

RECOMMENDATION
BUY**Target Price**
€ 1,60**CastaDiva Group****Field:** Media & Advertising
Bloomberg negotiation code: CDG IM
AIM Market**Price at 08/01/2019**
€ 0,934

AIM Capitalisation:	11.876.629 €
Number of shares:	12.715.877
Net Assets at 30.06.2018:	6.788.509 €
Outstanding warrants (1:1):	170.289

Release Date and time:

09.01.2019 ore 16.30

Issue date and time:

09.01.2019 ore 16.30

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More and more integrated business

- Casta Diva Group operates, internationally, in the field of communications. It produces spots, branded content, viral videos, digital contents, films, TV series and events.
- Casta Diva strengthens its presence in the events industry by creating “DISTRICT”, including 100% of “Casta Diva Events” and 100% of the new acquired companies “G.2” and “MeTe”.
- CDG has implemented internal re-definition of the company by establishing three Business Units: “Video Content Production”, “Live Communication & Entertainment” and “Communication Strategy & Digital”.
- CDG should close 2018 with production value equal to 30,3 M €, increased in comparison to previous forecast of 27,3 M €, thanks to the new acquisitions (G.2 and MeTe). Regardless, due to an increase of operating cost, in addition to non-recurring charges, Ebitda in 2018 should be € 1 M against previous estimates of 2,2 M Euro. Adjusted Ebitda with extraordinary and non-recurring charges, for € 999 thousand, should reach the target of 2 M Euro.
- Over 2018-2022 we estimated growing production value at the average annual rate of 12,87%. Ebitda should reach Cagr 2017-2022 equal to 22,65%. Net profit of the Group should move from an estimated loss of 1,1 M Euro on financial statement 2018 to 143 thousand Euro of profit in 2019, to reach 1 M Euro at the end of the estimated period of time.

Year at 31st/12 (k €)	2017	2018E	2019E	2020E	2021E	2022E
Production Value	23.525	30.349	34.186	37.808	41.981	43.093
Added Value	4.704	5.377	6.818	7.751	8.997	9.462
EBITDA	1.337	1.003	2.167	2.675	3.371	3.711
EBIT	-662	-168	1.129	1.737	2.428	2.745
Group Net Profit	-1.708	-1.123	143	345	804	1.025
Cash-flow	684	753	1.917	2.088	2.605	2.882
Pfn	1.833	-3.050	-1.876	-1.163	-321	1.552
Roe	-	-	2,96	6,65	13,43	14,62

Source: Casta Diva Group; Forecast: Banca Finnat

Market

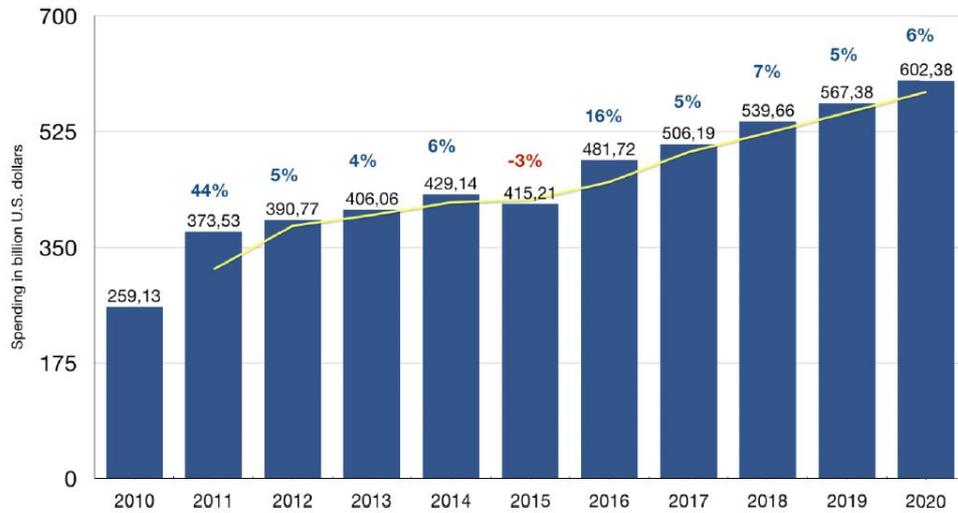
Casta Diva Group operates, internationally, in the field of communications. It produces spots, branded content, viral videos, digital contents, films, TV series and corporate events.

The Group operates in 4 continents with branches in 15 cities.

The company is operating through three Business Units for "Video content production" (spots production and post-production, digital videos, videos for events and corporate, documentaries, films and tv), "Live Communication & Entertainment", focusing on planning and managing corporate events, B2B and incentives for companies, private and public Institutions, live shows and entertainment and "Communication Strategy & Digital" (creation of strategic plans of communication, creativity and implementation of communications assets).

In 2017 the overall spending of the global market of advertising was equal to 506,19 Billion dollars (+5%) in comparison to 481,72 Billion dollars in 2016. For 2018 it is estimated that global spending in advertising will increase by 7% up to 539,66 Billion dollars.

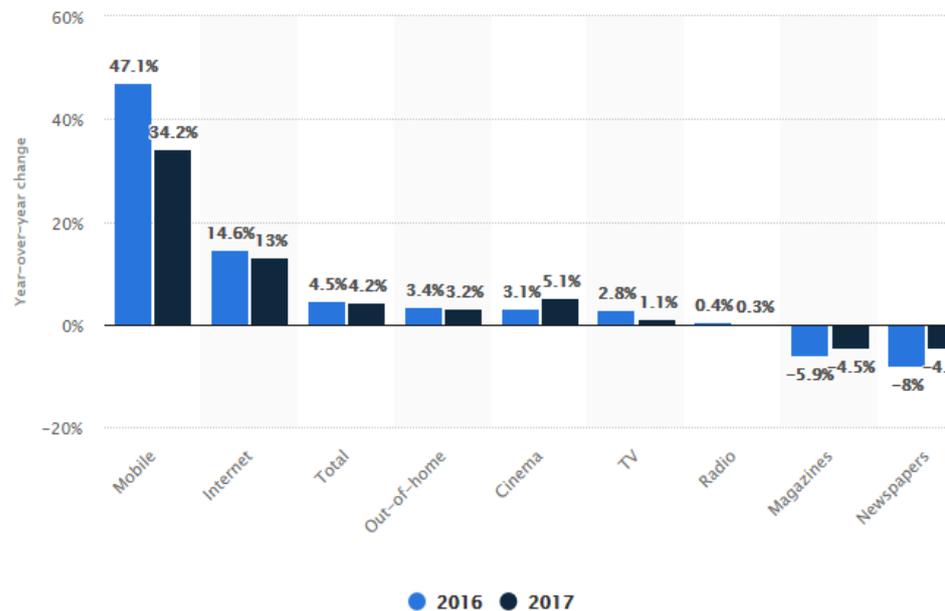
Global advertising spending from 2010 to 2020 (in billion U.S. dollars)



Source: Wilkofsky Gruen Associates; McKinsey by Statista 2018 <https://www.statista.com/statistics/237803/global-tv-advertising-revenue/>

On one hand, it is shown an increase of cost for mobile devices (+34,2%), the internet (+13%), cinema (+5,1%) and TV (+1,1%).
On the other hand, cost for magazines and newspapers (-4,5%) is going to decrease.

Change of advertising spending in 2016 and 2017



Source: Statista

In the three-year period 2016-2019, the markets able to attract a wide number of investments in advertising are USA, China, Japan, UK and Germany.

The countries that mainly contribute to advertising spending are USA, China, Indonesia, UK and India.

USA, together with China, contribute to global advertising spending by 52%.

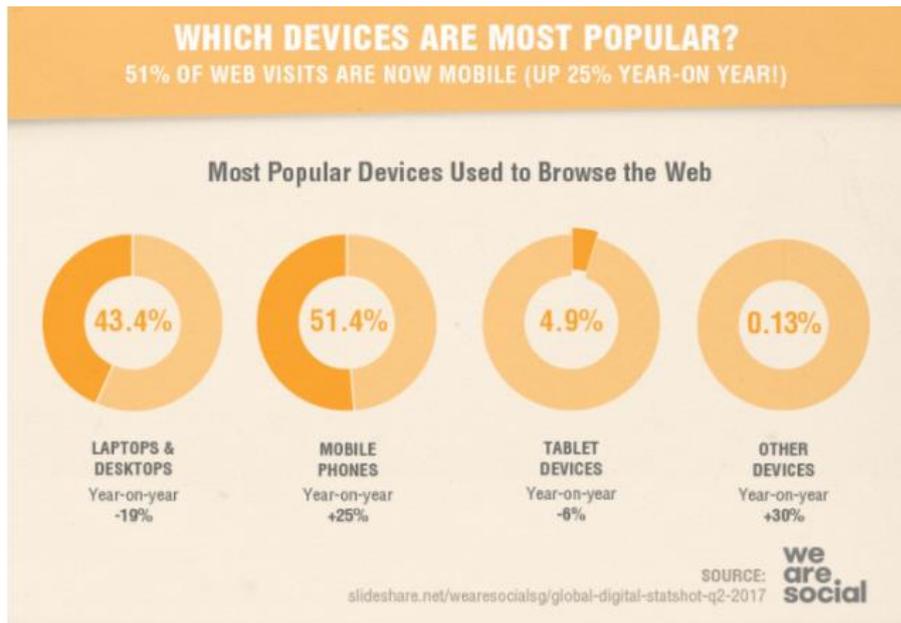


● Top 5 Largest Ad Spend Markets 2016 – 2019
 ● Top 5 Contributors to Global Ad Spend 2016 - 2019
 Source: Zenith

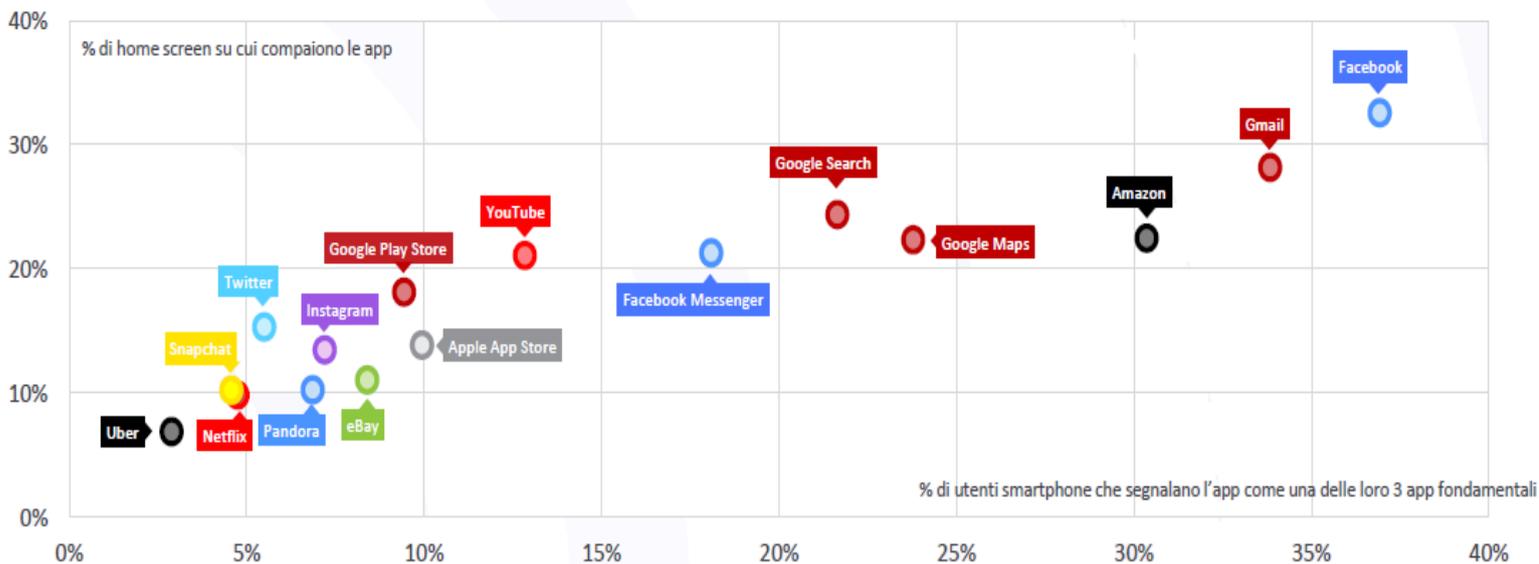
The “web” reaches out a wider audience, mainly, through digital channels. In fact, advertising keeps on growing thanks to investments in digital advertising, which have reached 2,65 Billion Euro in 2017, with an increase by approximately 13% in comparison to the previous year.

This growth has been supported by advertising on social media, which represents almost half of digital advertising.

This trend is exemplified by an increase of the internet on a global level, both for mobile and fixed devices. Approximately 51,4% of the internet users have a mobile phone to surf the internet (+25% in comparison to 2016); 43,4% use computers (-19%); only 4,9% use tablets to surf the web (-6% in comparison to 2016).



The market of advertising is more and more centred, with strong influence of the main international players such as Google and Facebook, which have more competitive advantage, accessing further information about online users and able to reach a wider audience.



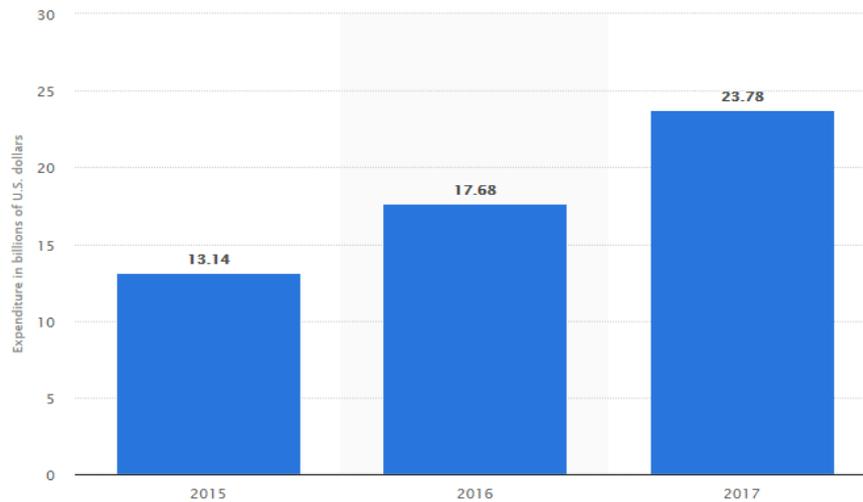
Source: Comscore

The current trend of the global market of advertising highlights a development of the digital field in comparison to others, mainly “video contents” and “live videos” on social media.

By 2019, videos should represent 80% of the internet content.

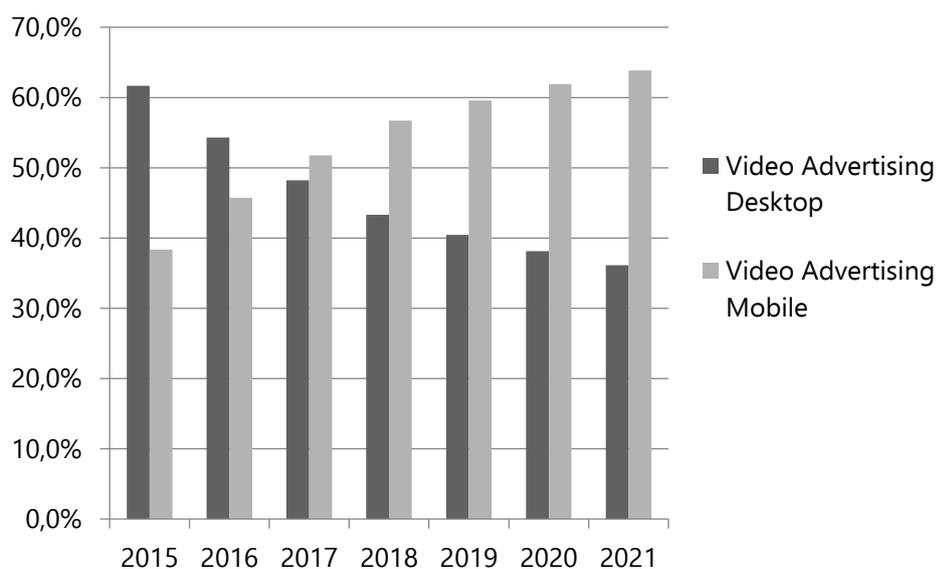
Global spending in “online video advertising” has reached 23,78 Billion dollars, growing by 34,5% in comparison to 17,68 billion dollars in 2016 and by 81% in comparison to 2015.

Online video advertising spending worldwide from 2015 to 2017



Source: Statista

Regarding video advertising, “mobile video advertising” is becoming stronger in comparison to “desktop video advertising”. The percentage of “mobile advertising” is estimated to grow from 38,3% in 2015 to 63,9% in 2021. In 2017, the mobile segment is estimated to have reached 51,8% of the market.



Source: Statista

	2015	2016	2017	2018	2019
Video Advertising Desktop	61,7%	54,3%	48,2%	43,3%	40,4%
Video Advertising Mobile	38,3%	45,7%	51,8%	56,7%	59,6%

The new “360-degree formats” also play an important role. The same video, posted with a “360 view”, has an increasing number of viewers, by 28,81% in comparison to traditional videos.

Another current trend refers to “live” videos, for which careful consideration is given about authenticity and content perceived quality.

“User experience” (in terms of perceptions and reactions that one person feels when dealing with products or services) keeps on growing, and/or “virtual reality”.

The most important part of “content marketing”, such as creating contents to attract clients to their own website or activity is “storytelling”, the ability to tell a story in order to attract the public.

Another segment, popular nowadays, is “native advertising”, a type of advertising on the internet that, in order to attract users, reflects the web site content where it’s presented. The goal is to reproduce the experience-user relation, within its context, in terms of layout and content.

Regarding the events and entertainment business unit, the market is "MICE Market" (Meetings, Incentives, and Conventions & Exhibitions).

This sector is subdivided into four main areas: Products, Services, "Sector-enablers" ("facilitators"), as "DMCs" (Destination Management Company/local companies that facilitate work process thanks to their in-depth knowledge of the best venues and local authorities) and "Sector-system enablers" for other services such as safety.

MICE Market is estimated to grow with an average annual rate over 2017-2021 equal to 6,93%.

AREA	COMPONENTS	SAMPLE SUBCOMPONENTS		
MICE PRODUCTS	Meetings	Meetings		
	Incentives	Incentives		
	Conventions	Congresses		Conferences
	Exhibitions	Trade shows		Consumer shows
MICE SERVICES	Core services	Event management services	Transport & access services	Lodging & food services
	Ancillary services	Culture	Sun & beach	Nature
		Sports	Health & wellness	Urban
MICE SECTOR-ENABLERS	Industry planning			
	Destination promotion & planning (DMCs, Convention Bureaus)			
	Sales & facilitation			
	Research & statistics			
MICE SECTOR-SYSTEM ENABLERS	Security			
	Health & safety			
	Environmental sustainability			
	Infrastructure			

Thanks to digitalisation, in fact, bookings and payments get processed smoothly and safe, through different options such as online payment.

Meetings and Conventions

Over the last years, international meetings have become real events. Meetings (in August 2017), such as conferences/tradeshows, were 23% in North America, 20% in Europe and 17% in Pacific Asia. Training events were 20% in North America, 17% in Europe, Central and South America, 16% in Pacific Asia. Meetings for new products launches were 11% in Central and South America and 9% both in Europe and Pacific Asia. In North America, events for new products launches were only 6% of the total.

Meetings Activity by Type

	Percent of total meetings			
	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC
Sales/Marketing	13%	17%	20%	20%
Training	20%	17%	17%	16%
Internal Team Meeting	12%	14%	13%	13%
Product Launch	6%	9%	11%	9%
Conference/Tradeshow	23%	20%	10%	17%
Senior Leadership Board Meeting	12%	11%	10%	13%
Advisory	8%	11%	9%	7%
Incentives	11%	9%	12%	10%

(Sources: American Express Meetings & Events North American, European, Asia Pacific, Central/South American Surveys, August 2017)

Cost for conference attendees is approximately 609 dollars in Europe, 585 dollars in Pacific Asia, 560 dollars in North America and 467 dollars in Central and South America. For new products launches it is estimated pro-capite cost of 560 dollars in Central and South America, 516 dollars in Pacific Asia and 508 dollars in Europe. In North America average cost per attendee is 488 dollars.

Cost per Attendee

(excluding air cost)

	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC	GLOBAL HOTELIERS
Sales/Marketing	\$517	\$345	\$464	\$427	\$410
Training	\$417	\$342	\$319	\$346	\$247
Internal Team Meeting	\$320	\$367	\$305	\$411	\$235
Product Launch	\$488	\$508	\$560	\$516	\$451
Conference/Tradeshow	\$560	\$609	\$467	\$585	\$534
Senior Leadership Board Meeting	\$552	\$544	\$516	\$565	\$539
Advisory	\$525	\$426	\$521	\$363	\$440
Incentives	\$629	\$720	\$702	\$496	\$507

(Sources: American Express Meetings & Events North American, European, Asia Pacific, Central/South American and Key Supplier Surveys, August 2017)

The average number of conference attendees (in 2018) is estimated to increase by 1,8% in North America and by 1,4% in Central and South America. The number of meetings attendees for new products launches is estimated to increase by 1% in Asia Pacific and 0,8% in Central, South America and in North America. The number of marketing events attendees could increase by 0,94% in North America,

by 0,9% in Central and South America and by 0,7% in Pacific Asia, whereas it is estimated to decrease by 0,63% in Europe.

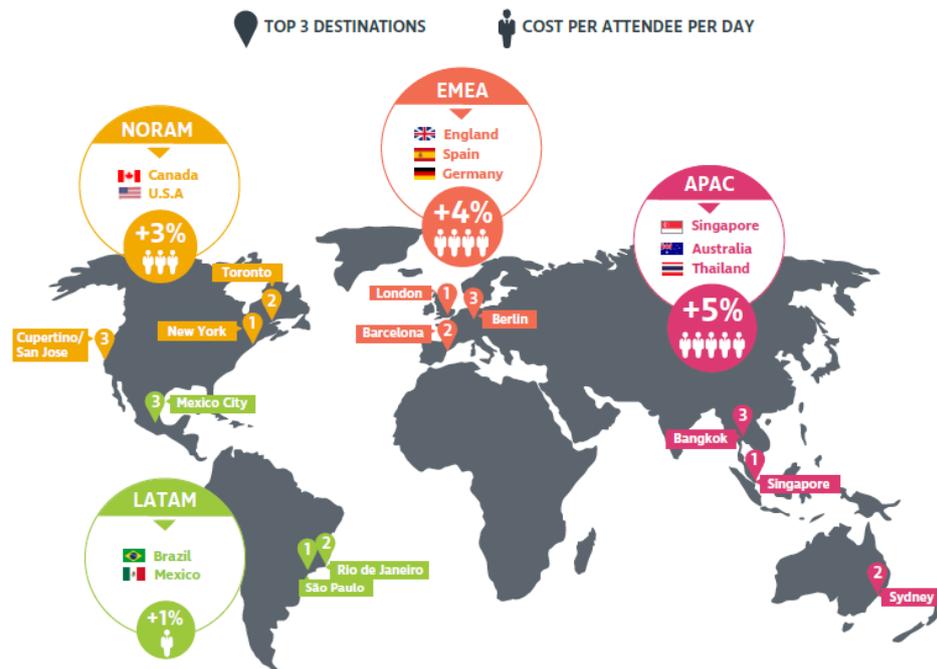
Number of Attendees

	2018 vs. 2017				
	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC	GLOBAL HOTELIERS
Sales/Marketing	0.94%	-0.63%	0.9%	0.7%	1.14%
Training	1.4%	-	0.6%	-	2.2%
Internal Team Meeting	0.6%	-0.6%	-	-	1.6%
Product Launch	0.8%	-	0.8%	1.0%	2.0%
Conference/ Tradeshow	1.8%	-	1.4%	-	1.9%
Senior Leadership Board Meeting	0.7%	-0.8%	-	-0.6%	1.6%
Advisory	-	-	0.7%	-	0.8%
Incentives	1.3%	-	0.8%	-0.7%	2.3%

(Sources: American Express Meetings & Events North American, European, Asia Pacific, Central/South American and Key Supplier Surveys. August 2017)

In 2018, the main destinations for events were Canada and USA, North America; UK, Spain and Germany in Europe; Brazil and Mexico in Latin America and Singapore, Australia and Thailand for Pacific Asia.

2018 Meetings & Events Future Trends



Source: CWT 2017

According to “CWT Meetings & Events” (“Carlson Wagonlit Travel” meeting and events), the meetings and events sector should face, over 2018, an increasing trend thanks to a series of strategic guidelines such as:

- Definition of precise targets and budget for events;
- More focus on the attendee;

- Easier interactions and targeted experiences thanks to technology;
- More investments in technology;
- More focus on safety.

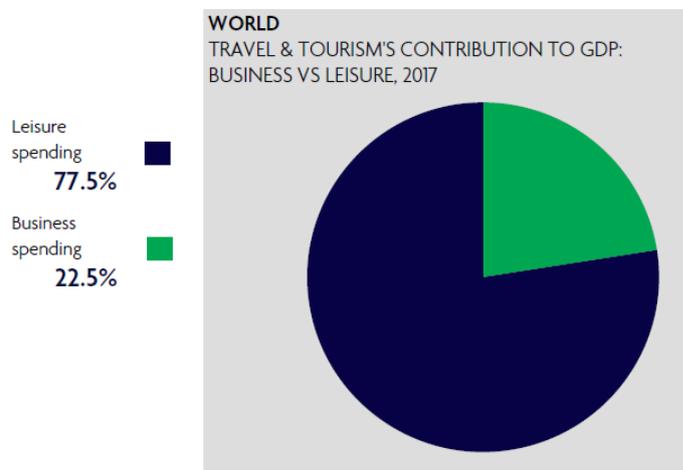
Unlike “meetings”, whose entry isn’t free and by invitation only, “conventions” are organised by companies with free-entry invitations.

Regarding MICE Industry, this segment keeps on growing by creating “memorable experiences”. The goal is to engage the attendees before the event to make it more interactive, flexible and entertaining.

During these events, people move within different spots, enjoying “live demonstrations” and “virtual reality”. Also, before and after the event, “networking” plays a vital role. “Learning sessions” take place, allowing the attendees to share their information. The attendee plays more and more an active role during conferences.

Incentives

“Incentives” (“business travel”) has reached, in 2017, global spending equal to 1,23 trillion dollars, equal to 22,5% of “Travel & Tourism” total spending.



Source: World Travel & Tourism Council

Total spending was 753,5 billion dollars (61% of the total). Usa, China, Germany, UK, Japan and Italy were the main Countries for current spending in “business travel”.



Absolute terms In which countries was spending on business travel (absolute terms) highest in 2017?	2017
Business Travel Spending	2017 constant US\$bn
1 United States	301.0
2 China	188.6
3 Germany	84.4
4 United Kingdom	71.5
5 Japan	69.0
6 Italy	39.0
7 France	34.5
8 Canada	28.6
9 Sweden	22.4
10 Philippines	18.2

Source: World Travel & Tourism Council

In 2018, business travel spending, globally, is estimated to increase by 4,07% up to 1,28 trillion dollars to reach 1,756 trillion dollars in 2028.

These are the main growth factors:

- Technology helps travel agents and their clients to access travel information, compare booking options and get the best deal by optimising time.
- Online payments. This allows users to invoice cost and expenses directly to the company, without using a credit/debit card or other bank services. It is safer because all transactions are related to individual needs, like the hotel room payment.
- Free services in hotels attract more and more clients. For example, hotels offer free Wi-Fi connection, which allows the guests to stay in contact with their office, supporting their productivity.

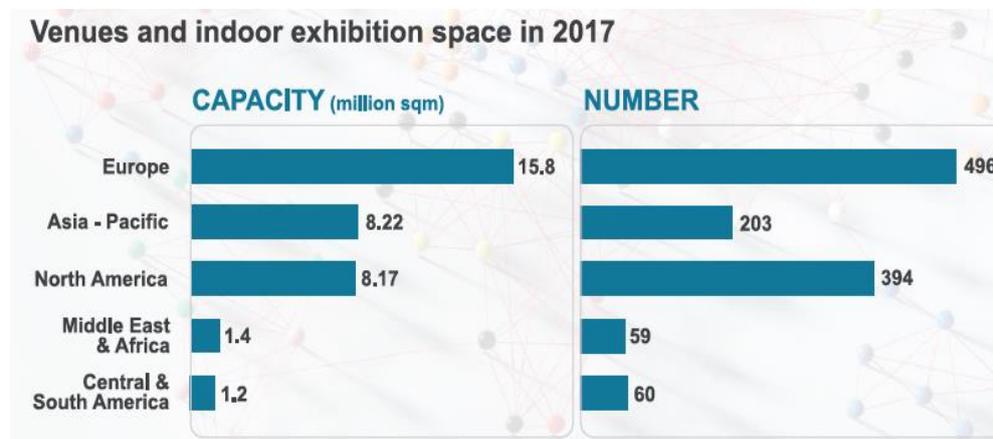


Source: Technavio

Exhibitions

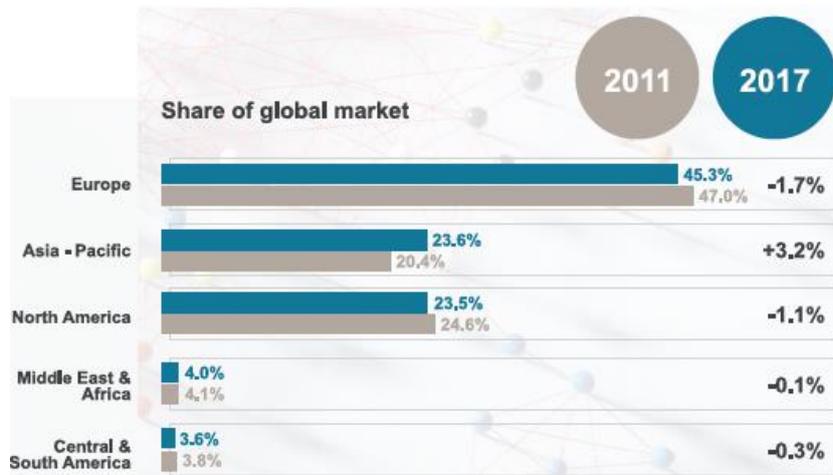
Regarding “exhibitions”, in 2017 the number of venues has globally increased by 1,4%, reaching 1.212 places.

Europe is the first, with 496 venues, followed by North America with 394 and Pacific Asia with 203 venues. A smaller number of venues can be found in Central and South America (60), Middle East and Africa (59).



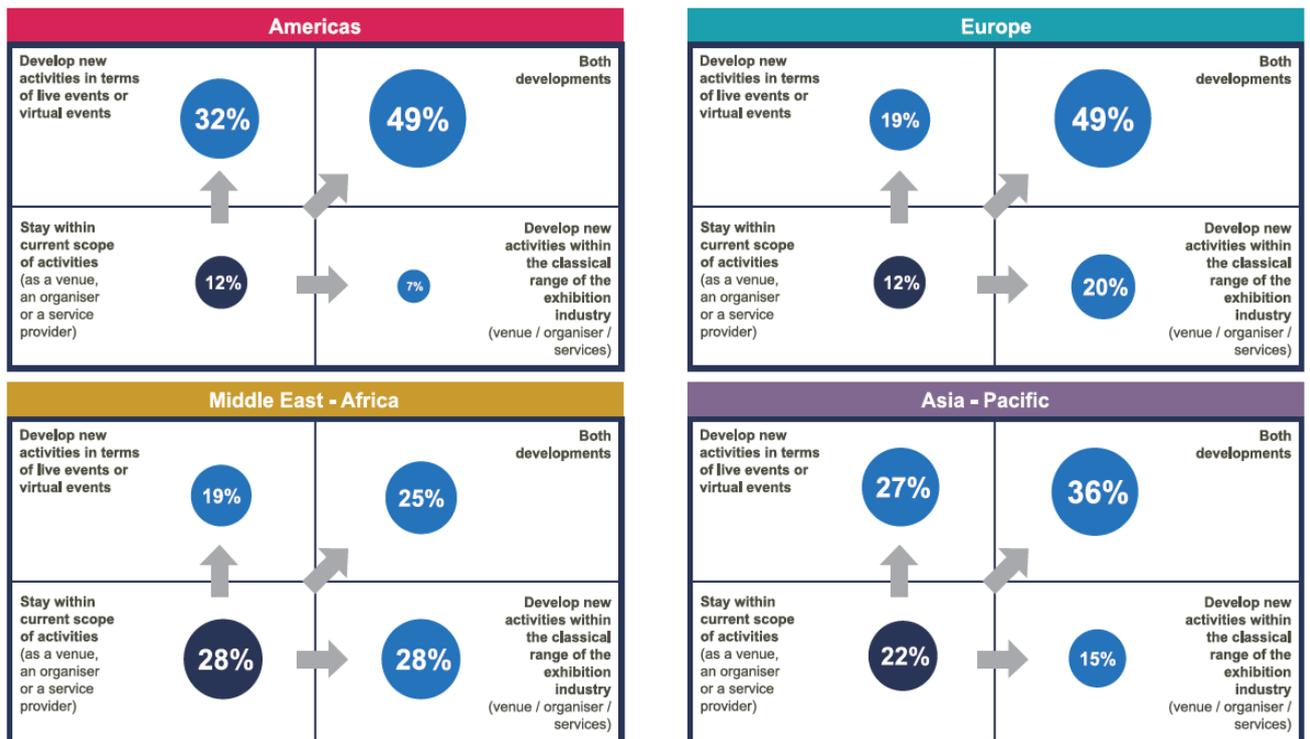
Source: UFI World Map of Exhibition Venues 2017

In 2017, this market rate in Europe was 45,3% (decreasing by 1,7% in comparison to 2011); Pacific Asia with 23,6% (+3,2% in 2011), North America with 23,5% (-1,1%), Middle East and Africa (4%) and Central and South America (3,6%).



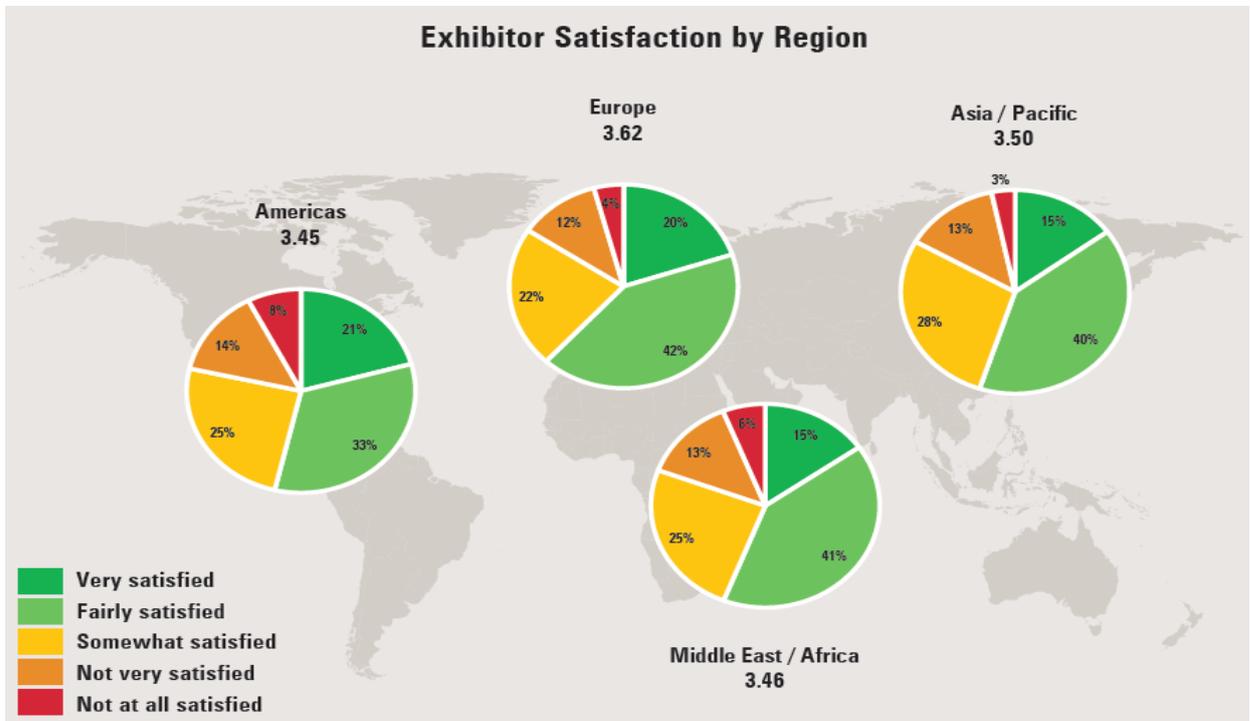
Source: UFI World Map of Exhibition Venues 2017

One of the main trends in this field is to support the main activities such as venues, planners, services, new initiatives such as live events and virtual events; this can be mainly seen in America (49%), in Europe (49%) and Pacific Asia (36%). Middle East and Africa have the main exhibitions activities.

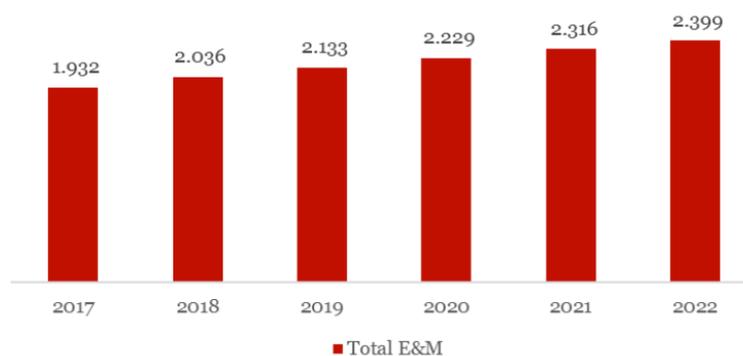


Source: UFI Global Exhibition Barometer/January 2018

In terms of visitors' satisfaction per region, in 2017, the level of satisfaction has been 62% in Europe, 56% in Pacific Asia, 55% in Middle East and Africa and 54% in America.



Total E&M revenues, 2017-2022 (US\$bn)



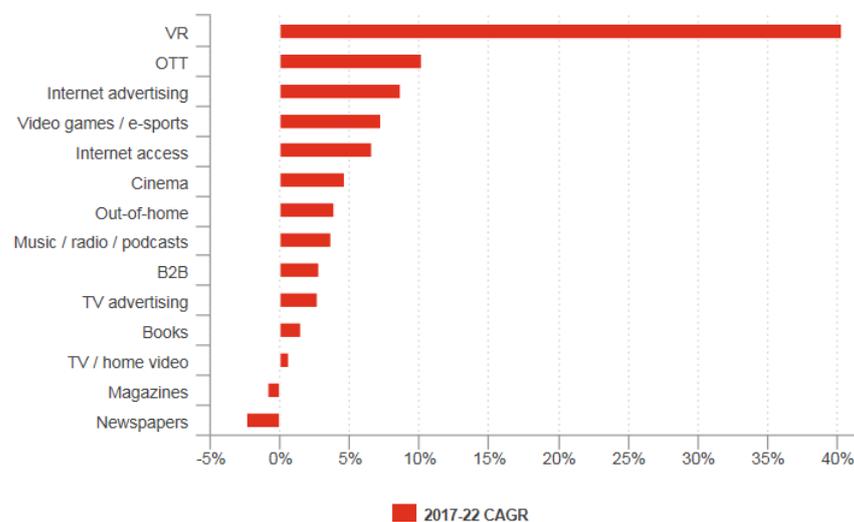
Source: PwC Global Entertainment & Media Outlook 2018–2022

In 2018, it is estimated that the *Entertainment* market will reach 2.036 billion dollars of revenue and approximately 51% comes from the digital area.

Users' spending in *entertainment & media*, in 2017, has reached 824 billion dollars increasing by 4% in comparison to figures in 2016. Over 2018-2022 it is estimated a growth with annual average rate by 3,1%.

In particular, the segment with the highest increase rate is estimated to be “virtual reality” (40,4%). Cinema and out-of-home will increase with a rate lower than 5%, whereas TV advertising and home video are estimated to increase over Cagr 2018-2022, less than 2,5%.

Segment compound annual growth rate (CAGR) for next 5 years



Source: PwC Global Entertainment & Media Outlook: 2018–2022. PwC. Ovum

Geographically, the main markets expected to grow will be Nigeria and Egypt, for which it is estimated that the average annual growth rate will be 21% and 17,1%. Western Europe and North America are estimated to grow over Cagr 2018-2022 by 3%.

The main factors of the *Entertainment & Media* market will be:

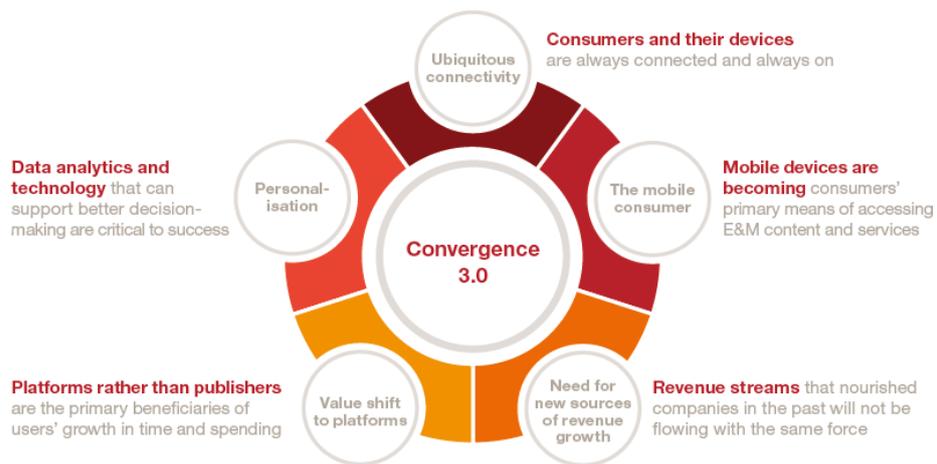
- *Connectivity, Anytime, Anywhere*: the number of high-speed mobile Internet connections will globally increase by 2,2 billion, by 2022, expanding the consumer market of mobile contents with higher speed.
- *Mobile consumer*: for all markets, mobile devices are the main tools used by consumers to access contents and services. This makes mobile connectivity more and more important for advertisers.
- *New opportunities of growth in terms of revenue*: telecommunications companies are trying to expand their business through “Entertainment & Media” contents in order to support their growth.
- *More importance to platforms*: social media platforms are overcoming traditional contents distributors, to attract the consumers' attention and to

acquire an increasing share of the total spending of final users. This leads to competition among “super-competitors”.

- *Customisation*: consumers tend to reject experiences and non-customised contents. As a consequence, Data Analytics and Artificial Intelligence are playing, more and more, a vital role for all companies, in order to customise offers.

Exhibit 3: Five fundamental drivers of change

A handful of factors combine to create a new style of convergence.



Source: PwC

In Italy, E&M market has reached, in 2017, 32,8 billion revenue, and the growth average annual rate over 2018-2022 is estimated to be approximately 4,5% to reach 41 billion euro in 2022.

In Western Europe, in terms of growth rate ranking, Italy is second right after Greece.

Strategies & Activities

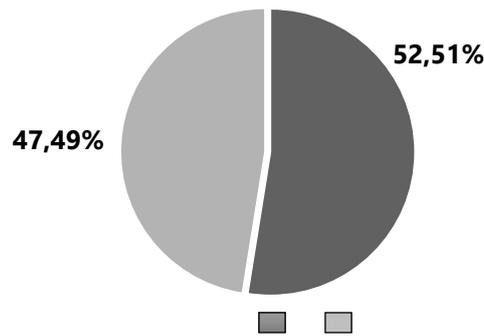
Casta Diva Group S.p.A. operates globally in the field of communications, producing spots, viral videos, digital contents, films, Tv-series and corporate events.

The company has implemented internal re-structuring, spotting three new Business Units:

- **Video contents production** (production and post-production of spots, digital videos, videos for corporate events, documentaries, films and Tv).

- **Live Communication & Entertainment** (corporate events planning, B2B and incentives for companies, public and private Institutions, live shows and entertainment).
- **Communication Strategy & Digital** (communications strategic plans, creativity production and implementation of communications assets).

In the first semester of 2018 Casta Diva Group has reached its revenue, 52,51% in Italy and 47,49% abroad.



Source: Casta Diva Group Italy Abroad

The Group currently operates in 4 Continents with branches in 15 cities.



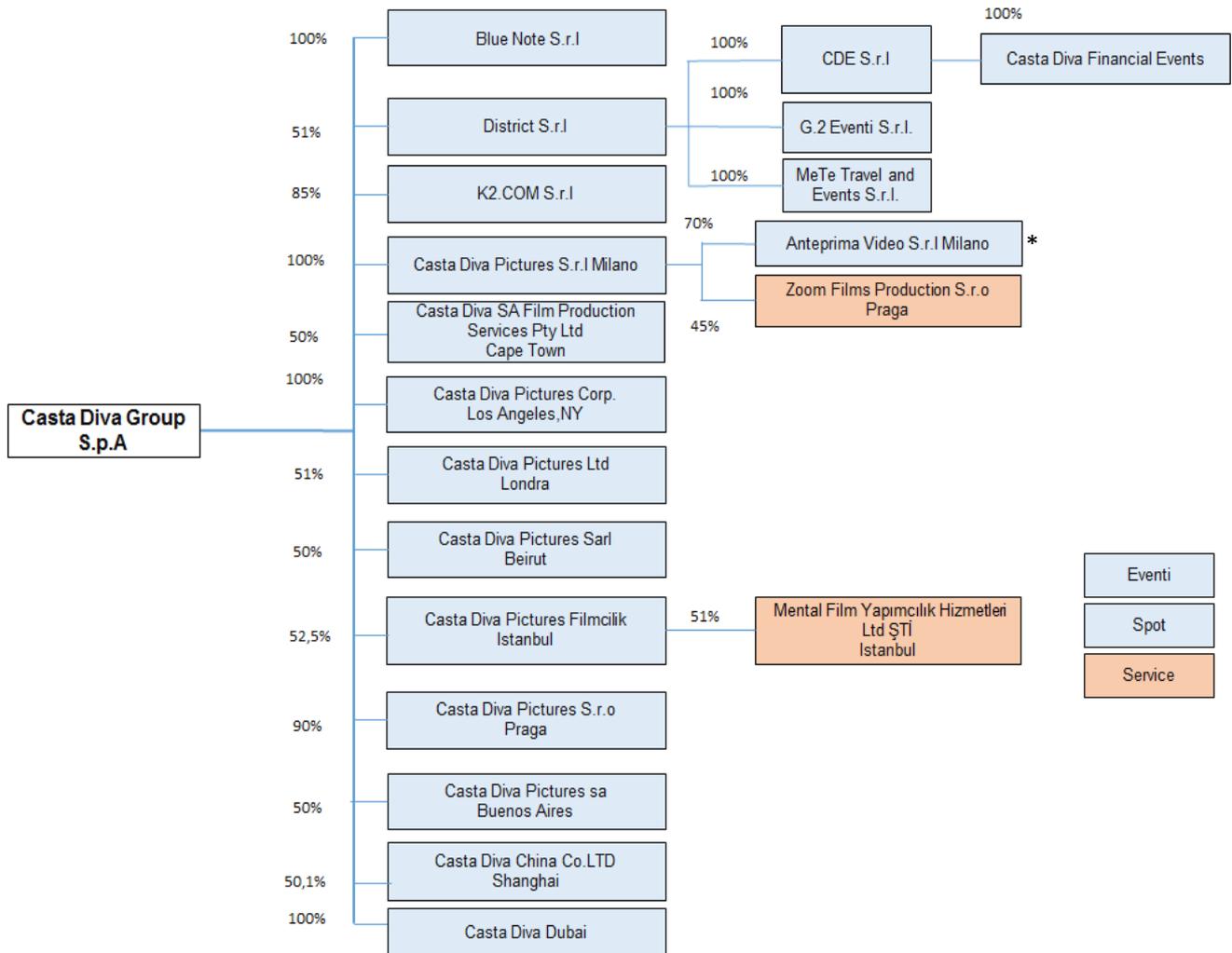
Source: Casta Diva Group

At the moment, 13 subsidiaries are managed by the Holding “Casta Diva Group S.p.A.”, listed on AIM Italy.

The “Video Content Production” BU is actively operating with the “Casta Diva Pictures” brand, through a series of companies operating internationally. The “Live Communication & Entertainment” BU operates through “District” (which incorporates Casta Diva Events, G.2 and MeTe) and through “Blue Note”.

The “Communication Strategy & Digital” BU operates through “K2Com”, which deals with the Group business activities, as well as creative contents for the different entities.

The Group manages two companies (Zoom Films and Mental Film) with administrative services and to support production. In addition, each entity has a managing director, who coordinates its activities and strategies.

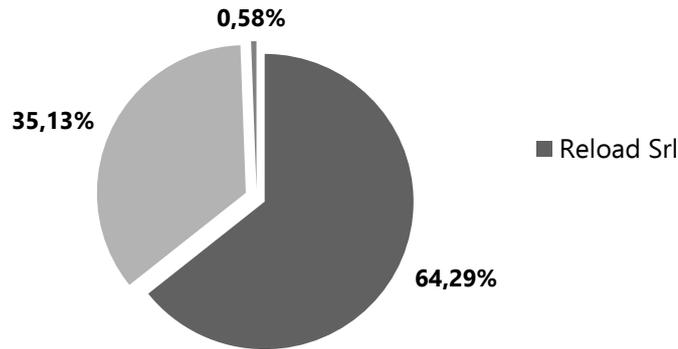


Source: Casta Diva Group; (**) transferred to Casta Diva Pictures

Regarding internal re-structuring, “Service Zero” has been established in December 2018, 100% owned by CDG, in order to provide to all subsidiaries administrative, accounting, IT services as well as general services,.

Casta Diva Group share capital is currently owned by “Reload Srl”, 64,29%, (owned by the shareholders Andrea de Micheli and Luca Oddo), and the remaining 35,13% is market. The company has 0,58% of own shares (equal to 73.500 shares).

CDG share capital is 6.121.477,50 Euro, sub-divided into 12.715.877 shares.



Source: Casta Diva Group

Outstanding warrants are 170.289, provided while issuing the first two tranches of convertible loan (already convertible) with Bracknor, whose cancellation was in October 2017. Their expiry dates are:

- 6th July 2020 for warrants belonging to the first tranche (83.333 warrants) for the price of 2,30 euro;
- 20th September 2020 for warrants belonging to the second tranche (86.956 warrants) for the price of 2,40 euro.

Video Content Production BU

The “Video Content Production” BU, operating with brand “Casta Diva Pictures”, produces on an international level spots, digital videos and content videos, videos for events and corporate, documentaries, films and Tv-series. Post-production services and activities are provided by “Anteprima Video”, which has been incorporated into Casta Diva Pictures in December 2018.

Regarding branded content, films and tv-series, this segment of new video formats such as “branded content”, audio-visual contents, was created to attract audiences, regardless of the advertised brand. These are digital videos, short films or web series.

Casta Diva Group, within this BU, has collaborated, over the years, with big brands:



Source: Casta Diva Group

In June CDG has been awarded with *the Silver Lion in the Healthcare category*, at Cannes Lions 2018 for “Break the Taboo”, spot produced by the Argentine Society of Urology.

This award has been given at the *International Festival of Creativity 2018*, the most important international event in the field of advertising.

This spot has been created by the subsidiary Casta Diva Pictures in Buenos Aires.

Regarding film and Tv-series productions, in September, the Tv-series “AWAKE” has been produced by Casta Diva Pictures Lebanon, collaborating with local investors, and broadcasted on Tv in Lebanon.

This business Unit is experiencing new business activities on the American market thanks to a new strategic deal with P&G, which foresees new spot productions, both in the US and in the rest of the world.

Collaborations in China, through joint-venture with Shanghai Red Horse (“Casta Diva China Co. Shanghai”) could play a vital role for the Group development thanks to collaborations with clients such as Alibaba, OPPO and Huawei (among the main clients of Shanghai Red Horse), which are developing more and more on the European market.

In order to support the development of the “Video Content Production” BU, the Group focuses, also, on the development formats for cinema and Tv-series.

Live Communication & Entertainment BU

The “Live Communication & Entertainment” BU creates and manages, mainly in Italy, conventions, web events, road shows, forums, stands, team-building, product launches and experiential events for companies and Public Institutions. It also manages live shows and entertainment.

This Bu operates through “District”, in which Casta Diva Events, G.2 and MeTe have been incorporated.

Live shows and entertainment activities are managed by the brand “Blue Note” with its new programme “Blue Note Off”.

The main clients in “Live Communication & Entertainment” are:



Source: Casta Diva Group



In May 2018, Casta Diva Group, through Casta Diva Financial Events (CDFE), has signed a deal with “CLASS CNBC” for the launch of A new brand, “Casta Diva Forums”, which would deal with broadcasting activities on “Class CNBC Italy” and on “Web Blockchain Channel” of Casta Diva Forums, 40 shots, 240 rebroadcast, about the secrets of blockchain and Initial Coin Offerings (ICOs).

In June 2018, Casta Diva Forums has been launched in New York at the “*The World Trade Blockchain Summer Edition*” event, where nine companies presented their ICO projects to 100 investors (business angels, institutional investors, family offices, fund managers, crypto investors).

Regarding the Live Communication & Entertainment BU, in September 2018, a new deal has been signed with Matteo Valcelli, shareholder of “G.2 Eventi Srl” (G.2) and procurer of the shareholders of “MeTe Travel and Events Srl” (MeTe), to establish “DISTRICT Srl”, in which 100% of Casta Diva Events and 100% of “G.2” and “MeTe” have been incorporated, through the NewCo “FIDUCIA Srl”. Casta Diva Group owns 51% of “DISTRICT” and FIDUCIA Srl owns the remaining 49%.

G.2 analyses, plans and manages big events whereas MeTe manages events for thousands of participants, in terms of logistics and training courses. These companies have collaborated over the years with renowned companies such as Allianz and Ferrovie dello Stato.

Through District, CDG strengthens its presence on the events market, integrating additional services to enhance its productivity.

In 2021, the “Live Communication & Entertainment” BU, through District, should reach 50% of the consolidated revenue of CDG and 40% of its Ebitda.

Live show and entertainment activities are managed with the “Blue Note” brand and the new “Blue Note Off” programme.

The “Blue Note” in Milan mainly manages B2C live concerts. They organise approximately 350 events per year: 320 are concerts and 30 are corporate events. Normally, 60.000 ticket are sold per year.

The “Blue Note Off” programme focuses on bringing jazz to unconventional venues in different parts of Milan.

In November, the third edition of “Jazzmi” took place, the only jazz festival in Italy. This type of event has been created by CDG, with all rights reserved. The festival includes 150 events: concerts with national and international musicians, exhibitions, meetings, workshops, conventions and collaborations with more than 500 artists.

To support the development of this BU, the Group focuses on:

- Expansion in UAE and China;
- Events business diversification;
- Companies merging/acquisitions both in Italy and abroad;
- Increase of B2B e B2C events with the “Blue Note Off” brand.

Communication Strategy & Digital BU

The “Communication Strategy & Digital” BU focuses on communications strategic planning, creativity and implementation of communications assets.

The goal is to analyse the market, the product/service, find innovative solutions, plan and implement communications projects for clients.

This BU also covers all activities for the creative department, producing cross-media communication campaigns, through the interaction between technology and creativity and by focusing on the clients and their needs.

In addition, the live communication field produces live shows, Corporate and Consumer events, with an internal graphic design department.

The “Communication Strategy & Digital” BU runs through “K2COM”, formed in July 2018 and made of local and international professionals, coming from the field of communication strategy and creativity.

K2Com offers its own services to all clients of the Group that need a new integrated approach to communications and provides them with dedicated resources, coordinating all offers of the Group in one strategic production plan.

The “Communication Strategy & Digital” BU focuses on coordinating all communications initiatives of the Group, in order to attract new clients as well as increasing its offer to existing clients.

K2COM is made of the following departments:

- Strategy & Media
- Ideas & Creativity
- Multi-platform Contents
- Events Lab
- Music Factory
- Digital Hub Live Entertainment
- Production House
- Cinema & TV
- Post-production Studio

K2COM is owned 85% by Casta Diva Group Spa and the remaining 15% by three managers of K2COM, each one of them with 5% share. By 2020, it is estimated that two shares (5% each) will be given to two internal managers from the digital department.

Figures up to 30.06.2018

EUR (K)	1H 2017	1H 2018	VAR %
Net profit	14.219	9.860	-30,66
<i>BU Video Content Production</i>	8.659	6.254	-27,77
<i>BU Live Communication & Entertainment</i>	5.560	3.606	-35,14
Production value	12.330	10.813	-12,30
Tangible assets	518	334	-35,52
%	4,20	3,09	
Services	8.791	8.507	-3,23
%	71,30	78,67	
Third Party Assets	300	212	-29,33
%	2,43	1,96	
ADDED VALUE	2.721	1.760	-35,32
%	22,07	16,28	
Labour cost	1.975	1.704	-13,72
%	16,02	15,76	
Other management charges	70	-	
%	0,57	-	
EBITDA	676	56	-91,72
%	5,48	0,52	
Amortisations & Write-downs	419	478	14,08
Depreciations	-	176	-
EBIT	257	-598	-
%	2,08	-	
Financial charges (income)	78	132	69,23
Earnings before tax	179	-730	-
%	1,45	-	
Taxes	252	252	
<i>Tax rate (%)</i>	-	-	
NET RESULT	-73	-982	-
Minorities	445	146	
NET GROUP RESULT	-518	-1.128	-
%	-	-	
Cash Flow	346	-328	-
%	2,81	-	
PFN	1.833*	-1.949	

Source: Casta Diva Group; (*) 31.12.2017



The Group has reached, in the first semester 2018, production value equal to 10,8 billion euro (12,3 million Euro up to 30.06.2017) mainly due to the currency exchange rates of the Turkish Lira and Argentinian Pesos that had negative impact on the performance of the subsidiaries CDP Turkey and CDP Argentina.

Regardless of a reduction of cost for tangible assets (-35,52%), cost for services (-3,23%) and cost for personnel (-13,72%), Ebitda has decreased by 92%, reaching 56 thousand euro up to 30.06.2018, in comparison to 676 thousand euro over that period of time.

More amortisation has been generated with the implementation of the technological structure of the company and depreciation of obsolete assets has generated net operating loss equal to € 600 thousand from operating profit, equal to € 257 thousand up to 30.06.2017.

Financial charges have been increasing up to 132 thousand euro (78 thousand euro in the first semester 2017) so have affected the negative result before taxes equal to € 730 thousand from a positive result before taxes equal to € 179 thousand over the period of comparison in 2017.

The Group net result in the first semester 2018 has reached net consolidated loss equal to 1,1 million euro, in comparison to 518 thousand euro LOSS in the first semester of 2017.

The net financial position up to 30.06.2018 was negative, 1,9 million euro, in comparison to cash flow of 1,8 million euro up to 31.12.2017.

Outlook 2018-2022

Old estimates

EUR (K)	2017	2018E	2019E	2020E	2021E	2022E	CAGR 17/22
PRODUCTION VALUE	23.525	27.290	28.293	29.945	31.758	32.935	6,96
<i>BU Spot</i>	15.262	17.685	18.158	18.595	19.489	19.990	5,55
<i>BU Events</i>	9.127	9.605	10.135	11.350	12.269	12.945	7,24
Tangible assets	1.158	1.299	1.258	1.309	1.325	1.352	3,15
%	4,92	4,76	4,45	4,37	4,17	4,11	
Services	17.077	19.453	20.025	21.123	22.310	23.020	6,15
%	72,59	71,28	70,78	70,54	70,25	69,90	
Third Party Assets	586	600	610	615	620	652	2,16
%	2,49	2,20	2,16	2,05	1,95	1,98	
ADDED VALUE	4.704	5.938	6.400	6.898	7.503	7.911	10,96
%	20	21,76	22,62	23,04	23,63	24,02	
Labour cost	3.367	3.710	3.750	3.908	3.966	3.975	3,38
%	14,31	13,59	13,25	13,05	12,49	12,07	
Other management expenses	-	70	70	70	70	70	
%	-	0,26	0,25	0,23	0,22	0,21	
EBITDA	1.337	2.158	2.580	2.920	3.467	3.866	23,66
%	5,68	7,91	9,12	9,75	10,92	11,74	
Amortisations & Write-downs	914	972	919	933	939	942	
Depreciation	1.085	-	-	-	-	-	
EBIT	-662	1.186	1.661	1.987	2.528	2.924	-
%	-	4,35	5,87	6,64	7,96	8,88	
Financial charges (income)	399	108	86	49	12	(3)	
EARNINGS BEFORE TAX	-1.061	1.078	1.575	1.938	2.516	2.927	-
%	-	3,95	5,57	6,47	7,92	8,89	
Taxes	254	259	378	465	604	702	
<i>Tax rate (%)</i>	-	24	24	24	24	24	
NET RESULT	-1.315	819	1.197	1.473	1.912	2.225	-
Minorities	393	405	436	505	558	591	
GROUP NET RESULT	-1.708	414	761	968	1.354	1.634	-
%	-	1,52	2,69	3,23	4,26	4,96	
Cash Flow	684	1.791	2.116	2.406	2.851	3.166	35,86
%	2,91	6,56	7,48	8,03	8,98	9,61	
NFP	1.833	7.145	9.371	11.001	12.916	13.970	
ROI	-	26,57	58,61	123,37	-	-	
ROE	-	3,90	6,94	8,66	11,72	13,80	

Source: Casta Diva Group; Forecast: Banca Finnat

New estimates

EUR (K)	2017	2018E	2019E	2020E	2021E	2022E	CAGR 17/22
VALORE DELLA PRODUZIONE	23.525	30.349	34.186	37.808	41.981	43.093	12,87
<i>BU Film Content Production</i>	15.262	11.289	12.088	14.507	15.890	16.011	0,96
<i>BU Live Communication & Entertainment</i>	9.127	16.657	18.650	20.250	22.650	23.622	20,95
<i>BU Communication Strategy & Digital</i>	-	280	1.086	1.621	2.330	2.660	
Tangible assets	1.158	1.644	1.753	1.916	2.061	2.001	11,56
%	4,92	5,42	5,13	5,07	4,91	4,64	
Services	17.077	22.583	24.855	27.351	30.112	30.785	12,51
%	72,59	74,41	72,71	72,34	71,73	71,44	
Third party assets	586	745	760	790	811	845	7,59
%	2,49	2,45	2,22	2,09	1,93	1,96	
ADDED VALUE	4.704	5.377	6.818	7.751	8.997	9.462	15,00
%	20,00	17,72	19,94	20,50	21,43	21,96	
Labour cost	3.367	4.304	4.560	4.981	5.526	5.595	10,69
%	14,31	14,18	13,34	13,17	13,16	12,98	
Other management expenses	-	70	91	95	100	156	
%	-	0,23	0,27	0,25	0,24	0,36	
EBITDA	1.337	1.003	2.167	2.675	3.371	3.711	22,65
%	5,68	3,30	6,34	7,08	8,03	8,61	
EBITDA ADJUSTED*	-	2.002	-	-	-	-	
Amortisations & Write-downs	914	961	1.038	938	943	966	
Depreciation	1.085	210	-	-	-	-	
EBIT	-662	-168	1.129	1.737	2.428	2.745	-
%	-2,81	-	3,30	4,59	5,78	6,37	
EBIT ADJUSTED*	-	831	-	-	-	-	-
Financial charges (income)	399	250	250	300	350	350	
Earnings before tax	-1.061	-418	879	1.437	2.078	2.395	-
%	-	-	2,57	3,80	4,95	5,56	
Taxes	254	-	-	287	416	479	
<i>Tax rate (%)</i>	-	-	-	20	20	20	
NET RESULT	-1.315	-418	879	1.150	1.662	1.916	-
Minorities	393	705	736	805	858	891	
GROUP NET RESULT	-1.708	-1.123	143	345	804	1.025	-
%	-	-	0,42	0,91	1,92	2,38	
ADJUSTED* NET RESULT	-	-124	-	-	-	-	-
Cash Flow	684	753	1.917	2.088	2.605	2.882	33,33
%	2,91	2,48	5,61	5,52	6,21	6,69	
PFN	1.833	-3.050	-1.876	-1.163	-321	1.552	
ROI	-	-1	12,56	19,53	26,26	32,06	
ROE	-	-	2,96	6,65	13,43	14,62	

Source: Casta Diva Group; Forecast: Banca Finnat

(*) excluding extraordinary and non-recurring charges equal to 999 thousand Euro for: bonuses distribution to administrators; integration of G.2 and MeTe; incorporation of Anteprema Video into Casta Diva Pictures and charges for start-ups abroad in Shanghai, Dubai and Los Angeles.

Regarding the balance sheet and forecast for 2018, Casta Diva Group should end fiscal year with production value equal to 30,35 Million Euro, increasing by 3 Million Euro in comparison to previous estimate (27,3 Million Euro) mainly thanks to the acquisition of MeTe and G.2.

Regardless of an increase of operating cost (+17% in comparison to previous estimate) excluding extraordinary and non-recurring charges equal to 999 thousand Euro, there was distribution of bonuses to administrators, acquisition of G.2 and MeTe, incorporation of Antepima Video into Casta Diva Pictures and charges for start-ups in Shanghai, Dubai and Los Angeles. Ebitda adjusted should be equal to 2 Million Euro, according to estimates (2,16 Million Euro).

More amortisation (equal to 961 thousand Euro) and depreciation of obsolete assets for € 210 thousand euro, going to affect the operating result, excluding non-recurring charges, it is estimated to be € 831 thousand euro, in comparison to 1,19 Million Euro previously estimated.

Regarding the “adjusted” Group net result, we believe that this could result negative in € 124 thousand (minorities from 405 thousand euro to 705 thousand euro as a consequence of new acquisitions), in comparison to consolidated profit previously estimated, equal to 414 thousand euro.

Based on extraordinary operations taken place in 2018 and company re-structuring process, we have revised estimates for 2019-2022.

After the acquisition of G.2 and MeTe and business development of CDG, we have increased estimate on production value for € 34,18 Million in 2019, € 37,81 Million in 2020 and € 43,1 Million in 2022 (Cagr 2017-2022 up to 12,87% from previous 6,96%). This growth has been supported mainly by the “Live Communication & Entertainment” BU (Cagr 2017-2022 equal to 20,95%) where the new acquired companies G.2 and MeTe let the Group attract new targeted clients by offering more and more integrated services. The new “Communication Strategy and Digital” BU is estimated to grow in 2019, by offering strategic plans of integrated communications to all its clients through the Group companies.

The incorporation of G.2 and MeTe into the Group will support the revenue increase, though internal re-structuring is going to affect negatively the Group profit.

It is estimated that operational cost will approximately increase by annual average 11,56% for tangible assets (from previous estimates 3,15%), by 12,51% for services (from previous estimates 6,15%) and by 10,69% for personnel (from previous estimates 3,38%). Ebitda should grow with average annual rate by 22,65%, rather than 23,66% from previous estimates, cut-down marginality up to 3,3% in 2018 (7,91% from previous estimates), up to 6,34% in 2019 (9,12% from previous estimates) up to 8,61% in 2022 previously estimated equal to 11,74%.



Net operating profit (ebit) should be 1,13 Million Euro in 2019 (previously estimated € 1,7 Million Euro), 1,74 Million Euro in 2020 (previously estimated € 2 Million Euro) and 2,74 Million Euro in 2022, previously estimated € 2,9 Million Euro. This will affect the production value, which will be cut-down up to 3,30% in 2019 (previously estimated 5,87%), up to 4,59% in 2020 (previously estimated 6,64%) and up to 6,37% in 2022 previously estimated equal to 8,9%.

We would like to highlight that over 2018-2019 Casta Diva should receive tax credit from previous loss.

Regarding the Group Net Profit, it is estimated that 143 thousand Euro profit in 2019 could reach 1,02 Million Euro in 2022.

Taken into consideration all investments made to re-structure the Group and all recent acquisitions, net financial position will not benefit from strong cash flow previously estimated, it is estimated net debt equal to 3,05 Million Euro in 2018, up to 1,9 Million Euro in 2019 and equal to 1,2 Million Euro in 2020. Positive cash flow for 1,55 Million Euro will be reached in 2022.

Evaluation

In terms of evaluation, Discounted cash flow methodology will be applied, estimating cash flow over 2019/2022. We consider growth rate up to 0,5%, Wacc up to 11,63%, increasing in comparison to 10,25%, depending on the increase of free risk rate by 3% (previously 2%) and by 8,63% of market risk premium (previous 8,25%).

By editing financial parameters and after revising down estimates generated by the Group re-structuring process and new acquisitions, it is determined Enterprise Value equal to 22,3 Million Euro and **Equity Value** equal to **1,60 Euro** per share. Regardless of a decrease of our target price on share, our purchase recommendation is confirmed.

Cash Flow Model (K €)

	2019E	2020E	2021E	2022E
EBIT	1.129	1.737	2.428	2.745
Tax rate	-	20,00	20,00	20,00
NOPAT	1.129	1.390	1.942	2.196
D&A	1.038	938	943	966
Capex	200	200	200	200
CNWC	488	775	1.103	63
FOCF	1.479	1.353	1.582	2.899

Stime: Banca Finnat

DCF Model Evaluation (k €)	
Perpetual Growth Rate (%)	0,5
WACC (%)	11,63
Discounted Terminal Value	16.898
Cum. Disc. Free Operating Cash Flow	5.428
Enterprise Value	22.326
Net financial position as of 30/06/2018	-1.949
Equity Value	20.377
N. Shares (k)	12.716
Value per share	1,60

Stime: Banca Finnat

WACC Calculation (%)	
Risk free rate	3
Market risk premium	8,63
Beta (x)	1
Cost of Equity	11,63
Wacc	11,63

Stime: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
04.05.2018	Buy	2,90 €	1,395 €
27.11.2017	Buy	3,12 €	1,513 €
26.06.2017	Buy	3,00 €	2,20 €

Key to Investment Rankings (12 Month Horizon)

BUY: Upside potential at least 15%

HOLD: Expected to perform +/- 10%

REDUCE: Target achieved but fundamentals disappoint

SELL: Downside potential at least 15%

INCOME STATEMENT (Eur k)	2017	2018E	2019E	2020E	2021E	2022E
Production Value	23.525	30.349	34.186	37.808	41.981	43.093
Tangible assets	1.158	1.644	1.753	1.916	2.061	2.001
Services	17.077	22.583	24.855	27.351	30.112	30.785
Third party assets	586	745	760	790	811	845
Added value	4.704	5.377	6.818	7.751	8.997	9.462
Labour cost	3.367	4.304	4.560	4.981	5.526	5.595
Other management charges	-	70	91	95	100	156
EBITDA	1.337	1.003	2.167	2.675	3.371	3.711
Amortisation and Write-downs	914	961	1.038	938	943	966
Depreciation	1.085	210	-	-	-	-
EBIT	-662	-168	1.129	1.737	2.428	2.745
Financial charges (income)	399	250	250	300	350	350
Earnings before tax	-1.061	-418	879	1.437	2.078	2.395
Taxes	254	-	-	287	416	479
<i>Tax-rate (%)</i>	-	-	-	20,00	20,00	20,00
Net Result	-1.315	-418	879	1.150	1.662	1.916
Minorities	393	705	736	805	858	891
Group Net result	-1.708	-1.123	143	345	804	1.025
Cash Flow	684	753	1.917	2.088	2.605	2.882
BALANCE SHEET (Eur k)	2017	2018E	2019E	2020E	2021E	2022E
Group Net Assets	6.555	4.341	4.839	5.184	5.988	7.013
Total Net Assets	7.889	6.315	7.115	7.729	8.926	10.114
NFP	1.833	-3.050	-1.876	-1.163	-321	1.552
Net Invested Capital	6.056	9.365	8.991	8.892	9.247	8.562
FINANCIAL RATIOS (%)	2017	2018E	2019E	2020E	2021E	2022E
EBITDA margin	5,68	3,30	6,34	7,08	8,03	8,61
EBIT margin	-	-	3,30	4,59	5,78	6,37
Net margin	-	-	0,42	0,91	1,92	2,38
ROI	-	-	12,56	19,53	26,26	32,06
ROE	-	-	2,96	6,65	13,43	14,62
GROWTH (%)	2017	2018E	2019E	2020E	2021E	2022E
Value of Production	-5,57	29,01	12,64	10,59	11,04	2,65
EBITDA	81,17	-	116,05	23,44	26,02	10,09
EBIT	-	-	-	53,85	39,78	13,06
Net Profit	-	-	-	140,98	133,43	27,42
Cash Flow	-	10,09	154,58	8,90	24,80	10,62
VALUATION METRICS	2017	2018E	2019E	2020E	2021E	2022E
P/E	-	-	83,05	34,46	14,76	11,59
P/CF	17,36	15,77	6,20	5,69	4,56	4,12
P/BV	1,81	2,74	2,45	2,29	1,98	1,69
EV/SALES	0,41	0,53	0,43	0,36	0,30	0,24
EV/EBITDA	7,51	14,88	6,35	4,87	3,62	2,78
EV/EBIT	-	-	12,18	7,51	5,02	3,76

Source: Casta Diva Group; Forecast: Banca Finnat