

Casta Diva

Sector: Business Services



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1H24 top line on tracks with FY targets

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

1H24 VoP at ca. €57.2mn (+13.2% y/y); dividends coming

CDG has reported preliminary top line figures for 1H24, with VoP at ca. €57.2mn, implying a sound 13% y/y growth. As 1Q24 VoP was up by over 6% y/y, we calculate that 2Q24 was up ca. 18% y/y.

CDG also disclosed its current backlog, reporting ca. €37.4mn. Combined with 1H24 VoP, this totals ca. €91.4mn, which is already 76% of the FY24E top-line target outlined in the latest business plan (€120.7mn). Even considering a flattish 2H24E y/y (ca. €62.9mn), CDG should not encounter any difficulties in achieving our FY24E VoP forecast of €120.1mn.

E-Motion deal secured in mid-June

In terms of corporate developments, we highlight the closing of the E-Motion deal on June 17th (LOI signed in December and financials already included in both CDG 1H24 results and business plan targets). 65% of the total consideration (€847k) has been paid at closing, while the remaining will be wired after 18 months. More details in previous reports.

Estimates confirmed: EBITDA to grow at 19% CAGR_{23A-26E}

With 1H24 top line being consistent with our FY projections, we confirm our forecasts also for 2024E-26E (already including E-Motion), which are a bit more conservative than CDG BP targets. In 2026E we expect:

- ◆ Value of Production at €136.7mn;
- ◆ EBITDA at €14.4mn, growing more than proportionally vs. top line;
- ◆ EBIT at €9.8mn, and EBIT Margin at 7.1% (+280bps vs. 2023A);
- ◆ Net Cash at €7.0mn, counting €3.7mn cumulated dividends. with OpFCF (b.t.) / EBITDA conversion rate at 78% on average. By the way, as far as dividends are concerned, we expect that the company might announce 2024 dividend in the coming months.

Fair Value unchanged at €2.55 p/s

We confirm CDG FV at €2.55 p/s, calculated back in May and based on a relative valuation analysis. At €2.55, CDG would trade at 0.47x-4.8x-7.5x EV/Sales, EV/EBITDA, EV/EBIT 2024E multiples, still at substantial discount vs. peers. Our fair value implies a target mkt cap of ca. €50mn, i.e. an upside of ca. 70% vs. the current market price.

| | |
|-------------------------|-------------|
| Fair Value (€) | 2.55 |
| Market Price (€) | 1.48 |
| Market Cap. (€m) | 29.7 |

| KEY FINANCIALS (€mn) | 2023A | 2024E | 2025E |
|----------------------|-------|-------|-------|
| VALUE OF PRODUCTION | 111.5 | 120.1 | 130.1 |
| EBITDA REPORTED | 8.6 | 11.6 | 13.4 |
| EBIT | 5.4 | 7.4 | 9.0 |
| NET PROFIT | 1.6 | 3.8 | 5.1 |
| EQUITY | 9.0 | 12.3 | 16.0 |
| NET FIN. POS. | -5.6 | -1.3 | 1.5 |
| EPS ADJ. (€) | 0.10 | 0.25 | 0.32 |
| DPS (€) | 0.03 | 0.07 | 0.09 |

Source: Casta Diva (historical figures)
Value Track (2024E-25E)

| KEY RATIOS (*) | 2023A | 2024E | 2025E |
|-----------------------|-------|-------|-------|
| EBITDA MARGIN (%) | 7.7 | 9.7 | 10.3 |
| NET DEBT / EBITDA (x) | 0.7 | 0.1 | nm |
| ROE (%) | 19.0 | 31.7 | 32.5 |
| EV/SALES (x) | 0.30 | 0.29 | 0.22 |
| EV/EBITDA (x) | 3.9 | 3.0 | 2.1 |
| EV/EBIT (x) | 6.2 | 4.7 | 3.2 |
| P/E ADJ. (x) | 12.7 | 5.8 | 4.6 |
| DIV YIELD (%) | 2.3 | 4.4 | 6.0 |

Source: Casta Diva (historical figures)
Value Track (2024E-25E)

STOCK DATA (*)

| | |
|-----------------------|-----------------|
| MARKET PRICE (€) | 1.48 |
| SHS. OUT. (m) | 20.0 |
| MARKET CAP. (€m) | 29.7 |
| ENTERPRISE VALUE (€m) | 34.6 |
| FREE FLOAT (%) | 41.8 |
| AVG. -20D VOL. ('000) | 34,700 |
| RIC / BBG | CDG.MI / CDG.IM |
| 52 WK RANGE | 0.95 - 1.80 |

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 | 2023A | 2024E | 2025E | 2026E |
|----------------------------|--------------|--------------|--------------|--------------|
| Value of Production | 111.5 | 120.1 | 130.1 | 136.7 |
| y/y (%) | 32.8% | 7.7% | 8.3% | 5.1% |
| EBITDA Reported | 8.6 | 11.6 | 13.4 | 14.4 |
| EBITDA Margin (% of VoP) | 7.7% | 9.7% | 10.3% | 10.5% |
| EBIT | 5.4 | 7.4 | 9.0 | 9.8 |
| EBIT Margin (% of VoP) | 4.9% | 6.2% | 6.9% | 7.1% |
| Net Profit | 1.6 | 3.8 | 5.1 | 5.7 |
| y/y (%) | 8.8% | nm | 35.1% | 12.8% |
| Adjusted Net Profit | 2.0 | 5.1 | 6.4 | 7.1 |
| y/y (%) | 7.1% | nm | 26.0% | 10.2% |
| Net Fin. Position | -5.6 | -1.3 | 1.5 | 7.0 |
| Net Fin. Pos. / EBITDA (x) | 0.7 | 0.1 | nm | nm |
| Capex | -3.2 | -2.4 | -2.6 | -3.1 |
| OpFCF b.t. | 3.9 | 8.9 | 11.3 | 11.3 |
| OpFCF b.t. as % of EBITDA | 45.5% | 76.7% | 84.4% | 78.5% |

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

Investment Case

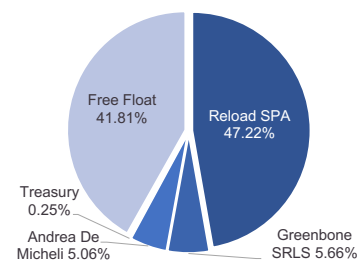
Strengths / Opportunities

- ◆ Italian leader of the communication sector of the media industry;
- ◆ Long-lasting retention of highly spending and renowned clients;
- ◆ Opportunity to act as consolidator of a fragmented market thanks to stock market listing.

Weaknesses / Risks

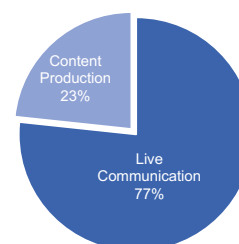
- ◆ Highly competitive market environment with players from neighbouring industries;
- ◆ Market exposed to macroeconomic shocks.

Shareholders Structure



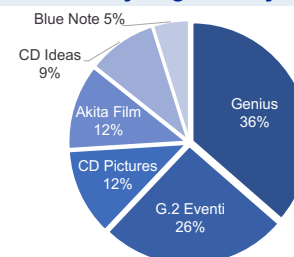
Source: Casta Diva

Revenues by Business Unit



Source: Casta Diva, FY23

Revenues by Legal Entity



Source: Casta Diva, FY23

Stock Multiples @ €2.55 Fair Value

| | 2024E | 2025E |
|-------------------|-------|-------|
| EV / SALES (x) | 0.5 | 0.4 |
| EV / EBITDA (x) | 4.8 | 3.7 |
| EV / EBIT (x) | 7.5 | 5.6 |
| EV / CAP.EMP. (x) | 4.1 | 3.4 |
| OpFCF Yield (%) | 15.9 | 26.8 |
| P / E Adj. (x) | 10.1 | 8.0 |
| P / BV (x) | 4.3 | 3.3 |
| Div. Yield. (%) | 2.6 | 3.5 |

Source: Value Track

1H24 Preliminary Top Line

Casta Diva Group has reported preliminary top line figures for 1H24, with **Value of Production** at ca. **€57.2mn**, implying a sound **13.2% y/y growth** vs. the already booming 1H23 (€50.5mn).

After the fair outcome of 1Q24, with VoP growing in excess of 6% y/y, we calculate that 2Q24 grew at an upper pace (ca. 18% y/y). Thus, management is highly satisfied with the obtained results. Indeed, Andrea De Micheli, CEO of Casta Diva Group, commented: *“We have ca. 150 active clients, all of whom are top tier. CDG’s strategy involves consolidating our leadership in the markets in which we operate, both in events and video content, through a prudent series of acquisitions and the creation of specialized verticals. In the coming years, we aim to increase our market share from the current 10% to 25-30% to become an international champion”.*

Casta Diva Group: Value of Production by Quarters

| (IT GAAP, €mn) | 1Q23 | 1Q24 | 2Q23 | 2Q24 | 1H23 | 1H24 |
|---------------------|-------|------|-------|-------|-------|-------|
| Value of Production | 21.2 | 22.6 | 29.4 | 34.6 | 50.5 | 57.2 |
| y/y | 73.4% | 6.8% | -0.4% | 17.7% | 21.2% | 13.2% |

Source: Casta Diva Group, Value Track Analysis

More importantly, CDG also disclosed its current **backlog**, reporting a value of ca. **€34.2mn**, that combined with 1H24 Value of Production totals ca. €91.4mn, i.e., **already 76% of the FY24E top line target** outlined in the latest business plan (€120.7mn). However, even considering a flattish 2H24E y/y (ca. €62.9mn), Casta Diva should not have any issue to achieve our FY24E VoP of €120.1mn.

Forecasts 2024E-26E

Estimates Confirmed

1H24 preliminary top line and backlog are on track with our FY estimates (already including E-Motion in the consolidation perimeter). We therefore confirm our forecasts, noting that EBITDA and EBIT equal EBITDA Adj. and EBIT Adj., respectively.

Casta Diva Group: Old vs. New Estimates

| Key Financials (IT GAAP, €mn) | 2024E | | | 2025E | | | 2026E | | |
|-------------------------------|-------|-------|------|-------|-------|------|-------|-------|----|
| | Old | New | Δ | Old | New | Δ | Old | New | Δ |
| Value of Production | 120.1 | 120.1 | 0% | 130.1 | 130.1 | 0% | // | 136.7 | // |
| EBITDA | 11.6 | 11.6 | 0% | 13.4 | 13.4 | 0% | // | 14.4 | // |
| EBITDA Margin (%) | 9.7% | 9.7% | 0bps | 10.3% | 10.3% | 0bps | // | 10.5% | // |
| EBIT | 7.4 | 7.4 | 0% | 9.0 | 9.0 | 0% | // | 9.8 | // |
| EBIT Margin (%) | 6.2% | 6.2% | 0bps | 6.9% | 6.9% | 0bps | // | 7.1% | // |
| Net Profit | 3.8 | 3.8 | 0% | 5.1 | 5.1 | 0% | // | 5.7 | // |
| Net Financial Position | -1.3 | -1.3 | 0.0 | 1.5 | 1.5 | 0.0 | // | 7.0 | // |

Source: Value Track Analysis

CDG Business Plan vs. Value Track Estimates

Both our estimates and CDG business plan envisage a sound double-digit growth profile ahead with a significant profitability and cash generation enhancement. However, our forecasts are a bit more conservative than CDG P&L targets, while we are more confident on FCF generation (pre-dividends distribution). At the end of the forecasted period, in 2026E, we expect:

- ◆ **Value of Production at €136.7mn**, ca. 10% lower than CDG targets;
- ◆ **EBITDA at €14.4mn**, growing more than proportionally vs. top line but less than CDG targets;
- ◆ **EBIT at €9.8mn**, and EBIT Margin gaining ca. 280bps from 2023A vs. 390bps of CDG plan;
- ◆ **Net Cash at €7.0mn**, counting €3.7mn cumulated dividends.

Casta Diva Group: Business Plan Targets vs. Value Track New Estimates

| Key Financials (IT GAAP, €mn) | 2024E | | | 2025E | | | 2026E | | |
|-------------------------------|-------|-------|--------|-------|-------|--------|-------|-------|---------|
| | CDG | VT | Δ | CDG | VT | Δ | CDG | VT | Δ |
| Value of Production | 120.7 | 120.1 | 0% | 136.4 | 130.1 | -5% | 153.0 | 136.7 | -11% |
| EBITDA Adj. | 12.0 | 11.6 | -3% | 14.6 | 13.4 | -8% | 17.7 | 14.4 | -19% |
| EBITDA Adj. Margin (%) | 9.9% | 9.7% | -20bps | 10.7% | 10.3% | -40bps | 11.6% | 10.5% | -110bps |
| EBIT Adj. | 8.0 | 7.4 | -7% | 10.7 | 9.0 | -16% | 13.6 | 9.8 | -28% |
| EBIT Adj. Margin (%) | 6.6% | 6.2% | -40bps | 7.8% | 6.9% | -90bps | 8.9% | 7.1% | -180bps |
| Net Financial Position | -0.4 | -1.3 | -0.9 | 3.3 | 1.5 | -1.8 | 6.4 | 7.0 | 0.6 |

Source: Value Track Analysis

Financial Statements 2023A-26E

Casta Diva Group: P&L 2023A-26E

| P&L (IT GAAP, €mn) | 2023A | 2024E | 2025E | 2026E |
|----------------------------|--------------|--------------|--------------|--------------|
| Revenues from Sales | 110.8 | 119.1 | 129.1 | 135.7 |
| Others | 0.7 | 1.0 | 1.0 | 1.0 |
| Value of Production | 111.5 | 120.1 | 130.1 | 136.7 |
| Operating Expenses | -102.9 | -108.5 | -116.7 | -122.3 |
| EBITDA | 8.6 | 11.6 | 13.4 | 14.4 |
| <i>EBITDA Margin (%)</i> | <i>7.7%</i> | <i>9.7%</i> | <i>10.3%</i> | <i>10.5%</i> |
| D&A & Provisions | -3.2 | -4.2 | -4.4 | -4.6 |
| EBIT | 5.4 | 7.4 | 9.0 | 9.8 |
| <i>EBIT Margin (%)</i> | <i>4.9%</i> | <i>6.2%</i> | <i>6.9%</i> | <i>7.1%</i> |
| Net Financial Charges | -1.0 | -1.3 | -1.2 | -1.1 |
| Pre-Tax Profit | 4.4 | 6.1 | 7.8 | 8.7 |
| Taxes | -2.5 | -2.3 | -2.7 | -2.9 |
| Minorities | -0.3 | 0.0 | 0.0 | 0.0 |
| Net Profit | 1.6 | 3.8 | 5.1 | 5.7 |

Source: Casta Diva, Value Track Analysis

Casta Diva Group: Balance Sheet 2023A-26E

| Balance Sheet (IT GAAP, €mn) | 2023A | 2024E | 2025E | 2026E |
|---|-------------|-------------|-------------|-------------|
| Net Fixed Assets | 21.2 | 19.8 | 21.4 | 19.8 |
| Net Working Capital | -5.0 | -4.7 | -5.2 | -5.1 |
| Provisions | 1.6 | 1.6 | 1.7 | 1.7 |
| Total Capital Employed | 14.6 | 13.6 | 14.6 | 13.0 |
| Group Net Equity | 9.0 | 12.3 | 16.0 | 20.0 |
| Net Financial Position [Net debt (-) / Cash (+)] | -5.6 | -1.3 | 1.5 | 7.0 |

Source: Casta Diva, Value Track Analysis

Casta Diva Group: Cash Flow Statement 2023A-26E

| Cash Flow (IT GAAP, €mn) | 2023A | 2024E | 2025E | 2026E |
|--------------------------------------|-------------|------------|-------------|-------------|
| EBITDA | 8.6 | 11.6 | 13.4 | 14.4 |
| Capex | -3.2 | -2.4 | -2.6 | -3.1 |
| Δ NWC (incl. Provisions) | -1.4 | -0.3 | 0.5 | 0.0 |
| OpFCF b.t. | 3.9 | 8.9 | 11.3 | 11.3 |
| <i>As a % of EBITDA</i> | <i>46%</i> | <i>77%</i> | <i>84%</i> | <i>78%</i> |
| Cash Taxes | 0.0 | -2.3 | -2.7 | -2.9 |
| Net Financial Charges | -1.0 | -1.2 | -1.1 | -1.0 |
| Dividends Paid | -0.6 | -0.6 | -1.3 | -1.8 |
| Others (incl. Financial Investments) | -10.7 | -0.5 | -3.4 | -0.1 |
| Δ Net Financial Position | -8.4 | 4.3 | 2.8 | 5.5 |

Source: Casta Diva, Value Track Analysis

Appendix - CDG Business Plan 2023-26

On December 4th 2023, Casta Diva Group disclosed the new business plan with financial targets up to 2026 and including in the consolidation perimeter both Akita Film (deal closed in November) and E-Motion (LOI signed, closing pending due diligence).

Outstanding results achieved so far

Domestic Leader in the Communication Industry with 130+ Top Tier Clients

Casta Diva Group is a multinational communication company with a **diversified offer** and **international reach** (11 countries, 4 continents) active in **Live Communication** (B2B and B2C events) and **Creative Content Production** (advertising spots, tv programs, formats) services.

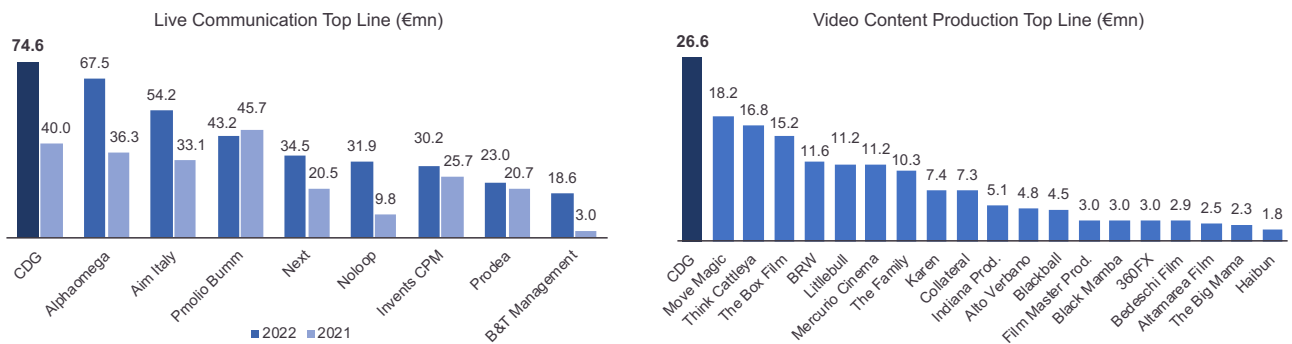
CDG has now become the **Italian communication leader**, with a **top tier client base** (130+ clients counting names such as Allianz, Enel, Fendi, Ferrari, Ferrero, Huawei, Intel, Iveco, Leonardo, Moncler, Netflix, Sky, Stellantis, TIM and many more) and **relevant partnerships**, providing **best-in-class quality services**, acknowledged by the 130+ national and international awards received.

Casta Diva Group: Top Tier Client Base (*)



Source: Casta Diva, Value Track Analysis, (*) #31 multi-year clients

Casta Diva Group: Leadership Position in both Domestic Market Segments

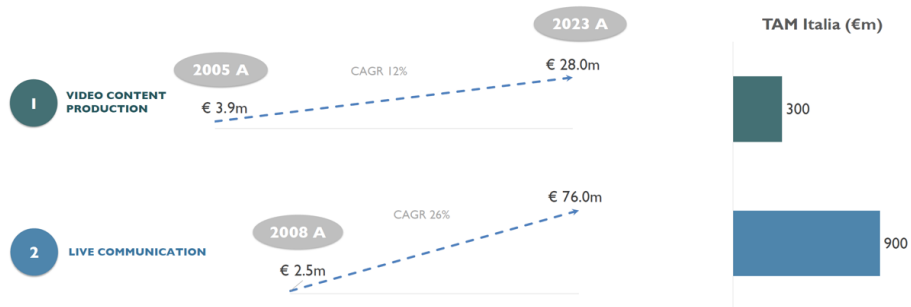


Source: Casta Diva, Value Track Analysis

Casta Diva became the domestic leader in both segments also thanks to an **outstanding M&A track record**, becoming a key market aggregator and counting 16 extraordinary operations over the last 18 years, the latest being the acquisitions of Genius Progetti (Live Communication, 2022), Akita Film and E-Motion (both active in premium Video Content Production, 2023-24). Since 2005, the Group has been growing at a **20% CAGR** into 2023. As a consequence, Casta Diva is continuing to increase its market share in the most attractive sectors of the communication industry.

Casta Diva Group: Increasing Market Share in Reference Sectors

Over time, Casta Diva became the national leader in the strategic segments of the market



Source: Casta Diva, Value Track Analysis

Ambitious strategy and goals ahead

The ultimate goal for CDG management is to create a national champion with an annual turnover of €200mn-€300mn, able to compete against the larger European players.

To achieve that, the main strategic guidelines for the next three years development plan are the same that secured the impressive y/y growth of FY23, i.e.:

- ◆ **Aggregating market share** in the Italian Live Communication and Video Content Production sectors, also thanks to M&A activity;
- ◆ **Simplifying the company structure** with digitization and costs efficiencies;
- ◆ Making **sustainable operations** (so-called ESG Pact) and becoming a benefit company;
- ◆ Expanding the **offer diversification** and **international presence**, also via M&A deals;
- ◆ Integrating **new technological innovations**, also thanks the company role in Web3 Alliance;
- ◆ **Remunerating shareholders:** It has been confirmed dividends distribution for a sum of no less than €3mn between 2023 and 2025 (already begun).

Below, a summary of the strategic initiatives and objective of CDG by business unit.

Casta Diva Group: Business Plan Goals

Goals 2024-26

| Live Communication | Video Content Production | Creator Economy |
|---|--|--|
| <ul style="list-style-type: none"> • Rationalize the structure through M&A • Partnerships with event agencies abroad • Search for opportunities in adjacent sectors: <ul style="list-style-type: none"> • Territorial events • Fashion shows • Medical congresses • Ceremonies and large events | <ul style="list-style-type: none"> • Expand the scope through M&A (not fully embedded in BP figures) • Increase client base with other OTTs and broadcasters • Enter the world of scripted content, i.e., dramas and TV movies • Reactivate the foreign network also as business origination (as well as local production support) | <ul style="list-style-type: none"> • M&A (not fully embedded in BP figures) • Acquisition of specific skills • Cross-selling between business units |
| Holding | | |
| <ul style="list-style-type: none"> • Flattening the chain of command, simplifying group functions | <ul style="list-style-type: none"> • Merging the company Service Zero in Casta Diva Group | <ul style="list-style-type: none"> • Unifying ERP and CRM systems within the Group subsidiaries • Spread ESG culture |

Source: Casta Diva, Value Track Analysis

Financial Targets revised up once again

Key Financials

The plan envisages a **sound double-digit growth** profile ahead with significant **profitability and cash generation enhancement**. In more details, for FY26E, CDG management expects:

- ◆ **Value of Production at €153mn**, 16% CAGR_{22A-26E};
- ◆ **EBITDA Adj. at €17.7mn** and EBITDA Adj. Margin at 11.6% from 8.3% in 2022A;
- ◆ **EBIT Adj. at €13.6mn**, growing at 37% CAGR_{22A-26E};
- ◆ **Net Cash Position of €6.4mn**, before dividend distribution but after M&A cash-out.

Market Trends and Company-Specific Drivers

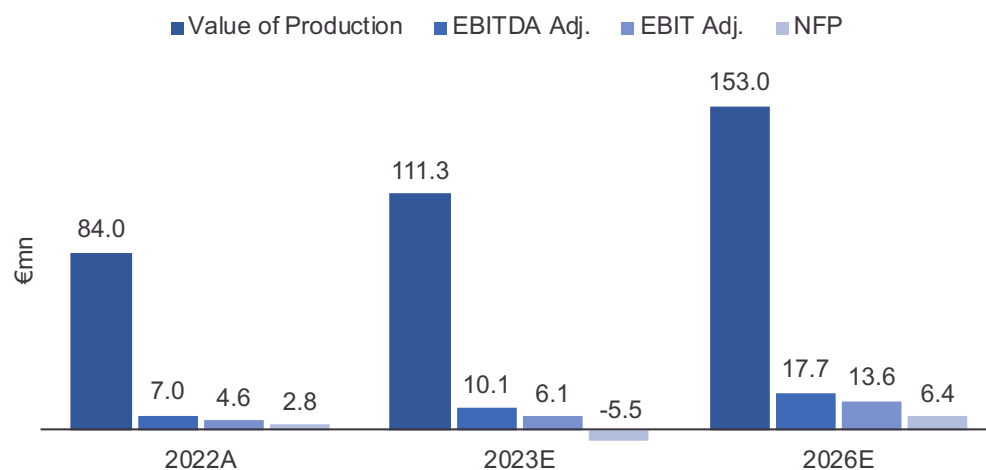
According to CDG management, main market trends at the backbone of CDG business plan are:

1. Further demand for the consolidation of CDG reference sectors;
2. Complete integration of digital components in corporate marketing strategies;
3. Video is confirmed as primary media for advertising communication;
4. OTT market growth (11% CAGR₁₈₋₂₂);
5. Digital marketing transformation (Creator economy).

CDG should be able to intercept those trends and capitalize of the following initiatives:

- ◆ **Live Communication:** entering new sectors, i.e. territorial events, fashion shows, medical congresses, ceremonies and other large events;
- ◆ **Video Content:** accessing the sector of scripted programs for new clients (e.g., RAI);
- ◆ **Creator Economy:** mix of organic growth and M&A.

Casta Diva Group: Key Financial Targets



Source: Casta Diva, Value Track Analysis

Old vs. New Business Plan Targets

Compared to previous targets, the new business plan includes Akita Film and E-Motion in the consolidation perimeter, positively impacting the Group P&L figures but taking their toll on the short-term Net Financial Position. In more details, the new targets outline:

- ◆ **Value of Production** up by ca. 30% vs. the old targets along the whole period;
- ◆ **EBITDA** up by 50% in FY23E-24E and by 32% in FY25E, but FY25E EBITDA Adj. Margin very close to the one disclosed in the previous plan, i.e. 10.5%;
- ◆ **Net Debt** Position up to FY24E (included), while the previous plan expected a Net Cash Position already since the end of FY23E but it was not considering the M&A cash-out for Akita and E-Motion. Also, we mark that the current Net Financial Position estimates are gross of dividends distribution, which is confirmed and should total over €3mn in the forecasted period

Casta Diva Group: Old vs. New Business Plan Targets

| (IT GAAP, €mn) | 2023E | | | 2024E | | | 2025E | | |
|-------------------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| | Old | New | Δ | Old | New | Δ | Old | New | Δ |
| Value of Production | 87.2 | 111.3 | 28% | 94.4 | 120.7 | 28% | 105.3 | 136.4 | 30% |
| EBITDA Adj. | 6.7 | 10.1 | 50% | 7.9 | 12.0 | 51% | 11.1 | 14.6 | 32% |
| <i>EBITDA Adj. Margin (%)</i> | 7.7% | 9.0% | 140bps | 8.4% | 9.9% | 150bps | 10.5% | 10.7% | 20bps |
| EBIT Adj. | 4.7 | 6.1 | 29% | 5.9 | 8.0 | 35% | 9.0 | 10.7 | 19% |
| <i>EBIT Adj. Margin (%)</i> | 5.4% | 5.5% | 10bps | 6.3% | 6.6% | 30bps | 8.5% | 7.8% | -70bps |
| Net Financial Position | 3.3 | -5.5 | -8.8 | 3.9 | -0.4 | -4.3 | 4.5 | 3.3 | -1.2 |

Source: Value Track Analysis

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