

# Casta Diva

Sector: Business Services



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## Unmatched Business Momentum

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

### FY23 results in line with estimates, 19% organic growth

FY23 results are in line with our estimates and with CDG business plan targets, and outline another year of strong double-digit growth, both at top line and at all profit levels, while maintaining a healthy financial leverage, despite the significant cash outflows for M&A. In details:

- ◆ Value of Production €111.5mn, +33% y/y (+19% l-f-l);
- ◆ VoP Pro-Forma ca. €114mn, including E-Motion FY contribution;
- ◆ EBITDA Adj. €10.2mn (9.1% EBITDA Adj. Margin), +45% y/y;
- ◆ EBITDA €8.6mn (7.7% EBITDA margin), +37% y/y;
- ◆ Net Debt €5.6mn, vs. FY22 Net Cash of €2.8mn, after €8.4mn cash-out for M&A (Akita Film, Genius Progetti 10% squeeze out, Overseas).

### Rock solid business development

As a result of organic growth and M&A, CDG is already by now Italian market leader in both Live Communication and Content Production, with the goal to become a €200mn-€300mn national champion able to compete Europe-wide. CDG also recently disclosed 1Q24 VoP at €22.6mn (+ 7% y/y). Adding €34.2mn backlog to be processed within the year, CDG already secured 47% of FY24 VoP target of its latest business plan (€120.7mn).

### Estimates confirmed: double digit EBITDA Margin ahead

We confirm our estimates, which are a bit more conservative than CDG BP targets, while adding FY26E, when we expect:

- ◆ Value of Production at €136.7mn;
- ◆ EBITDA at €14.4mn, growing faster than VoP;
- ◆ EBIT Margin gaining ca. 280bps from 2023A;
- ◆ Net Cash at €7.0mn, counting €3.7mn cumulated dividends.

### Fair Value at €2.55 p/s (from €2.15)

CDG current market valuation (ca. 3.1x-2.2x EV/EBITDA FY24E-25E) is definitively too low, especially given the strong business momentum of the Italian group. We revise CDG Fair Equity Value upwards to €2.55 p/s (from €2.15) driven by: (i) peers' stock multiples re-rating vs. our last update of December, and (ii) valuation focus roll-over up to FY25E. Our FV implies an upside of ca. 65% vs. the current market price.

<b>Fair Value (€)</b>	<b>2.55</b>
<b>Market Price (€)</b>	<b>1.55</b>
<b>Market Cap. (€m)</b>	<b>31.1</b>

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	111.5	120.1	130.1
EBITDA REPORTED	8.6	11.6	13.4
EBIT	5.4	7.4	9.0
NET PROFIT	1.6	3.8	5.1
EQUITY	9.0	12.3	16.0
NET FIN. POS.	-5.6	-1.3	1.5
EPS ADJ. (€)	0.10	0.25	0.32
DPS (€)	0.03	0.07	0.09

Source: Casta Diva (historical figures)  
Value Track (2024E-25E)

KEY RATIOS (*)	2023A	2024E	2025E
EBITDA MARGIN (%)	7.7	9.7	10.3
NET DEBT / EBITDA (x)	0.7	0.1	nm
ROE (%)	19.0	31.7	32.5
EV/SALES (x)	0.30	0.30	0.23
EV/EBITDA (x)	3.9	3.1	2.2
EV/EBIT (x)	6.2	4.8	3.3
P/E ADJ. (x)	12.7	6.1	4.9
DIV YIELD (%)	2.3	4.2	5.7

Source: Casta Diva (historical figures)  
Value Track (2024E-25E)

### STOCK DATA (\*)

MARKET PRICE (€)	1.55
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	31.1
ENTERPRISE VALUE (€m)	36.0
FREE FLOAT (%)	41.8
AVG. -20D VOL. ('000)	87,050
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	1.01 - 1.73

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	2023A	2024E	2025E	2026E
<b>Value of Production</b>	<b>111.5</b>	<b>120.1</b>	<b>130.1</b>	<b>136.7</b>
y/y (%)	32.8%	7.7%	8.3%	5.1%
<b>EBITDA Reported</b>	<b>8.6</b>	<b>11.6</b>	<b>13.4</b>	<b>14.4</b>
EBITDA Margin (% of VoP)	7.7%	9.7%	10.3%	10.5%
<b>EBIT</b>	<b>5.4</b>	<b>7.4</b>	<b>9.0</b>	<b>9.8</b>
EBIT Margin (% of VoP)	4.9%	6.2%	6.9%	7.1%
<b>Net Profit</b>	<b>1.6</b>	<b>3.8</b>	<b>5.1</b>	<b>5.7</b>
y/y (%)	8.8%	nm	35.1%	12.8%
<b>Adjusted Net Profit</b>	<b>2.0</b>	<b>5.1</b>	<b>6.4</b>	<b>7.1</b>
y/y (%)	7.1%	nm	26.0%	10.2%
<b>Net Fin. Position</b>	<b>-5.6</b>	<b>-1.3</b>	<b>1.5</b>	<b>7.0</b>
Net Fin. Pos. / EBITDA (x)	0.7	0.1	nm	nm
Capex	-3.2	-2.4	-2.6	-3.1
<b>OpFCF b.t.</b>	<b>3.9</b>	<b>8.9</b>	<b>11.3</b>	<b>11.3</b>
OpFCF b.t. as % of EBITDA	45.5%	76.7%	84.4%	78.5%

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

## Investment Case

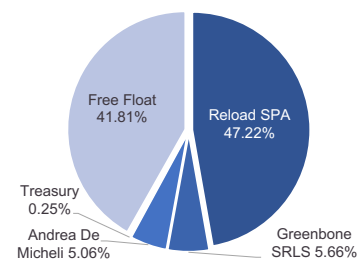
### Strengths / Opportunities

- ◆ Italian leader of the communication sector of the media industry;
- ◆ Long-lasting retention of highly spending and renowned clients;
- ◆ Opportunity to act as consolidator of a fragmented market thanks to stock market listing.

### Weaknesses / Risks

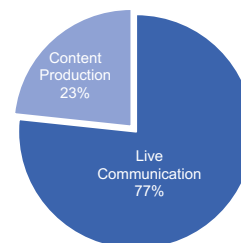
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Market exposed to macroeconomic shocks.

## Shareholders Structure



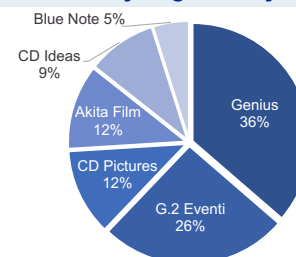
Source: Casta Diva

## Revenues by Business Unit



Source: Casta Diva, FY23

## Revenues by Legal Entity



Source: Casta Diva, FY23

## Stock Multiples @ €2.55 Fair Value

	2024E	2025E
EV / SALES (x)	0.5	0.4
EV / EBITDA (x)	4.8	3.7
EV / EBIT (x)	7.5	5.6
EV / CAP.EMP. (x)	4.1	3.4
OpFCF Yield (%)	15.9	26.8
P / E Adj. (x)	10.1	8.0
P / BV (x)	4.3	3.3
Div. Yield. (%)	2.6	3.5

Source: Value Track

## FY23 Financial Results

### Key Figures & Messages

Casta Diva board approved the financial results of FY23, which highlighted another year of strong double-digit growth, both at top line and at all profit margins level, thanks to a great attention to cost control and to the strategic importance of having reached a leadership position in the Italian communication sector. All of this was achieved while maintaining a healthy financial leverage, despite the significant cash outflows for M&A activities. FY23 key financials can be summarized as follows:

- ◆ **Value of Production at €111.5mn**, +33% y/y (+19% l-f-l) vs. €84.0mn in FY22;
- ◆ **Value of Production Pro-Forma at ca. €114mn**, including the FY contribution of E-Motion;
- ◆ **EBITDA Adj. at €10.2mn** (9.1% margin) vs. €7.0mn in FY22 (8.3% margin), i.e. +45% y/y;
- ◆ **EBITDA at €8.6mn** (7.7% margin) vs. €6.3mn in FY22 (7.5% margin), i.e. +37% y/y;
- ◆ **Net Debt at €5.6mn** vs. Net Cash of €2.8mn in Dec. '22, after €8.4mn cash-out for M&A.

We remind that while Akita Film was acquired at the beginning of November 2023 (but retroactively consolidated from January 1<sup>st</sup>, and contributing with ca. €13mn to the Group revenues), the E-Motion deal is still subject to due diligence, but should be finalized in 2024 (more details in the next chapter).

### Casta Diva Group: Key Financials FY22-FY23

Key Financials (IT GAAP, €mn)	FY22	FY23	y/y	FY23BP	A/BP	FY23VT	A/VT
Value of Production	84.0	111.5	33%	111.3	0%	110.1	1%
EBITDA Adj.	7.0	10.2	45%	10.1	1%	9.3	6%
EBITDA Adj. Margin (%)	8.3%	9.1%	80bps	9.1%	0bps	8.7%	40bps
EBITDA	6.3	8.6	37%	na	na	9.0	-4%
EBITDA Margin (%)	7.5%	7.7%	20bps	na	na	8.1%	-40bps
Net Financial Position	2.8	-5.6	-8.4	-5.5	-0.1	-5.5	-0.1

Source: Casta Diva, Value Track Analysis

In our view, the qualitative messages behind the outlined set of financials are:

1. **100% Top Line CAGR<sub>21-23</sub> thanks to both organic and acquisitions-driven growth;**
2. **Enhanced profitability despite ongoing M&A integration;**
3. **Favourable working capital cycle limiting FCF absorption.**

### 100% Top Line CAGR<sub>21-23</sub> thanks to both organic and acquisitions-driven growth

Casta Diva reported FY23 **Revenues from Sales at €110.8mn**, implying a 33% y/y growth (FY22 at €83.6mn) and a more than fourfold increase with respect to FY21 €27.0mn.

FY23 **Value of Production** came out at **€111.5mn**, implying the same 33% y/y growth vs. FY22.

These outstanding results have been achieved thanks to:

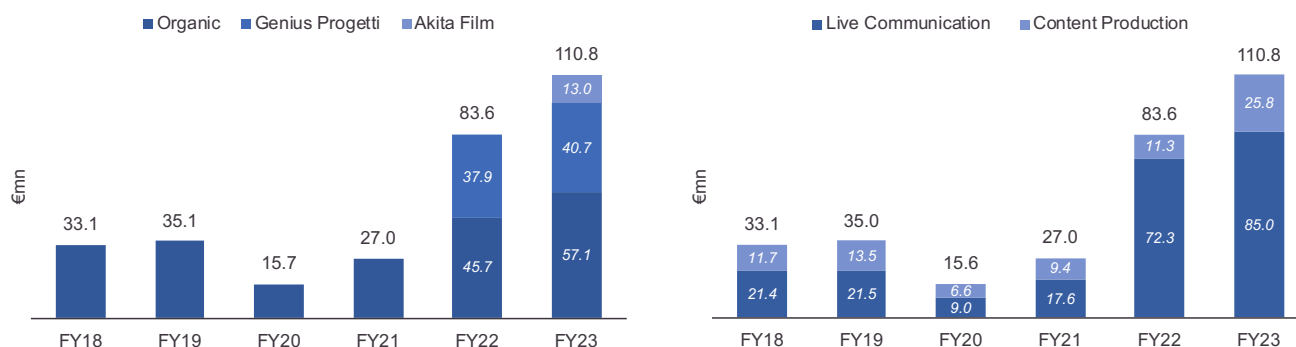
1. **Brilliant +17% y/y like-for-like growth** (at Revenues from Sales level, while +19% at Value of Production level), from €83.6mn in FY22 to ca. **€97.8mn** in FY23 (sum of “organic” and “Genius Progetti” in the chart below);
2. **Akita Film** consolidation, starting from the beginning of January 2023, and contributing with ca. **€13mn** to the Group Revenues from Sales;

**3. Genius Progetti**, consolidated from January 2022, contributed for ca. €37.9mn in FY22 and for €40.7mn in FY23 (+7% y/y) to the Group Revenues from Sales, thanks to the great momentum of Ferrari (most relevant client).

In terms of revenues breakdown, we highlight:

- ◆ **Live Communication** business unit closing FY23 at €85.0mn vs. €72.3mn in FY22 (+18% y/y), with Blue Note, G.2 Eventi and Casta Diva Ideas all growing in excess of 20% y/y;
- ◆ **Creative Content Production** business unit revenues at €25.8mn, more than doubling FY22 at €11.3mn (benefitting from the inclusion of Akita Film).

### Casta Diva Group: Revenues from Sales Evolution



Source: Casta Diva Value Track Analysis

Worth to notice, after two years where the Live Communication business unit was gaining percentage points on Group total sales at the expense of Content Production, FY23 witnessed a trend reversal, with Live Communication now at ca. 77% of the total vs. 86% of FY22. In terms of legal entities, we underline G.2 Eventi and Blue Note gaining ca. 3 and 1 percentage points vs FY22, respectively.

### Casta Diva Group: FY23 Revenues from Sales by Business Line and Legal Entity



Source: Casta Diva Value Track Analysis

### Enhanced profitability despite ongoing M&A integration

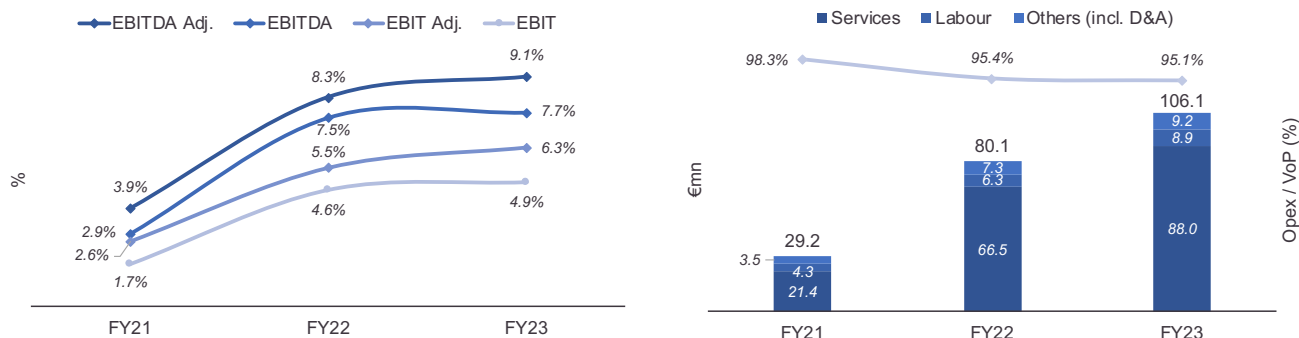
In FY23 all margins were at all-time highs, thanks to higher volumes, an efficient cost control and the addition of Akita Film, historically reporting double digit operating margins. More in details:

- ◆ **First Margin** stood at at **€41.3mn**, after direct costs of €70.2mn, implying a 37% margin vs. 32.5% in FY22 (€27.3mn) and 30.6% in FY21 (€9.1mn);
- ◆ **EBITDA** at **€8.6mn** (7.7% EBITDA Margin) vs. €6.3mn in FY22 (7.5% margin);

◆ **EBIT** at **€5.4mn** (4.9% EBIT Margin) vs. €3.9mn in FY22 (4.6% margin).

Accounting for €1.7mn of non-recurring expenses related to due diligence expenses, legal advisory, end-of-year bonuses, and activities to streamline the structural costs of legal entities, **EBITDA Adj.** was reported at **€10.2mn** (vs. our estimate of €9.3mn), with an EBITDA Adj. Margin of 9.1% (vs. €7.0mn and 8.3% in FY22, respectively, when non-recurring expenses amounted to ca. €0.7mn).

### Casta Diva Group: Group Margins and Operating Expenses



Source: Casta Diva Value Track Analysis

### Casta Diva Group: EBITDA Adj. Reconciliation FY22-FY23

Key Financials (IT GAAP, €mn)	FY22	FY23	y/y
<b>EBITDA</b>	<b>6.3</b>	<b>8.6</b>	<b>37%</b>
EBITDA Margin (%)	7.5%	7.7%	20bps
Non-Recurring Expenses	0.7	1.6	119%
<b>EBITDA Adj.</b>	<b>7.0</b>	<b>10.2</b>	<b>45%</b>
<b>EBITDA Adj. Margin (%)</b>	<b>8.3%</b>	<b>9.1%</b>	<b>80bps</b>

Source: Casta Diva, Value Track Analysis

From EBIT to EBIT Adj., there is the same amount of non-recurring expenses. Hence **EBIT Adj.** was reported at **€7.0mn** (6.3% EBIT Adj. Margin) vs. €4.6mn in FY22 (5.5% margin).

Below the EBIT line, it is worth highlighting much higher than expected taxes (€2.5mn vs. our forecast of €1.9mn), inferring to a 57% tax rate. This has to do with the reverse effect of deferred tax assets on fiscal losses of previous years.

As a consequence, and after €0.3mn minorities (10% of Genius 1H23 Net Profit), Casta Diva **Net Profit** came out at **€1.6mn** (vs. €1.5mn in FY23). At the moment, the board opted to carry forward profits, without distributing dividends.

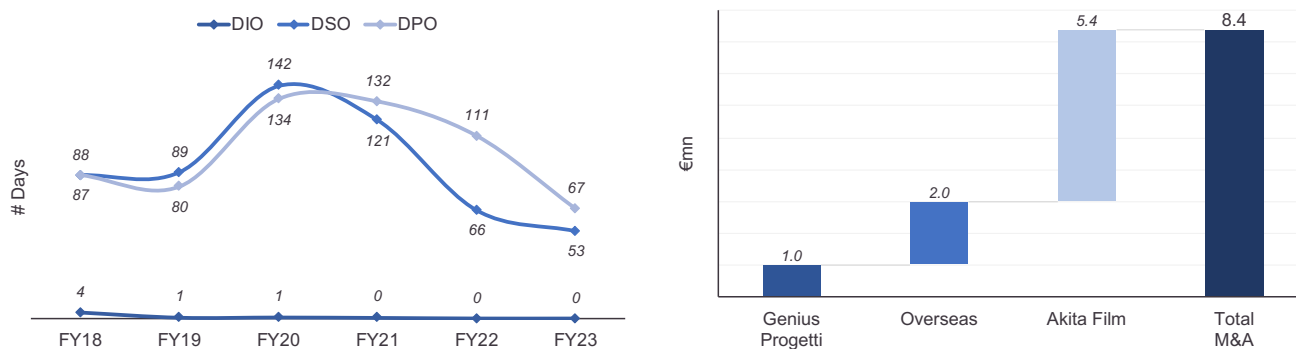
### Favourable working capital cycle limiting FCF absorption

As of the end of December 2023, Casta Diva **Net Debt** was at **€5.6mn**, vs. Net Cash of €0.9mn and €2.8mn as of June 2023 and December 2022, respectively. The cash absorption had to do mainly for M&A purposes. Nonetheless, CDG still vaunts ca. €11mn cash powder as of the end of FY23. Here a summary of FY23 main cash flow movements:

◆ **Financial Investments** at ca. **€8.4mn**, related to (i) Akita Film first €5.4mn tranche (other €2.9mn to be paid in 2025) for the 99% stake of the company, (ii) €2mn for the acquisition of the Overseas business (previously managed on a leasing basis), and (iii) €1mn for the squeeze out of the last 10% stake of Genius Progetti;

- ◆ **Net Working Capital**, absorbing only ca. **€1.4mn** (including the changes in provisions), thanks to the usual favourable net working capital cycle, improved in recent years thanks to Genius commercial relationship with Ferrari, that usually provides payables settlements towards the end of the year. Indeed, DSO are usually lower than DPO, with nihil inventory;
- ◆ **Capex** at ca. **€3.2mn**, primarily related to intangible investments;
- ◆ **Dividends** paid for ca. **€0.6mn** in August 2023 (€0.02822 p/s).

### Casta Diva Group: Cash Conversion Cycle Evolution and FY23 M&A Deals



Source: Casta Diva Value Track Analysis

## Financial Statements FY22-FY23

### Casta Diva Group: P&L FY22-FY23

P&L (IT GAAP, €mn)	FY22	FY23	y/y
<b>Revenues from Sales</b>	<b>83.6</b>	<b>110.8</b>	33%
Others	0.3	0.7	89%
<b>Value of Production</b>	<b>84.0</b>	<b>111.5</b>	<b>33%</b>
Raw Materials (incl. Δ Inventory)	-1.5	-1.5	4%
Costs of Services	-66.5	-88.0	32%
Costs of Rent	-2.9	-3.5	21%
Labour Costs	-6.3	-8.9	41%
G&A	-0.5	-1.1	105%
<b>EBITDA</b>	<b>6.3</b>	<b>8.6</b>	<b>37%</b>
<i>EBITDA Margin (%)</i>	7.5%	7.7%	20bps
D&A & Provisions	-2.4	-3.2	32%
<b>EBIT</b>	<b>3.9</b>	<b>5.4</b>	<b>40%</b>
<i>EBIT Margin (%)</i>	4.6%	4.9%	30bps
Net Financial Charges	-0.5	-1.0	104%
<b>Pre-Tax Profit</b>	<b>3.4</b>	<b>4.4</b>	<b>30%</b>
Taxes	-1.6	-2.5	60%
Minorities	-0.3	-0.3	-15%
<b>Net Profit</b>	<b>1.5</b>	<b>1.6</b>	<b>9%</b>

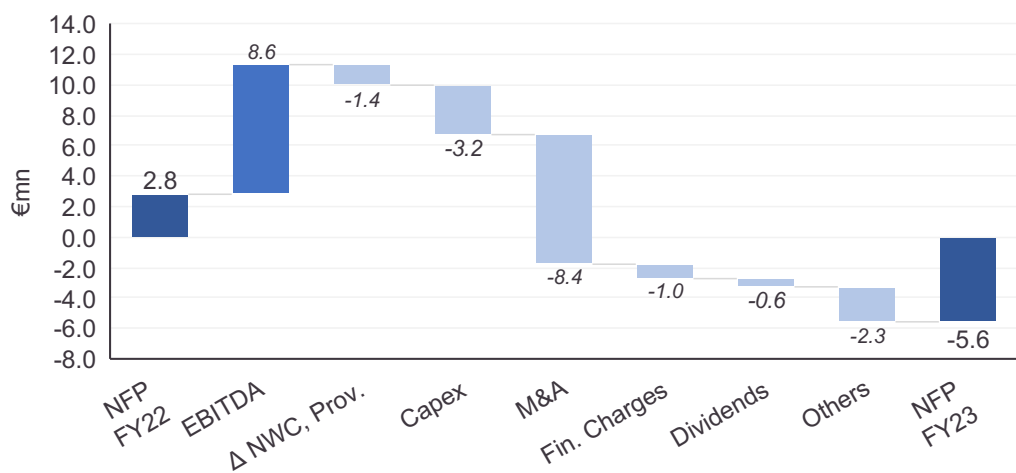
Source: Casta Diva, Value Track Analysis

**Casta Diva Group: Balance Sheet FY22-FY23**

Balance Sheet (IT GAAP, €mn)	FY22	1H23	FY23
Net Fixed Assets	13.4	12.3	21.2
Net Working Capital	-6.9	-1.7	-5.0
Provisions	1.1	1.2	1.6
<b>Total Capital Employed</b>	<b>5.4</b>	<b>9.3</b>	<b>14.6</b>
<b>Group Net Equity</b>	<b>8.2</b>	<b>10.2</b>	<b>9.0</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>2.8</b>	<b>0.9</b>	<b>-5.6</b>

Source: Casta Diva, Value Track Analysis

**Casta Diva Group: Cash Flow Statements FY23**



Source: Casta Diva, Value Track Analysis

# Business & Corporate Development

## Business Development

CDG ultimately became the **Italian communication leader**, with a top tier client base and relevant partnerships, providing best-in-class quality services, acknowledged by the 130+ national and international awards received.

Casta Diva achieving this status is also a result of 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). If the E-Motion deal will be finalized, it will be the fourth M&A deal of 2023-2024 for a total investment of ca. €8.8mn, largely self-financed.

Since 2005, the Group has been growing at a **20% CAGR** into 2023. As a consequence, Casta Diva is continuing to increase its market share in the most attractive sectors of the communication industry.

### Acquisition of 100% of Akita SRL

On November 7<sup>th</sup>, 2023, Casta Diva announced the acquisition of 100% of the share capital of **Akita Film Srl**, Italian company active in the production of commercials/spots worldwide for major brands and top spenders in the fast mover consumer goods, automotive, telco and entertainment industries.

For FY22, the company reported a Value of Production of €14.7mn (growing at ca. 8% CAGR<sub>19-22</sub>), EBITDA of €2.8mn, Net Cash Position of ca. €300k (Net Cash of €1.8mn at the closing date).

The total consideration for the **100% stake** of Akita Film was agreed at ca. **€8.3mn**. Hence, we calculate the following implicit transaction multiples: 0.45x EV/Sales, 2.4x EV/EBITDA, 2.4x EV/EBIT and 3.7x P/E. CDG paid 65% of the total consideration (ca. €5.4mn) at the closing, while the remaining 35% (ca. €2.9mn) should be paid after 18 months from the closing date (June 2025).

The acquisition crowns CDG dream of achieving a leadership position in the video content production market, after that achieved in the field of corporate events.

### Acquisition of 70% of E-Motion SRL

On December 4<sup>th</sup> 2023, CDG 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 should have closed FY23 with €3.1mn Revenues at €0.3mn EBITDA.

The total consideration for the **70% stake** in E-Motion was agreed (pending further due diligence) at **€826k**, implying a 100% EV 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.

The potential acquisition of E-Motion continues the path traced by the Akita deal, 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 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);
- ◆ Acquisition of Overseas business (previously managed on a leasing basis, €2mn cash out)

### 1Q24 Top Line and Backlog already at 47% of FY24 Business Plan Target

On April 15<sup>th</sup>, 2024, CDG disclosed 1Q24 Value of Production at **€22.6mn**, implying a 7% y/y growth (but with the inclusion of Akita Film). In addition, the backlog (to be processed within the year) was at €34.2mn. The sum amounts to €56.9mn and already represents 47% of the Value of Production of €120.7mn indicated for 2024E in the 2023-2026 Business Plan published on December 4<sup>th</sup>, 2023.

### Next Moves: Goals and Growth Strategy

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).

### Corporate Development

Over the last shareholders' meeting of December 22<sup>nd</sup>, CDG deliberated on the amendments to the bylaws necessary to obtain the status of a benefit corporation, representing another strong sign of the Group ESG commitment. In addition, the BoD has been authorized to pursue a buyback program for a maximum shares number of 10% of the share capital, to expire at the end of August 2024.

## Forecasts 2024E-26E

### Estimates Revision

Given that FY23 results were pretty much in line with our estimates and that we were already including E-Motion in the 2024E-26E consolidation perimeter, we confirm our forecasts. We note that our 2024E-25E-26E estimates for EBITDA and EBIT equal EBITDA Adj. and EBIT Adj., respectively.

#### Casta Diva Group: Old vs. New Estimates

Key Financials (IT GAAP, €mn)	2024E			2025E			2026E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Value of Production	120.1	120.1	0%	130.1	130.1	0%	//	136.7	//
EBITDA	11.6	11.6	0%	13.4	13.4	0%	//	14.4	//
EBITDA Margin (%)	9.7%	9.7%	0bps	10.3%	10.3%	0bps	//	10.5%	//
EBIT	7.4	7.4	0%	9.0	9.0	0%	//	9.8	//
EBIT Margin (%)	6.2%	6.2%	0bps	6.9%	6.9%	0bps	//	7.1%	//
Net Profit	3.8	3.8	0%	5.1	5.1	0%	//	5.7	//
Net Financial Position	-1.3	-1.3	0.0	1.5	1.5	0.0	//	7.0	//

Source: Value Track Analysis

#### CDG Business Plan vs. Value Track Estimates

Both our estimates and CDG business plan envisage a sound double-digit growth profile ahead with a significant profitability and cash generation enhancement. However, our forecasts are a bit more conservative than CDG P&L targets, while we are more confident on FCF generation (pre-dividends distribution). At the end of the forecasted period, in 2026E, we expect:

- ◆ **Value of Production at €136.7mn**, ca. 10% lower than CDG targets;
- ◆ **EBITDA at €14.4mn**, growing more than proportionally vs. top line but less than CDG targets;
- ◆ **EBIT at €9.8mn**, and EBIT Margin gaining ca. 280bps from 2023A vs. 390bps of CDG plan;
- ◆ **Net Cash at €7.0mn**, counting €3.7mn cumulated dividends.

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

Key Financials (IT GAAP, €mn)	2024E			2025E			2026E		
	CDG	VT	Δ	CDG	VT	Δ	CDG	VT	Δ
Value of Production	120.7	120.1	0%	136.4	130.1	-5%	153.0	136.7	-11%
EBITDA Adj.	12.0	11.6	-3%	14.6	13.4	-8%	17.7	14.4	-19%
EBITDA Adj. Margin (%)	9.9%	9.7%	-20bps	10.7%	10.3%	-40bps	11.6%	10.5%	-110bps
EBIT Adj.	8.0	7.4	-7%	10.7	9.0	-16%	13.6	9.8	-28%
EBIT Adj. Margin (%)	6.6%	6.2%	-40bps	7.8%	6.9%	-90bps	8.9%	7.1%	-180bps
Net Financial Position	-0.4	-1.3	-0.9	3.3	1.5	-1.8	6.4	7.0	0.6

Source: Value Track Analysis

## Financial Statements 2023A-26E

### Casta Diva Group: P&L 2023A-26E

P&L (IT GAAP, €mn)	2023A	2024E	2025E	2026E
<b>Revenues from Sales</b>	<b>110.8</b>	<b>119.1</b>	<b>129.1</b>	<b>135.7</b>
Others	0.7	1.0	1.0	1.0
<b>Value of Production</b>	<b>111.5</b>	<b>120.1</b>	<b>130.1</b>	<b>136.7</b>
Operating Expenses	-102.9	-108.5	-116.7	-122.3
<b>EBITDA</b>	<b>8.6</b>	<b>11.6</b>	<b>13.4</b>	<b>14.4</b>
<i>EBITDA Margin (%)</i>	<i>7.7%</i>	<i>9.7%</i>	<i>10.3%</i>	<i>10.5%</i>
D&A & Provisions	-3.2	-4.2	-4.4	-4.6
<b>EBIT</b>	<b>5.4</b>	<b>7.4</b>	<b>9.0</b>	<b>9.8</b>
<i>EBIT Margin (%)</i>	<i>4.9%</i>	<i>6.2%</i>	<i>6.9%</i>	<i>7.1%</i>
Net Financial Charges	-1.0	-1.3	-1.2	-1.1
<b>Pre-Tax Profit</b>	<b>4.4</b>	<b>6.1</b>	<b>7.8</b>	<b>8.7</b>
Taxes	-2.5	-2.3	-2.7	-2.9
Minorities	-0.3	0.0	0.0	0.0
<b>Net Profit</b>	<b>1.6</b>	<b>3.8</b>	<b>5.1</b>	<b>5.7</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva Group: Balance Sheet 2023A-26E

Balance Sheet (IT GAAP, €mn)	2023A	2024E	2025E	2026E
Net Fixed Assets	21.2	19.8	21.4	19.8
Net Working Capital	-5.0	-4.7	-5.2	-5.1
Provisions	1.6	1.6	1.7	1.7
<b>Total Capital Employed</b>	<b>14.6</b>	<b>13.6</b>	<b>14.6</b>	<b>13.0</b>
<b>Group Net Equity</b>	<b>9.0</b>	<b>12.3</b>	<b>16.0</b>	<b>20.0</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>-5.6</b>	<b>-1.3</b>	<b>1.5</b>	<b>7.0</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva Group: Cash Flow Statement 2023A-26E

Cash Flow (IT GAAP, €mn)	2023A	2024E	2025E	2026E
EBITDA	8.6	11.6	13.4	14.4
Capex	-3.2	-2.4	-2.6	-3.1
Δ NWC (incl. Provisions)	-1.4	-0.3	0.5	0.0
<b>OpFCF b.t.</b>	<b>3.9</b>	<b>8.9</b>	<b>11.3</b>	<b>11.3</b>
<i>As a % of EBITDA</i>	<i>46%</i>	<i>77%</i>	<i>84%</i>	<i>78%</i>
Cash Taxes	0.0	-2.3	-2.7	-2.9
Net Financial Charges	-1.0	-1.2	-1.1	-1.0
Dividends Paid	-0.6	-0.6	-1.3	-1.8
Others (incl. Financial Investments)	-10.7	-0.5	-3.4	-0.1
<b>Δ Net Financial Position</b>	<b>-8.4</b>	<b>4.3</b>	<b>2.8</b>	<b>5.5</b>

Source: Casta Diva, Value Track Analysis

## Valuation

We revise CDG **Fair Equity Value** upwards to **€2.55 p/s** (from €2.15) thanks to (i) confirmed forecasts, (ii) peers' stock multiples re-rating vs. our last update of December, and (iii) valuation focus roll-over up to FY25E.

Our fair value implies a target Market Cap of ca. €50mn i.e., an upside of ca. 65% with respect to the current market price. Indeed, we believe that CDG current market valuation (ca. 3.1x-2.2x EV/EBITDA FY24E-25E) is too low especially given its strong business momentum.

Our fair value derives from a relative valuation and the utilization of lower discount rates (50%, 15%, 15%) on comparables' median EV/Sales, EV/EBITDA and EV/EBIT FY24E-FY25E, respectively.

At €2.55 p/s, CDG would trade somewhat in line with FY24E peers' median multiples, but still at ca. 20%-30% discount to peers with respect to FY25E multiples.

Interestingly, our DCF-based cross-check (not the best tool to address companies heavily exposed to macro swings), returns a Fair Equity Value of €3.32 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)	
	2024E	2025E	2024E	2025E	2024E	2025E
€ 1.70	0.32	0.25	3.3	2.5	5.2	3.7
€ 2.00	0.37	0.30	3.9	2.9	6.1	4.3
€ 2.30	0.42	0.35	4.4	3.4	6.9	5.0
<b>€ 2.55</b>	<b>0.47</b>	<b>0.38</b>	<b>4.8</b>	<b>3.7</b>	<b>7.5</b>	<b>5.6</b>
€ 2.80	0.51	0.42	5.2	4.1	8.2	6.1
€ 3.10	0.56	0.47	5.8	4.6	9.0	6.8
€ 3.40	0.61	0.51	6.3	5.0	9.8	7.5

Source: Value Track Analysis

### Peers Analysis

Relative valuation returns a **Fair Equity Value** of **€2.55 p/s**, on the back of the following fair multiples, applied to CDG FY24E-FY25E financials.

#### Casta Diva Group: Relative Valuation

Relative Valuation 2024E-25E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT
Peers' Median 2024E (x)	0.9	5.1	7.9
Peers' Median 2025E (x)	0.8	4.8	7.4
Discount (%)	-50.0%	-15.0%	-15.0%
<b>Fair Multiples 2024E</b>	<b>0.4</b>	<b>4.3</b>	<b>6.7</b>
<b>Fair Multiples 2025E</b>	<b>0.4</b>	<b>4.0</b>	<b>6.3</b>
<b>Average Fair Equity Value p/s (€)</b>		<b>2.55</b>	

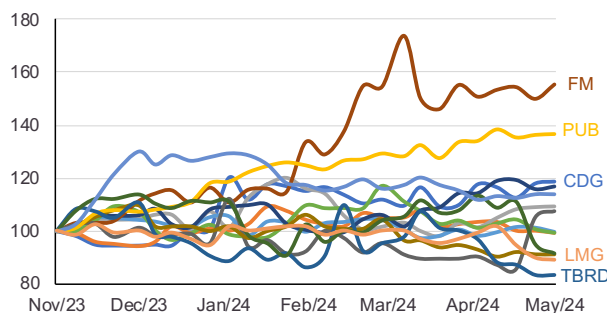
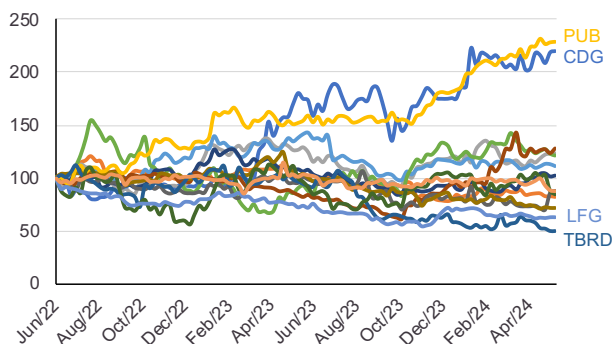
Source: Market Consensus, Value Track Analysis

### Casta Diva Group: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Live Communication</b>						
Dentsu	0.83	0.84	5.9	5.2	8.4	7.5
GL Events	0.89	0.65	5.1	3.7	8.8	6.3
Interpublic	1.29	1.21	6.9	6.5	7.9	7.4
Publicis	1.73	1.60	7.9	7.3	9.6	8.8
Viad	0.64	0.63	4.8	4.8	7.1	6.9
WPP	0.94	0.51	5.2	4.8	6.4	5.8
Fiera Milano	2.20	1.49	7.8	4.1	nm	7.6
SG Company	0.31	nm	3.2	nm	4.0	nm
<b>Average</b>	<b>1.10</b>	<b>0.99</b>	<b>5.8</b>	<b>5.2</b>	<b>7.4</b>	<b>7.2</b>
<b>Median</b>	<b>0.91</b>	<b>0.84</b>	<b>5.5</b>	<b>4.8</b>	<b>7.9</b>	<b>7.4</b>
<b>Creative Content Production</b>						
Notorious Pictures	1.16	0.97	2.9	2.6	7.9	6.1
Leone Film Group	1.30	0.79	1.9	1.1	12.4	7.4
Lucisano Media Group	0.90	0.77	2.1	1.9	6.9	7.1
Lions Gate Entertainment	0.87	0.94	7.2	7.9	16.5	17.2
Thunderbird Entertainment	0.32	nm	3.0	nm	nm	nm
<b>Average</b>	<b>0.91</b>	<b>0.87</b>	<b>3.4</b>	<b>3.4</b>	<b>10.9</b>	<b>9.4</b>
<b>Median</b>	<b>0.90</b>	<b>0.87</b>	<b>2.9</b>	<b>2.2</b>	<b>10.2</b>	<b>7.2</b>
<b>Total Average</b>	<b>1.03</b>	<b>0.95</b>	<b>4.9</b>	<b>4.5</b>	<b>8.7</b>	<b>8.0</b>
<b>Total Median</b>	<b>0.90</b>	<b>0.84</b>	<b>5.1</b>	<b>4.8</b>	<b>7.9</b>	<b>7.4</b>
<b>Casta Diva Group</b>	<b>0.30</b>	<b>0.23</b>	<b>3.1</b>	<b>2.2</b>	<b>4.8</b>	<b>3.3</b>
Discount vs. Total Median (%)	-67%	-73%	-39%	-53%	-39%	-55%

Source: Market Consensus, Value Track Analysis

### Casta Diva Group: CDG and Peers Stock Price Performance since IOC and L6M



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 considering some sector specific adjustment.

We calculate **€3.32 p/s Fair Equity Value**, based on a 11.3%-11.7% Rolling WACC (depending on each year capital structure according to our estimates) and the following assumptions.

### Casta Diva Group: WACC at Rolling Capital Structure

WACC Assumptions	(%)
Risk-Free Rate (%)	2.0
Capital Structure (D/D+E) (%)	10% - 0%
Unlevered Beta (x)	1.1
Market Risk Premium (Italy) (%)	5.6%
Small Cap Market Risk Premium (%)	2.5%
Macroeconomic Scenario Risk Premium (%)	1.0%
Credit Spread (%)	2.0%
Tax Rate (%)	24.0%
<b>Cost of Equity (%)</b>	<b>12.2% - 11.7%</b>
<b>Cost of Debt (%)</b>	<b>3.0%</b>
<b>WACC (%)</b>	<b>11.3% - 11.7%</b>

Source: Market Consensus, Damodaran Data Sets, Value Track Analysis

CDG Terminal Value is obtained in 2031E by applying 1.0% Perpetuity Growth Rate, that we think consistent with average long term annual growth expectations for Italy. The implicit multiple on our 2031E forecast is a 4.5x TV/EBITDA.

The adjustments refer to Treasury shares, Akita and E-Motion vendor loans and minorities cash-out.

### Casta Diva Group: DCF Valuation

DCF Valuation	€mn
Discounted Free Cash Flows 2025E-31E	36.5
Discounted Terminal Value in 2031E with g=1.0% or TV/EBITDA=4.5x	35.0
<b>Fair Enterprise Value (€mn)</b>	<b>71.5</b>
Net Financial Position 2024E	-1.3
Adjustments 2024E	-3.6
<b>Fair Equity Value (€mn)</b>	<b>66.6</b>
NOSH (mn)	20.0
<b>Fair Equity Value p/s (€)</b>	<b>3.32</b>

Source: Value Track Analysis

## Appendix - CDG Business Plan 2023-26

On December 4<sup>th</sup> 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.

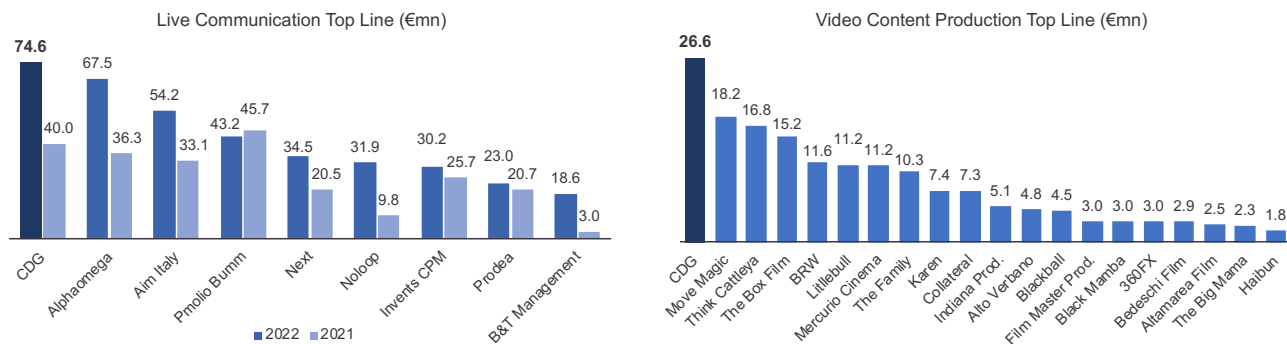
CDG has now become the **Italian communication leader**, with a **top tier client base** (130+ clients counting names such as Allianz, Enel, Fendi, Ferrari, Ferrero, Huawei, Intel, Iveco, Leonardo, Moncler, Netflix, Sky, Stellantis, TIM and many more) and **relevant partnerships**, providing **best-in-class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

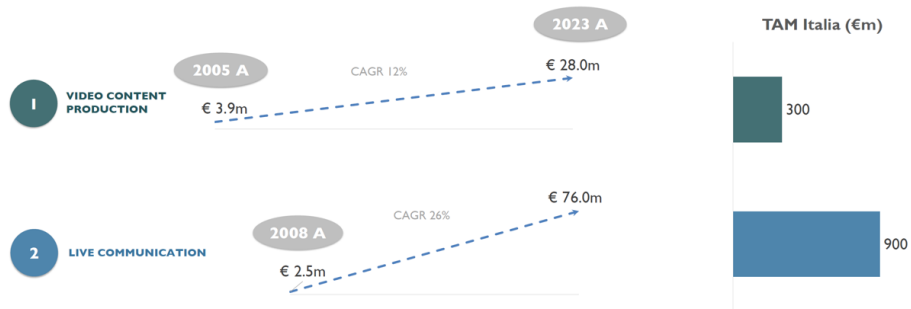


Source: Casta Diva, Value Track Analysis

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, 2023-24). Since 2005, the Group has been growing at a **20% CAGR** into 2023. 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

- Rationalize the structure through M&A
- Partnerships with event agencies abroad
- Search for opportunities in adjacent sectors:
  - Territorial events
  - Fashion shows
  - Medical congresses
  - Ceremonies and large events

##### Video Content Production

- 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)

##### Creator Economy

- M&A (not fully embedded in BP figures)
- Acquisition of specific skills
- Cross-selling between business units

##### Holding

- Flattening the chain of command, simplifying group functions
- Merging the company Service Zero in Casta Diva Group
- 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

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

- ◆ **Value of Production at €153mn**, 16% CAGR<sub>22A-26E</sub>;
- ◆ **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<sub>22A-26E</sub>;
- ◆ **Net Cash Position of €6.4mn**, before dividend distribution but after M&A cash-out.

### Market Trends and Company-Specific Drivers

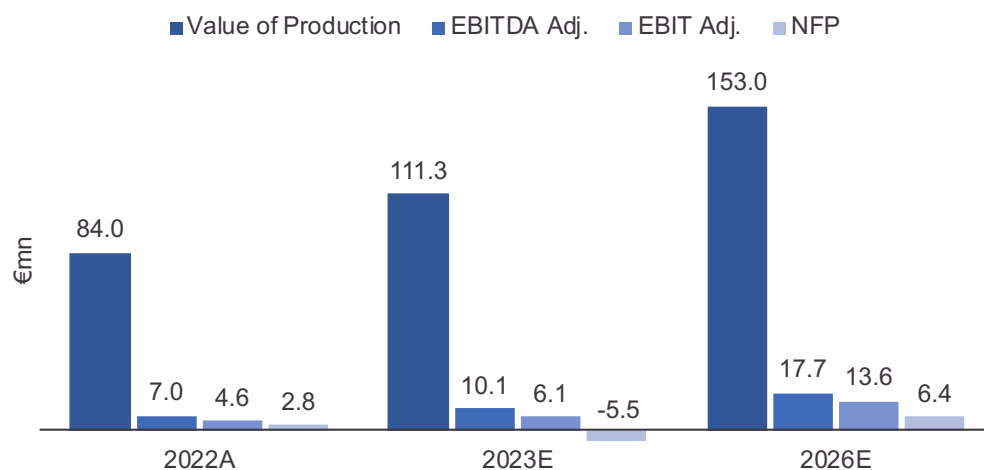
According to CDG management, main market trends at the backbone of CDG business plan are:

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% CAGR<sub>18-22</sub>);
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

#### Casta Diva Group: Old vs. New Business Plan Targets

(IT GAAP, €mn)	2023E			2024E			2025E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
<b>Value of Production</b>	87.2	111.3	28%	94.4	120.7	28%	105.3	136.4	30%
<b>EBITDA Adj.</b>	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
<b>EBIT Adj.</b>	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
<b>Net Financial Position</b>	3.3	-5.5	-8.8	3.9	-0.4	-4.3	4.5	3.3	-1.2

Source: Value Track Analysis

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