

Casta Diva

Sector: Business Services



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High ambitions confirmed

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.

New business plan: Top line revised upwards

CDG has revised its 2022E-24E financial targets, as follows:

- ◆ Value of Production 2024E at €81.8mn (vs. €70.1mn of previous BP);
- ◆ EBITDA Adjusted at €6.9mn in 2024E (8.4% EBITDA Adj. margin);
- ◆ EBIT Adjusted at €4.9mn in 2024E, substantially in line with old BP;
- ◆ Net Cash at €4.3mn in 2024E (vs. €2.5mn of the old business plan).

The new plan adds ca. €37mn to the cumulative top line 2022E-24E, with CDG exceeding the 2024E target of the old plan (ca. €70mn) two years in advance thanks to both new top clients and higher contribution from already active ones.

On the other hand, CDG has confirmed its operating profits targets, following a more cautious approach on production costs and planning additional structure costs to sustain the feverish growth of Revenues.

Estimates fine-tuning: more bullish than business plan

We revised up both our top line estimates (by ca. 7% on average to be substantially in line with the new business plan) and operating expenses forecasts. In 2024E we now expect:

- ◆ Value of Production at €82mn (40% CAGR_{21A-24E});
- ◆ EBITDA at €7.3mn (8.9% EBITDA margin);
- ◆ EBIT at €5.4mn (6.6% EBIT margin);
- ◆ Net Cash at €4.2mn, in line with CDG new business plan.

Fair Value confirmed at €1.50 p/s (> 100% upside)

We confirm CDG fair value at €1.50 p/s on the back of slightly lower operating profits estimates being offset by higher FCF generation. Despite peers have suffered a rerating from our last update as of October, we remark our choice to apply a temporary buffer to take into account the current macroeconomic and geopolitical uncertainties that could potentially impact GDP-related markets such as those where CDG is active. At fair value, CDG would trade at 0.4x-4.8x-7.0x-8.5x EV/Sales, EV/EBITDA, EV/EBIT, P/E 2022E multiples, still at significant discount vs. comparables.

Fair Value (€)	1.50
Market Price (€)	0.66
Market Cap. (€m)	13.2

KEY FINANCIALS (€mn)	2021A	2022E	2023E
VALUE OF PRODUCTION	29.7	74.3	78.1
EBITDA	1.2	5.8	6.6
EBIT	0.5	3.9	4.8
NET PROFIT	0.4	3.2	2.6
EQUITY	6.7	10.3	12.2
NET FIN. POS.	-1.6	2.4	2.0
EPS ADJ. (€)	0.03	0.18	0.15
DPS (€)	0.00	0.05	0.04

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

KEY RATIOS	2021A	2022E	2023E
EBITDA MARGIN (%)	4.0	7.7	8.4
EBIT MARGIN (%)	1.7	5.3	6.1
NET DEBT / EBITDA (x)	1.4	nm	nm
NET DEBT / EQUITY (x)	0.2	0.0	0.0
EV/SALES (x)	0.3	0.1	0.1
EV/EBITDA (x)	7.9	1.9	1.7
EV/EBIT (x)	19.1	2.7	2.3
P/E ADJ. (x)	12.8	3.7	4.5

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

STOCK DATA	
MARKET PRICE (€)	0.66
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	13.2
ENTERPRISE VALUE (€m)	10.7
FREE FLOAT (%)	36.2
AVG. -20D VOL. ('000)	204,250
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	0.29-0.77

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	74.3	78.1	82.0
Δ y/y (%)	70.5%	nm	5.1%	5.0%
EBITDA	1.2	5.8	6.6	7.3
EBITDA Margin (% of VoP)	4.0%	7.7%	8.4%	8.9%
EBIT	0.5	3.9	4.8	5.4
EBIT Margin (% of VoP)	1.7%	5.3%	6.1%	6.6%
Net Profit	0.4	3.2	2.6	3.1
Δ y/y (%)	-112.9%	nm	-19.2%	18.3%
Adjusted Net Profit	0.6	3.5	2.9	3.4
Δ y/y (%)	-118.8%	nm	-17.3%	16.2%
Net Fin. Position	-1.6	2.4	2.0	4.2
Net Fin. Pos. / EBITDA (x)	1.4	nm	nm	nm
Capex	-0.7	-2.2	-1.5	-1.5
OpFCF b.t.	0.2	8.1	5.1	5.1
OpFCF b.t. as % of EBITDA	20.6%	140.5%	77.2%	69.1%

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

Investment case

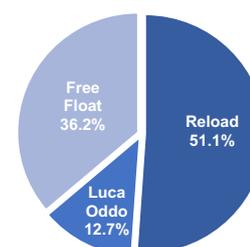
Strengths / Opportunities

- ◆ 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

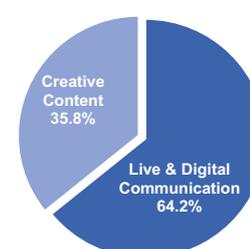
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Investment needs in technology and highly qualified personnel;
- ◆ Market exposed to macroeconomic shocks.

Shareholders Structure



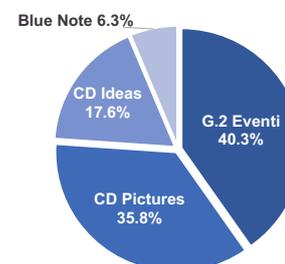
Source: Casta Diva, Value Track Analysis

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)	4.8	4.2
EV / EBIT (x)	7.0	5.8
EV / CAP.EMP. (x)	3.5	2.8
OpFCF Yield (%)	29.4	18.2
P / E Adj. (x)	9.3	11.6
P / BV (x)	3.2	2.8
Div. Yield. (%)	3.5	2.8

Source: Value Track

Business Plan pointing at higher growth

On November 9th, Casta Diva Group published an update of its 2022E-24E business plan, strongly revising up top line expectations, while roughly confirming operating profits.

The update is a consequence of the recent buoyant financial results of the Group, also achieved thanks to the acquisitions of Genius Progetti and We Are Live (more on these deals in our previous reports and in the appendix), but also of the additional market share that CDG is gaining towards competitors.

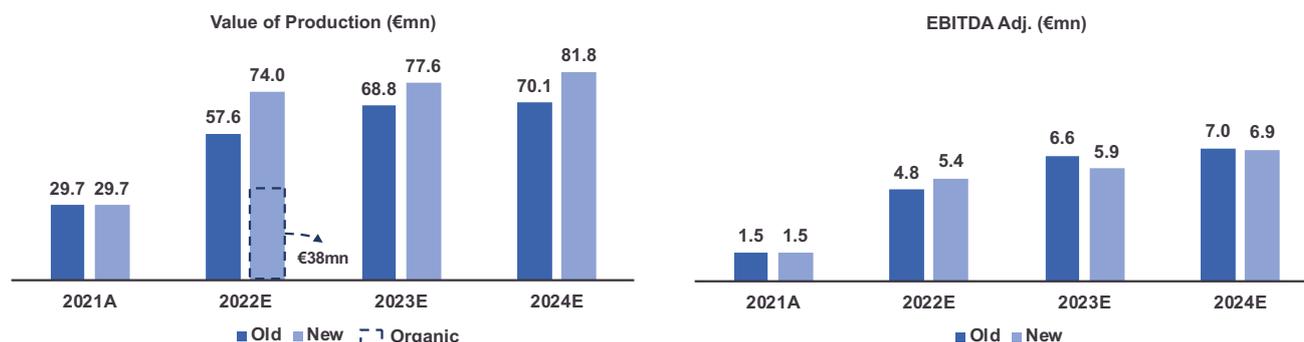
In more details, the new business plan targets:

- ◆ **Value of Production at €74mn in 2022E** and at **€81.8mn in 2024E** (vs. €70.1mn);
- ◆ **EBITDA Adjusted** (for non-recurring expenses) **at €7.0mn in 2024E** (8.4% margin);
- ◆ **EBIT Adjusted at €6.9mn in 2024E**, substantially in line with the old business plan;
- ◆ **Net Cash at €4.3mn in 2024E** (vs. €2.5mn of the old business plan).

The new plan adds ca. €37mn to the cumulative 2022E-24E top line, given new top clients, increasing business activity with historical clients, and expansion towards new contiguous segments of the reference market.

On the other hand, CDG has confirmed its operating profits targets, following a more cautious approach on production costs and planning additional structure costs to sustain the feverish growth of Revenues.

CDG: New vs. Old 2022E-24E Business Plan targets



Source: Casta Diva, Value Track Analysis

CDG: New vs. Old 2022E-24E Business Plan targets

(€mn, IT GAAP)	2022E			2023E			2024E		
	Old	New	Change	Old	New	Change	Old	New	Change
Value of Production	57.6	74.0	28.5%	68.8	77.6	12.8%	70.1	81.8	16.7%
EBITDA	4.8	5.4	12.5%	6.6	5.9	-10.6%	7.0	6.9	-1.4%
EBITDA Margin (%)	8.3%	7.3%	-100bps	9.6%	7.6%	-200bps	10.0%	8.4%	-160bps
EBIT	3.4	3.5	2.9%	5.2	4.0	-23.1%	5.6	4.9	-12.5%
EBIT Margin (%)	5.9%	4.7%	-120bps	7.6%	5.2%	-240bps	8.0%	6.0%	-200bps
Net Financial Position	1.6	2.9	81.3%	2.3	3.5	52.2%	2.5	4.3	72.0%

Source: Value Track Analysis

Value Track forecasts 2022E-24E

Change in 2022E-24E estimates

We are fine tuning our 2022E-24E estimates being a bit more bullish than CDG, especially in terms of profitability. In details:

- ◆ **Value of Production** revised up between 5% and 8% for 2022E-24E, to be approximately in line with CDG business plan. Long-term framework agreements with historical clients, new leads and the contribution of recently acquired Genius are the key drivers that should get Casta Diva to consolidate its market share;
- ◆ **Operating and Net Profit** revised down by ca. 9%-10%, hence impacting profitability ratios by about 80-120 basis points vs. our previous forecasts. Indeed, while on one hand we agree with management cautious approach regards the possibility to entirely rebate increasing production costs on clients, at the same time we also believe that Genius low fixed costs base should strongly benefit the Group, even despite some new hires and offices to sustain CDG buoyant growth;
- ◆ **Net Financial Position** in line with our last estimates at the end of the forecasted period. A better working capital management (historically following a favorable cyclicity) should offset lower operating profits as in the revised business plan.

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	70.6	74.3	5.2%	73.1	78.1	6.8%	75.7	82.0	8.3%
EBITDA	6.2	5.8	-7.3%	7.0	6.6	-5.3%	7.6	7.3	-3.5%
EBITDA Margin (%)	8.8%	7.7%	-105bps	9.5%	8.4%	-108bps	10.0%	8.9%	-110bps
EBIT	4.4	3.9	-9.9%	5.3	4.8	-9.9%	5.9	5.4	-8.9%
EBIT Margin (%)	6.2%	5.3%	-89bps	7.3%	6.1%	-115bps	7.9%	6.6%	-125bps
Net profit	3.6	3.2	-10.8%	3.0	2.6	-13.2%	3.4	3.1	-11.4%
Net Margin (%)	5.1%	4.3%	-77bps	4.1%	3.3%	-76bps	4.6%	3.7%	-83bps
Net Financial Position	1.5	2.4	0.9	1.3	2.0	0.7	4.2	4.2	0.0
Group Net Equity	10.7	10.3	-0.4	12.9	12.2	-0.7	15.7	14.7	-1.0
OpFCF b.t.	7.2	8.1	0.9	5.5	5.1	-0.4	6.1	5.1	-1.0

Source: Value Track Analysis

Overall, our 2024E forecast entail:

- ◆ **Value of Production to €82mn**, i.e. growing at a pace of 40% CAGR_{21A-24E};
- ◆ **EBITDA at €7.3mn**, growing much more than proportionally than top line;
- ◆ **EBITDA Margin at 8.9%**;
- ◆ **EBIT at 5.4mn**, reducing the gap vs. EBITDA (**EBIT Margin at 6.6%**);
- ◆ **70%-80% OpFCF (b.t.) / EBITDA** conversion rate in the mid-term;
- ◆ **Net Cash Position at €4.2mn**, after cumulative FCF of ca. €6mn;

For more details on estimates drivers, please have a look at our IoC report published back as of June 2022.

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

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Revenues from Sales	27.0	73.7	77.6	81.5
Other VoP Components	2.8	0.6	0.5	0.5
Value of Production	29.7	74.3	78.1	82.0
Direct Costs	-20.5	-51.3	-53.9	-56.6
1st Margin	9.2	23.0	24.2	25.4
<i>1st Margin (%)</i>	<i>30.9%</i>	<i>31.0%</i>	<i>31.0%</i>	<i>31.0%</i>
Other Opex	-8.0	-17.3	-17.6	-18.1
EBITDA	1.2	5.8	6.6	7.3
EBITDA Margin (%)	4.0%	7.7%	8.4%	8.9%
D&A	-0.7	-1.8	-1.8	-1.9
EBIT	0.5	3.9	4.8	5.4
<i>EBIT Margin (%)</i>	<i>1.7%</i>	<i>5.3%</i>	<i>6.1%</i>	<i>6.6%</i>
Net Financial Charges	-0.2	-0.4	-0.3	-0.3
Pre-Tax Profit	0.3	3.6	4.5	5.2
Taxes	0.1	-0.4	-1.9	-2.1
Net Profit	0.4	3.2	2.6	3.1

Source: Casta Diva, Value Track Analysis

Casta Diva: Balance Sheet 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Net Fixed Assets	9.6	14.2	16.4	16.0
Net Working Capital	-0.2	-5.2	-5.2	-4.4
Provisions	1.0	1.0	1.1	1.1
Total Capital Employed	8.3	7.9	10.1	10.5
Group Net Equity	6.7	10.3	12.2	14.7
Net Fin. Position [i.e. Net Debt (-) Cash (+)]	-1.6	2.4	2.0	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	5.8	6.6	7.3
CapEx	-0.7	-2.2	-1.5	-1.5
Δ Net Working Capital, Provisions	-0.2	4.5	0.0	-0.8
OpFCF b.t.	0.2	8.1	5.1	5.1
<i>As a % of EBITDA</i>	<i>20.6%</i>	<i>140.5%</i>	<i>77.2%</i>	<i>69.1%</i>
Cash Taxes	0.1	0.0	-1.5	-1.7
OpFCF a.t.	0.4	8.1	3.6	3.3
Net Financial Charges	-0.2	-0.3	-0.2	-0.2
Dividends Paid	0.0	0.0	-1.1	-0.9
Others (incl. Financial Investments)	0.3	-3.8	-2.6	-0.1
Net Cash Generated (Absorbed)	0.5	4.0	-0.4	2.2

Source: Casta Diva, Value Track Analysis

Valuation

We confirm Casta Diva **fair value at €1.50 per share** on the back of slightly lower operating profits forecasts counterbalanced by higher FCF generation.

We also underline that in the latest month CDG peers have experienced a positive multiples rerating. Still, we remark our choice to apply a temporary buffer to take into account the current macroeconomic and geopolitical uncertainties that could have an impact on particularly cyclical reference markets such as those where CDG is active.

At €1.50 fair value, (ca. 2x current stock market price) CDG would trade at 0.4x-4.8x-7.0x-8.5x EV/Sales, EV/EBITDA, EV/EBIT, P/E 2022E multiples, again at substantial discount vs. comparables.

Casta Diva Group: Sensitivity of implicit stock trading multiples between €0.75 and €2.25 Equity Value p/s

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	1.5	3.2	2.7	2.0	4.3	5.1	4.4
€ 1.00	0.2	0.2	0.2	3.0	2.7	2.1	4.5	3.7	2.9	5.7	6.9	5.9
€ 1.25	0.3	0.3	0.3	3.9	3.5	2.8	5.7	4.8	3.8	7.1	8.6	7.4
€ 1.50	0.4	0.4	0.3	4.8	4.2	3.5	7.0	5.8	4.7	8.5	10.3	8.9
€ 1.75	0.4	0.4	0.4	5.7	5.0	4.2	8.3	6.9	5.7	9.9	12.0	10.3
€ 2.00	0.5	0.5	0.4	6.5	5.8	4.9	9.5	7.9	6.6	11.3	13.7	11.8
€ 2.25	0.6	0.6	0.5	7.4	6.5	5.6	10.8	9.0	7.5	12.8	15.4	13.3

Source: Value Track Analysis

Casta Diva Group: Fair Multiples vs. Peers'

Multiple	Average 2022E	CDG "fair" multiples	CDG "fair" multiples vs. Average	CDG fair equity value p.s. (€)
EV/Sales	1.1x	0.4x	-59%	1.80
EV/EBITDA	6.0x	4.0x	-32%	1.30
EV/ EBIT	11.4x	6.0x	-47%	1.30
P/E	17.7x	9.0x	-49%	1.60
CDG fair equity value (€ p.s.)				1.50

Source: Market Consensus (14/11/2022), 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) returns a €1.81 fair value p/s, very close to €1.77 p/s of our previous report (higher Net Cash Position offsetting lower operating profits).

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 (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	1.0	0.9	0.8	5.8	5.4	4.6	9.0	7.9	5.9	17.2	12.6	8.9
D&L Comm. - Median	1.0	0.8	0.9	5.5	5.1	4.6	7.5	7.0	5.9	13.1	12.8	8.9
Content Creation												
Content - Average	1.3	0.9	0.8	6.2	4.3	3.8	15.1	7.8	9.9	18.6	8.2	16.2
Content - Median	1.1	0.9	0.7	4.1	2.7	3.2	13.1	6.6	7.8	10.8	5.7	9.5
Total Average	1.1	0.9	0.8	6.0	5.0	4.3	11.4	7.8	7.3	17.7	11.2	11.6
Total Median	1.0	0.9	0.8	5.4	4.9	4.6	8.6	7.0	5.9	12.1	11.9	8.9
Casta Diva	0.1	0.1	0.1	1.9	1.7	1.2	2.7	2.3	1.6	3.7	4.5	3.9
Discount vs. Avg. (%)	-87%	-84%	-86%	-69%	-66%	-72%	-76%	-70%	-78%	-79%	-59%	-66%
Casta Diva @ Fair Value	0.4	0.4	0.3	4.8	4.2	3.5	7.0	5.8	4.7	8.5	10.3	8.9
Discount vs. Avg. (%)	-66%	-59%	-59%	-20%	-15%	-18%	-39%	-26%	-35%	-52%	-8%	-23%

Source: Market Consensus (14/11/2022), 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.

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 online 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 Group DCF based Fair Equity Value

We calculate a “fair” DCF based **€1.81 equity value per CDG share**, which is the result of:

- ◆ €33.8mn 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});
- ◆ €2.4mn 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)	17.9
PV of Terminal value (€mn)	15.8
TV / EBITDA 2030E (x)	4.6x
Fair Enterprise value (€mn)	33.8
Net Fin. Position 2022E	2.4
Peripheral assets (e.g. Treasury shares)	0.1
Casta Diva Group Fair Equity value (€mn)	36.3
Number of shares (mn)	20.0
Casta Diva Group Fair Equity value per share (€)	1.81

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	0.9	5.3	4.9	7.1	6.7	13.1	12.4
GL Events	0.9	0.8	5.5	4.4	9.9	7.3	10.6	8.3
Interpublic	1.3	1.3	6.9	7.0	7.8	8.1	13.1	13.8
Publicis	1.3	1.2	5.7	5.3	7.1	6.6	12.1	11.3
Viad	0.9	0.8	8.4	7.0	15.5	11.0	22.2	16.9
WPP	1.0	0.9	5.0	4.8	6.3	5.9	10.0	9.0
Fiera Milano	1.0	0.6	3.9	2.1	nm	5.0	nm	13.1
SG Company	0.4	0.3	nm	7.3	nm	12.4	39.4	16.2
D&L Comm. Average	1.0	0.9	5.8	5.4	9.0	7.9	17.2	12.6
D&L Comm. Median	1.0	0.8	5.5	5.1	7.5	7.0	13.1	12.8
Content Creation								
Notorious Pictures	1.3	0.9	3.0	2.7	9.4	7.3	6.4	5.0
Leone Film Group	2.1	1.0	4.1	2.0	27.1	13.2	10.8	6.4
Lucisano Media Group	1.0	0.9	3.3	2.2	16.8	5.9	10.8	2.5
Lions Gate Entertainment	1.1	0.9	13.6	9.2	nm	nm	nm	nm
Thunderbird Entertainment	0.9	0.8	6.8	5.5	7.2	4.6	46.6	18.9
Content – Average	1.3	0.9	6.2	4.3	15.1	7.8	18.6	8.2
Content - Median	1.1	0.9	4.1	2.7	13.1	6.6	10.8	5.7
Total Average	1.1	0.9	6.0	5.0	11.4	7.8	17.7	11.2
Total Median	1.0	0.9	5.4	4.9	8.6	7.0	12.1	11.9
Casta Diva Group	0.1	0.1	1.9	1.7	2.7	2.3	3.7	4.5

Source: Market Consensus (14/11/2022), Value Track Analysis

Appendix - CDG 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.

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**.

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

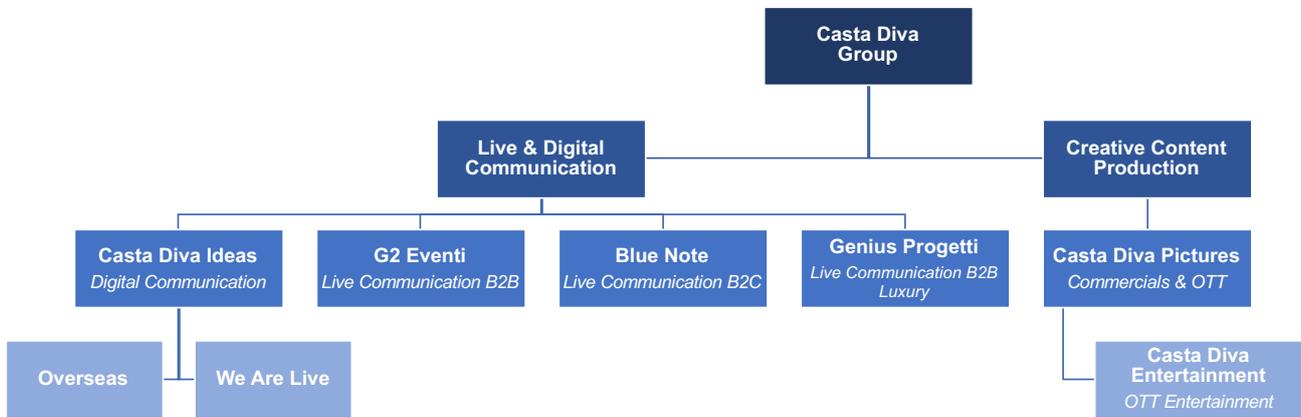
Business Unit # 2: Creative Content Production (ca. 36% of CDG Revenues FY21)

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

Appendix – CDG Turnaround

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).

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