

# Casta Diva

Sector: Business Services



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## Financial targets revised up once again

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.

### 2023E-25E financial targets revised upwards once again

Casta Diva Group has just announced its new 2023E-25E financial targets, revising upwards by ca. 15% the ones announced back in November 2022. This is the third upward revision of financial targets in less than twelve months and denotes the confidence of CDG management in the success of its growth strategies. In details:

- ◆ Revenues are expected to grow at average 8.3% p.a. with an acceleration in 2025E, surpassing at that time the €100mn threshold;
- ◆ EBITDA is expected to grow at >2x speed, i.e. average 22% p.a. with an acceleration in 2025E when it should get to €11.1mn value;
- ◆ Net Cash Position is expected to improve at ca. €4.5mn in 2025E, after some €3.0mn minimum dividends distribution.

### Estimates fine-tuning upwards

We are fine tuning our 2022E-24E estimates being a bit more conservative than CDG. In 2024E we now expect:

- ◆ Value of Production at €92mn;
- ◆ EBITDA at €7.7mn (8.4% EBITDA margin);
- ◆ EBIT at €5.8mn (6.3% EBIT margin);
- ◆ Net Cash at €5.0mn, assuming a ca. 35% DPS payout policy.

### Fair Value revised at €1.60 p/s (> 100% upside)

Based on revised 2023E estimates and on last Friday €14.6mn market capitalization (at stock market close), CDG is currently trading at 1.8x EV/EBITDA, 2.5x, EV/EBIT and >7% DPS yield, definitively too low multiples, at >60% discount to peers.

We reckon that current macroeconomic and geopolitical uncertainties could impact particularly cyclical reference markets such as those where CDG is active, but the same should be true for peers.

That said, we revise Casta Diva Group **fair value at €1.60 per share** (up from €1.50). At €1.60 fair value, (ca. 2x current stock market price) CDG would trade at 4.3x-6.0x EV/EBITDA, EV/EBIT 2023E multiples, again at substantial discount vs. comparables.

<b>Fair Value (€)</b>	<b>1.60</b>
<b>Market Price (€)(*)</b>	<b>0.73</b>
<b>Market Cap. (€m)(*)</b>	<b>14.6</b>

KEY FINANCIALS (€mn)	2022E	2023E	2024E
VALUE OF PRODUCTION	82.8	86.6	92.0
EBITDA	6.0	6.7	7.7
EBIT	4.1	4.8	5.8
NET PROFIT	2.8	2.5	3.2
EQUITY	9.8	11.7	14.4
NET FIN. POS.	2.7	3.3	5.0
EPS ADJ. (€)	0.16	0.14	0.18
DPS (€)	0.05	0.05	0.06

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

KEY RATIOS (*)	2022E	2023E	2024E
EBITDA MARGIN (%)	7.3	7.8	8.4
EBIT MARGIN (%)	5.0	5.5	6.3
NET DEBT / EBITDA (x)	nm	nm	nm
EV/SALES (x)	0.1	0.1	0.1
EV/EBITDA (x)	2.0	1.8	1.2
EV/EBIT (x)	2.9	2.5	1.6
P/E ADJ. (x)	4.7	5.2	4.1
DIV YIELD (%)	6.6	7.3	7.8

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

STOCK DATA (*)	
MARKET PRICE (€)	0.73
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	14.6
ENTERPRISE VALUE (€m)	11.8
FREE FLOAT (%)	36.2
AVG. -20D VOL. (*000)	78,250
RIC / BBG	CDG.MI / CDG IM
52 WK RANGE	0.30-0.81

Source: Stock Market Data

(\*) Stock Market Price as of 31/03/23 market close



## 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
<b>Value of Production</b>	<b>29.7</b>	<b>82.8</b>	<b>86.6</b>	<b>92.0</b>
Δ y/y (%)	70.5%	nm	4.6%	6.2%
<b>EBITDA</b>	<b>1.2</b>	<b>6.0</b>	<b>6.7</b>	<b>7.7</b>
EBITDA Margin (% of VoP)	4.0%	7.3%	7.8%	8.4%
<b>EBIT</b>	<b>0.5</b>	<b>4.1</b>	<b>4.8</b>	<b>5.8</b>
EBIT Margin (% of VoP)	1.7%	5.0%	5.5%	6.3%
<b>Net Profit</b>	<b>0.4</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>
Δ y/y (%)	-112.9%	nm	-10.3%	30.5%
<b>Adjusted Net Profit</b>	<b>0.6</b>	<b>3.1</b>	<b>2.8</b>	<b>3.6</b>
Δ y/y (%)	-118.8%	nm	-9.2%	26.8%
<b>Net Fin. Position</b>	<b>-1.6</b>	<b>2.7</b>	<b>3.3</b>	<b>5.0</b>
Net Fin. Pos. / EBITDA (x)	1.4	nm	nm	nm
Capex	-0.7	-2.2	-1.0	-1.5
<b>OpFCF b.t.</b>	<b>0.2</b>	<b>9.1</b>	<b>6.0</b>	<b>4.8</b>
OpFCF b.t. as % of EBITDA	20.6%	150.0%	89.6%	61.8%

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

## Investment case

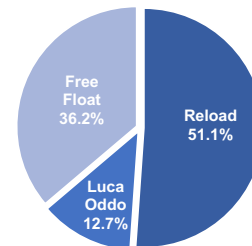
### Strengths / Opportunities

- ◆ Among top two - 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

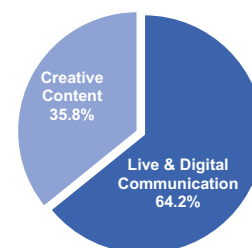
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Investment needs in technology and highly qualified personnel;
- ◆ Market exposed to macroeconomic shocks.

## Shareholders Structure



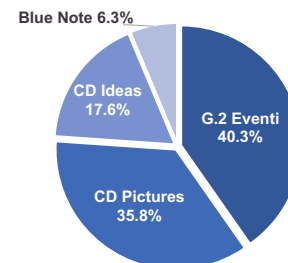
Source: Casta Diva, Value Track Analysis

## Sales breakdown by BU FY21



Source: Casta Diva, FY21

## Sales bkdwn by Legal Entity FY21



Source: Casta Diva, FY21

## Stock multiples @ €1.60 Fair Value

	2022E	2023E
EV / SALES (x)	0.36	0.34
EV / EBITDA (x)	4.8	4.3
EV / EBIT (x)	7.1	6.0
EV / CAP.EMP. (x)	4.1	3.4
OpFCF Yield (%)	31.0	21.0
P / E Adj. (x)	10.3	11.3
P / BV (x)	3.6	3.1
Div. Yield. (%)	3.0	2.7

Source: Value Track

# CDG’s 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 two-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. 85% of CDG Revenues 1H22)

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.

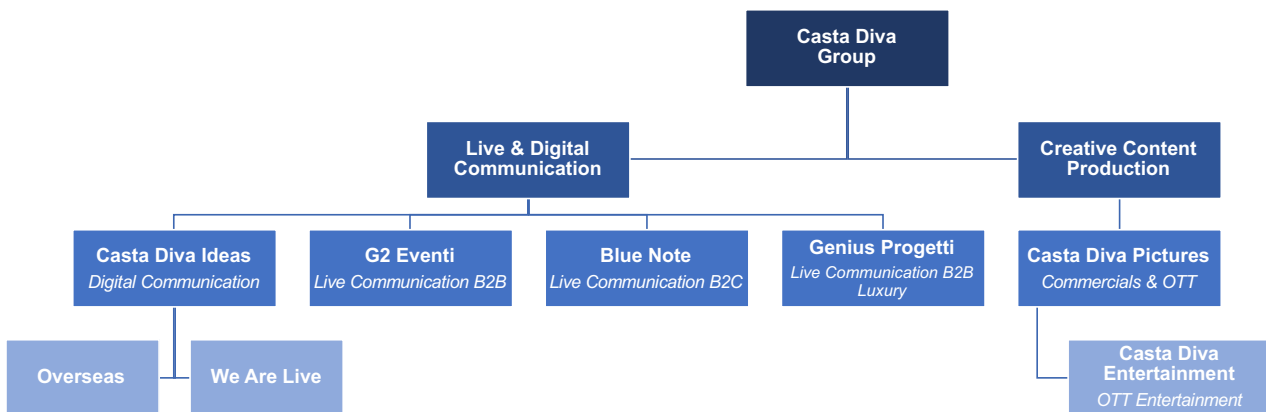
### Business Unit # 2: Creative Content Production (ca. 15% of CDG Revenues 1H22)

This Business Units is focused on creative content production, that’s to say the origination and execution of **commercials, digital videos, branded content, corporate videos and TV / OTT content** (documentaries, movies, biopics and more).

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 is proving 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

## CDG's Growth Strategies

In the latest couple of years the management of Casta Diva Group has actively pursued several organic and M&A driven ways to grow and extend the range of services offered. We expect the management of Casta Diva Group to keep pursuing these strategies also in 2023E onwards. In more details:

### Organic growth strategies

CDG is working on:

1. Entering and / or strengthening its positioning in new verticals;
2. Improving its skills in digital / hybrid tools offering;
3. Exploiting its skills in contiguous markets (e.g. OTT).

#### 1. Entering and / or strengthening the positioning in new verticals

Thanks to We Are Live deal and to Genius Progetti deal, CDG is now in the position to competitively address corporates positioned in the very high end of their sectors, be them fashion players, or automotive manufacturers. The reason to hunt potential target in these verticals is twofold:

- ◆ **Higher resiliency vs. macroeconomic downturns.** Real GDP growth has a deep impact on the stance of the marketing spending related industry. Focusing on deep pocket luxury clients can thus be a smart defensive move, as this sector has proved an upper long-term resiliency,
- ◆ **Higher capacity to invest in marketing.** Because of their resiliency towards GDP downturns, "luxury" players are keen in maintaining a sound and growing flow of marketing spending.

#### 2. Improving skills in digital / hybrid tools offering

After covid-19 restrictions and lockdowns in Europe and North America, customers journey has recalibrated, with funds flowing back to traditional medias and physical events without abandoning the successful digital format. Thus, marketing is going hybrid with top brands trying to establish multichannel acquisition and management strategies to meet their clients at different steps of their experiences. Therefore, hybrid and flexible marketing content is now a must-have tool.

#### 3. New opportunities in the TV and OTT arena

Casta Diva Entertainment, new business line dedicated to the world of television, allows CDG to ride the emerging trends of the higher consumption of video contents on TV and OTT markets, as it is capable to produce proprietary formats that can then be licensed or sold to broadcasters.

We calculate that in 2021 the number of formats produced stood at 4, while in 2022 such number should have tripled (even if with smaller unitary size) and in 2023 some more good news should come on this side.

## M&A strategy

### Rationale

Casta Diva Group aims to act as consolidator of the fragmented market in which it operates in order to unlock higher margins and eventually generate value. This is the desired result of:

1. The above-mentioned snowball effect on revenues;
2. A stronger purchasing power vs. suppliers that are used to grant volume-based discounts;
3. A positive operating leverage driven by better coverage of fixed costs (e.g., SG&A).

### Attraction levers

Casta Diva Group aims to capitalize on its "attraction power" on smaller players, by convincing them that contributing their activities to a larger group would generate the above mentioned "snowball

effect” and allow them to maintain their identity over time, obtain new chances of success, retain most of the workforce and overcome downtimes without excessive damages. Indeed, CDG already boasts:

- ◆ **Industrial credibility**, achieved thanks to its longstanding track record,
- ◆ **Stock market listing**, which allows to pay with cash or with paper viewed as a cash equivalent,
- ◆ **Innovative SME** status, which allows to pay managers with shares in a tax effective way.

### Track record 2020-2022

As we said before, CDG’s improving competitive positioning is also the result of some very successful M&A/hiring deals that took place in recent years:

- ◆ **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"> <li>• 65.000 clients per year</li> <li>• 20.000 dinners served</li> <li>• 60 private and corporate events per year</li> <li>• 25% of jazz concerts turnover in Italy (source: SIAE)</li> </ul>

Source: Casta Diva Group Business Plan 22-24

### M&A targets for 2023-2024

We expect CDG to pursue further M&A deals to widen its size, referred especially to those companies with clearly recognizable characteristics and possibly different and complementary to CDG ones. Specifically, we would expect CDG to target the following:

- ◆ **Agency driven content producing companies**, i.e., intermediaries amid the creative agencies and the various brands, that may allow broadening the CDG’s market share and the services range that it can deliver through scale effect;
- ◆ **On-field event companies**, specialized in providing bartenders, hostesses, and stewards for sales and sponsorships to include industries such as tobacco / alcohol that cannot advertise through the traditional channel;
- ◆ **MarTech companies**, as this would enable CDG to offer additional services to its customers to optimize their digital marketing campaigns.

## Positive business evolution leading to higher 2023E-25E financial targets

### Q422 definitively above estimates (even of the most recent ones)

Casta Diva Group has just announced its new 2023E-25E financial targets, revising upwards the ones announced back in November 2022.

Within the Press Release Casta Diva Group has also shed some further hints on FY22 preliminary figures.

Indeed, we remind that official FY22 results should be approved at the end of May 2023, but back as of the end of January CDG already unveiled extremely positive preliminary Revenues data for FY22, standing at ca. €82.0mn.

This revenues figure was very good not only if compared to FY21 €29.7mn figure (+175% y/y), but also if compared with the €74mn updated target revised upward by the company back as of 9<sup>th</sup> November 2022.

This means that in the latest two months of 2022FY CDG was able to exceed its targets by some €8mn, i.e. a double digit positive revenue surprise.

For the sake of clarity, FY22 organic growth stood at +40% y/y with the remaining being brought by the consolidation of newly acquired businesses, Genius Progetti and We Are Live brand.

That said, we note that the further FY22 hints provided in the Press Release unveil figures slightly higher than our estimates also in terms of EBITDA, EBIT, Net Cash Position.

### Casta Diva Group: 2022 preliminary figures compared to Value Track estimates

(€mn, IT GAAP)	VT estimates	Prelim. YF22	Diff. %
Value of Production	74.3	82.8	11.4%
<b>EBITDA Adj.</b>	<b>5.8</b>	<b>6.0</b>	<b>4.8%</b>
EBITDA Adj. Margin (%)	7.7%	7.3%	nm
<b>EBIT Adj.</b>	<b>3.9</b>	<b>4.1</b>	<b>4.5%</b>
EBIT Margin (%)	5.3%	5.0%	nm
<b>Net Cash Position</b>	<b>2.4</b>	<b>2.7</b>	<b>0.3</b>

Source: Casta Diva Group, Value Track Analysis

### FY23 start is providing “good vibes”

1Q is usually not the strongest one in terms of contribution on full year business volumes, so initial hints need further touch points. However, Casta Diva Group’s management seems to be pretty optimistic that business is still growing healthy, driven by:

- ◆ Positive market growth showing signs of complete stabilization after 2020 sanitary crisis and 2022 geopolitical turmoil;
- ◆ CDG gaining market share, a confirmation that the “growth by acquisition” strategy pursued in the latest couple of years is proving right. Indeed, we have highlighted several times how a higher size should trigger “snowball” effect on clients’ orders, as corporate clients are not keen on assigning big orders to small players, while on the contrary cannot avoid asking for quotes to market leaders.

## New 2023E-25E financial targets

Casta Diva Group new 2023E-25E financial targets are revising upwards the ones announced back in November 2022. This is the third upward revision of financial targets in less than twelve months and denotes the confidence of CDG management in the success of its growth strategies. Key numbers of the new Business Plan are:

- ◆ Revenues are expected to grow at average 8.3% p.a. with an acceleration in 2025E, surpassing at that time the €100mn threshold;
- ◆ EBITDA is expected to grow at >2x speed, i.e. average 22% p.a. with an acceleration in 2025E when it should get to €11.1mn value;
- ◆ EBITDA Margin is forecasted to surpass the 10% level in 2025E, ca. 320 bps higher than 2022E;
- ◆ Net Cash Position is expected to improve at ca. €4.5mn, after at least €3.0mn dividends.

### Casta Diva Group: New 2023E-25E financial targets

(IT GAAP, €mn)	2022E	2023E	2024E	2025E	CAGR 22E-25E (%)
Value of Production	82.8	87.2	94.4	105.3	8.3%
EBITDA Adj.	6.0	6.7	7.9	11.1	22.5%
EBITDA Adj. Margin (%)	7.3%	7.7%	8.4%	10.5%	324bps
EBIT Adj.	4.1	4.7	5.9	9.0	29.9%
EBIT Adj. Margin (%)	5.0%	5.4%	6.3%	8.5%	359bps
Net Cash Position	2.7	3.3	3.9	4.5	n.m.

Source: Casta Diva Group, Value Track Analysis

### Casta Diva Group: Evolution of 2022E-25E financial targets in the latest Business Plans

	Business Plan as of:		
	May 2022	Nov. 2022	Apr. 2023
Revenues 2022E	57.6	74.0	82.8
Revenues 2023E	68.8	77.6	87.2
Revenues 2024E	70.1	81.8	94.4
Revenues 2025E	n.a.	n.a.	105.3
EBITDA 2022E	4.8	5.4	6.0
EBITDA 2023E	6.6	5.9	6.7
EBITDA 2024E	7.0	6.9	7.9
EBITDA 2025E	n.a.	n.a.	11.1
EBITDA Margin 2022E	8.3%	7.3%	7.3%
EBITDA Margin 2023E	9.6%	7.6%	7.7%
EBITDA Margin 2024E	10.0%	8.4%	8.4%
EBITDA Margin 2025E	n.a.	n.a.	10.5%

Source: Casta Diva Group, Value Track Analysis

Focusing on 2023E and 2024E figures, we note that Revenues and EBITDA have been revised upwards by ca. 12%-15% per annum, while EBIT has been revised upward by 18%-21%

#### Casta Diva Group: Evolution of 2022E-25E financial targets in the latest Business Plans

(€mn, IT GAAP)	2023E			2024E		
	Old	New	Change	Old	New	Change
Value of Production	77.6	87.2	12.4%	81.8	94.4	15.4%
EBITDA Adj.	5.9	6.7	13.8%	6.9	7.9	14.9%
EBITDA Adj. Margin (%)	7.6%	7.7%	10bps	8.4%	8.4%	-4bps
EBIT Adj.	4.0	4.7	17.9%	4.9	5.9	21.0%
EBIT Margin (%)	5.2%	5.4%	25bps	6.0%	6.3%	29bps
		0			0	
Net Cash Position	3.5	3.3	-5.7%	4.3	3.9	-9.3%

Source: Casta Diva Group, Value Track Analysis, (\*) VT Estimates

#### Change in Value Track 2022E-24E estimates

We are fine tuning our 2022E-24E estimates being a bit more conservative than CDG on 2024E figures. In details:

#### 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	74.3	82.8	11.4%	78.1	86.6	10.9%	82.0	92.0	12.2%
EBITDA	5.8	6.0	4.8%	6.6	6.7	1.9%	7.3	7.7	5.5%
EBITDA Margin (%)	7.7%	7.3%	-46bps	8.4%	7.8%	-68bps	8.9%	8.4%	-53bps
EBIT	3.9	4.1	4.5%	4.8	4.8	-0.5%	5.4	5.8	7.4%
EBIT Margin (%)	5.3%	5.0%	-33bps	6.1%	5.5%	-63bps	6.6%	6.3%	-28bps
Net profit	3.2	2.8	-13.2%	2.6	2.5	-3.7%	3.1	3.2	6.2%
Net Margin (%)	4.3%	3.3%	-95bps	3.3%	2.9%	-43bps	3.7%	3.5%	-20bps
Net Financial Position	2.4	2.7	0.3	2.0	3.3	1.2	4.2	5.0	0.7
Group Net Equity	10.3	9.8	-0.5	12.2	11.7	-0.5	14.7	14.4	-0.3
OpFCF b.t.	8.1	9.1	1.0	5.1	6.0	0.9	5.1	4.8	-0.3

Source: Value Track Analysis

Our new 2022E-24E forecasts are as follows:



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

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
<b>Revenues from Sales</b>	<b>27.0</b>	<b>81.4</b>	<b>85.6</b>	<b>91.0</b>
Other VoP Components	2.8	1.4	1.0	1.0
<b>Value of Production</b>	<b>29.7</b>	<b>82.8</b>	<b>86.6</b>	<b>92.0</b>
Direct Costs	-20.5	-57.1	-59.8	-63.5
<b>1<sup>st</sup> Margin</b>	<b>9.2</b>	<b>25.7</b>	<b>26.8</b>	<b>28.5</b>
1 <sup>st</sup> Margin (%)	30.9%	31.0%	31.0%	31.0%
Other Opex	-8.0	-19.6	-20.1	-20.8
<b>EBITDA</b>	<b>1.2</b>	<b>6.0</b>	<b>6.7</b>	<b>7.7</b>
<b>EBITDA Margin (%)</b>	<b>4.0%</b>	<b>7.3%</b>	<b>7.8%</b>	<b>8.4%</b>
D&A	-0.7	-1.9	-1.9	-1.9
<b>EBIT</b>	<b>0.5</b>	<b>4.1</b>	<b>4.8</b>	<b>5.8</b>
EBIT Margin (%)	1.7%	5.0%	5.5%	6.3%
Net Financial Charges	-0.2	-0.5	-0.4	-0.4
<b>Pre tax profit</b>	<b>0.3</b>	<b>3.6</b>	<b>4.3</b>	<b>5.5</b>
Taxes	0.1	-0.8	-1.9	-2.2
<b>Net Profit</b>	<b>0.4</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Balance Sheet 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
Net Fixed Assets	9.6	14.1	15.7	15.3
Net Working Capital	-0.2	-5.9	-6.2	-4.7
Provisions	1.0	1.0	1.1	1.1
<b>Total Capital Employed</b>	<b>8.3</b>	<b>7.1</b>	<b>8.4</b>	<b>9.5</b>
Group Net Equity	6.7	9.8	11.7	14.4
<b>Net Fin. Position [i.e. Net Debt (-) Cash (+)]</b>	<b>-1.6</b>	<b>2.7</b>	<b>3.3</b>	<b>5.0</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva: Cash Flow Statement 2021A-24E

(€mn, IT GAAP)	2021A	2022E	2023E	2024E
EBITDA	1.2	6.0	6.7	7.7
CapEx	-0.7	-2.2	-1.0	-1.5
Δ Net Working Capital, Provisions	-0.2	5.2	0.3	-1.4
<b>OpFCF b.t.</b>	<b>0.2</b>	<b>9.1</b>	<b>6.0</b>	<b>4.8</b>
As a % of EBITDA	20.6%	150.0%	89.6%	61.8%
Cash Taxes	0.1	-0.5	-1.5	-1.8
<b>OpFCF a.t.</b>	<b>0.4</b>	<b>8.6</b>	<b>4.5</b>	<b>2.9</b>
Net Financial Charges	-0.2	-0.3	-0.2	-0.2
Dividends Paid	0.0	0.0	-1.0	-0.9
Others (incl. Financial Investments)	0.3	-3.9	-2.7	-0.2
<b>Net Cash Generated (Absorbed)</b>	<b>0.5</b>	<b>4.3</b>	<b>0.6</b>	<b>1.7</b>

Source: Casta Diva, Value Track Analysis

## Valuation

Based on revised estimates and of updated stock trading multiples for Peers (substantially stable compared to our latest report), we calculate that **CDG is currently trading at 1.8x – 2.5x – 5.4x EV/EBITDA, EV/EBIT and P/E 2023 respectively, i.e. at ca. 60%-80% discount vs. its Peers.**

We reckon that current macroeconomic and geopolitical uncertainties could have an impact on particularly cyclical reference markets such as those where CDG is active, but the same should be true for its peers.

That said, we revise Casta Diva Group **fair value at €1.60 per share** (up from €1.50) on the back of the higher financial estimates and substantially stable stock trading multiples for Peers.

At €1.60 fair value, (ca. 2x current stock market price) CDG would trade at 0.34x-4.3x-6.0x-11.3x EV/Sales, EV/EBITDA, EV/EBIT, P/E 2023E 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	0.15	0.14	0.11	2.0	1.8	1.3	3.0	2.5	1.7	4.8	5.4	4.2
€ 1.00	0.21	0.19	0.16	2.9	2.5	1.9	4.2	3.5	2.6	6.4	7.1	5.6
€ 1.15	0.25	0.23	0.20	3.4	2.9	2.3	4.9	4.1	3.1	7.4	8.2	6.4
€ 1.30	0.29	0.26	0.23	3.8	3.4	2.7	5.6	4.7	3.6	8.4	9.2	7.3
€ 1.45	0.32	0.30	0.26	4.3	3.8	3.1	6.4	5.4	4.1	9.3	10.3	8.1
€ 1.60	0.36	0.34	0.30	4.8	4.3	3.5	7.1	6.0	4.6	10.3	11.3	8.9

Source: Value Track Analysis

### Casta Diva Group: Fair Multiples vs. Peers'

Multiple	Average 2023E	CDG "fair" multiples	CDG "fair" multiples vs. Average	CDG fair equity value p.s. (€)
EV/Sales	1.1x	0.4x	-62%	1.88
EV/EBITDA	5.2x	4.0x	-24%	1.51
EV/ EBIT	8.5x	6.0x	-29%	1.60
P/E	12.8x	10.0x	-27%	1.41
<b>CDG fair equity value (€ p.s.)</b>				<b>1.60</b>

Source: Market Consensus, Value Track Analysis

We also add that using a DCF as a sanitary cross check (obviously, not the best valuation tool to address companies heavily exposed to macroeconomic swings) returns a €1.92 fair value per share.

## Peers' analysis

CDG boasts presence in both Live & Digital Communication and Creative Content Production businesses. As such we 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, the Peers we usually take into account for CDG are:

- ◆ **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: 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
<b>Digital &amp; Live Comm.</b>								
Dentsu	0.9	0.8	6.0	4.2	9.8	5.5	20.5	13.4
GL Events	0.9	0.9	7.2	4.6	10.9	8.3	12.2	9.9
Interpublic	1.4	1.4	7.6	7.2	8.6	8.6	15.1	13.9
Publicis	1.4	1.3	6.4	5.9	7.9	7.5	14.9	13.0
Viad	0.7	0.6	6.7	5.6	13.9	9.6	18.2	39.4
WPP	1.1	1.0	5.6	5.3	7.0	6.6	14.9	10.3
Fiera Milano	0.8	2.5	2.9	2.0	nm	5.3	nm	15.5
SG Company	0.5	0.4	nm	9.1	nm	15.4	nm	nm
<b>D&amp;L Comm. Average</b>	<b>1.0</b>	<b>1.1</b>	<b>6.1</b>	<b>5.5</b>	<b>9.7</b>	<b>8.3</b>	<b>16.0</b>	<b>16.6</b>
<b>D&amp;L Comm. Median</b>	<b>0.9</b>	<b>0.9</b>	<b>6.4</b>	<b>5.4</b>	<b>9.2</b>	<b>7.9</b>	<b>15.0</b>	<b>13.2</b>
<b>Content Creation</b>								
Notorious Pictures	1.5	1.2	3.4	2.6	10.6	8.2	8.1	6.3
Leone Film Group	2.1	1.1	4.1	2.0	27.4	13.3	11.2	6.7
Lucisano Media Group	1.0	0.9	3.3	2.2	16.8	5.9	10.8	2.5
Lions Gate Entertainment	1.2	1.1	14.6	10.5	nm	nm	nm	nm
Thunderbird Entertainment	0.9	0.7	6.6	7.0	7.0	7.4	nm	nm
<b>Content – Average</b>	<b>1.3</b>	<b>1.0</b>	<b>6.4</b>	<b>4.9</b>	<b>15.4</b>	<b>8.7</b>	<b>10.0</b>	<b>5.2</b>
<b>Content - Median</b>	<b>1.2</b>	<b>1.1</b>	<b>4.1</b>	<b>2.6</b>	<b>13.7</b>	<b>7.8</b>	<b>10.8</b>	<b>6.3</b>
<b>Total Average</b>	<b>1.1</b>	<b>1.1</b>	<b>6.2</b>	<b>5.2</b>	<b>12.0</b>	<b>8.5</b>	<b>14.0</b>	<b>12.8</b>
<b>Total Median</b>	<b>1.0</b>	<b>1.0</b>	<b>6.2</b>	<b>5.3</b>	<b>10.2</b>	<b>7.9</b>	<b>14.9</b>	<b>10.3</b>

Source: Market Consensus, 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” 13.4% 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 8.02% (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 **€1.92 equity value per CDG share**, which is the result of:

- ◆ €35.7mn fair Enterprise Value, almost equally split between the present value of future explicit 2023E-30E cash flows and of Terminal Value at 2030E (implicit 4.5x TV/EBITDA<sub>30E</sub>);
- ◆ €2.7mn 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)	18.9
PV of Terminal value (€mn)	16.8
TV / EBITDA 2030E (x)	4.5x
<b>Fair Enterprise value (€mn)</b>	<b>35.7</b>
Net Fin. Position 2022E	2.7
Peripheral assets (e.g. Treasury shares)	0.1
<b>Casta Diva Group Fair Equity value (€mn)</b>	<b>38.5</b>
Number of shares (mn)	20.0
<b>Casta Diva Group Fair Equity value per share (€)</b>	<b>1.92</b>

Source: Value Track Analysis

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