

Casta Diva

Sector: Business Services



Pure Genius (Progetti) added to Casta Diva

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

Organic growth + M&A = Brilliant 1H22

Casta Diva Group (CDG) reported brilliant results for 1H22, with VoP at €41.7mn (40% more than the entire FY21), EBITDA at €3.3mn (vs. negative in 1H21), Net Cash at €2.8mn (vs. FY21 Net Debt of €1.6m).

This solid set of financials was achieved thanks to:

- (i) Solid organic growth (+135% y/y at Top Line);
- (ii) Substantial contribution from recently acquired Genius Progetti;
- (iii) Positive operating leverage effect;
- (iv) Low CapEx and NWC requirements.

2022E estimates strongly up

We feel that business evolution is remaining positive also after the summer. As a consequence, we are strongly revising CDG 2022E estimates upwards, and we now expect the Group to reach 2024E business plan targets already as of the current fiscal year.

As far as 2023E-24E forecasts are concerned, the upward revision is cautiously more limited given the low visibility on domestic macroeconomic stance ahead.

Our new estimates are as follows:

- ◆ VoP to post 41% CAGR_{21A-24E} to ca. €75.7mn in 2024E;
- ◆ EBITDA at €7.6mn in 2024E, with EBITDA margin at 10%;
- ◆ OpFCF (b.t.) at €6.1mn in 2024E (80% OpFCF/EBITDA conversion);
- ◆ Net Cash to get to €4.2mn in 2024E.

Fair Value p/s at €1.50 (up vs. €1.25)

The upward revision of estimates would justify a €1.65 p/s fair value (from €1.25). However, we decided to apply a temporary 10% buffer to take into account the current macroeconomic pressures that may have a possible negative impact on clients' demand for CDG services in 2023E-24E. As such, we currently update our fair value per share at €1.50 implying a 100% upside vs. current market price.

At €1.50 p/s CDG would trade at not demanding 4.6x, 6.5x and 7.7x EV/EBITDA, EV/EBIT and P/E Adj 2022E.

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Fair Value (€)	1.50
Market Price (€)	0.71
Market Cap. (€m)	14.2

KEY FINANCIALS (€mn)	2021A	2022E	2023E
VALUE OF PRODUCTION	29.7	70.6	73.1
EBITDA	1.2	6.2	7.0
EBIT	0.5	4.4	5.3
NET PROFIT	0.4	3.6	3.0
EQUITY	6.7	10.7	12.9
NET FIN. POS.	-1.6	1.5	1.3
EPS ADJ. (€)	0.03	0.20	0.17
DPS (€)	0.00	0.06	0.05

Source: Casta Diva (historical figures)
Value Track (2022E-23E estimates)

KEY RATIOS	2021A	2022E	2023E
EBITDA MARGIN (%)	4.0	8.8	9.5
EBIT MARGIN (%)	1.7	6.2	7.3
NET DEBT / EBITDA (x)	1.4	nm	nm
NET DEBT / EQUITY (x)	0.2	0.0	0.0
EV/SALES (x)	0.3	0.2	0.2
EV/EBITDA (x)	7.9	2.2	2.0
EV/EBIT (x)	19.1	3.1	2.6
P/E ADJ. (x)	12.8	3.8	4.5

Source: Casta Diva (historical figures)
Value Track (2022E-23E estimates)

STOCK DATA

MARKET PRICE (€)	0.71
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	14.2
ENTERPRISE VALUE (€m)	13.0
FREE FLOAT (%)	36.2
AVG. -20D VOL. (#)	122,330
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	0.26-0.81

Source: Stock Market Data



Business Description

Casta Diva Group is a communication company operating in branded content, advertising productions, films, tv programming, corporate events, viral videos, digital content and live music shows. A pocket-sized multinational with a presence in fourteen cities across four continents. Casta Diva Group team has worked successfully with over 100 of the world's top brands. In August 2016 Casta Diva Group went public and is currently listed on the EGM under the ticker CDG.

Key Financials

€mn	2021A	2022E	2023E	2024E
Value of Production	29.7	70.6	73.1	75.7
Δ y/y (%)	70.5%	nm	3.5%	3.6%
EBITDA	1.2	6.2	7.0	7.6
EBITDA Margin (% of VoP)	4.0%	8.8%	9.5%	10.0%
EBIT	0.5	4.4	5.3	5.9
EBIT Margin (% of VoP)	1.7%	6.2%	7.3%	7.9%
Net Profit	0.4	3.6	3.0	3.4
Δ y/y (%)	-112.9%	nm	-16.8%	15.9%
Adjusted Net Profit	0.6	3.9	3.3	3.8
Δ y/y (%)	-118.8%	nm	-15.4%	14.2%
Net Fin. Position	-1.6	1.5	1.3	4.2
Net Fin. Pos. / EBITDA (x)	1.4	nm	nm	nm
Capex	-0.7	-2.4	-1.5	-1.5
OpFCF b.t.	0.2	7.2	5.5	6.1
OpFCF b.t. as % of EBITDA	20.6%	115.9%	79.0%	79.8%

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

Investment case

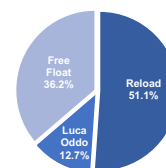
Strengths / Opportunities

- ◆ Among top three players in Italy in its sector;
- ◆ Long-lasting retention of highly spending clients;
- ◆ Opportunity to act as consolidator of a fragmented market thanks to stock market listing and to innovative SME status.

Weaknesses / Risks

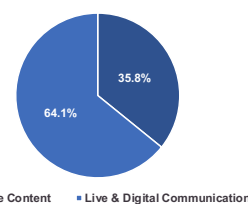
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Investment needs in technology and highly qualified personnel;
- ◆ Market exposed to macroeconomic shocks.

Shareholders Structure



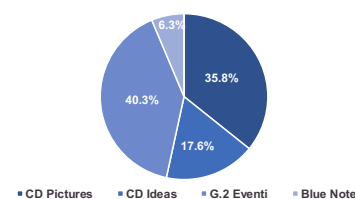
Source: Casta Diva, Value Track Analysis

Sales breakdown by BU



Source: Casta Diva, FY21

Sales breakdown by Legal Entity



Source: Casta Diva, FY21

Stock multiples @ €1.50 Fair Value

	2022E	2023E
EV / SALES (x)	0.4	0.4
EV / EBITDA (x)	4.6	4.1
EV / EBIT (x)	6.5	5.4
EV / CAP.EMP. (x)	3.1	2.5
OpFCF Yield (%)	25.3	19.2
P / E Adj. (x)	7.7	9.1
P / BV (x)	3.1	2.6
Div. Yield. (%)	3.9	3.3

Source: Value Track

Casta Diva Group business profile at a glance

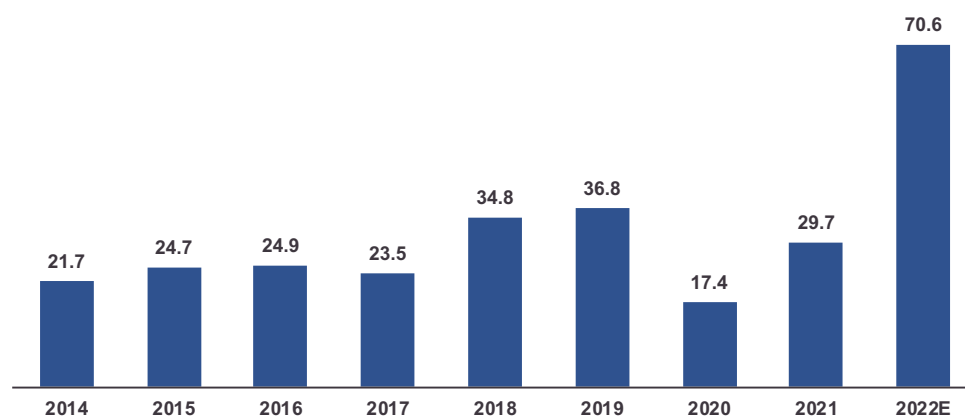
Live & Digital Communication + Creative Content Production

Casta Diva Group (or “CDG”) is a communication company active in Live & Digital Communication and in Creative Content Production, listed on the Italian Stock Exchange (Euronext Growth Milan, ticker CDG) thanks to a reverse merger with Blue Note company that took place back in 2016.

With forecasted (see 2022E-24E estimates revision ahead in the report) **2022E Value of Production and EBITDA at ca. €71mn and €6.2mn** respectively, CDG is among the top three players in Italy in terms of revenues in its segments, with clients such as Allianz, Enel, Fendi, Ferrari, Ferrovie dello Stato Italiane, Huawei, Intel, Iveco, Moncler, TIM, Poste Italiane and many more.

Business wise, Casta Diva Group is currently divided in two main Units: 1) **Live & Digital Communication**, and 2) **Creative Content Production**.

Casta Diva Group: Value of Production evolution FY2005A-FY2022E



Source: Value Track analysis, Casta Diva Group

Business Unit # 1: Live & Digital Communication (ca. 64% of CDG Revenues FY21)

This Business Units is focused on creation and execution of all forms of so-called live communication, mostly for the corporate (B2B) segment but also for the individual (B2C) target audience. In details:

- ◆ **Corporate events**, such as conventions, web events, road shows, trade fair stands, team building, product launches, experiential events such as test drives for car companies;
- ◆ **Solutions for corporate communication and marketing needs**, going from ideas to implementation of TV and global campaigns
- ◆ B2C events such as **concerts** and **festivals**, that mostly take place in the legendary Blue Note jazz club and restaurant in Milan.

CDG outstanding competitive positioning is also the result of some very successful M&A/hiring deals:

- ◆ **Over Seas** (July 2020, leasing for 3 years with option to purchase, worth €7mn-€8mn revenues per annum), active in the organization of communication projects and events for Italian State participated companies such as Poste Italiane and Enel.
- ◆ **We Are Live** (January 2022), i.e. the onboarding of new executives specializing in fashion and luxury events, leading to the acquisition of clients such as Bulgari, Fendi, Moncler and Zegna.
- ◆ **Genius Progetti** (April 2022, worth more than €25mn revenues per annum), well-known organizer of B2B2C events with 25 years of experience in the luxury sports car, ceramics and

cosmetics sectors, with clients such as Ferrari (main costumer), Italo, Kohler Engines, Chiesi, Caprari, Confindustria Ceramica, Smaltochimica, Pramac and so on.

Casta Diva Group: Live Communication clients

CASTA DIVA IDEAS	G.2 EVENTI	GENIUS PROGETTI (2022)	BLUE NOTE
			<ul style="list-style-type: none"> 65.000 clients per year 20.000 dinners served 60 private and corporate events per year 25% of jazz concerts turnover in Italy (source: SIAE)

Source: Casta Diva Group Business Plan 22-24

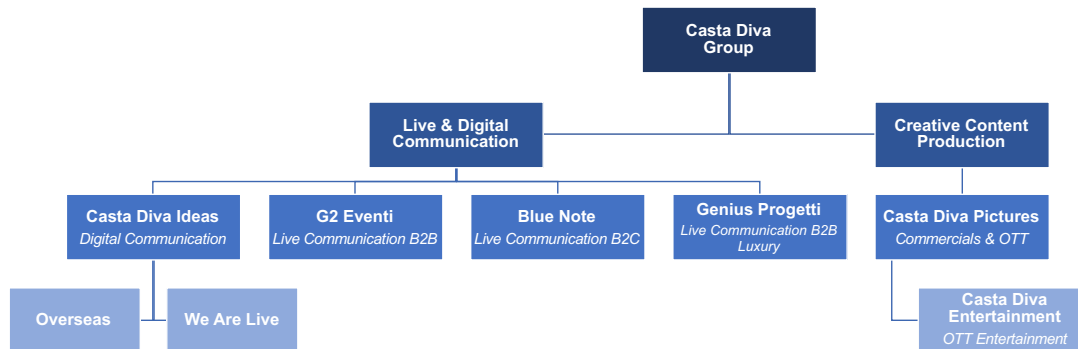
Business Unit # 2: Creative Content Production (ca. 36% of CDG Revenues FY21)

This Business Units is focused on **creative content production**, that's to say the origination and execution of commercials, digital videos, branded content, event and corporate videos, documentaries, films and TV / OTT content.

Thanks to the branches active in several countries around the world, in this field CDG can offer to its clients one of the most extensive advertising production networks worldwide and has worked in more than 30 countries for more than 100 of the biggest global brands.

Since a couple of years, CDG has launched a new line of activity dedicated to the world of television (Italian / foreign broadcasters) and OTT platforms (Amazon Prime Video, Netflix, Discovery+, etc..) that has proven to be extremely competitive from the very beginning in terms of production and commercialization of proprietary format and adaptation for the Italian market of international ones.

Casta Diva Group: Simplified Group Structure by Business Units



Source: Casta Diva Group, Value Track Analysis

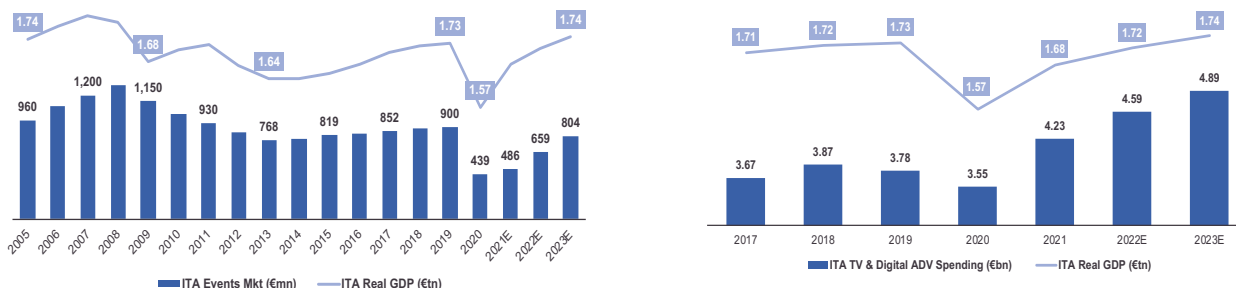
Turnaround based on organic growth and M&A

What went wrong in recent years

Casta Diva Group has reported weak economic and financial results in 2017-21 years, posting volatile figures, very low profitability, and cash absorption, driven in our view by some intrinsic fragilities of the reference market, (also exacerbated by covid-19 outbreak), but also by some company specific elements that in the latest couple of years have been partially removed, thus paving the way for a deeply positive change in the economic performance potential of CDG.

- ◆ **Reference markets features.** CDG reference markets are very rich ones, but also: 1) highly cyclical / exposed to macroeconomics shocks; 2) under continuous evolution, thus affecting companies unable to adapt their offer to new modes; 3) granting low bargaining power to suppliers, given their much lower size if compared to clients;
- ◆ **Company specific troubles,** related to corporate governance issues (litigations and claims) and to the organizational structure (too many intra-group mergers / spinoff, acquisition / divestiture of stakes in foreign subsidiaries etc...).

Italian Events Market (lhs) and Italian TV & Digital Advertising Spending (rhs) vs. Italian GDP evolution



Source: ADC Group (BEA 2021), Statista, IMF (World Economic Outlook April 2022), Value Track Analysis

How can it be different from now on

Casta Diva Group management has proved to be aware about the necessity to grow its size in order to improve the competitive positioning towards clients and resiliency towards macroeconomic downturns, and is actively pursuing several ways to do it:

1. **Acquiring companies / assets.** We estimate that CDG through M&A and hire deals has added more than €30mn annual revenues and €4mn EBITDA in the latest two years, with an upfront investment (M&A cash out plus startup costs) lower than €5mn. We expect CDG to negotiate more deals of this kind, with both very small players (€1mn-€5mn revenues) and with bigger ones (€10mn-€20mn) lured by a “merger of equals” scenario;
2. **Entering and / or strengthening its positioning in new verticals,** such as fashion or luxury car manufacturers, as these verticals boast: 1) higher resiliency against macroeconomic downturns; 2) higher capacity to invest in marketing;
3. **Improving its skills in digital / hybrid tools offering** (e-sports, metaverse, influencer marketing), as hybrid and flexible marketing content is now a must-have tool in post covid-19 era;
4. **Exploiting its skills in contiguous markets such as the TV and OTT arena,** where the launch of Casta Diva Entertainment, should allow CDG to profit from the rising need for creative content driven by both the demand side (new consumer habits that will endure even as the pandemic fades) and the offer one (more and more Digital Free TV channels and Internet based streaming platforms (OTT, e.g. Netflix, Amazon Prime, Disney+ and HBO).

Buoyant 1H22 Financials

Casta Diva Group reported brilliant results for 1H22, already confirming the trends we outlined back in June in our IoC regarding the growth path the Group should post over the next few years. Key drivers of this buoyant performance were:

1. Substantial P&L contribution from **Genius Progetti**, coupled with **solid organic growth** of historical business entities and of Casta Diva Entertainment;
2. Higher profitability thanks to Genius and a **positive operating leverage effect**;
3. **Low Capex and Net Working Capital** requirements.

In more details, 1H22 financials came as follows:

- ◆ **Value of Production at €41.7mn**, over 4x 1H21 and ca. 40% more than FY21;
- ◆ **EBITDA at €3.3mn**, i.e. >€0mn for two semesters in a row after periods of negative results;
- ◆ **EBITDA Margin at 7.9%** vs. 4.0% of FY21;
- ◆ **EBIT at €2.4mn**, adding €1.9mn to FY21 €0.5mn. **EBIT Margin** gaining 390 bps vs. FY21;
- ◆ **OpFCF (before taxes) at €4.4mn**, an outcome never reached before;
- ◆ **Net Cash of €2.8mn** vs Net Debt of €1.6mn at the end of December 2021.

Casta Diva: Key Financials 1H20-1H22

(€mn, IT GAAP)	1H20	1H21	FY21	1H22
Value of Production	6.6	10.2	29.7	41.7
EBITDA	-1.3	-0.4	1.2	3.3
EBITDA Margin (%)	<i>n.m.</i>	<i>n.m.</i>	4.0%	7.9%
EBIT	-1.8	-0.8	0.5	2.4
EBIT Margin (%)	<i>n.m.</i>	<i>n.m.</i>	1.7%	5.6%
OpFCF (b.t.)	0.2	-1.3	0.2	4.4
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-1.4	-3.0	-1.6	2.8

Source: Casta Diva, Value Track Analysis

Profit & Loss

Casta Diva experienced the sound comeback of its reference markets, with the great majority of the Group clients resuming the production of commercials and content videos as well as physical events. On top of that, it seems that the market is rewarding companies in a selective way, as we feel that CDG has outperformed the competition.

CDG 1H22 **Revenues from Sales amounted to €41.6mn** (Value of Production at €41.7mn), implying a more than fourfold y/y increase vs. 1H21 €9.6mn (€10.2mn).

This outstanding result has been achieved thanks to:

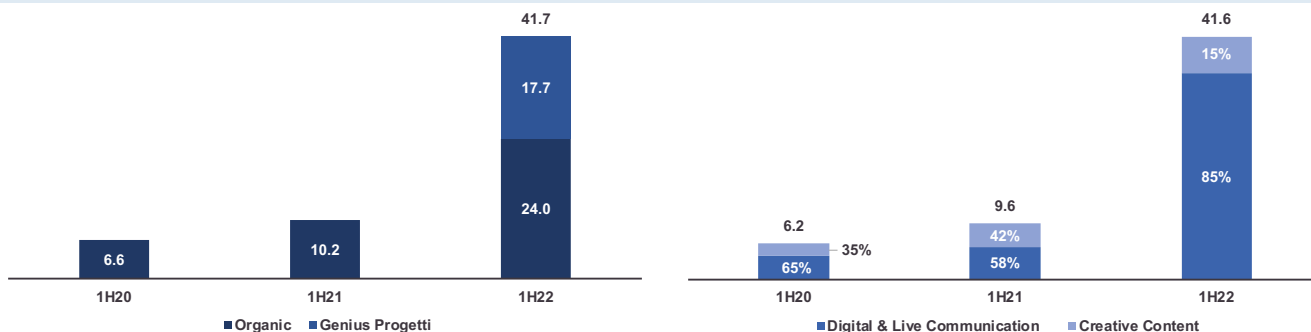
1. Substantial contribution of the recently acquired **Genius Progetti**, (deal finalized on April 27th, 2022, but consolidated for the full 1H22 with backdated P&L), reporting Sales for €17.7mn by means of the great momentum that Ferrari (most relevant client) is experiencing;
2. Brilliant **+135% y/y organic growth**, from €10.2mn to €24.0mn owing to a sharp comeback of all CDG subsidiaries exceeding pre-covid figures.

In terms of Revenues breakdown, we highlight:

- ◆ **Digital & Live Communication** business unit surging y/y, recording €35.3mn Sales (€17.6mn net of Genius) vs. €5.6mn in 1H21;
- ◆ **Creative Content Production** increasing more slowly (+58% y/y) from €4.0mn to €6.3mn.

Worthy to notice, over the last two years the D&L Communication BU has gained ca. 20 percentage points with respect to Creative Content, moving from a weight of 65% to 85% of total Revenues.

Casta Diva Group: Value of Production evolution (lhs) and Revenues from Sales breakdown by BU (rhs)

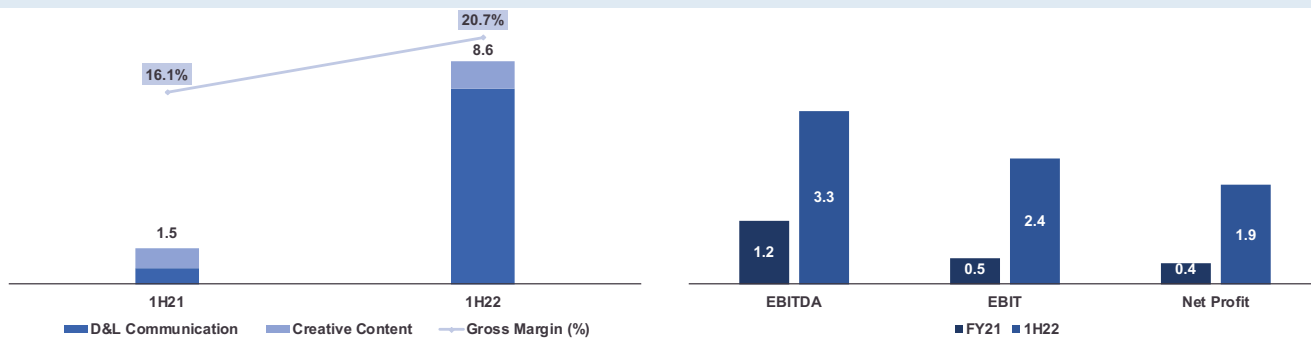


Source: Casta Diva, Value Track Analysis

Profitability-wise, Gross Profit, EBITDA, EBIT and Net Profit recorded the best semester of all time thanks to the very much lower fixed costs base of Genius and a sound operating leverage effect on Labour Costs, moving from ca. 16% of VoP in 1H21 to less than 8% in 1H22. More in details:

- ◆ **Gross Profit** (calculated as the difference between Revenues from Sales and Costs of Production) **€8.6mn**, with Gross Margin at 20.7% vs. 16.1% of 1H21;
- ◆ **EBITDA €3.3mn (7.9% EBITDA margin)** and EBITDA Adjusted (for €118k of extraordinary items) €3.4mn (8.2% EBITDA Adjusted margin);
- ◆ **EBIT €2.4mn (5.6% EBIT margin)** and EBIT Adjusted €2.5mn (5.9% EBIT Adj. Margin) after ca. €1mn of D&A (vs. ca.€400k of 1H21);
- ◆ **Net Profit €1.9mn** after €340k minorities related to 10% of Genius and to international subsidiaries.

Casta Diva Group: Gross Profit breakdown by BU (lhs) and EBITDA, EBIT, Net Profit FY21 vs. 1H22 (rhs)



Source: Casta Diva, Value Track Analysis

Casta Diva: P&L 1H20-1H22

(€mn, IT GAAP)	1H20	1H21	1H22	Δ y/y (%)
Value of Production	6.6	10.2	41.7	311%
Raw Materials	-0.3	-0.4	-0.8	
Costs of Services	-6.0	-8.0	-33.0	
Use of Third Parties	-0.2	-0.3	-1.0	
SG&A	-0.2	-0.2	-0.3	
Labour Costs	-1.3	-1.6	-3.3	
EBITDA	-1.3	-0.4	3.3	n.m.
<i>EBITDA Margin (As a % of VoP)</i>	<i>n.m.</i>	<i>n.m.</i>	<i>7.9%</i>	
D&A	-0.5	-0.4	-1.0	
EBIT	-1.8	-0.8	2.4	n.m.
<i>EBIT Margin (As a % of VoP)</i>	<i>n.m.</i>	<i>n.m.</i>	<i>5.6%</i>	
Net Financial Charges	-0.1	-0.1	-0.1	
Pre-Tax Profit	-1.8	-0.9	2.2	n.m.
Taxes	0.0	0.0	0.0	
Minorities	0.5	0.0	-0.3	
Net Profit	-1.4	-0.9	1.9	n.m.

Source: Casta Diva, Value Track Analysis

Balance Sheet / Cash Flow Statement

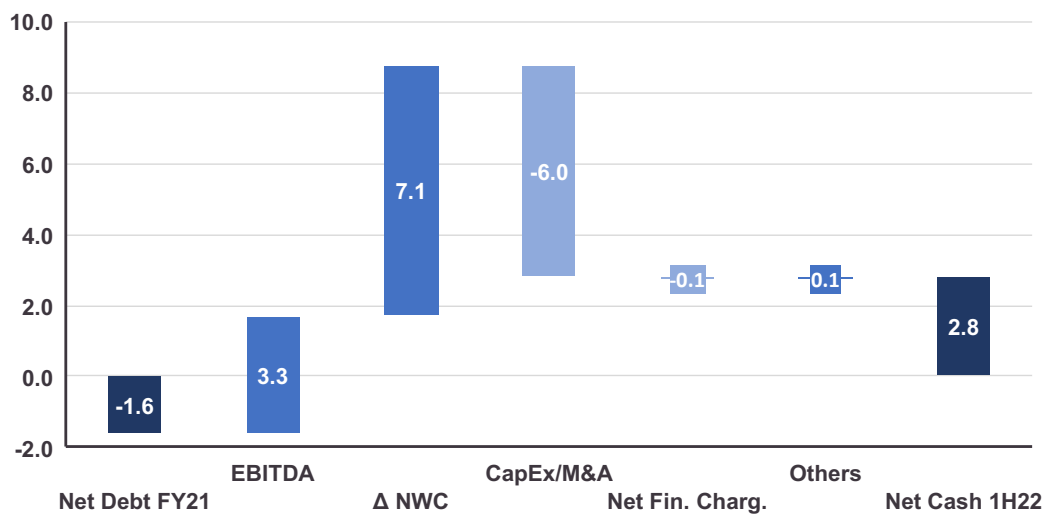
CDG Net Financial Position improved by ca. €4.4mn, moving from FY21 €1.6mn Net Debt to 1H22 **€2.8mn Net Cash**. This was achieved also thanks to the incorporation of Genius Progetti that, despite requiring a ca. €4.2mn cash-out (increasing the Group Net Fixed Assets), brought-in a favourable Net Working Capital cycle.

Casta Diva: Balance Sheet Structure 1H21-FY21-1H22

(€mn, IT GAAP)	1H21	FY21	1H22
Net Fixed Assets	9.7	9.6	14.7
Net Working Capital	-0.2	-0.2	-7.3
<i>As % of VoP</i>	<i>-2.5%</i>	<i>-2.3%</i>	<i>-17.6%</i>
Provisions	1.0	1.0	1.0
Total Capital Employed	8.5	8.3	6.3
<i>As % of VoP</i>	<i>128.5%</i>	<i>82.0%</i>	<i>15.1%</i>
Group Net Equity	5.6	6.7	9.1
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-3.0	-1.6	2.8

Source: Casta Diva, Value Track Analysis

Casta Diva Group: Cash Flow Statement 1H22



Source: Casta Diva, Value Track Analysis

Forecasts 2022E-24E

Change in 2022E-24E estimates

1H22 overperforming results imply a strong upwards estimates revision for all CDG financials. We now expect the Group to reach 2024E business plan targets already as of 2022 year-end. In details:

- ◆ **Value of Production** revised up by 21%, 12% and 13% for 2022E-23E-24E, respectively, exceeding €70mn already in 2022E thanks to the outstanding outcome of 1H22. Guidance on second semester is strong, however we remained a bit cautious for 2H vs 1H given a potential weakening demand due to inflation pressures on clients' P&L. Still, short- and medium-term outlook remains bright for some key clients, e.g. Ferrari is expected to launch 15 new models over the next 4 years, (Source: Ferrari Capital Markets Day, June 16th 2022), implying the organization of events and a significant marketing budget);
- ◆ **Operating and Net profitability** to continue benefitting from Genius low fixed cost base as it did during 1H22, especially during the second part of this year. For 2023E-24E we already estimated a stronger weight of Genius on the total, hence the lower forecasts increase;
- ◆ **Free cash flow** generation should be better than predicted thanks to the favourable cyclicity of Net Working Capital previously detailed and thanks to low CapEx requirements. However, we foresee a lower FY22E Net Cash Position vs. 1H22 following some settlements payments towards the end of the year.

CDG: New vs. Old 2022E-24E estimates

(€mn, IT GAAP)	2022E			2023E			2024E		
	Old	New	Change	Old	New	Change	Old	New	Change
Value of Production	58.5	70.6	20.7%	63.5	73.1	15.1%	67.0	75.7	13.0%
EBITDA	4.9	6.2	27.9%	5.9	7.0	18.2%	6.6	7.6	14.9%
<i>EBITDA Margin (%)</i>	8.3%	8.8%	50bps	9.3%	9.5%	24bps	9.8%	10.0%	17bps
EBIT	3.4	4.4	28.0%	4.5	5.3	19.2%	5.1	5.9	16.8%
<i>EBIT Margin (%)</i>	5.8%	6.2%	35bps	7.0%	7.3%	25bps	7.6%	7.9%	26bps
Net profit	1.7	3.6	111.1%	2.4	3.0	22.0%	2.9	3.4	18.2%
<i>Net Margin (%)</i>	2.9%	5.1%	217bps	3.8%	4.1%	23bps	4.4%	4.6%	20bps
Net Financial Position	-0.3	1.5	1.8	-0.3	1.3	1.6	2.5	4.2	1.7
Group Net Equity	8.6	10.7	2.1	10.7	12.9	2.2	13.0	15.7	2.7
OpFCF b.t.	4.2	7.2	3.0	4.9	5.5	0.6	5.6	6.1	0.5

Source: Value Track Analysis

As a consequence, we now forecast:

- ◆ **Value of Production** to post **41% CAGR_{21A-24E}** to ca. **€75.7mn in 2024E**;
- ◆ **EBITDA** to reach **€7.6mn in 2024E**, with **EBITDA margin at 10% in 2024E**;
- ◆ **EBIT** growing more than proportionally to **€5.9mn in 2024E (EBIT margin at 7.9%)**;
- ◆ **OpFCF (b.t.) at ca. €6.1mn in 2024E** (80% OpFCF / EBITDA conversion);
- ◆ **Net Cash** to increase by €5.8mn on a cumulative basis and stand at **€4.2mn in 2024E**.

For more specific details on estimates drivers, we refer you to our IoC report of June 2022.

Casta Diva Group: P&L 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Revenues from Sales	27.0	70.0	72.6	75.2
Other VoP Components	2.8	0.6	0.5	0.5
Value of Production	29.7	70.6	73.1	75.7
Direct Costs	-20.5	-48.7	-50.4	-52.2
1st Margin	9.2	21.9	22.7	23.5
<i>1st Margin (%)</i>	<i>30.9%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>31.0%</i>
Other Opex	-8.0	-15.7	-15.7	-15.9
EBITDA	1.2	6.2	7.0	7.6
EBITDA Margin (%)	4.0%	8.8%	9.5%	10.0%
D&A	-0.7	-1.8	-1.6	-1.6
EBIT	0.5	4.4	5.3	5.9
<i>EBIT Margin (%)</i>	<i>1.7%</i>	<i>6.2%</i>	<i>7.3%</i>	<i>7.9%</i>
Net Financial Charges	-0.2	-0.4	-0.3	-0.3
Pre tax profit	0.3	4.0	5.0	5.7
Taxes	0.1	-0.4	-2.0	-2.2
Net Profit	0.4	3.6	3.0	3.4

Source: Casta Diva, Value Track Analysis

Casta Diva: Balance Sheet 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Net Fixed Assets	9.6	14.4	16.8	16.6
Net Working Capital	-0.2	-4.1	-4.1	-4.0
Provisions	1.0	1.0	1.1	1.1
Total Capital Employed	8.3	9.2	11.6	11.5
Group Net Equity	6.7	10.7	12.9	15.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-1.6	1.5	1.3	4.2

Source: Casta Diva, Value Track Analysis

Casta Diva: Cash Flow Statement 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
EBITDA	1.2	6.2	7.0	7.6
CapEx	-0.7	-2.4	-1.5	-1.5
Δ Net Working Capital, Provisions	-0.2	3.4	0.0	-0.1
OpFCF b.t.	0.2	7.2	5.5	6.1
<i>As a % of EBITDA</i>	<i>20.6%</i>	<i>115.9%</i>	<i>79.0%</i>	<i>79.8%</i>
Cash Taxes	0.1	0.0	-1.7	-1.9
OpFCF a.t.	0.4	7.2	3.8	4.2
Net Financial Charges	-0.2	-0.3	-0.2	-0.2
Dividends Paid	0.0	0.0	-1.2	-1.0
Others (incl. Financial Investments)	0.3	-3.8	-2.6	-0.1
Net Cash Generated (Absorbed)	0.5	3.1	-0.2	3.0

Source: Casta Diva, Value Track Analysis

Valuation

The upward revision of estimates would justify a €1.65 p/s fair value (from €1.25). However, we decided to apply a temporary 10% buffer to take into account the current macroeconomic and geopolitical uncertainties on 2023E onwards that could have an impact on particularly cyclical reference markets such as those where CDG is active. Indeed, the low visibility of inflationary pressures on energy costs could have a downside effect on clients P&L and on the demand for Casta Diva services.

As such, we are updating our **fair value per share at €1.50**, implying a 100% upside with respect to current market price.

At €1.50 fair value per share CDG would trade at 0.4x-4.6x-6.5x-7.7x EV/Sales, EV/EBITDA, EV/EBIT, P/E 2022E multiples, basically halving current discount vs. comparables.

Casta Diva: Sensitivity of implicit stock trading multiples between €0.75 and €2.00 equity value per share

Equity Value p/s (€)	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E (x)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
€ 0.75	0.2	0.2	0.1	2.2	2.0	1.4	3.1	2.6	1.8	3.8	4.5	4.0
€ 1.00	0.3	0.3	0.2	3.0	2.7	2.1	4.2	3.5	2.6	5.1	6.0	5.3
€ 1.25	0.3	0.3	0.3	3.8	3.4	2.7	5.4	4.4	3.5	6.4	7.6	6.6
€ 1.50	0.4	0.4	0.3	4.6	4.1	3.4	6.5	5.4	4.3	7.7	9.1	7.9
€ 1.75	0.5	0.5	0.4	5.4	4.8	4.1	7.7	6.3	5.2	9.0	10.6	9.3
€ 2.00	0.5	0.5	0.5	6.2	5.6	4.7	8.8	7.3	6.0	10.2	12.1	10.6

Source: Value Track Analysis

Casta Diva Group fair multiples vs. Peers' historical ones

Multiple	Average 2022E	CDG "fair" multiples	CDG "fair" multiples vs. Average	CDG fair equity value p.s. (€)
EV/Sales	1.0x	0.4x-0.5x	-59% / -48%	1.48-1.83
EV/EBITDA	5.8x	4.0x-4.5x	-31% / -23%	1.32-1.47
EV/ EBIT	8.4x	6.0x-6.5x	-29% / -23%	1.39-1.50
P/E	14.6x	9.0x-9.5x	-38% / -35%	1.76-1.86
CDG fair equity value (€ p.s.)				1.50-1.65

Source: Historical stock market data, Value Track analysis

We also add that using a DCF as a sanitary cross check (not the best valuation tool to address companies heavily exposed to macroeconomic swings) confirms the €1.77 fair value p/s of our previous report (higher fundamentals offsetting higher equity risk premium).

Last but not least, we note that if CDG continues in its M&A activity it can create much more value. Indeed, we calculate that adding two more companies with €10mn revenues each and profitability in line with CDG each and exploiting some Opex synergies could boost total EBITDA by ca. 50% and fair value by ca. 20%.

Peers' analysis

Choice of comparables

After the latest M&A deals, CDG has increased its focus on Live & Digital Communication business, but it also maintains a presence in Creative Content Production.

As such we believe necessary to take into consideration Peers in both sectors while reckoning that CDG business model is not entirely comparable to Peers. Indeed:

- ◆ **Live & Digital Communication business.** CDG is focused on corporate events so it doesn't manage trade fairs, and it doesn't own substantial amount of tangible fixed assets dedicated to events;
- ◆ **Creative Content Production Peers.** CDG is focuses on Executive Production so it doesn't own a significantly large library of TV / Movie rights.

That said, we select the following Peers:

- ◆ **Live & Digital Communication peers** - Companies operating in corporate communication and advertising sector (Dentsu, Interpublic, Publicis, WPP), and firms that are notably exposed to the events sector such as exhibitions or congresses organizers or service providers (GL Events, Fiera Milano, Viad, SG Company);
- ◆ **Creative Content Production Peers** - Entertainment sector players, both Italian (Notorious Pictures, Leone Film Group, Lucisano Media Group) and foreign (Xilam Animation, Lions Gate, Thunderbird Entertainment).

Casta Diva Group: Current Peers' trading multiples

Company	EV / Sales (x)			EV / EBITDA (x)			EV / EBIT (x)			P/E Adj. (x)		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Digital & Live Comm.												
D&L Comm. - Average	0.9	0.7	0.7	7.0	4.8	3.7	8.6	7.3	5.5	18.8	11.2	9.9
D&L Comm. - Median	1.0	0.8	0.7	5.4	4.5	3.7	6.9	5.6	5.1	11.0	10.6	9.3
Content Creation												
Content - Average	1.0	0.8	0.6	4.3	3.0	2.5	8.3	8.0	6.2	8.8	5.2	8.3
Content - Median	1.0	0.8	0.6	2.7	2.4	2.2	6.7	6.3	5.8	6.4	4.9	4.5
Total Average	1.0	0.8	0.6	5.8	4.0	3.2	8.4	7.6	5.8	14.6	8.9	9.3
Total Median	1.0	0.8	0.6	4.8	3.9	3.3	6.7	5.6	5.1	9.9	9.1	8.2
Casta Diva @ Mkt Price	0.2	0.2	0.1	2.2	2.0	1.4	3.1	2.6	1.8	3.8	4.5	4.0
Discount vs. Avg. (%)	-80%	-75%	-63%	-51%	-64%	-66%	-74%	-49%	-80%	-75%	-63%	-51%
Casta Diva @ Fair Value	0.4	0.4	0.3	4.6	4.1	3.4	6.5	5.4	4.3	7.7	9.1	7.9
Discount vs. Avg. (%)	-58%	-48%	-47%	-22%	3%	6%	-23%	-29%	-25%	-47%	2%	-14%

Source: Market Consensus (30/09/2022), Value Track Analysis

Discounted Cash Flow Model

DCF model is, in our view, not the best valuation tool to address companies such as Casta Diva Group so heavily exposed to macroeconomic swings and to hiring / resignations of key people managing the budget of top tier clients.

That said, we can utilize it as a sanitary cross check by taking into account some sector specific adjustment. The result is the same €1.77 p/s calculated in our IoC, with the increase of the Italian ERP (from 6.42% to 7.82%) offset by our estimates revision.

WACC and other assumptions

We calculate a “fair” 13.1% Rolling WACC for CDG (equal to the cost of equity) as a result of:

- ◆ 2.0% risk free rate in line with medium term target inflation;
- ◆ Implied Italian Equity Risk premium ERP at 7.82% (Source: Damodaran on line web site);
- ◆ Unlevered Beta at 1.1x that averages “official” 0.86x value provided by Damodaran for Advertising, Broadcasting and Entertainment companies, with ca. 1.3x value that we deem fair for companies with such high volatility of economic and financial results;
- ◆ 2.5% Small Size Risk Premium, appropriate when dealing with small sized companies;
- ◆ 4.0% pre-tax cost of debt;
- ◆ 0% debt / equity ratio.

Last but not least, Terminal value is calculated at 2030YE and obtained by applying a 1.0% Perpetuity Growth Rate, that we think consistent with average long term annual growth expectations for Italy.

Casta Diva DCF based Fair Equity Value

We calculate a “fair” DCF based **€1.77 equity value per CDG share**, which is the result of:

- ◆ €33.7mn fair Enterprise Value, almost equally split between the present value of future explicit 2023E-30E cash flows and of Terminal Value at 2030E (implicit 4.6x TV/EBITDA_{30E} and – 5.6x TV/EBIT_{30E});
- ◆ €1.5 mn Net Cash and €0.1mn value of Treasury shares.

Casta Diva: DCF model

€mn	g=1.0%
PV of future cash flows (2023E-30E, €mn)	18.3
PV of Terminal value (€mn)	15.3
TV / EBITDA 2030E (x)	4.6x
Fair Enterprise value (€mn)	33.7
Net Fin. Position 2022E	1.5
Peripheral assets (e.g. Treasury shares)	0.1
Casta Diva Group Fair Equity value (€mn)	35.3
Number of shares (mn)	20.0
Casta Diva Group Fair Equity value per share (€)	1.77

Source: Value Track Analysis

Appendix – Peers' Multiples

Casta Diva Group: Peers' Trading Multiples

Company	EV / Sales (x)		EV / EBITDA (x)		EV / EBIT (x)		P/E Adj. (x)	
	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E
Digital & Live Comm.								
Dentsu	1.0	0.7	5.5	3.7	7.7	5.1	11.5	10.9
GL Events	1.0	0.8	5.9	4.6	10.7	7.4	11.0	7.5
Interpublic	1.0	1.0	5.3	5.1	6.1	5.8	10.2	10.3
Publicis	1.0	0.9	4.4	4.1	5.5	5.1	9.5	9.1
Viad	0.9	0.8	7.8	6.0	15.9	11.3	36.0	14.4
WPP	0.9	0.8	4.4	4.4	5.6	5.4	9.1	7.8
Fiera Milano	0.9	0.6	3.9	2.0	nm	4.6	nm	11.7
SG Company	0.5	0.4	nm	8.2	nm	13.9	nm	18.1
D&L Comm. Average	0.9	0.7	7.0	4.8	8.6	7.3	18.8	11.2
D&L Comm. Median	1.0	0.8	5.4	4.5	6.9	5.6	11.0	10.6
Content Creation								
ILBE	0.5	0.5	0.6	0.6	3.3	3.2	2.4	2.6
Notorious Pictures	1.3	0.9	3.0	2.7	9.4	7.3	6.4	4.9
Leone Film Group	1.2	0.9	2.5	1.8	16.5	11.9	7.6	5.4
Lucisano Media Group	0.9	0.8	2.3	2.0	6.7	5.3	3.3	2.4
Mondo TV	0.9	0.6	1.2	0.8	3.8	1.9	3.5	2.3
Lions Gate Entertainment	1.2	0.8	11.3	6.8	nm	17.7	nm	nm
Thunderbird Entertainment	0.9	0.7	5.3	3.8	5.1	3.7	23.1	10.9
Content – Average	1.0	0.8	4.3	3.0	8.3	8.0	8.8	5.2
Content - Median	1.0	0.8	2.7	2.4	6.7	6.3	6.4	4.9
Total Average	1.0	0.8	5.8	4.0	8.4	7.6	14.6	8.9
Total Median	1.0	0.8	4.8	3.9	6.7	5.6	9.9	9.1
Casta Diva	0.2	0.2	2.2	2.0	3.1	2.6	3.8	4.5

Source: Market Consensus (30/09/2022), Value Track Analysis

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