



## **CASTA DIVA GROUP APPROVES THE STRATEGIC PLAN 2018-2021**

### **COMMUNICATION STRATEGY AND PRODUCTION**

THE GROUP REDEFINES ITS MISSION AFTER THE GLOBAL TRANSFORMATION OF THE COMMUNICATIONS MARKET

#### **STRATEGIC TARGETS 2021:**

##### **"MERGED" REVENUE FOR BUSINESS AREAS**

Video Content Production: 21,9 €M  
Communication & Entertainment: 24,9 €M  
Communication Strategy & Digital: 2,5 €M

##### **"CONSOLIDATED" MAIN FIGURES**

Production Value: 43,7 €M  
Contribution Margin: 11,8 €M  
Adjusted EBITDA: 3,5 €M  
Net Profit: 1,3 €M  
NFP: 1,0 €M

Milan, 12th December 2018

The Board of Casta Diva Group (CDG:IM), Innovative PMI listed on AIM Italia, operating internationally in the field of communications, today, under supervision of the Chairman Andrea de Micheli, has approved the **Strategic Plan 2018-2021**.

Andrea De Micheli and Luca Oddo, Chairman and CEO of Casta Diva Group, stated: "Communication is constantly expanding without major difficulties: both in positive and negative financial situations, communication plays a vital role for companies. The Group business model, both for services diversification and geographical expansion, in addition to a strategic vision, places Casta Diva Group among the main players on the market, known by company clients. *This gets stronger through the expansion of strategic consulting, allowing the Group to support its clients 360 degrees, as a strategic factor for the development of further business areas.*

The Group growth keeps on developing in two directions: opportunities in terms of development via internal lines and through M&A policy. On one hand, the ability to make the Group members interact among themselves, as well as supporting the Group subsidiaries, led to constant growth through the development of services offered to the clients. The geographical expansion allows to reach companies that need global support, creating growth value for the Group revenue. On the other hand, M&A operations aim at targeting two types of clients on the market: companies that are growing, to which the Group can give a stronger «status», in order to reach important clients; companies that want to expand beyond their area but haven't been able to do so due to lack of resources or methodology, for which the Group can play as a «booster».

*The Industrial Plan approved today shows growing figures, higher in comparison to the previous Plan; revenue growth is the key point and strategic target, playing a vital role, by penetrating a more important market, where world institutions and companies require excellent experience, in order to be considered as main players. This allows to get great projects with a lower margin, affecting gross operational marginality, against the net marginality as per fiscal policy in relation to acquired companies."*



## **STRATEGIC EVOLUTION OF THE GROUP MISSION AND ITS BUSINESS MODEL**

The market of communications has globally transformed over the years, hence companies have started to manage communications on "multi-platforms", hiring professionals in the field of integrated communications. The main players of this market have gained skills in terms of production and strategy.

In particular, communication tools have changed, balancing global expenditure in 2019 in advertising, not only for TV and internet mobile but also in terms of "disruptive" communications, for events, digital operations and initiatives, not for traditional advertising. Estimate of the global market of advertising in 2018 is equal to approximately 540 Billion Dollars, +7% in comparison to 506 Billion Dollars in 2017; CAGR 2018 is equal to +6%.

In this scenario, where *in house* skills are highly requested from the market, Casta Diva Group is one of the main players able to offer a *multiplatform* in different categories within the communications department, able to face challenges over the next years.

The development of the Group, over the second semester of 2018, was to merge the different offer opportunities, in a more complete and strategic approach to the market, placing Casta Diva Group as a partner for companies, in order to produce different assets necessary for their communications; it is vital to create a strategic and integrated communication plan and implement it in terms of creativity and production thanks to the Group know-how and its structure.

**"COMMUNICATION STRATEGY AND PRODUCTION** is the **new mission of Casta Diva Group**: supporting companies with communications strategic plans, creativity and communications assets. Thanks to its "developed positioning" re-focused mission, the Group keeps on offering production services on one hand, and on the other hand reaching a bigger audience, especially in the initial part of communications projects, penetrating the current market in a more competitive way.

Casta Diva Group has decided to build, at the end of 2018, a structure made of local and international professionals with clear skills in Communication Strategy and Creativity, for a new company of the Group, K2Com. A team specialised in strategy, communications design and creativity for the companies, relying on the Group know-how in terms of implementation, affecting the production of communications plans specific for companies. At the same time, existing production assets get stronger thanks to new entities, created to attract growing markets.

The restructuring of the operations is a consequence of the Group identity redefinition for three business areas:

- ❑ VIDEO CONTENT PRODUCTION: spots production, digital videos, videos for events and corporate, documentaries, Films and TV;
- ❑ LIVE COMMUNICATION & ENTERTAINMENT: planning and creation of corporate events, B2B and incentives for companies, public and private institutions, Live shows and Entertainment;
- ❑ COMMUNICATION STRATEGY & DIGITAL: creation of strategic plans of communications, creativity production and implementation of communications assets.

## **STRATEGIC GUIDELINES 2019-2021**

The strategic plan 2019-2021 are based on the following strategic guidelines for business areas:

- ❑ VIDEO CONTENT PRODUCTION:
  - New operations in the USA, with a new strategic agreement with a local partner to work on spot production in the US and in the rest of the world.
  - New operations per joint venture with China (Red Horse is the local partner of the Group) in the field of advertising spots, playing as a link to abroad productions with local companies, in addition to local productions.
  - TV series production in the Middle East



- Increase in number of clients, thanks to the acquisition of G2 and Mete Travel&Events, promoting the Business Unit services to its clients.

#### ❑ LIVE COMMUNICATION & ENTERTAINMENT:

- After the acquisition of G.2 EVENTI, Mete Travel and Events and their incorporation with Casta Diva Events, the Group has a wider range of clients for this Business Unit; also, these three companies can provide the market with a bigger offer, by integrating different services so far provided individually.
- The optimisation of the sales department by creating a Customer Relation team, focused on the acquisition of new businesses.
- The opening of a new branch in Dubai, focusing on the Expo 2020, for projects that could positively affect other activities of the Group.
- Structural implementations of the Blue Note Jazz Club, focusing on inviting local artists.
- Development of the Blue Note Off project with an increase in the number of initiatives outside the venue, for owned events (summer season) and events for Companies, public and private Institutions.

#### ❑ COMMUNICATION STRATEGY & DIGITAL:

- A team of local and international professionals from the world of communications strategy and creativity, for one of the Group companies: K2Com
- Strengthening the digital department with a team focused on coordinating all communication initiatives, both for K2Com and the other subsidiaries of the Group.
- Services offer to all Clients of the Group, provided by its subsidiaries as per specific requests.
- New Business projects with companies that need a new integrated approach to communication, by professionals who coordinate all the Group offers with a strategic production plan.
- Offering services to all subsidiaries of the Group, in order to increase the number of clients and improve the offer to existing clients.

The main guidelines for the growth of the Group, which would contribute to achieving the strategic targets of the Plan, will be the continuation of the **M&A policy**, focused on the selection of target companies, in order to broaden up its horizons both geographically and businesswise.

#### OPTIMISATION ACTIONS AND GROUP EFFICIENCY

In addition to the re-definition of the business areas, the Group is implementing internal restructuring where Casta Diva Group SpA will be the holding, delegating operational actions to two new entities, which will offer services to all the subsidiaries optimising costs, deadlines and efficiency:

- K2Com Srl: services of communications strategy, creativity, PR and corporate image
- Service Zero Srl: administration services, accounting, IT, general services.

Service Zero Srl will be formed by the end of 2018, 100% owned by the Holding Casta Diva Group SpA, whereas K2Com Srl has been formed in July 2018, owned 85% by the Holding Casta Diva Group SpA and the remaining 15% is subdivided in shares among 3 managers of the company.

The international network of Casta Diva Group video content productions has a Managing Director, Oliver Hyde, who will coordinate the new business activities, securing loyalty with the existing clients and defining communications strategy both for the network and the Group subsidiaries.

These three business areas are supervised by specific Managers with defined targets and strategies: coordination of all Business Areas operations; business development on existing clients; new business actions for a wider reach. The managers of the different areas have a designated «tool kit» for «best practice» and «managing procedures», for all the different areas of the Group and its services. Incentives on obtained results are part of the working relation that the Group has with its managers, to secure their loyalty by focusing on their actions.

A Team with specific skills and duties will be coordinated by the managing Director and CFO of the Group, to ensure excellent results through a smooth process, ensuring problem solving for the main difficulties: efficient integration of acquired companies, suppliers screening and re-definition of contracts as well as human resources and logistics optimisation.

Communication is re-organised separating the institutional part from the sales part, allowing individual departments and the Group subsidiaries to operate in a more selective way, according to the markets needs and trends, both in terms of trading and geographical purposes. Communication activities are coordinated by K2Com, according to procedures given by the Holding. Every Business Area will have a new communication strategy based on the development of the Group and its new Mission.

### **STRATEGIC TARGETS 2018-2021**

Strategic targets figures for 2018-2021 show increase for the *Communication Strategy & Digital* department, with CAGR 2018-2021 equal to +103% in terms of revenue, and equal to +152% in terms of Contribution Margin. This new strategic *business area* leads to revenue growth for the other business areas, forecasting in 2021 21,9 M Euro for *Video Content Production* (CAGR 2018-2021 equal to +21%), 24,9 M Euro for *Live Communication & Entertainment* (CAGR +7%). The main strategic targets for business area are listed below:

BUSINESS AREA	REVENUE				Contribution Margin			
	2018F	2019E	2020E	2021E	2018F	2019E	2020E	2021E
Video Content Production	12,5	17,1	19,5	21,9	3,8	3,9	4,5	5,1
Live Communication & Entertainment	20,2	22,0	23,0	24,9	5,1	6,8	6,7	7,0
Communication Strategy & Digital	0,3	1,7	1,9	2,5	0,1	1,1	1,3	1,8

The Industrial Plan forecast 2018-2021 highlights in 2021:

- *Production Value* equal to 43,2 €M (CAGR 2018-21 equal to +10%)
  - *Contribution Margin* equal to 11,8 €M (CAGR 2018-21 equal to +10%)
  - *EBITDA Adjusted\** equal to 3,5 €M (CAGR 2018-21 equal to +21%)
- \*Gross operating profit excluding positive/negative components, non -recurring.
- *EBITDA Margin* equal to 8,5%;
  - *Net Profit* equal to 1,8 €M (increasing in comparison to -1,3 €M in 2017)
  - *Net Financial Position* equal to 1,0 €M.

The main strategic consolidated targets for 2018-2021 are listed below:

€M	2017A	2018F	2019E	2020E	2021E
Production Value	23,5	32,8	35,9	39,0	43,2
Contribution Margin	8,4	8,8	9,8	10,6	11,8



Adjusted EBITDA	1,3	2,0	2,2	2,8	3,5
Net Profit	-1,3	0,2	0,9	1,3	1,8
Net Financial Position (Cash)	(1,8)	3,2	2,5	1,5	1,0

Comparison with strategic targets of Industrial Plan 2018-2020 approved on 21<sup>st</sup> June listed below:

€M	2018F	2018F	2019E	2019E	2020E	2020E
	OLD	NEW	OLD	NEW	OLD	NEW
Production Value	26	32,8	29	35,9	32	39,0
Adjusted EBITDA	2,1	2,0	2,6	2,2	3,2	2,8
Adjusted EBITDA %	8%	6,7%	9%	6,7%	10%	7,6%
Net Profit	0,2	0,2	0,5	0,9	0,8	1,3
Net Financial Position (Cash)	(1,0)	3,2	(2,5)	2,5	(3,0)	1,5

In 2018 many factors had a strong impact on the Revenue, EBITDA and Net Profit: currency crisis in Argentina and Turkey, Brexit, USA – China and negative Italian GDP. Regardless, the Group is expecting to achieve a result according to the previous Plan in terms of EBITDA, also thanks to the acquisitions of G.2 EVENTI and Mete Travel and Events. These facts are taken into consideration when calculating revenue (revised in comparison to the previous plan), and future EBITDA with a lower impact, also in relation to a focused strategy on the increase of the average importance of job projects. An estimated difference of PFN is highlighted, going from net cash flow (cash) to net financial debt (debt). The main reasons are:

- Acquisitions and integrations in the field of Live Communication & Entertainment (G.2 and Mete Travel & incentive) with an effect higher than 1,5 M;
- Creation of a new business area for Communication Strategy & Digital with an effect higher than 1 M;
- Impact of macro financial problems mentioned above on EBITDA, with an effect of maximum 1M over the period of time of the Plan;
- Impact of costs related to internal re-structuring through two new companies, which will offer services to all subsidiaries, for costs optimisation, deadlines and efficiency, bringing competitive advantage to the Group with better synergies and optimisations, in addition to constant investments in information technology (server, hardware, software).

The results of the Plan are mainly related to the structure of the Group, where business and geographical diversification plays a vital role in the «ANTIFRAGILE» system of the Group, by Nassim Taleb definition (the ability of the Group to reduce the negative impact of each Country thanks to wide geographical diversification).

Several problems worldwide had a strong impact on the Group, in comparison to eight months ago. The new Industrial Plan revises forecast for the next three years, taking into account the main difficulties previously mentioned. Revenue keeps on growing but EBITDA decreased due to crisis in Argentina and Turkey, Brexit, relation USA – China and negative Italian GDP. Thanks to the optimisation of fiscal policy, as well as the integration of the acquired companies in the fiscal consolidation, Net Profit forecast keeps on increasing.

The presentation of the Industrial 2018-2021 can be found on <https://www.castadivagroup.com/investor-relations/presentazioni/>.



**CASTA DIVA GROUP (Casta Diva Group (CDG:IM - ISIN IT0005003782))** is a multinational company, which operates in communications and production of branded contents, viral videos, digital contents, film and live music entertainment. It is located in 4 continents with branches in 14 cities: Milan, Rome, London, Manchester, Prague, Beirut, Istanbul, New York, Los Angeles, Buenos Aires, Montevideo, Cape Town, Mumbai and Shanghai. The Group brands are Casta Diva Pictures, Casta Diva Events, Anteprema Video, Blue Note Milano and Casta Diva Forums. It represents the biggest production network for advertising and events worldwide, built through an active and continuous interaction among the different branches and the experience of its professionals in digital communications and live entertainment. It's a talent hub able to get Oscar awards and celebrities from all over the world and to discover and attract new creative talents, who deliver standard of excellence. Casta Diva Group and its managers have offered strategies of innovative and creative communications and 100 big brands, reinterpreting the rules of conventional communication. Since its foundation, in 2005, the Group has constantly developed and awarded with the Lions at Cannes Lions International Festival of Creativity, Mobius Award, LIA - London International Awards, EuBEA – European Best Event Awards. It owns Blue Note Milan, jazz club and cuisine restaurant opened in 2003 and part of the international network Blue Note, well renowned in the jazz world, located in via Borsieri, Isola, (not only there) and produces over 300 shows per year, with an income of 25% (by: Siae) of the total income of the jazz industry in Italy.

Press release on [www.castadivagroup.com](http://www.castadivagroup.com) and [www.emarketstorage.com](http://www.emarketstorage.com)

## CONTACTS

### ISSUER

**Casta Diva Group** | Francesco Merone | [investor.relations@castadivagroup.com](mailto:investor.relations@castadivagroup.com) | T +39023450817 | Via Lomazzo, 34 Milano

### INVESTOR RELATIONS

**IR Top Consulting** | Maria Antonietta Pireddu | [m.pireddu@irtop.com](mailto:m.pireddu@irtop.com) | T +390245473884 | Via C. Cantù, 1 Milano

### FINANCIAL MEDIA RELATIONS

**IR Top Consulting** | Domenico Gentile | [d.gentile@irtop.com](mailto:d.gentile@irtop.com) | T: +390245473884 | Via C. Cantù, 1 Milano

### NOMAD AND SPECIALIST

**Banca Finnat Euramerica** | T +390669933219 | Piazza del Gesù, 49 Roma