

Casta Diva

Sector: Business Services



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New M&A, New Business Plan

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

CDG Italian leader in its reference markets

As a result of organic growth and M&A deals, Casta Diva Group is already by now Italian market leader in both Live Communication and Creative Content Production, and the goal to become a €200mn-€300mn revenue national champion able to compete Europe-wide, is getting closer.

Financial targets revised upwards once again

Financial targets of the Industrial Plan released back in Spring have been more than achieved (at least for 2023E) so it came the fourth upward revision of financial targets in less than 18 months. The new Plan envisages a sound double-digit growth profile ahead with a significant profitability and cash generation enhancement. In more details, for FY26E, CDG management expects: €153mn Value of Production, (16% CAGR_{22A-26E}); €17.7mn EBITDA Adj. (11.6% EBITDA Adj. Margin vs. 8.3% in 2022A); €13.6mn EBIT Adj., (37% CAGR_{22A-26E}); €6.4mn Net Cash Pos. before dividends but after some M&A cash-out.

We note that compared to previous targets, the new business plan includes Akita Film and the soon to be acquired E-Motion (€3mn Revenues, €300k EBITDA) in the consolidation perimeter, positively impacting the Group P&L figures but taking their toll on the short-term Net Financial Position. Last but not least, it has been confirmed dividends distribution for a sum of no less than €3mn between 2023 and 2025 (already begun).

VT Estimates fine-tuning upwards

Our new estimates are a bit more conservative than CDG 2023E-25E new P&L targets, while we are more confident on FCF generation (pre-dividends distribution). In 2024E, we expect: Value of Production at €120.1mn; EBITDA Adj. at €11.6mn; EBIT Adj. at €7.4mn; Net Debt at €1.3mn.

Fair Value at €2.15 p.s. (from €2.00)

Based on revised 2024E estimates and on current €28.1mn market capitalization, CDG is currently trading at 0.34x EV/Sales, 2.9x EV/EBITDA, 4.5x EV/EBIT, definitively too low multiples, at deep discount to peers. For the fourth time in a row, we review upwards CDG fair value, this time at €2.15 (from €2.00). We also note that DCF sanity check returns a €3.10 fair value p/s.

Fair Value (€)	2.15
Market Price (€)(*)	1.40
Market Cap. (€m)(*)	28.1

KEY FINANCIALS (€mn)	2022A	2023EPF	2024E
VALUE OF PRODUCTION	84.0	110.1	120.1
EBITDA	6.3	9.0	11.6
EBIT	3.9	5.6	7.4
NET PROFIT	1.5	2.5	3.8
EQUITY	8.2	10.2	13.1
NET FIN. POS.	2.8	-5.5	-1.3
EPS ADJ. (€)	0.09	0.14	0.25
DPS (€)	0.03	0.04	0.07

Source: Casta Diva (historical figures)

Value Track (2023EPF-24E), 2023EPF with Akita for 12 months

KEY RATIOS (*)	2022A	2023E	2024E
EBITDA MARGIN (%)	7.5	8.1	9.7
NET DEBT / EBITDA (x)	nm	0.6	0.1
ROE (%)	19.5	26.1	29.8
EV/SALES (x)	0.09	0.34	0.27
EV/EBITDA (x)	1.2	4.1	2.8
EV/EBIT (x)	1.9	6.5	4.4
P/E ADJ. (x)	5.8	9.7	5.5
DIV YIELD (%)	5.2	3.2	4.7

Source: Casta Diva (historical figures)

Value Track (2023EPF-24E), 2023EPF with Akita for 12 months

STOCK DATA (*)	
MARKET PRICE (€)	1.40
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	28.1
ENTERPRISE VALUE (€m)	36.6
FREE FLOAT (%)	42.1
AVG. -20D VOL. ('000)	162,020
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	0.66 - 1.47

Source: Stock Market Data

(*) Stock price as of 05/12/2023 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	2023EPF	2024E	2025E
Value of Production	84.0	110.1	120.1	130.1
y/y (%)	nm	31.1%	9.1%	8.3%
EBITDA	6.3	9.0	11.6	13.4
EBITDA Margin (% of VoP)	7.5%	8.1%	9.7%	10.3%
EBIT	3.9	5.6	7.4	9.0
EBIT Margin (% of VoP)	4.6%	5.1%	6.2%	6.9%
Net Profit	1.5	2.5	3.8	5.1
y/y (%)	nm	67.9%	48.1%	35.1%
Adjusted Net Profit	1.9	2.9	5.1	6.4
y/y (%)	nm	55.4%	76.5%	26.0%
Net Fin. Position	2.8	-5.5	-1.3	1.5
Net Fin. Pos. / EBITDA (x)	nm	0.6	0.1	nm
Capex	-2.1	-1.5	-2.4	-2.6
OpFCF b.t.	10.9	4.2	8.7	11.4
OpFCF b.t. as % of EBITDA	174.3%	47.0%	74.6%	85.3%

Source: Casta Diva (historical figures), Value Track (estimates, 2023EPF Akita for 12 months)

Investment Case

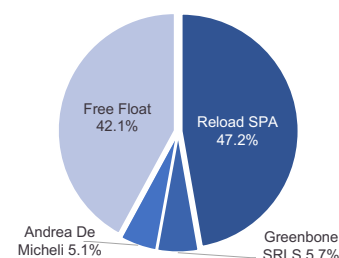
Strengths / Opportunities

- ◆ 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.

Weaknesses / Risks

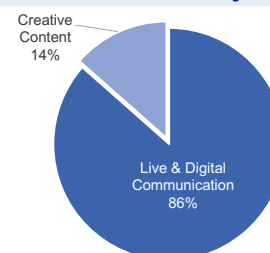
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Market exposed to macroeconomic shocks.

Shareholders Structure



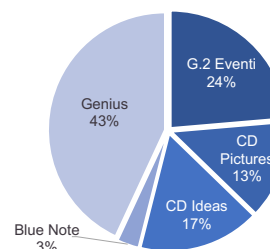
Source: Casta Diva, Value Track Analysis

Revenues from Sales by BU



Source: Casta Diva, Value Track Analysis, FY22

Revenues from Sales by Legal Entity



Source: Casta Diva, Value Track Analysis, FY22

Stock Multiples @ €2.15 Fair Value

	2023EPF	2024E
EV / SALES (x)	0.47	0.40
EV / EBITDA (x)	5.8	4.1
EV / EBIT (x)	9.2	6.4
EV / CAP.EMP. (x)	3.3	3.3
OpFCF Yield (%)	8.2	18.3
P / E Adj. (x)	15.0	8.5
P / BV (x)	4.4	3.4
Div. Yield. (%)	2.1	3.1

Source: Value Track

Another Acquisition: E-Motion SRL

After the acquisition of Akita signed less than one month ago, Casta Diva has signed a LOI for the acquisition of E-Motion, company active in the video content production market. If the M&A deal will be finalized, it will be the fourth M&A deal of the year for a total investment of €11.1mn, largely self-financed.

E-Motion Deal at a Glance

On December 4th 2023, together with the disclosure of the new business plan, Casta Diva Group has announced the signature of the LOI for the acquisition of 70% of the share capital of E-Motion Srl, Italian high-quality video production company based in Genova and specialized in corporate and event videos. E-Motion is also renowned as being one of the first companies in the world to have adopted the shooting system based on the “Red Digital Cinema” technology. E-Motion is expected to close FY23 with €3.1mn Revenues at €0.3mn EBITDA (ca. 10% EBITDA Margin).

Terms of the E-Motion Deal

The total consideration for the **70% stake** in E-Motion was agreed (pending further due diligence) at **€826k**, implying a 100% Enterprise Value of €1.18mn, calculated based on the average EBITDA of the last four years multiplied by 3.5x. The consideration will be paid by Casta Diva in two tranches (at the closing and after 18 months from the closing) without signing to new debt.

Based on FY23E financials, we calculate 0.38x EV/Sales and 3.8x EV/EBITDA implicit transaction multiples, with the deal appearing to be accretive from year one.

As part of the deal, E-Motion shareholders (Nello Brancaccio and other operating partners) will continue to manage the company under the direction and coordination of Casta Diva Group.

E-Motion Deal Rationale

The potential acquisition of E-Motion continues the path traced by the Akita deal less than one month ago, i.e.:

- ◆ Strengthening CDG competitive positioning in the video content production market, doubling the size of the Group in this business;
- ◆ Bringing additional expertise and connections in the video/film production area;
- ◆ Unlock cross-selling synergies with clients served by E-Motion (that now could be addressed by CDG Live Events business unit) and clients of CDG in needs of industrial/events video production.

Other Minor M&A Moves Recently Finalized

We flag that in the latest couple of months CDG has finalized further moves related to M&A deals of the recent past:

- ◆ Squeeze out of Genius minorities (10% stake, €1mn cash out, in line with our estimates);
- ◆ Ultimate acquisition of Overseas business (previously managed on a leasing basis, €2mn cash out, some €0.5mn higher than our estimates);
- ◆ Acquisition of 100% of Akita Film, one of the main advertising video production companies (more details in the appendix).

New Business Plan 2023E-26E

On December 4th 2023, Casta Diva Group disclosed the new business plan with financial targets up to 2026 and including in the consolidation perimeter both Akita Film (deal closed in November) and E-Motion (LOI signed, closing pending due diligence).

Outstanding results achieved so far

Domestic Leader in the Communication Industry with 130+ Top Tier Clients

Casta Diva Group is a multinational communication company with a **diversified offer** and **international reach** (11 countries, 4 continents) active in **Live Communication** (B2B and B2C events) and **Creative Content Production** (advertising spots, tv programs, formats) services.

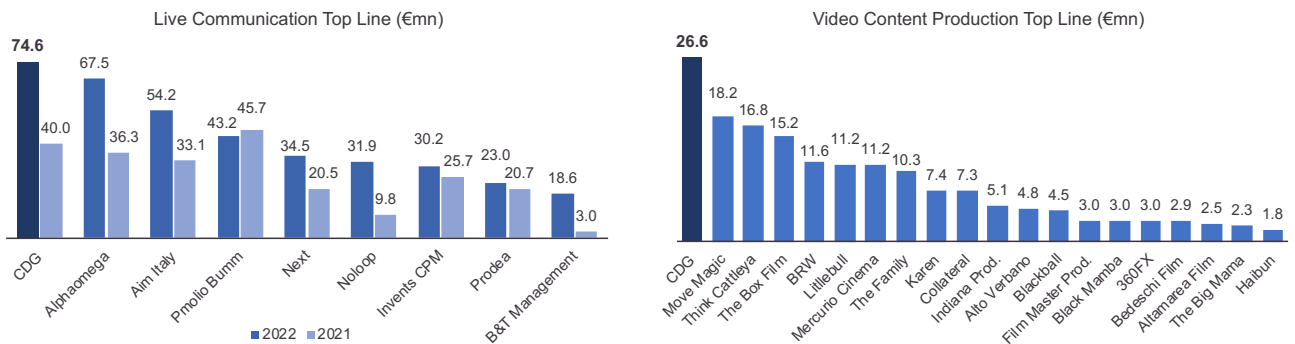
CDG has now become the **Italian communication leader**, with a **top tier client base** (130+ clients counting names such as Allianz, Enel, Fendi, Ferrari, Ferrero, Huawei, Intel, Iveco, Leonardo, Moncler, Netflix, Sky, Stellantis, TIM and many more) and **relevant partnerships**, providing **best-in-class quality services**, acknowledged by the 130+ national and international awards received.

Casta Diva Group: Top Tier Client Base (*)



Source: Casta Diva, Value Track Analysis, (*) #31 multi-year clients

Casta Diva Group: Leadership Position in both Domestic Market Segments

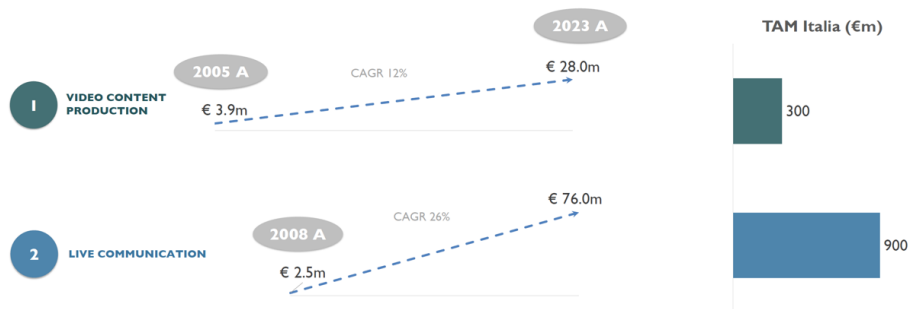


Source: Casta Diva, Value Track Analysis

Casta Diva became the domestic leader in both segments also thanks to an **outstanding M&A track record**, becoming a key market aggregator and counting 16 extraordinary operations over the last 18 years, the latest being the acquisitions of Genius Progetti (Live Communication, 2022), Akita Film and E-Motion (both active in premium Video Content Production, 2023). Since 2005, the Group has been growing at a **21% CAGR** into 2023E. As a consequence, Casta Diva is continuing to increase its market share in the most attractive sectors of the communication industry.

Casta Diva Group: Increasing Market Share in Reference Sectors

Over time, Casta Diva became the national leader in the strategic segments of the market



Source: Casta Diva, Value Track Analysis

Ambitious strategy and goals ahead

The ultimate goal for CDG management is to create a national champion with an annual turnover of €200mn-€300mn, able to compete against the larger European players.

To achieve that, the main strategic guidelines for the next three years development plan are the same that secured the impressive y/y growth of FY23, i.e.:

- ◆ **Aggregating market share** in the Italian Live Communication and Video Content Production sectors, also thanks to M&A activity;
- ◆ **Simplifying the company structure** with digitization and costs efficiencies;
- ◆ Making **sustainable operations** (so-called ESG Pact) and becoming a benefit company;
- ◆ Expanding the **offer diversification** and **international presence**, also via M&A deals;
- ◆ Integrating **new technological innovations**, also thanks the company role in Web3 Alliance;
- ◆ **Remunerating shareholders:** It has been confirmed dividends distribution for a sum of no less than €3mn between 2023 and 2025 (already begun).

Below, a summary of the strategic initiatives and objective of CDG by business unit.

Casta Diva Group: Business Plan Goals

Goals 2024-26

Live Communication	Video Content Production	Creator Economy
<ul style="list-style-type: none"> • Rationalize the structure through M&A • Partnerships with event agencies abroad • Search for opportunities in adjacent sectors: <ul style="list-style-type: none"> • Territorial events • Fashion shows • Medical congresses • Ceremonies and large events 	<ul style="list-style-type: none"> • Expand the scope through M&A (not fully embedded in BP figures) • Increase client base with other OTTs and broadcasters • Enter the world of scripted content, i.e., dramas and TV movies • Reactivate the foreign network also as business origination (as well as local production support) 	<ul style="list-style-type: none"> • M&A (not fully embedded in BP figures) • Acquisition of specific skills • Cross-selling between business units
Holding		
<ul style="list-style-type: none"> • Flattening the chain of command, simplifying group functions 	<ul style="list-style-type: none"> • Merging the company Service Zero in Casta Diva Group 	<ul style="list-style-type: none"> • Unifying ERP and CRM systems within the Group subsidiaries • Spread ESG culture

Source: Casta Diva, Value Track Analysis

Financial Targets revised up once again

Key Financials

CDG is due to close FY23 with booming financials vs. both FY22 and previous business plan figures. Preliminary top line should indeed come out at ca. €111mn (Pro-Forma, i.e. including Akita Film and E-Motion since the beginning of the year) vs. €84mn in FY22 (+33% y/y).

The plan envisages a **sound double-digit growth** profile ahead with a **significant profitability and cash generation enhancement**. In more details, for FY26E, CDG management expects:

- ◆ **Value of Production at €153mn**, 16% CAGR_{22A-26E};
- ◆ **EBITDA Adj. at €17.7mn** and EBITDA Adj. Margin at 11.6% from 8.3% in 2022A;
- ◆ **EBIT Adj. at €13.6mn**, growing at 37% CAGR_{22A-26E};
- ◆ **Net Cash Position of €6.4mn**, before dividend distribution but after some M&A cash-out.

The plan includes 1 or 2 small acquisitions that should impact FY26E financials, both in terms of P&L and Balance Sheet / Cash Flow Statement.

Market Trends and Company-Specific Drivers

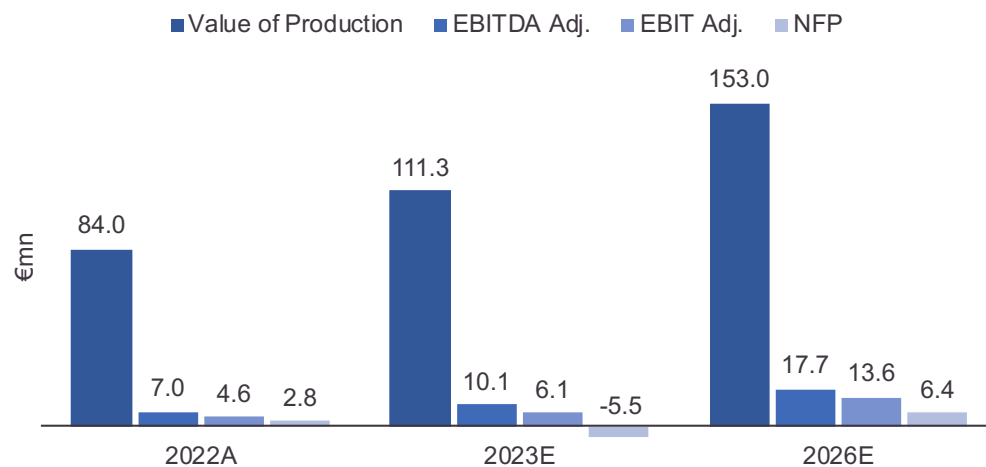
According to CDG management, main market trends at the backbone of CDG business plan are:

1. Further demand for the consolidation of CDG reference sectors;
2. Complete integration of digital components in corporate marketing strategies;
3. Video is confirmed as primary media for advertising communication;
4. OTT market growth (11% CAGR₁₈₋₂₂);
5. Digital marketing transformation (Creator economy).

CDG should be able to intercept those trends and capitalize of the following initiatives:

- ◆ **Live Communication:** entering new sectors, i.e. territorial events, fashion shows, medical congresses, ceremonies and other large events;
- ◆ **Video Content:** accessing the sector of scripted programs for new clients (e.g., RAI);
- ◆ **Creator Economy:** mix of organic growth and M&A.

Casta Diva Group: Key Financial Targets



Source: Casta Diva, Value Track Analysis

Old vs. New Business Plan Targets

Compared to previous targets, the new business plan includes Akita Film and E-Motion in the consolidation perimeter, positively impacting the Group P&L figures but taking their toll on the short-term Net Financial Position. In more details, the new targets outline:

- ◆ **Value of Production** up by ca. 30% vs. the old targets along the whole period;
- ◆ **EBITDA** up by 50% in FY23E-24E and by 32% in FY25E, but FY25E EBITDA Adj. Margin very close to the one disclosed in the previous plan, i.e. 10.5%;
- ◆ **Net Debt** Position up to FY24E (included), while the previous plan expected a Net Cash Position already since the end of FY23E but it was not considering the M&A cash-out for Akita and E-Motion. Also, we mark that the current Net Financial Position estimates are gross of dividends distribution, which is confirmed and should total over €3mn in the forecasted period

Lastly, we believe worth mentioning that, according to management indications, FY23E financials would beat previous targets expectation by ca. 9% even without considering the impact of newly acquired entities.

Casta Diva Group: Old vs. New Business Plan Targets

(IT GAAP, €mn)	2023EPF			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	87.2	111.3	28%	94.4	120.7	28%	105.3	136.4	30%
EBITDA Adj.	6.7	10.1	50%	7.9	12.0	51%	11.1	14.6	32%
<i>EBITDA Adj. Margin (%)</i>	7.7%	9.0%	140bps	8.4%	9.9%	150bps	10.5%	10.7%	20bps
EBIT Adj.	4.7	6.1	29%	5.9	8.0	35%	9.0	10.7	19%
<i>EBIT Adj. Margin (%)</i>	5.4%	5.5%	10bps	6.3%	6.6%	30bps	8.5%	7.8%	-70bps
Net Financial Position	3.3	-5.5	-8.8	3.9	-0.4	-4.3	4.5	3.3	-1.2

Source: Value Track Analysis

Forecasts 2023E-25E

Estimates Review

Our estimates review is the result of (i) a slight like-for-like adjustment based on the indications of the new business plan and (ii) the inclusion of E-Motion in the consolidation perimeter. In more details:

- ◆ **E-Motion** forecasts impact for €3mn FY23 pro-forma top line and ca. €5mn FY25E top line, with an average EBITDA Margin of ca. 10% for the estimated period. We cut in half the ca. €0.8mn cash-out between FY23E and FY25E;
- ◆ Confirmed **like-for-like** estimates for FY23E pro-forma, while organic upwards revision in FY24E (+€1.5mn Revenues) and FY25E (€+3.0mn Revenues), with organic profit margins confirmed throughout the whole period.

Casta Diva Group: Value Track Old vs. New Estimates

(IT GAAP, €mn)	2023EPF			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	107.0	110.1	3%	114.9	120.1	5%	122.3	130.1	6%
EBITDA Adj.	9.3	9.6	3%	11.1	11.6	4%	12.6	13.4	6%
EBITDA Adj. Margin (%)	8.7%	8.7%	0bps	9.7%	9.7%	0bps	10.3%	10.3%	0bps
EBIT Adj.	6.0	6.2	3%	7.0	7.4	5%	8.4	9.0	7%
EBIT Adj. Margin (%)	5.6%	5.7%	10bps	6.1%	6.2%	10bps	6.8%	6.9%	10bps
Net Financial Position	-5.9	-5.5	0.4	-1.4	-1.3	0.0	1.5	1.5	0.0

Source: Value Track Analysis

CDG Business Plan vs. Value Track New Estimates

Our new estimates are a bit more conservative than CDG 2023E-25E new P&L targets, while we are more confident on FCF generation (pre-dividends distribution). We do not disclose FY26E financials, as our estimates are considering the current consolidation perimeter (including E-Motion) but not new M&A deals. In 2025E, we expect:

- ◆ **Value of Production at €130.1mn**, ca. €6mn lower than CDG targets;
- ◆ **EBITDA at €13.4mn**, growing more than proportionally vs. top line but less than CDG targets;
- ◆ **EBIT at €9.0mn**, and EBIT Margin gaining ca. 230bps from 2022A vs. 320bps of CDG plan;
- ◆ **Net Cash at €1.5mn**, €1.8mn below CDG estimate but counting €2.8mn cumulated dividends.

Casta Diva Group: Business Plan Targets vs. Value Track New Estimates

(IT GAAP, €mn)	2023EPF			2024E			2025E		
	CDG	VT	Δ	CDG	VT	Δ	CDG	VT	Δ
Value of Production	111.3	110.1	-1%	120.7	120.1	0%	136.4	130.1	-5%
EBITDA Adj.	10.1	9.6	-5%	12.0	11.6	-3%	14.6	13.4	-8%
EBITDA Adj. Margin (%)	9.1%	8.7%	-40bps	9.9%	9.7%	-20bps	10.7%	10.3%	-40bps
EBIT Adj.	6.1	6.2	2%	8.0	7.4	-7%	10.7	9.0	-16%
EBIT Adj. Margin (%)	5.5%	5.7%	20bps	6.6%	6.2%	-40bps	7.8%	6.9%	-90bps
Net Financial Position	-5.5	-5.5	0.0	-0.4	-1.3	-0.9	3.3	1.5	-1.8

Source: Value Track Analysis

Financial Statements 2022A-25E

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

(IT GAAP, €mn)	2022A	2023EPF	2024E	2025E
Value of Production	84.0	110.1	120.1	130.1
Operating Expenses	-77.7	-101.1	-108.5	-116.7
EBITDA	6.3	9.0	11.6	13.4
<i>EBITDA Margin (%)</i>	<i>7.5%</i>	<i>8.1%</i>	<i>9.7%</i>	<i>10.3%</i>
D&A	-2.4	-3.4	-4.2	-4.4
EBIT	3.9	5.6	7.4	9.0
<i>EBIT Margin (%)</i>	<i>4.6%</i>	<i>5.1%</i>	<i>6.2%</i>	<i>6.9%</i>
Net Financial Charges	-0.5	-1.2	-1.3	-1.2
Taxes	-1.6	-1.9	-2.3	-2.7
Minorities	-0.3	0.0	0.0	0.0
Net Profit	1.5	2.5	3.8	5.1

Source: Casta Diva, Value Track Analysis

Casta Diva Group: Balance Sheet 2022A-25E

(IT GAAP, €mn)	2022A	2023EPF	2024E	2025E
Net Fixed Assets	13.4	20.4	18.6	20.2
Net Working Capital	-6.9	-3.5	-2.9	-3.5
Provisions	1.1	1.2	1.3	1.3
Total Capital Employed	5.4	15.7	14.4	15.3
Group Net Equity	8.2	10.2	13.1	16.9
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	2.8	-5.5	-1.3	1.5

Source: Casta Diva, Value Track Analysis

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

(IT GAAP, €mn)	2022A	2023EPF	2024E	2025E
EBITDA	6.3	9.0	11.6	13.4
Capex	-2.1	-1.5	-2.4	-2.6
Δ Net Working Capital, Provisions	6.7	-3.2	-0.6	0.6
OpFCF b.t.	10.9	4.2	8.7	11.4
<i>As a % of EBITDA</i>	<i>174%</i>	<i>47%</i>	<i>75%</i>	<i>85%</i>
Cash Taxes	-1.6	-1.9	-2.3	-2.7
OpFCF a.t.	9.4	2.4	6.4	8.7
Net Financial Charges	-0.4	-1.1	-1.2	-1.1
Dividends Paid	0.0	-0.6	-0.9	-1.3
Financial Investments	-4.2	-8.9	0.0	-3.3
Others	-0.3	-0.1	-0.1	-0.1
Δ Net Financial Position	4.4	-8.3	4.2	2.9

Source: Casta Diva, Value Track Analysis

Valuation

Once again, we revise **CDG Fair Equity Value upwards to €2.15 p/s** (from €2.00) thanks to (i) the greater visibility after the new business plan (implying higher like-for-like estimates), (ii) the inclusion of E-Motion in the consolidation perimeter and (iii) the slight peers' stock multiples re-rating of the last month.

At €2.15 p/s, CDG would still trade at discount to peers with respect to EV/Sales, EV/EBITDA and EV/EBIT multiples, especially on FY24E-FY25E.

We still flag that the mood in the sector is mixed, with peers experiencing a small rebound after six months of significant de-rating. However, Casta Diva is outperforming comparables in terms of business stance.

As usual, we used a DCF to cross-check CDG valuation (not the best tool to address companies heavily exposed to macro swings), returning a €3.10 fair value p/s.

Casta Diva Group: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)		
	2023EPF	2024E	2025E	2023EPF	2024E	2025E	2023EPF	2024E	2025E
€ 1.40	0.34	0.27	0.20	4.1	2.8	2.0	6.5	4.4	2.9
€ 1.55	0.36	0.29	0.22	4.4	3.0	2.2	7.1	4.8	3.3
€ 1.70	0.39	0.32	0.25	4.8	3.3	2.4	7.6	5.2	3.6
€ 1.85	0.41	0.35	0.27	5.1	3.6	2.6	8.2	5.6	3.9
€ 2.00	0.44	0.37	0.29	5.4	3.8	2.9	8.7	6.0	4.3
€ 2.15	0.47	0.40	0.32	5.8	4.1	3.1	9.2	6.4	4.6

Source: Value Track Analysis

Peers Analysis

Our relative valuation returns a fair value of **€2.15 p/s**, on the back of the following fair multiples, applied to CDG FY24E financials.

Casta Diva Group: Relative Valuation

Relative Valuation 2024E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT
Peers' Median 2024E (x)	0.8	4.7	7.7
Fair Multiples 2024E (x)	0.4	4.0	6.5
Discount (%)	-51.5%	-15.2%	-15.5%
CDG Financials	119.1	11.6	7.4
Fair Enterprise Value	47.6	46.6	48.3
Net Financial Position	1.3	1.3	1.3
Adjustments	3.0	3.0	3.0
Fair Equity Value	43.3	42.2	44.0
NOSH (mn)	20.0	20.0	20.0
Fair Equity Value p/s (€)	2.16	2.11	2.19
Average Fair Equity Value p/s (€)		2.15	

Source: Market Consensus, Value Track Analysis

Casta Diva Group: Peers Trading Multiples

Peers	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Digital & Live Communication									
Dentsu	0.81	0.83	0.63	5.6	5.0	3.7	12.4	7.9	5.5
GL Events	0.76	0.67	0.60	4.6	3.8	3.5	7.8	6.3	5.4
Interpublic	1.31	1.23	1.15	7.0	6.5	6.1	7.9	7.3	6.8
Publicis	1.43	1.31	1.20	6.4	5.9	5.4	7.9	7.2	6.6
Viad	0.71	0.66	0.66	6.2	5.1	4.8	10.1	7.5	7.3
WPP	0.85	0.81	0.77	4.5	4.4	4.1	5.7	5.3	4.9
Fiera Milano	1.83	1.72	1.14	6.2	6.1	3.1	18.0	23.9	6.0
SG Company	0.46	0.31	nm	11.7	3.1	nm	15.6	3.9	nm
Average	1.02	0.94	0.88	6.5	5.0	4.4	10.7	8.7	6.1
Median	0.83	0.82	0.77	6.2	5.0	4.1	9.0	7.3	6.0
Video Content Production									
Notorious Pictures	1.76	1.22	1.02	3.9	3.0	2.7	13.8	8.4	6.4
Leone Film Group	1.05	0.82	nm	1.9	1.5	nm	12.9	10.2	nm
Lucisano Media Group	0.99	0.79	nm	2.6	2.1	nm	10.3	9.4	nm
Lions Gate Entertainment	0.99	0.91	0.86	8.2	7.4	6.9	nm	18.4	16.0
Thunderbird Entertainment	0.52	0.43	nm	nm	nm	nm	nm	nm	nm
Average	1.06	0.83	0.94	4.2	3.5	4.8	12.4	11.6	11.2
Median	0.99	0.82	0.94	3.2	2.5	4.8	12.9	9.8	11.2
Total Average	1.04	0.90	0.89	5.7	4.5	4.5	11.1	9.6	7.2
Total Median	0.99	0.82	0.86	5.9	4.7	4.1	10.3	7.7	6.4
Casta Diva Group	0.34	0.27	0.20	4.1	2.8	2.0	6.5	4.4	2.9
<i>Discount vs. Total Average (%)</i>	<i>-68%</i>	<i>-70%</i>	<i>-77%</i>	<i>-29%</i>	<i>-38%</i>	<i>-56%</i>	<i>-41%</i>	<i>-55%</i>	<i>-59%</i>

Source: Market Consensus, Value Track Analysis

Cross Check with DCF

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” 12.6% 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 6.44% (Source: Damodaran online web site);
- ◆ Unlevered Beta at 1.1x, and levered one at 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;
- ◆ 1.0% Macroeconomic Scenario Risk Premium;
- ◆ 4.0% pre-tax cost of debt;
- ◆ 0% debt / equity ratio from 2024E.

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” DC- based equity value of **€3.10 p/s**, which is the result of:

- ◆ €70.70mn fair Enterprise Value, almost equally split between the present value of future explicit 2024E-30E cash flows and of Terminal Value at 2030E (implicit 4.9x TV/EBITDA_{30E});
- ◆ €5.5mn Net Debt, €3.0mn adjustment for Treasury shares and Akita and E-Motion vendor loans.

Casta Diva: DCF model

€mn	g=1.0%
PV of future cash flows (2023E-30E, €mn)	35.8
PV of Terminal value (€mn)	34.9
TV / EBITDA 2030E (x)	4.9x
Fair Enterprise value (€mn)	70.7
Net Fin. Position 2022E	-5.5
Adjustments (e.g. Treasury shares, Akita vendor loan)	-3.0
Casta Diva Group Fair Equity value (€mn)	62.2
Number of shares (mn)	20.0
Casta Diva Group Fair Equity value per share (€)	3.10

Source: Value Track Analysis

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