8%
<b>Net Profit</b>	<b>1.5</b>	<b>2.7</b>	<b>3.7</b>	<b>4.9</b>
Δ y/y (%)	nm	77.0%	38.1%	31.8%
<b>Adjusted Net Profit</b>	<b>1.9</b>	<b>3.0</b>	<b>4.0</b>	<b>5.2</b>
Δ y/y (%)	nm	62.9%	33.8%	29.1%
<b>Net Fin. Position</b>	<b>2.8</b>	<b>3.3</b>	<b>6.0</b>	<b>8.6</b>
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-2.1	-1.0	-1.5	-2.0
<b>OpFCF b.t.</b>	<b>10.9</b>	<b>6.5</b>	<b>6.6</b>	<b>6.8</b>
OpFCF b.t. as % of EBITDA	174.3%	84.2%	73.5%	66.6%

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

## Investment case

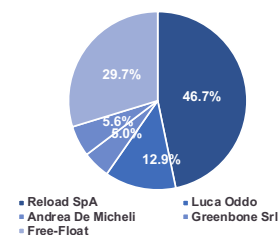
### Strengths / Opportunities

- ◆ Among top two - 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 its size.

### Weaknesses / Risks

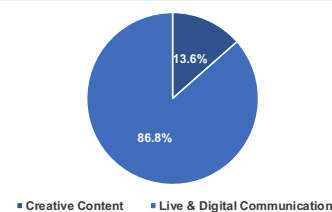
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Market exposed to macroeconomic shocks.

## Shareholders Structure



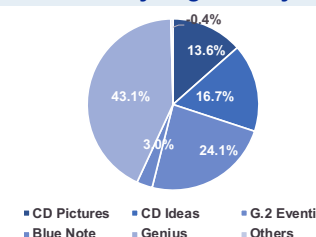
Source: Casta Diva, Value Track Analysis

## Sales breakdown by BU FY22



Source: Casta Diva Group

## Sales bkdwn by Legal Entity FY22



Source: Casta Diva Group

## Stock multiples @ €1.85 Fair Value

	2023E	2024E
EV / SALES (x)	0.36	0.31
EV / EBITDA (x)	4.4	3.5
EV / EBIT (x)	5.8	4.4
EV / CAP.EMP. (x)	4.6	4.0
OpFCF Yield (%)	19.3	21.3
P / E Adj. (x)	12.3	9.2
P / BV (x)	3.8	3.0
Div. Yield. (%)	2.5	3.5

Source: Value Track

## Recap on FY22 figures: Definitely brilliant

Back as of end of May the company has disclosed its full FY22 definitive figures, but we remind that some hints on Revenues, EBITDA, EBIT, Net Cash Position had been already provided in April.

**FY22 results are definitely brilliant**, signaling that Covid-19 crisis is eventually over and that CDG is best positioned to profit from current market rebound. FY22 can be summarized as follows:

- ◆ **Triple digit growth of the Top Line.** Indeed, Value of Production up +182% y/y at €84mn, with organic growth at ca. 40% y/y driven by the rebound of live communication volumes, and the remaining being contributed by the companies / assets acquired back in 2022, i.e. Genius Progetti and We Are Live brand;
- ◆ **Skyscraping operating profitability**, with EBITDA FY22 equal to €6.3mn, more than 2x cumulated EBITDA 2015-21 figures, thanks to positive operating leverage;
- ◆ **Net Cash Position at ca. €2.8mn**, the highest level since 2015FY, despite €2.1mn capex and €4.2mn cash absorption related to Genius Progetti acquisition.

For the sake of clarity, we reckon that such an outstanding result has been possible thanks to more than €6mn decrease in Working Capital, as Genius Progetti is usually massively cash positive at the end of the year.

### Casta Diva Group: 2019FY-22FY at a glance

(IT GAAP, €mn)	2019A	2020A	2021A	2022A
<b>Value of Production</b>	<b>36.8</b>	<b>17.4</b>	<b>29.7</b>	<b>84.0</b>
<b>1st Margin</b>	<b>11.7</b>	<b>5.4</b>	<b>9.1</b>	<b>27.3</b>
<i>1st Margin (%)</i>	<i>31.8%</i>	<i>31.1%</i>	<i>30.6%</i>	<i>32.5%</i>
<b>EBITDA</b>	<b>0.8</b>	<b>-3.0</b>	<b>0.9</b>	<b>6.3</b>
<i>EBITDA Margin (%)</i>	<i>2.1%</i>	<i>-17.1%</i>	<i>2.9%</i>	<i>7.5%</i>
<b>Adj. EBITDA</b>	<b>1.3</b>	<b>-2.5</b>	<b>1.2</b>	<b>7.0</b>
<i>Adj. EBITDA Margin (%)</i>	<i>3.6%</i>	<i>-14.2%</i>	<i>3.9%</i>	<i>8.3%</i>
<b>EBIT</b>	<b>-0.4</b>	<b>-3.4</b>	<b>0.5</b>	<b>3.9</b>
<i>EBIT Margin (%)</i>	<i>-1.1%</i>	<i>-19.5%</i>	<i>1.7%</i>	<i>4.6%</i>
<b>Net Profit</b>	<b>-0.4</b>	<b>-3.4</b>	<b>0.4</b>	<b>1.5</b>
<b>Adj. Net Profit</b>	<b>-0.1</b>	<b>-3.2</b>	<b>0.6</b>	<b>1.9</b>
<b>Net Fin. Position</b>	<b>1.8</b>	<b>-2.2</b>	<b>-1.6</b>	<b>2.8</b>

Source: Casta Diva Group, Value Track Analysis

Worthy to note, the like-for-like rebound of business volumes has been evenly distributed across the two Business Units, i.e. Creative Content Production and Live & Digital Communication, with the latter also massively impacted by the aforementioned acquisitions.

**Casta Diva Group: 2019FY-22FY BUs evolution**

(IT GAAP, €mn)	2019A	2020A	2021A	2022A
<b>Total Revenues from Sales</b>	<b>35.1</b>	<b>15.7</b>	<b>27.0</b>	<b>83.6</b>
o/w Creative Content Production	13.5	5.9	9.4	11.3
o/w Live & Digital Communication	21.5	9.8	20.4	72.6
<b>Gross Profit (Core)</b>	<b>7.1</b>	<b>0.4</b>	<b>5.6</b>	<b>17.1</b>
o/w Creative Content Production	2.9	0.9	2.6	3.3
o/w Live & Digital Communication	5.6	1.1	7.5	16.5
<b>Gross Margin (Core, %)</b>	<b>20.2%</b>	<b>2.3%</b>	<b>20.9%</b>	<b>20.5%</b>
o/w Creative Content Production (%)	21.4%	15.1%	27.6%	29.1%
o/w Live & Digital Communication (%)	25.8%	11.4%	36.7%	22.8%

Source: Casta Diva Group, Value Track Analysis

## FY23E organic growth still looking bullish

The hints provided so far on 2023 business evolution are encouraging as well, even if we remind that 4Q is usually the strongest quarter in terms of contribution on full year business volumes, so full year estimates could keep changing in the next few months.

So far, CDG has hinted at both:

- ◆ A **positive growth of the whole live & digital communication market**, showing signs of complete stabilization after 2020 sanitary crisis and 2022 geopolitical turmoil, and at:
- ◆ An **outperformance of CDG that is gaining further market share**, a confirmation that the “growth by acquisition” strategy pursued in the latest couple of years is proving right.

Indeed, we have highlighted several times how a higher size should trigger “snowball” effect on clients’ orders, as corporate clients are not keen on assigning big orders to small players, while on the contrary cannot avoid asking for quotes to market leaders.

That said, the “data points” provided so far are:

- 1) April 3<sup>rd</sup>: Approval of new 2023E-25E Industrial Plan;
- 2) April 20<sup>th</sup>: Release of unaudited 1Q23 Value of Production figures.

### 1 - New 2023E-25E Industrial Plan

Casta Diva Group announced new 2023E financial targets revising upwards the ones announced back in November 2022. Current 2023E targets are as follows:

- ◆ Value of Production at €87.2mn;
- ◆ EBITDA Adj. at € 6.7mn (Adj. EBITDA Margin at 7.7%)
- ◆ EBIT Adj. at € 4.7mn (Adj. EBIT Margin at 5.4%)
- ◆ Net Cash Position at €3.3mn.

We note that this was the third upward revision of financial targets in less than twelve months.

### Casta Diva Group: Evolution of 2023E financial targets in the latest Business Plans

	Business Plan as of:		
	May 2022	Nov. 2022	Apr. 2023
Revenues 2023E	68.8	77.6	87.2
EBITDA 2023E	6.6	5.9	6.7
EBITDA Margin 2023E	9.6%	7.6%	7.7%

Source: Casta Diva Group, Value Track Analysis

## 2 - Unaudited 1Q23 Value of Production figures

Back as of April 20<sup>th</sup>, Casta Diva Group announced that:

- ◆ 1Q23 Value of Production was up +73.4% y/y to €21.2mn;
- ◆ Backlog to be fulfilled within 2023 year-end stood at €41.6mn.

Worthy to note, the sum of 1Q23 VoP and backlog as of 31 March 2023 amounted to €62.8mn i.e. some 72% of the above mentioned full year Value of Production target.

## New 2023E-25E estimates

The whole 2023E-25E financial targets announced by CDG back in April were as follows:

- ◆ Revenues expected to grow at ca. 8% p.a. with an acceleration in 2025E, surpassing at that time the €100mn threshold;
- ◆ EBITDA expected to grow at >2x speed, i.e. average 17% p.a. with an acceleration in 2025E when it is targeted to climb at €11.1mn;
- ◆ Net Cash expected at ca. €4.5mn in 2025E, after some €3.0mn minimum dividends distribution.

### Casta Diva Group: New 2023E-25E financial targets

(IT GAAP, €mn)	2022A	2023E	2024E	2025E	CAGR 22E-25E (%)
Value of Production	84.0	87.2	94.4	105.3	7.8%
EBITDA Adj.	7.0	6.7	7.9	11.1	16.6%
EBITDA Adj. Margin (%)	8.3%	7.7%	8.4%	10.5%	nm
EBIT Adj.	3.9	4.7	5.9	9.0	29.9%
EBIT Adj. Margin (%)	4.6%	5.4%	6.3%	8.5%	nm
Net Cash Position	2.8	3.3	3.9	4.5	nm

Source: Casta Diva Group, Value Track Analysis

Based on the hints provided by the company on 1Q23 Value of Production (+73.4% y/y to €21.2mn) and on backlog to be fulfilled within the year (standing at €41.6mn as of the end of March), we believe reasonable to fine tune our 2023E-24E forecasts upwards (and to unveil 2025E ones), as follows:

- ◆ Value of Production revised upwards by ca 8%-9% per annum, mainly as a result of the bullish stance of the Live & Communication business unit;
- ◆ EBITDA-EBIT-Net Profit up more than proportionally, (+15%, +20%, +25% p.a. respectively) thanks to positive operating leverage, only partially offset by higher G&A costs;
- ◆ Net Cash Position revised mildly upwards despite €2.9mn cumulated dividends in 2023E-25E.

As a result of the change in estimates we are now higher than CDG 2023E-24E targets, while a bit lower vs. 2025E ones, especially on operating profitability evolution.

### CDG: New vs. Old 2023E-25E estimates

(€mn, IT GAAP)	2023E			2024E			2025E		
	Old	New	Change	Old	New	Change	Old	New	Change
<b>Value of Production</b>	86.6	93.8	8.3%	92.0	100.4	9.1%	--	106.3	--
<b>EBITDA</b>	6.7	7.7	14.9%	7.7	8.9	15.7%	--	10.2	--
<i>EBITDA Margin (%)</i>	7.7%	8.2%	47bps	8.4%	8.9%	50bps	--	9.6%	--
<b>EBIT</b>	4.8	5.8	20.9%	5.8	7.1	20.7%	--	8.2	--
<i>EBIT Margin (%)</i>	5.5%	6.2%	64bps	6.3%	7.0%	67bps	--	7.8%	--
<b>Net profit</b>	2.1	2.7	26.4%	2.9	3.7	27.8%	--	4.9	--
<i>Net Margin (%)</i>	2.4%	2.9%	41bps	3.1%	3.7%	54bps	--	4.6%	--
<b>Net Cash Position</b>	3.3	3.3	0.0	5.0	6.0	1.0	--	8.6	--
Group Net Equity	10.1	10.6	0.5	12.6	13.8	1.2	--	17.8	--
OpFCF b.t.	6.0	6.5	0.5	5.0	6.5	1.5	--	6.8	--

Source: Value Track Analysis

### Casta Diva Group: P&L 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E
<b>Revenues from Sales</b>	<b>84.0</b>	<b>92.8</b>	<b>99.4</b>	<b>105.3</b>
Other VoP Components	0.0	1.0	1.0	1.0
<b>Value of Production</b>	<b>84.0</b>	<b>93.8</b>	<b>100.4</b>	<b>106.3</b>
Direct Costs	-56.7	-63.3	-67.8	-71.7
<b>1<sup>st</sup> Margin</b>	<b>27.3</b>	<b>30.5</b>	<b>32.6</b>	<b>34.5</b>
1 <sup>st</sup> Margin (%)	32.5%	32.5%	32.5%	32.5%
Other Opex	-21.0	-22.8	-23.7	-24.3
<b>EBITDA</b>	<b>6.3</b>	<b>7.7</b>	<b>8.9</b>	<b>10.2</b>
<b>EBITDA Margin (%)</b>	<b>7.5%</b>	<b>8.2%</b>	<b>8.9%</b>	<b>9.6%</b>
D&A	-2.4	-1.9	-1.9	-2.0
<b>EBIT</b>	<b>3.9</b>	<b>5.8</b>	<b>7.1</b>	<b>8.2</b>
EBIT Margin (%)	4.6%	6.2%	7.0%	7.8%
Net Financial Charges	-0.5	-0.5	-0.3	-0.3
<b>Pre tax profit</b>	<b>3.4</b>	<b>5.3</b>	<b>6.7</b>	<b>8.0</b>
Taxes	-1.9	-2.6	-3.0	-3.1
<b>Net Profit</b>	<b>1.5</b>	<b>2.7</b>	<b>3.7</b>	<b>4.9</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Balance Sheet 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E
Net Fixed Assets	9.6	15.0	14.7	14.7
Net Working Capital	-0.2	-6.6	-5.7	-4.3
Provisions	1.0	1.2	1.2	1.2
<b>Total Capital Employed</b>	<b>8.3</b>	<b>7.3</b>	<b>7.8</b>	<b>9.2</b>
Group Net Equity	6.7	10.6	13.8	17.8
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>3.3</b>	<b>6.0</b>	<b>8.6</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Cash Flow Statement 2022A-25E

(€mn, IT GAAP)	2022A	2023E	2024E	2025E
EBITDA	6.3	7.7	8.9	10.2
CapEx	-2.1	-1.0	-1.5	-2.0
Δ Net Working Capital, Provisions	6.7	-0.2	-0.9	-1.4
<b>OpFCF b.t.</b>	<b>10.9</b>	<b>6.5</b>	<b>6.6</b>	<b>6.8</b>
As a % of EBITDA	174.3%	84.2%	73.5%	66.6%
Cash Taxes	-1.6	-2.2	-2.5	-2.7
<b>OpFCF a.t.</b>	<b>9.4</b>	<b>4.3</b>	<b>4.0</b>	<b>4.1</b>
Net Financial Charges	-0.4	-0.4	-0.2	-0.1
Dividends Paid	0.0	-0.7	-0.9	-1.3
Others (incl. Financial Investments)	-4.5	-2.6	-0.2	-0.2
<b>Net Cash Generated (Absorbed)</b>	<b>4.4</b>	<b>0.5</b>	<b>2.7</b>	<b>2.5</b>

Source: Casta Diva, Value Track Analysis

## GDP the risk, M&A the opportunity

As we saw, CDG is poised to post new all-time high results in FY2023.

If the short-term scenario is undoubtedly rosy (and almost rock solid), some question marks might arise on the end of the year and on 2024, as the macroeconomic stance might become weaker.

Even in a possibly less bullish market, we expect CDG to keep working on both organic and M&A driven growth strategies, also capitalizing the stronger competitive positioning acquired in the latest couple of years. In more details:

### Organic growth strategies

We expect CDG to keep working on:

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

#### 1. 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 luxury automotive manufacturers. The reason to hunt potential target in these verticals is twofold:

- ◆ **Higher resiliency vs. macroeconomic downturns.** 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 proved an upper long-term resiliency,
- ◆ **Higher capacity to invest in marketing.** Because of their resiliency towards GDP downturns, “luxury” players are keen in maintaining a sound and growing flow of marketing spending.

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

After covid-19 restrictions and lockdowns in Europe and North America, customers journey has recalibrated, with funds flowing back to traditional medias and physical events without abandoning the successful digital format.

Thus, marketing is going hybrid with top brands trying to establish multichannel acquisition and management strategies to meet their clients at different steps of their experiences.

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

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

Casta Diva Entertainment is the business line that allows CDG to ride the emerging trends of the higher consumption of video contents on TV and OTT markets, as it is capable to produce proprietary formats that can then be licensed or sold to broadcasters.

We expect more formats to be produced in the next few years, with both Free and Pay TV players and OTT ones.

## M&A strategy

### Rationale

Casta Diva Group aims to act as consolidator of the fragmented market in which it operates in order to unlock higher margins and eventually generate value thanks to:

1. The above-mentioned snowball effect on revenues;
2. A stronger purchasing power vs. suppliers that are used to grant volume-based discounts;
3. A positive operating leverage driven by better coverage of fixed costs (e.g., SG&A).



### Attraction levers

Casta Diva Group aims to capitalize on its “attraction power” on smaller players, by convincing them that contributing their activities to a larger group would generate the above mentioned “snowball effect” and allow them to maintain their identity over time, obtain new chances of success, retain most 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 viewed as a cash equivalent,
- ◆ **Size**, which grants higher resiliency to macroeconomic shocks.

### M&A targets for 2023-2024

We expect CDG to target companies with clearly recognizable features, possibly different and complementary to CDG ones, and positive operating profitability (EBITDA margin above the 10% threshold).

Specifically, in the short term we would expect CDG to target some **agency driven content producing companies**, i.e., intermediaries amid the creative agencies and the various brands, that may allow broadening the CDG’s market share and the services range that it can deliver through scale effect.

Furthermore, we expect CDG to scout targets such as:

- ◆ **On-field event companies**, specialized in providing bartenders, hostesses, and stewards for sales and sponsorships to include industries such as tobacco / alcohol that cannot advertise through the traditional channel;
- ◆ **MarTech companies**, as this would enable CDG to offer additional services to its customers to optimize their digital marketing campaigns.

## Valuation

Based on revised estimates and updated stock trading multiples for Peers, we calculate that **CDG is currently trading at 0.24x - 3.0x - 3.9x EV/Sales, EV/EBITDA and EV/EBIT 2023 respectively, i.e. at ca. 76% - 45% - 60% discount respectively vs. its Peers.**

Sector multiples are a bit lower compared to our latest report, likely due to the fears regarding the current macroeconomic and geopolitical uncertainties that could have an impact on particularly cyclical reference markets such as those where CDG is active, but this is not a reason for such wide discounts, in our view.

That said, we revise Casta Diva Group **fair value at €1.85 per share** (up from €1.60) on the back of the higher financial estimates.

At €1.85 fair value, CDG would trade at 0.36x-4.4x-5.8x EV/Sales, EV/EBITDA, EV/EBIT 2023E multiples, still at substantial discount vs. comparables.

### Casta Diva Group: Sensitivity of implicit stock trading multiples between €1.40 and €2.60 Equity Value p/s

Equity Value p/s (€)	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)	
	2023E	2024E	2023E	2024E	2023E	2024E
€ 1.40	0.26	0.22	3.2	2.4	4.2	3.1
€ 1.55	0.30	0.25	3.6	2.8	4.8	3.5
€ 1.70	0.33	0.28	4.0	3.1	5.3	3.9
<b>€ 1.85</b>	<b>0.36</b>	<b>0.31</b>	<b>4.4</b>	<b>3.5</b>	<b>5.8</b>	<b>4.4</b>
€ 2.10	0.4	0.4	5.0	4.0	6.7	5.1
€ 2.35	0.5	0.4	5.7	4.6	7.5	5.8
€ 2.60	0.5	0.5	6.3	5.1	8.4	6.5

Source: Value Track Analysis

### Casta Diva Group: Fair Multiples vs. Peers'

Multiple	Average 2023E	CDG "fair" multiples	CDG "fair" multiples vs. Average	CDG fair equity value p.s. (€)
EV/Sales	1.0x	0.4x	-60%	1.94
EV/EBITDA	5.4x	4.0x	-26%	1.71
EV/ EBIT	9.2x	6.0x	-35%	1.91
<b>CDG fair equity value (€ p.s.)</b>				<b>1.85</b>

Source: Market Consensus, Value Track Analysis

We also add that using a DCF as a sanitary cross check (obviously, not the best valuation tool to address companies heavily exposed to macroeconomic swings) returns a €2.45 fair value per share.

## Peers' analysis

CDG boasts presence in both Live & Digital Communication and Creative Content Production businesses. As such we 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, 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, the Peers we usually take into account for CDG are:

- ◆ **Live & Digital Communication peers** - 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 (Lions Gate, Thunderbird Entertainment).

### Casta Diva Group: Peers' Trading Multiples

Company	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)	
	2023E	2024E	2023E	2024E	2023E	2024E
<b>Digital &amp; Live Comm.</b>						
Dentsu	0.8	0.7	4.7	3.6	7.8	5.8
GL Events	0.8	0.7	4.7	4.0	7.9	6.4
Interpublic	1.5	1.4	8.0	7.4	9.0	8.3
Publicis	1.4	1.3	6.1	5.6	7.6	7.0
Viad	0.6	0.6	5.3	4.6	8.8	6.8
WPP	0.9	0.9	4.8	4.5	5.9	5.5
Fiera Milano	1.9	1.8	6.3	6.2	16.8	20.7
SG Company	0.4	0.3	6.9	3.0	8.2	3.8
<b>D&amp;L Comm. Average</b>	<b>1.0</b>	<b>0.9</b>	<b>5.8</b>	<b>4.9</b>	<b>9.0</b>	<b>8.0</b>
<b>D&amp;L Comm. Median</b>	<b>0.9</b>	<b>0.8</b>	<b>5.7</b>	<b>4.6</b>	<b>8.0</b>	<b>6.6</b>
<b>Content Creation</b>						
Notorious Pictures	1.2	0.9	2.6	2.0	8.0	5.5
Leone Film Group	0.9	0.7	1.7	1.3	11.2	8.6
Lucisano Media Group	1.0	0.8	2.7	2.1	12.3	9.7
Lions Gate Entertainment	0.9	0.8	8.8	7.5	nm	21.2
Thunderbird Entertainment	0.7	0.6	7.5	5.2	7.2	5.9
<b>Content – Average</b>	<b>1.0</b>	<b>0.8</b>	<b>4.7</b>	<b>3.6</b>	<b>9.7</b>	<b>10.2</b>
<b>Content - Median</b>	<b>0.9</b>	<b>0.8</b>	<b>2.7</b>	<b>2.1</b>	<b>9.6</b>	<b>8.6</b>
<b>Total Average</b>	<b>1.0</b>	<b>0.9</b>	<b>5.4</b>	<b>4.4</b>	<b>9.2</b>	<b>8.9</b>
<b>Total Median</b>	<b>0.9</b>	<b>0.8</b>	<b>5.3</b>	<b>4.5</b>	<b>8.1</b>	<b>6.8</b>

Source: Market Consensus, Value Track Analysis

## Discounted Cash Flow Model

We always note 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. 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” 13.4% Rolling WACC for CDG (equal to the cost of equity) as a result of:

- ◆ 2.0% risk free rate in line with medium term target inflation;
- ◆ Implied Italian Equity Risk premium ERP at 8.08% (Source: Damodaran online 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;
- ◆ 0% 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 Group DCF based Fair Equity Value

We calculate a “fair” DCF based **€2.45 equity value per CDG share**, which is the result of:

- ◆ €45.9mn fair Enterprise Value, almost equally split between the present value of future explicit 2023E-30E cash flows and of Terminal Value at 2030E (implicit 4.4x TV/EBITDA30E);
- ◆ €2.8mn Net Cash and €0.5mn value of Treasury shares.

#### Casta Diva: DCF model

€mn	g=1.0%
PV of future cash flows (2023E-30E, €mn)	24.9
PV of Terminal value (€mn)	21.0
TV / EBITDA 2030E (x)	4.4x
<b>Fair Enterprise value (€mn)</b>	<b>45.9</b>
Net Fin. Position 2022E	2.78
Peripheral assets (e.g. Treasury shares)	0.5
<b>Casta Diva Group Fair Equity value (€mn)</b>	<b>49.2</b>
Number of shares (mn)	20.0
<b>Casta Diva Group Fair Equity value per share (€)</b>	<b>2.45</b>

Source: Value Track Analysis

## Appendix: CDG's Business Profile at a glance

### 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.

CDG is among the top two-three players in Italy in terms of revenues in its segments, with more than 80 large corporate clients such as Allianz, Enel, Fendi, Ferrari, Ferrovie dello Stato Italiane, Huawei, Intel, Iveco, Moncler, Poste Italiane, TIM and many more.

As such, the Group originates the most of its revenues in Italy, but in order to serve its client base it boasts an international presence, with local subsidiaries in Europe, North and South America, Africa and Asia.

#### Casta Diva Group: International footprint

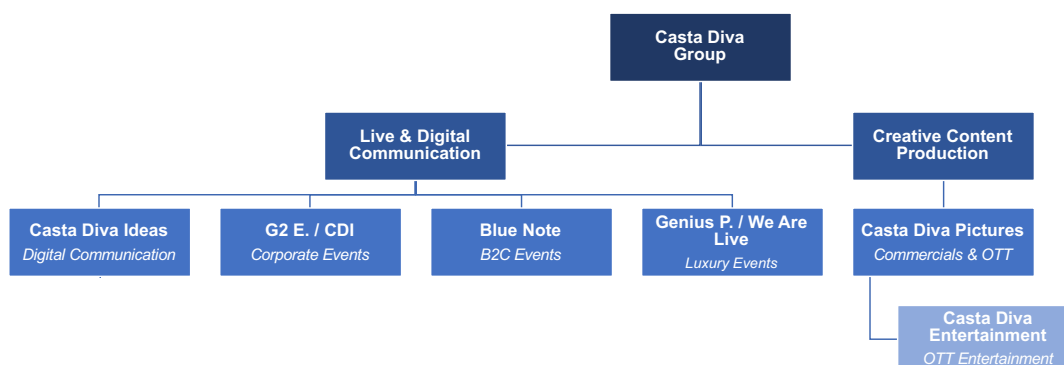


Source: Casta Diva Group

Business wise, Casta Diva Group is currently divided in two main Units:

- 1) Live & Digital Communication
- 2) Creative Content Production.

### Casta Diva Group: Simplified Group Structure by Business Units



Source: Casta Diva Group, Value Track Analysis

#### Business Unit # 1: Live & Digital Communication (ca. 86% of CDG Revenues FY22)

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.

The BU has more than 80 active corporate clients in the enterprise segment, and several thousand retail clients for its Blue Note activities. Main corporate clients are:

**G2 Eventi main clients.** Allianz Group, Ferrovie dello Stato, Clerici, Intel, Poste Italiane, Publitalia/Rti/Mediaset, Tim, Prometeon, Fpt, Leaseplan, BMW, Agis, Huawei, Marazzi, AON, Froneri, Copan, Ita, Unipol, Mediobanca, Mazda, Adecco, Telepass, Iren;

**Casta Diva Ideas main clients:** Ald Automotive, Alphaomega, Bancomat, Bulgari, Cassa Depositi e Prestiti, Enel, Enel Green Power, Enel X, Fendi, Poste Italiane, Reale Mutua, Residenza di Ripetta;

**Genius Progetti main clients:** Bulgari, Cassa Depositi e Prestiti, Fendi, Ferrari Automobili, Fondo Pimko, Humanitas, Lombardini, Moncler, Pomellato, Richard Mille, Simest, Zegna.

#### Business Unit # 2: Creative Content Production (ca. 14% of CDG Revenues FY22)

This Business Units is focused on creative content production, that's to say the origination and execution of **commercials, digital videos, branded content, corporate videos and TV / OTT content** (documentaries, movies, biopics and more). 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, Warner Bros. Discovery+, etc..) that is proving 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. In this BU the main corporate clients are: Bayer, Warner Bros. Discovery, Ez Service, Hogarth Worldwide Production Services, Conferenza Episcopale Italiana, Leo Burnett Company, Lindt & Sprungli, Masi Film, Pandora Italia, Procter & Gamble, Publicis Communications Lausanne, Publicis One Touch, Saatchi & Saatchi, Wunderman Thompson.

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