

RECOMMENDATION
BUY
Target Price
€ 1,62

CastaDiva Group

Field: Media & Advertising
Bloomberg negotiation code: CDG IM
AIM Market
Price on 17/05/2019
€ 0,978
AIM Capitalisation: 12.436.128 €
Number of shares: 12.715.877
Net Assets in 2018: 7.817.135 €
Outstanding warrants (1:1)*: 170.289

*See pag 15

Release Date and time :
 20.05.2019 at 15.00

Issue date and time:
 20.05.2019 at 15.30

Research and Analysis Office
Gian Franco Traverso Guicciardi
(AIAF)

Tel. +39 0669933.440

Tatjana Eifrig

Tel. +39 0669933.413

Stefania Vergati

Tel. +39 0669933.228

E-mail: ufficio.studi@finnat.it

CDG is strengthening its 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.
- 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).
- CDG, with its subsidiary Casta Diva Events, obtained a 988 thousand euro funding from Simest for the branch Casta Diva in Dubai.
- District has won, with its subsidiary G.2 Eventi Srl, a 1,2 mil euro contract for the 30th edition of "Summer Universiade Napoli 2019", sports event that engages university students from all over the world.
- Over 2019-2023, we estimated a production value increasing by yearly average rate of 5%. Ebitda should reach 43,7% of cagr over 2018-2023. The Group net profit is estimated to flow from 660 thousand Euro loss in 2019 to 1,5 Mil Euro at the end of the estimate time.

As of 31/12 (k €)	2018	2019E	2020E	2021E	2022E	2023E
Production value	34.845	35.916	38.792	41.981	43.093	44.425
Extra Value	4.367	5.815	6.648	8.016	8.787	9.706
EBITDA	837	1.875	2.513	3.606	4.288	5.140
EBIT	-667	315	980	2.009	2.622	3.696
Net Profit	-801	-660	-308	509	830	1.471
Cash Flow	496	194	1.031	1.972	2.648	3.327
FNPF	-791	-2.264	-1.852	-306	1.952	4.686
ROE	-	-	-	7,44	10,61	16,27

Source: Casta Diva Group; Estimate: Banca Finnat



The Market

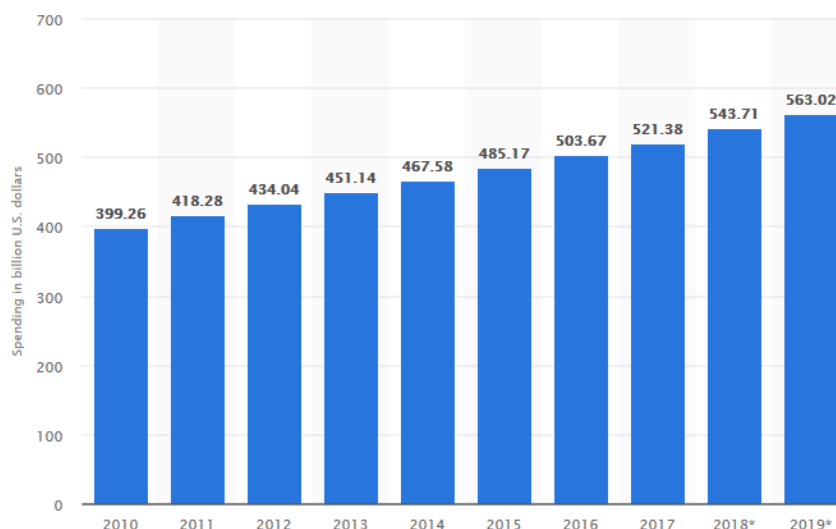
Casta Diva Group operates, worldwide, in the communications sector. In particular, producing spots, branded content, viral videos, digital content, films, tv-series and corporate events.

The Group has 15 branches in 4 continents.

The Group has three Business Units, “*Video content production*” (spots production and post- production, digital videos, events and corporate videos, documentaries, films and TV), “*Live Communication & Entertainment*” (planning corporate events, B2B and incentive companies, private and public Institutions, live shows and entertainment) and “*Communication Strategy & Digital*” (communication strategic plans, creativity and communication assets production).

In 2017, the value of the global market spending for advertising was 521,38 Bil USD, (+3,5%) in comparison to 503,67 Billion USD in 2016. In 2018, global spending for the advertising sector is estimated to grow by 4,3% up to 543,71 Bil USD.

Global advertising spending from 2010 to 2019 (in billion U.S. dollars)



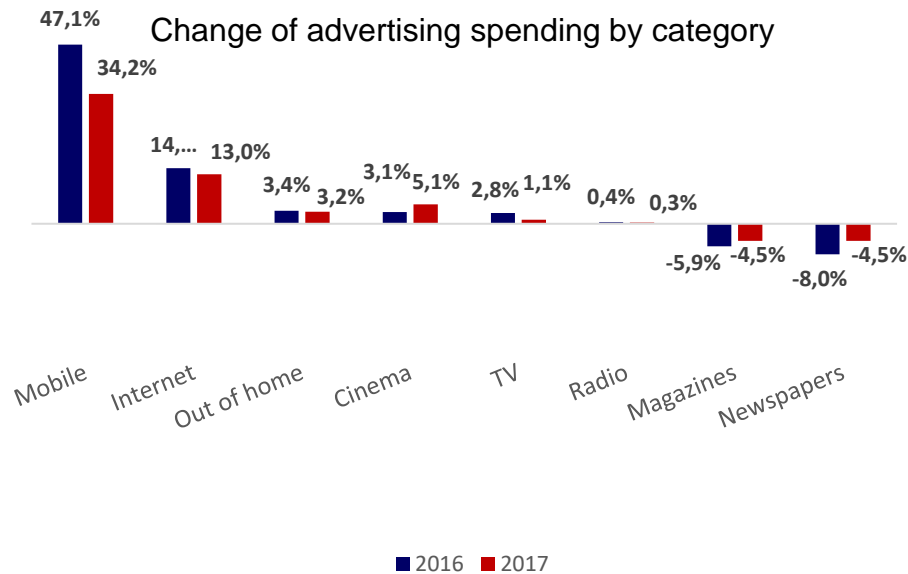
Source: Statista

In particular, spending for IT devices has been increasing (+34,2%), followed by the internet (+13%), cinema (+5,1%) and TV (+1,1%). Spending for magazines has been decreasing (-4,5%).



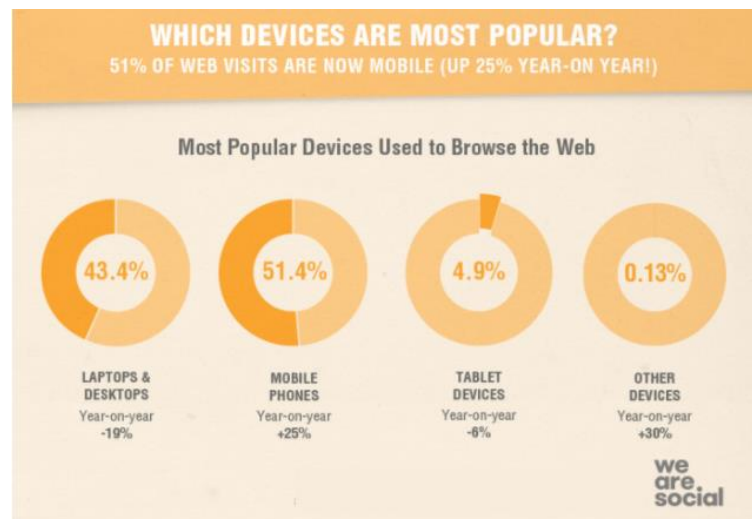
Source:

Statista



This “network” reaches out to a wider audience, especially on the digital channels. In fact, advertising keeps on growing thanks to investments in *digital advertising* for 2,65 bil Euro in 2017, increased by 13% in comparison to the previous year thanks to *social media*, which includes *digital advertising*.

51,4% of the internet users have a mobile phone to surf the web (+25% in comparison to 2016); 43,4% uses computers (-19%); only 4,9% uses tablets (-6% in comparison to 2016).



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.



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

This sector is sub-divided 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			

Source: Casta Diva Group

One of the main boosters in terms of development on this market is digitalisation, growing globally, for the above-mentioned business (meetings, incentives, conferences and exhibitions). 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 2018), such as conferences/tradeshows, were 15% in North America, 18% in Europe and 16% in Pacific Asia. Training events were 30% in North America, 24% in Europe, 26% in Central and South America, 23% in Pacific Asia. Meetings for new products launches were 13% in Central, South America, Europe, North America and 14% in Pacific Asia.

Meetings Activity by Type

Percentage of total meetings

	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC
Internal Team Meeting/Training	30%	24%	26%	23%
Product Launch (Internal/External)	13%	13%	13%	14%
Conference/Tradeshaw	15%	18%	12%	16%
Senior Leadership Meeting/Board Meeting	16%	15%	19%	16%
Client/Customer Advisory Board	15%	18%	14%	16%
Incentive/Special Event	11%	12%	17%	15%

American Express Meetings & Events North American, European, Asia Pacific, and Central/South American Surveys, 2018

Cost per conference attendee is approximately 1.571 USD in Europe, 1.910 USD in Pacific Asia, 1.223 USD in North America and 1.640 USD in Central and South America. For new products launches it is estimated pro-capite cost of 1.942 in Central and South America, 1.785 USD in Pacific Asia and 1.434 USD in Europe. In North America average cost per attendee is 1.463 USD.

Cost per Attendee (excluding air cost)

	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC
Internal Team Meeting/Training	\$1,259	\$1,004	\$1,394	\$1,576
Product Launch (Internal/External)	\$1,463	\$1,434	\$1,942	\$1,785
Conference/Tradeshaw	\$1,223	\$1,571	\$1,640	\$1,910
Senior Leadership Meeting/Board Meeting	\$1,434	\$1,446	\$1,817	\$1,907
Client/Customer Advisory Board	\$1,336	\$1,400	\$1,634	\$1,757
Incentive/Special Event	\$1,679	\$1,590	\$2,070	\$1,957

American Express Meetings & Events North American, European, Asia Pacific, and Central/South American Surveys, 2018

The average number of conference attendees (estimate 2019) is estimated to increase by 0,73% in North America, by 0,88% in Europe and by 1,52% in Central and South America. The number of meetings attendees for new products launches is estimated to increase by 1,08% in Europe, by 1,37% in Central and South America and by 1,49% in North America.

Number of Attendees

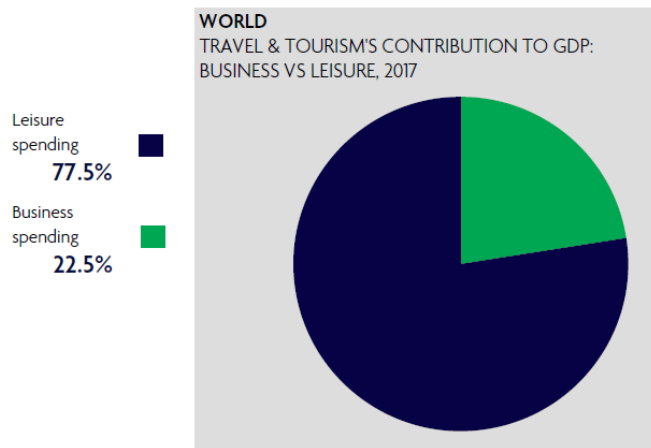
2019 vs. 2018

	NORTH AMERICA	EUROPE	CENTRAL/S. AMERICA	ASIA PACIFIC	GLOBAL HOTELIERS
Internal Team Meeting/Training	1.07%	0.98%	0.89%	0.12%	0.94%
Product Launch (Internal/External)	1.49%	1.08%	1.37%	0.77%	1.44%
Conference/Tradeshaw	0.73%	0.88%	1.52%	0.61%	2.29%
Senior Leadership Meeting/Board Meeting	0.77%	0.62%	1.43%	1.00%	1.00%
Client/Customer Advisory Board	1.47%	1.53%	2.25%	0.79%	1.35%
Incentive/Special Event	1.31%	1.57%	2.10%	1.20%	2.35%

American Express Meetings & Events North American, European, Asia Pacific, and Central/South American Surveys, 2018

**Incentives**

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



Source: World Travel & Tourism Council

Total spending was 753,5 billion USD (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 USD to reach 1,756 trillion USD in 2028. *Source: Technavio*

These are the main factors of growth:

- Technology helps travel agents and their clients to access travel information, compare booking options and get the best deal by optimising time.

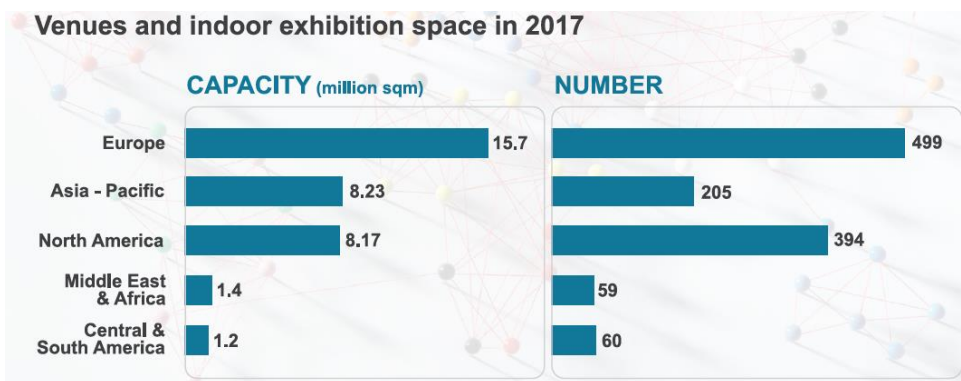


- Online payments. This allows users to invoice cost and expenses directly to the company, without using a credit/debit card or other bank services. It is safer because all transactions are related to individual needs, like the hotel room payment.
- Free services in hotels attract more and more clients.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

Exhibitions

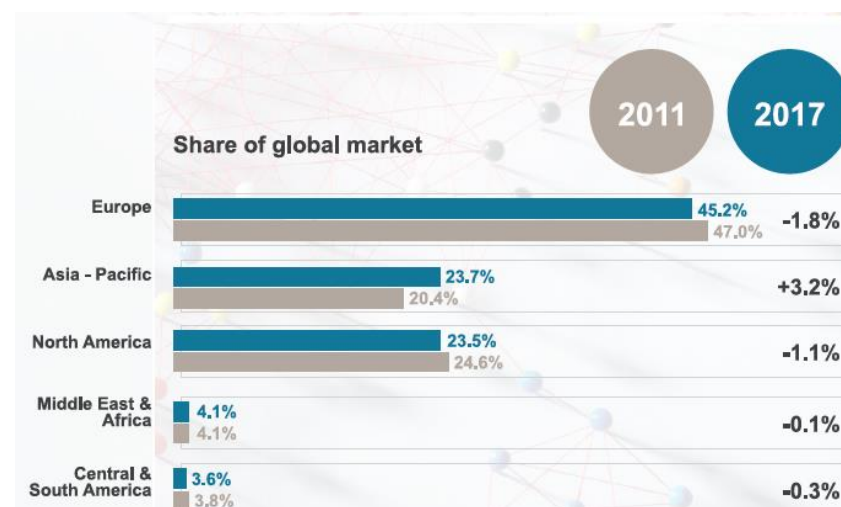
Regarding “exhibitions”, in 2017 the number of venues has globally increased by 1,8% reaching 1.217 places .

Europe is the first, with 499 venues, followed by North America with 394 and Pacific Asia with 205 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 (Revised in June 2018)

In 2017, this market rate in Europe was 45,2% (decreasing by 1,8% in comparison to 2011); in Pacific Asia 23,7% (+3,2% since 2011) and North America 23,5% (-1,1%); Middle East and Africa (4,1%) and Central and South America (3,6%).

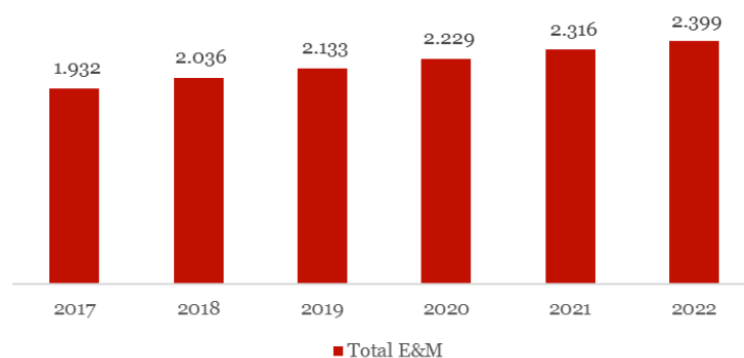


Source: UFI World Map of Exhibition Venues 2017 (Revised in June 2018)



The "Entertainment & Media" (E&M) market generated revenues of \$ 1,932 billion globally in 2017. This market is expected to reach 2,399 billion USD in 2022 at an average annual growth rate (cagr 2017-2022) of 4.4%.

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

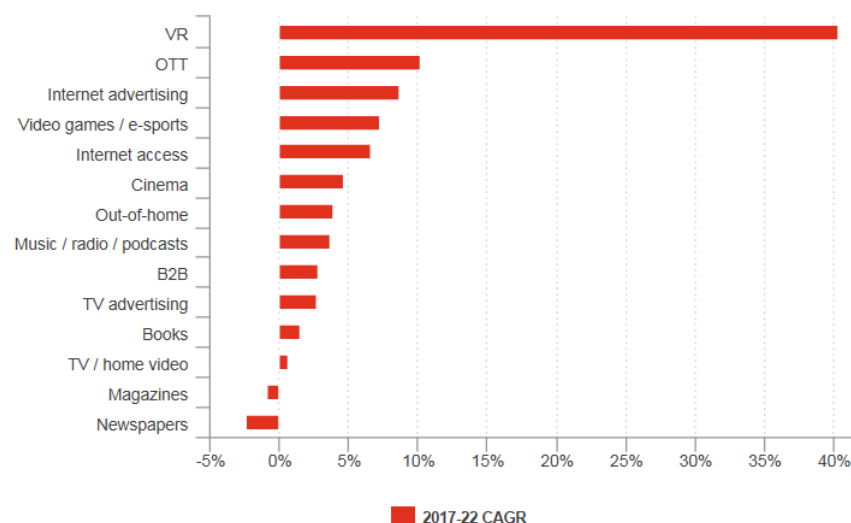


Source: Pwc Global Entertainment & Media Outlook 2018-2022

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

Users' spending in *entertainment & media*, in 2017, has reached 824 billion USD 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 cluster 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

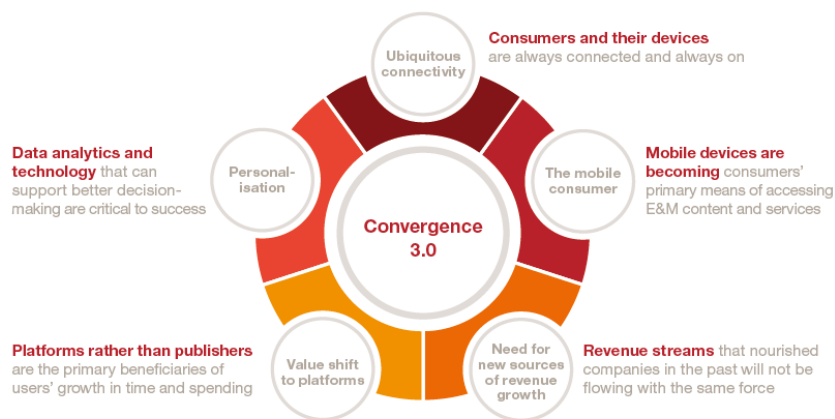
Geographically, the main markets expected to grow will be Nigeria and Egypt, for which it is estimated that the average annual growth rate will be 21% and 17,1%. Western Europe and North America could grow over Cagr 2018-2022 by 3%.

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. Consequently, 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, in 4 continents and 15 cities.



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).

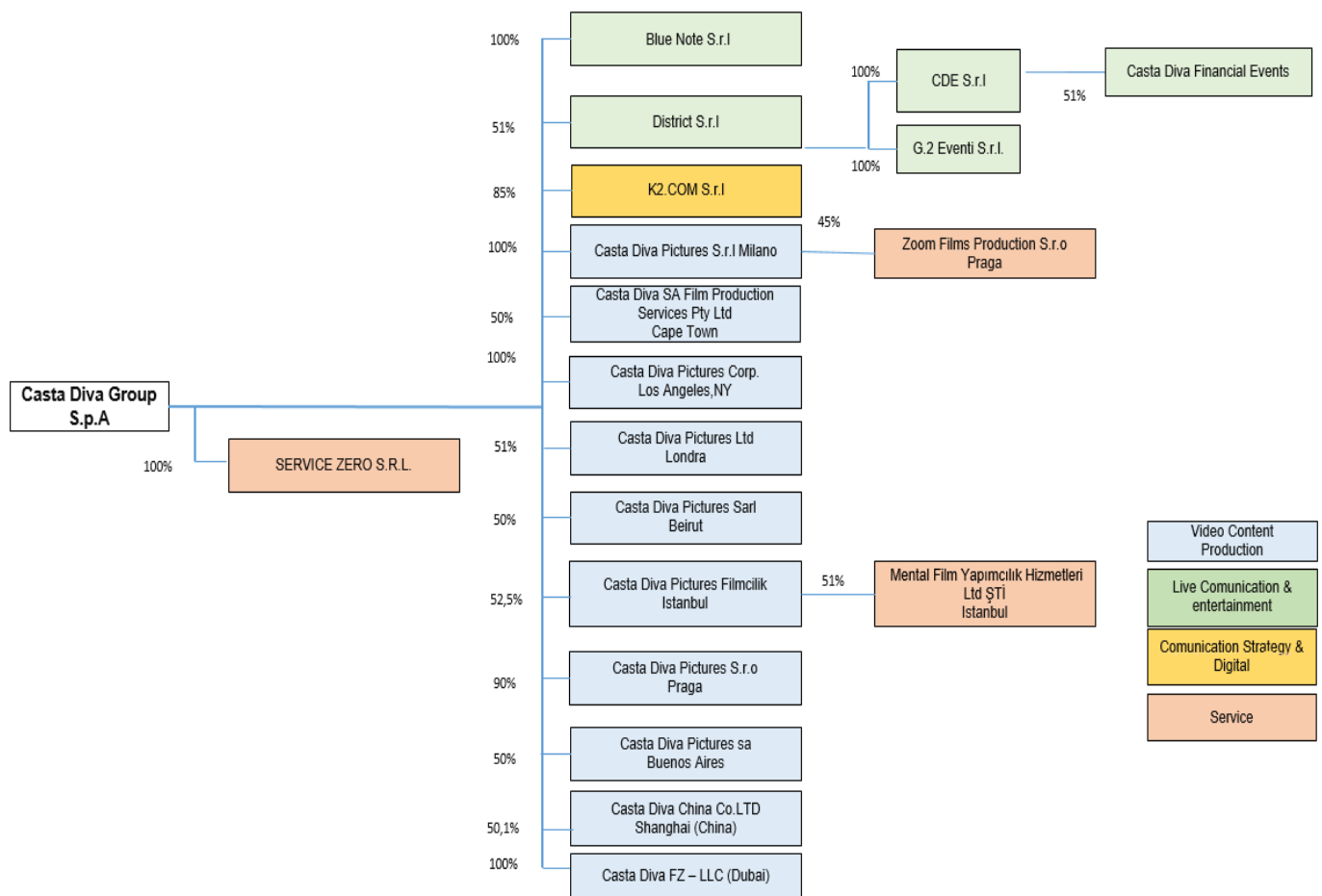
The “Video Content Production” BU is actively operating with the “Casta Diva Pictures” brand, through a series of companies operating internationally.

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 also manages three companies (Zoom Films, Mental Film and Service Zero) with administrative services and to support production.

In addition, Service Zero provides all subsidiaries with accounting and administrative support, IT and general services and coordinates its 100% owned by CDG.



Source: Casta Diva Group

BU Video Content Production

The “Video Content Production” Business Unit, operating under “Casta Diva Pictures”, produces, on an international level, commercials, digital videos and video content, videos for events and corporate, documentaries, films and TV series. CDP also offers post-production services and activities.

This segment also deals with all new video formats including “branded content”, audio visual content created to attract the public regardless of the brand advertised. These are mostly digital videos, author short films or web series.

To encourage the development of the “Video Content Production” BU, the Group also aims at developing formats for the cinema and TV series industries.

The Video Content Production BU on the 2018 Group turnover was 34.91%.

BU Live Communication & Entertainment

The “Live Communication & Entertainment” Business Unit plans and organizes, mainly in Italy, conventions, web events, road shows, forums, exhibition stands, team building, product launches and experiential events for companies and public bodies. It also deals with live shows and entertainment.

This Bu is operating through the “District” company. Live shows and entertainment activities, on the other hand, are managed by the “Blue Note” brand and the new “Blue Note Off” program.

In 2018, the turnover of the Live Communication & Entertainment BU accounted for 64.47% of the Group's overall revenues.

In April Casta Diva Events, 100% controlled by District, obtained from SIMEST a loan of 988 thousand euros for the strengthening of Cast Diva Dubai, established at the end of 2018 in view of EXPO 2020. This loan provides for a pre-amortization period of 2 years and the return in the following 48 months.

Also in April, District was awarded, through the subsidiary G.2 Eventi Srl and as part of an international tender launched by the "Universiade Regional Agency", a 1.2 million euro contract for the organization of the 30th edition. of the "Summer Universiade Napoli 2019". It is a sporting event, second only to the Olympics, which involves university students from all over the world and as part of this event G.2 Eventi will take care of the design, organization, preparation and management of all scheduled events as well as services necessary for the full performance of the event.

Live shows and entertainment activities, on the other hand, are managed by “Blue Note” and the new “Blue Note Off” program.

“Blue Note” in Milan mainly offers B2C live concerts. It hosts about 350 events a year, of which 320 refer to concerts and 30 to corporate events. On average, 60,000 tickets are sold annually to attend concerts on the regular schedule.

The “Blue Note Off” program, on the other hand, aims at bringing jazz music to unconventional venues in different parts of the city of Milan.

In addition, some events that will be held during the summer in various tourist locations are being discussed.

Among the Blue Note Off’s clients we have:



To encourage the development of this BU, the Group aims at:

- expanding on the UAE, China and USA markets;
- event business diversification;
- the establishment / acquisition of companies both in Italy and abroad;
- the increase in B2B and B2C events with the new "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.



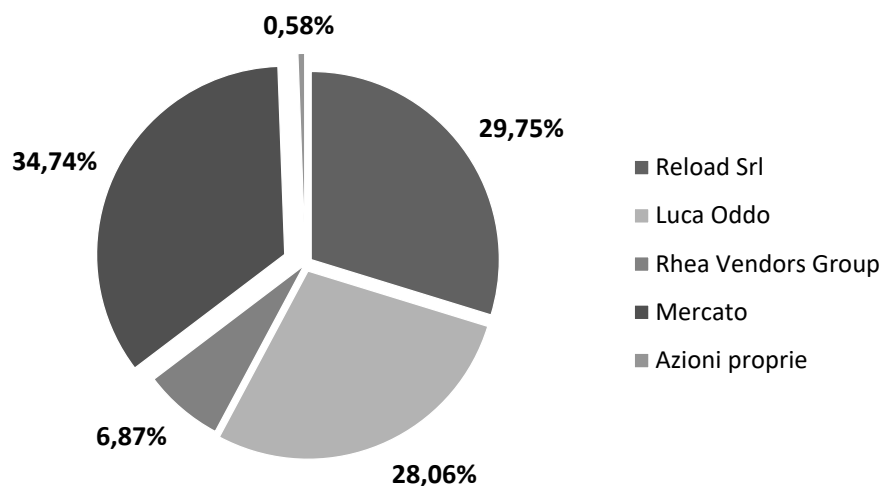
The “Communication Strategy & Digital” BU focuses on coordinating all communications initiatives of the Group, in order to attract new clients as well as increasing its offer to existing clients.

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

Shareholding

The share capital of Casta Diva Group is owned by Reload Srl (29,75%) , by Luca Oddo (28,06%) da Luca Oddo, by Rhea Vendors Group (6,87%), the market (34.74%) and own shares (0.58%). The value of the share capital is 6.121.477,50 Euro, divided into 12.715.877 Shares.



Source: Casta Diva Group; () scheme of the Group following the withdrawal of the shareholders Luca Oddo and Rhea Vendors from the company Reload Srl as per Press releases of February 28th , 2019 and April 3rd , 2019.*

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.

Figures as of 31.12.2018

EUR (K)	2017	2018	VAR %	2018E
Net profit	24.389	33.112**	35,77	28.226
<i>BU Video Content Production</i>	<i>15.262</i>	<i>11.559</i>	<i>-24,26</i>	<i>11.289</i>
<i>BU Live Communication & Entertainment</i>	<i>9.127</i>	<i>21.346</i>	<i>133,88</i>	<i>16.657</i>
<i>BU Communication Strategy & Digital</i>	<i>-</i>	<i>124</i>	<i>-</i>	<i>280</i>
Production value	23.525	34.845	48,12	30.349
Tangible assets	1.158	585	-49,48	1.644
%	4,92	1,68		5,42
Services	17.077	29.348	71,86	22.583
%	72,59	84,23		74,41
Third Party Assets	586	544	-7,17	745
%	2,49	1,56		2,45
ADDED VALUE	4.704	4.367	-7,16	5.377
%	20,00	12,53		17,72
Labour cost	3.367	3.530	4,86	4.304
%	14,31	10,13		14,18
EBITDA	1.337	837	-37,40	1.003
%	5,68	2,40		3,30
EBITDA ADJUSTED*	-	2.337	-	2.002
Amortisations & Write-downs	914	1.223		961
Depreciations	1.085	281		210
EBIT	-662	-667	-	-168
%	-	-		-
EBIT ADJUSTED*	-	833	-	831
Financial charges (income)	399	552		250
Earnings before tax	-1.061	-1.219	-	-418
%	-	-		-
Taxes	254	(605)		-
<i>Tax rate (%)</i>	<i>-</i>	<i>-</i>		<i>-</i>
NET PROFIT	-1.315	-614	-	-418
Minorities	393	187		705
NET GROUP PROFIT	-1.708	-801	-	-1.123
%	-	-		-
ADJUSTED* NET PROFIT	-	-	-	-124
Cash Flow	-3.279	496	-	-1.440
NFP	1.837	-791		-3.050

CDG Group closes 2018 with net revenue up by 35.77% to 33.1 million euros (our estimates are 28.2 million euros), mainly driven by the "Live Communication & Entertainment" BU (+133.88 %) which benefited from the contributions of the newly established District. The "Video Content Production" BU suffered from a decrease in turnover of 24.26% due to both the change in the business area compared to the previous year and the decrease in the revenues of the subsidiaries in Turkey and Argentina due to the currency crises which affected these countries.

The value of production was 34.8 million euros, increased by 48.12% compared to the 23.5 million euros of the previous year and 14.8% compared to what we estimated (30.3 million euros).

A significant increase in costs for services (+ 71.86%) and to a lesser extent in personnel costs (+ 4.86%) affected EBITDA, which decreased to 837 thousand euros compared to 1.3 million euros at 31.12.2017 (-37.40%) and compared to the million euro estimated by us.

Adjusted EBITDA, gross of extraordinary and non-recurring items for 1.5 million euros, however, was 2.3 million euros, increased by 16.7% compared to the 2 million euros expected by us.

Adjusted Ebit amounted to 833 thousand euros, substantially in line with our estimates (831 thousand euros), while Ebit net of extraordinary and non-recurring items was negative for 667 thousand euros compared to the operating loss of 662 thousand euro of 2017.

The Group's net result, net of extraordinary and non-recurring items, was negative for 801 thousand euros compared to the loss of 1.7 million euros in the comparative period 2017 and compared to the loss of 1.1 million euros esteemed by us.

Net financial debt as at 31.12.2018 is equal to 791 thousand euros compared to the cash position of 1.8 million euros at 31.12.2017.

Outlook 2019-2023

Old estimates

EUR (K)	2017	2018E	2019E	2020E	2021E	2022E	CAGR 17/22
PRODUCTION VALUE	23.525	30.349	34.186	37.808	41.981	43.093	12,87
<i>BU Film Content Production</i>	<i>15.262</i>	<i>11.289</i>	<i>12.088</i>	<i>14.507</i>	<i>15.890</i>	<i>16.011</i>	<i>0,96</i>
<i>BU Live Communication & Entertainment</i>	<i>9.127</i>	<i>16.657</i>	<i>18.650</i>	<i>20.250</i>	<i>22.650</i>	<i>23.622</i>	<i>20,95</i>
<i>BU Communication Strategy & Digital</i>	<i>-</i>	<i>280</i>	<i>1.086</i>	<i>1.621</i>	<i>2.330</i>	<i>2.660</i>	
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	-
%	-	-	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	
Tax rate (%)	-	-	-	20	20	20	
NET PROFIT	-1.315	-418	879	1.150	1.662	1.916	-
Minorities	393	705	736	805	858	891	
GROUP NET PROFIT	-1.708	-1.123	143	345	804	1.025	-
%	-	-	0,42	0,91	1,92	2,38	
ADJUSTED* NET PROFIT	-	-124	-	-	-	-	
Cash Flow	684	753	1.917	2.088	2.605	2.882	33,33
NFP	1.833	-3.050	-1.876	-1.163	-321	1.552	
ROI	-	-	12,56	19,53	26,26	32,06	
ROE	-	-	2,96	6,65	13,43	14,62	

Source: Casta Diva Group; Estimate: Banca Finnat

New estimates

EUR (K)	2018	2019E	2020E	2021E	2022E	2023E	CAGR 18/23
PRODUCTION VALUE	34.845	35.916	38.792	41.981	43.093	44.425	5,00
<i>BU Video Content Production</i>	<i>11.559</i>	<i>12.088</i>	<i>14.507</i>	<i>15.890</i>	<i>16.011</i>	<i>16.288</i>	<i>7,10</i>
<i>BU Live Communication & Entertainment</i>	<i>21.346</i>	<i>20.049</i>	<i>21.103</i>	<i>22.650</i>	<i>23.622</i>	<i>24.331</i>	<i>2,65</i>
<i>BU Communication Strategy & Digital</i>	<i>124</i>	<i>1.086</i>	<i>1.621</i>	<i>2.330</i>	<i>2.660</i>	<i>3.006</i>	<i>89,20</i>
Tangible assets	585	753	809	875	880	886	8,67
%	1,68	2,10	2,09	2,08	2,04	1,99	
Services	29.349	28.588	30.475	32.191	32.525	32.922	2,32
%	84,23	79,60	78,56	76,68	75,48	74,11	
Third party assets	544	760	860	899	901	911	10,86
%	1,56	2,12	2,22	2,14	2,09	2,05	
ADDED VALUE	4.367	5.815	6.648	8.016	8.787	9.706	17,32
%	12,53	16,19	17,14	19,09	20,39	21,85	
Labour cost	3.530	3.940	4.135	4.410	4.499	4.566	5,28
%	10,13	10,97	10,66	10,51	10,44	10,28	
EBITDA	837	1.875	2.513	3.606	4.288	5.140	43,75
%	2,40	5,22	6,48	8,59	9,95	11,57	
Amortisations & Write-downs	1.505	1.560	1.533	1.596	1.666	1.444	
EBIT	-667	315	980	2.009	2.622	3.696	-
%	-	0,88	2,53	4,79	6,08	8,32	
Financial charges (income)	552	258	308	358	356	324	
Earnings before tax	-1.219	57	672	1.652	2.266	3.372	-
%	-	0,16	1,73	3,93	5,26	7,59	
Imposte	(605)	474	652	717	883	1.181	
Tax rate (%)	-	-	-	-	-	-	
NET PROFIT	-614	-417	20	935	1.383	2.191	-
Minorities	187	243	328	426	554	720	
GROUP NET PROFIT	-801	-660	-308	509	830	1.471	-
%	-	-	-	1,21	1,93	3,31	
Cash Flow	496	194	1.031	1.972	2.648	3.327	46,33
NFP	-791	-2.264	-1.852	-306	1.952	4.686	
NCE	8.608	9.706	9.313	9.031	8.311	7.513	
ROI	-	3,24	10,52	22,25	31,55	49,20	
ROE	-	-	-	7,44	10,61	16,27	

Source: Casta Diva Group; Estimate: Banca Finnat

Regarding 2019/2023, estimates regarding revenue have slightly changed, thanks to the deal for the 30th anniversary of “Universiade Napoli 2019” and the funding provided by Simest for the branch in Dubai, which will take part in “EXPO 2020”.

For 2018-2023, the production value is estimated to increase by 5%, from 34,8 Mil Euro to 44,4 Mil.

“Live Communication & Entertainment” BU could increase, over 2018-2023, by 2,7%, “Video Content Production” BU by 7,1% and “Communication Strategy & Digital” BU by 89,2%.

Ebitda may increase by 43,7%, from 837 thousand Euro in 2018 to € 5,1 Mil in 2023.

Ebit could reach € 3,7 Mil in 2023 from operational loss of 667 thousand Euro in 2018, affecting the production value and reaching 8,3% in 2023 from 0,9% in 2019.

The Group's net result, still estimated to be negative for € 308 thousand in 2020 (from a loss of € 660 thousand that we expect will emerge in 2019), should reach € 1.5 million at the end of the forecast period.

In the 2019-2023 forecast period, we expect the Group to move from a net debt of € 791 thousand in 2018 to a cash position of € 4.7 million in 2023.

Valuation

In terms of valuation, Discounted cash flow methodology will be applied, estimating cash flow over 2019/2023. We consider growth rate up to 0,5%, Wacc up to 11,70%, and free risk rate by 2.75%, a Beta coefficient equal to unity and a market risk premium of 9.75%. The assets of the Company have equity of 90% of the invested capital and an average debt of 10%.

Enterprise Value is 21.4 Million Euro and **Equity of 1,62 Euro** per share. Our purchase recommendation is confirmed.

Cash Flow Model (K €)

	2019E	2020E	2021E	2022E	2023
EBIT	315	980	2.009	2.622	3.696
Taxes	474	652	717	883	1.181
NOPAT	-159	327	1.293	1.739	2.515
D&A	1.560	1.533	1.596	1.666	1.444
CNWC	1.207	829	916	757	631
Capex	300	300	300	300	300
FCFF	-106	731	1.672	2.348	3.027

Estimate: Banca Finnat

DCF Model Evaluation (k €)

Perpetual Growth Rate (%)	0,5
WACC (%)	11,70
Discounted Terminal Value	16.295
Cum. Disc. Free Operating Cash Flow	5.153
Enterprise Value	21.448
Net financial position as of 31/12/2018	-791
Equity Value	20.657
Nr. Shares	12.715.877
Value per share	1,62

Estimate: Banca Finnat

WACC Calculation (%)

Risk free rate	2,75
Market risk premium	9,75
Beta (x)	1
Cost of Equity	12,50
Equity/(Equity+ Debt)	0,90
Net cost of debt	4,51
Debt/(Equity+Debt)	0,10
Wacc	11,70

Estimate: Banca Finnat

Historical recommendations and target price trend

Date	Rating	Target Price	Market Price
09.01.2019	Buy	1,60 €	0,934 €
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)	2018	2019E	2020E	2021E	2022E	2023E
Production Value	34.845	35.916	38.792	41.981	43.093	44.425
Tangible assets	585	753	809	875	880	886
Services	29.349	28.588	30.475	32.191	32.525	32.922
Third party assets	544	760	860	899	901	911
Added value	4.367	5.815	6.648	8.016	8.787	9.706
Labour cost	3.530	3.940	4.135	4.410	4.499	4.566
EBITDA	837	1.875	2.513	3.606	4.288	5.140
Amortisation and Write-downs	1.505	1.560	1.533	1.596	1.666	1.444
EBIT	-667	315	980	2.009	2.622	3.696
Financial charges (income)	552	258	308	358	356	324
Earnings before tax	-1.219	57	672	1.652	2.266	3.372
Taxes	(605)	474	652	717	883	1.181
Tax-rate (%)	-	-	-	-	-	-
Net Income	-614	-417	20	935	1.383	2.191
Minorities	187	243	328	426	554	720
Group Net Result	-801	-660	-308	509	830	1.471
Cash Flow	496	194	1.031	1.972	2.648	3.327
BALANCE SHEET (Eur k)	2018	2019E	2020E	2021E	2022E	2023E
Group Net Assets	6.924	6.306	5.998	6.837	7.820	9.037
Total Net Assets	7.817	7.441	7.461	8.725	10.263	12.199
NFP	-791	-2.264	-1.852	-306	1.952	4.686
Net Invested Capital	8.608	9.706	9.313	9.031	8.311	7.513
FINANCIAL RATIOS (%)	2018	2019E	2020E	2021E	2022E	2023E
EBITDA margin	2,40	5,22	6,48	8,59	9,95	11,57
EBIT margin	-	0,88	2,53	4,79	6,08	8,32
Net margin	-	-	-	1,21	1,93	3,31
ROI	-	3,24	10,52	22,25	31,55	49,20
ROE	-	-	-	7,44	10,61	16,27
GROWTH (%)	2018	2019E	2020E	2021E	2022E	2023E
Value of Production	48,12	3,07	8,01	8,22	2,65	3,09
EBITDA	-	123,92	34,03	43,47	18,94	19,85
EBIT	-	-	211,30	105,06	30,50	40,95
Net Profit	-	-	-	-	63,11	77,28
Cash Flow	-	-	432,04	91,23	34,29	25,63
VALUATION METRICS	2018	2019E	2020E	2021E	2022E	2023E
P/E	-	-	-	13,23	8,94	5,64
P/CF	24,93	63,78	11,99	6,27	4,67	3,72
P/BV	1,79	1,96	2,06	1,81	1,58	1,37
EV/SALES	0,40	0,44	0,38	0,31	0,25	0,18
EV/EBITDA	15,71	7,80	5,66	3,51	2,43	1,49
EV/EBIT	-	46,47	14,51	6,31	3,97	2,08

Source: Casta Diva Group; Estimate: Banca Finnat