

# CASTA DIVA GROUP

**BUY**

Sector: Media

Price: Eu1.71 - Target: Eu2.40

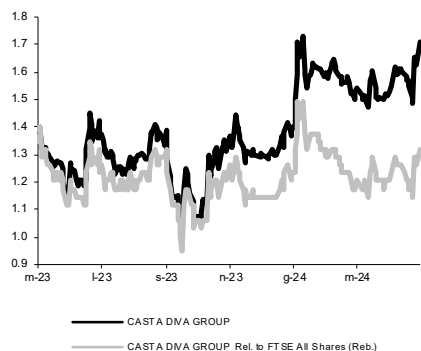
## FY23 Results in Line, Waiting for M&A to Come Back into Play

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-3.9%	-1.6%	-0.7%

**Next Event**  
1H24 Revenues due on July 15th

### CASTA DIVA GROUP - 12M Performance



Stock Data			
Reuters code:	CDG.MI		
Bloomberg code:	CDG IM		
Performance	1M	3M	12M
Absolute	13.0%	7.8%	36.4%
Relative	11.4%	1.6%	8.0%
12M (H/L)	1.73/1.00		
3M Average Volume (th):	48.02		

Shareholder Data	
No. of Ord shares (mn):	20
Total no. of shares (mn):	20
Mkt Cap Ord (Eu mn):	34
Total Mkt Cap (Eu mn):	34
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	41.2%
Main Shareholder:	
Reload s.r.l.	47.2%

Balance Sheet Data	
Book Value (Eu mn):	8
BVPS (Eu):	0.38
P/BV:	4.6
Net Financial Position (Eu mn):	-9
Enterprise Value (Eu mn):	45

- **2023 results in line with expectations.** Yesterday, the Casta Diva group announced that it closed its 2023 financial year with adj. EBITDA and EBIT up 46% and 52% YoY to €10.2mn and €7.0mn respectively. €1.6mn in non-recurring costs, largely attributable to costs incurred for due diligence, and a tax rate in excess of 50% slowed growth in earnings pertaining to shareholders, which came to €1.6mn (+9% YoY). Finally, net financial debt came to €5.6mn, corresponding to a leverage ratio of just 0.6x, despite investments in acquisitions. 2023 results, which were in line with the indications contained in December's business plan presentation, showed no real divergence from our estimates.
- **1Q24 Value of Production up 7%, order book exceeds €34mn.** As already announced in mid-April, in 1Q24 the value of production rose 7% YoY to €22.6mn. The order book at the end of the quarter had reached over €34mn. The combination of quarterly revenues and the order book covers 47% of projected 2024 revenues. Although this coverage is lower than in 1Q23 (i.e. 72%), we consider the figure to be compatible with our forecasts and business plan indications due to (i) a challenging 1Q23 comparison base (VoP: +73% YoY), (ii) order intake trends are, by definition, non-linear, and (iii) the imminent consolidation of newly-acquired company E-Motion.
- **M&A always on the radar.** We consider the "modest" net financial debt, combined with expectations for a surge in the stock price that will enable Carta Diva paper to become a further tool to exploit for acquisitions, to be factors that confirm management's commitment to ensuring that external growth is an essential and integral part of the group's growth trajectory. In this respect, we estimate that up to €20mn of resources could be allocated to M&A without jeopardising the company's current healthy position, without resorting to the issue of new shares.
- **2024-2026 estimates broadly unchanged:** in the absence of any surprises from 2023 results or 1Q24 KPIs, we are leaving our estimates broadly unchanged. The only minor tweaks are essentially due to higher financial charges as a result of the expected cuts to interest rates being delayed compared to our original assumptions.
- **BUY, target price confirmed at €2.40 per share:** we confirm our positive recommendation on the stock, supported by strong 2023 results and high single-digit growth at the start of 2024. This is enhanced by management's commitment to consolidating the company's leadership through acquisitions, as well as the further catalyst provided by the likely imminent announcement of the renewal of significant commercial relationships. BUY, target price confirmed at €2.40.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	84	111	118	129	142
EBITDA Adj (Eu mn)	7	10	12	13	16
Net Profit Adj (Eu mn)	2	3	4	6	7
EPS New Adj (Eu)	0.115	0.130	0.219	0.278	0.349
EPS Old Adj (Eu)	0.113	0.166	0.228	0.282	0.351
DPS (Eu)	0.000	0.040	0.000	0.058	0.066
EV/EBITDA Adj	1.9	3.2	3.9	2.8	1.9
EV/EBIT Adj	2.9	4.6	5.6	3.9	2.5
P/E Adj	14.8	13.2	7.8	6.2	4.9
Div. Yield	0.0%	2.3%	0.0%	3.4%	3.8%
Net Debt/EBITDA Adj	0.0	0.9	0.8	0.1	-0.4

**CASTA DIVA GROUP – Key Figures**

<b>Profit &amp; Loss (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales	27	84	111	118	129	142
EBITDA	1	6	9	11	13	16
EBIT	0	4	5	8	10	12
Financial Income (charges)	-0	-0	-1	-1	-0	-0
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	0	3	4	7	9	12
Taxes	0	-2	-3	-3	-4	-5
Tax rate	-33.2%	46.3%	56.8%	40.0%	40.0%	40.0%
Minorities & Discontinued Operations	-0	0	0	0	0	0
Net Profit	0	2	2	4	5	7
EBITDA Adj	1	7	10	12	13	16
EBIT Adj	1	5	7	8	10	12
Net Profit Adj	1	2	3	4	6	7
<b>Per Share Data (Eu)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total Shares Outstanding (mn) - Average	19	20	20	20	20	20
Total Shares Outstanding (mn) - Year End	19	20	20	20	20	20
EPS f.d	0.023	0.079	0.082	0.196	0.260	0.328
EPS Adj f.d	0.043	0.115	0.130	0.219	0.278	0.349
BVPS f.d	0.328	0.406	0.433	0.375	0.635	0.904
Dividend per Share ORD	0.000	0.000	0.040	0.000	0.058	0.066
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	343.1%	0.0%	22.5%	20.0%
<b>Cash Flow (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Gross Cash Flow	1	4	5	8	9	11
Change in NWC	-0	8	-4	-0	1	0
Capital Expenditure	-1	-6	-11	-2	-2	-2
Other Cash Items	0	-1	0	-0	-0	-0
Free Cash Flow (FCF)	-0	5	-9	6	8	9
Acquisitions, Divestments & Other Items	0	0	0	0	0	0
Dividends	0	0	-1	-5	0	-1
Equity Financing/Buy-back	0	0	-0	0	0	0
Change in Net Financial Position	0	4	-10	0	8	7
<b>Balance Sheet (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Total Fixed Assets	10	13	21	20	18	16
Net Working Capital	2	-4	-1	-1	-2	-2
Long term Liabilities	-1	-2	-2	-2	-2	-2
Net Capital Employed	11	8	18	17	15	13
Net Cash (Debt)	-4	0	-9	-9	-2	6
Group Equity	7	9	9	8	13	18
Minorities	1	1	0	0	0	0
Net Equity	6	8	9	8	13	18
<b>Enterprise Value (Eu mn)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Average Mkt Cap	7	10	22	34	34	34
Adjustments (Associate & Minorities)	-3	-3	-1	-2	-1	-1
Net Cash (Debt)	-4	0	-9	-9	-2	6
Enterprise Value	14	13	32	45	37	29
<b>Ratios (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EBITDA Adj Margin	5.5%	8.4%	9.2%	9.9%	10.4%	11.0%
EBIT Adj Margin	2.9%	5.5%	6.3%	6.8%	7.4%	8.3%
Gearing - Debt/Equity	59.1%	-3.1%	103.1%	116.3%	12.3%	-31.2%
Interest Cover on EBIT	2.9	7.9	5.4	10.7	31.4	89.2
Net Debt/EBITDA Adj	2.7	0.0	0.9	0.8	0.1	-0.4
ROACE*	4.7%	41.1%	40.7%	44.0%	60.3%	85.9%
ROE*	14.1%	31.8%	31.6%	54.3%	55.0%	45.3%
EV/CE	1.4	1.4	2.4	2.5	2.3	2.1
EV/Sales	0.5	0.2	0.3	0.4	0.3	0.2
EV/EBITDA Adj	9.7	1.9	3.2	3.9	2.8	1.9
EV/EBIT Adj	18.5	2.9	4.6	5.6	3.9	2.5
Free Cash Flow Yield	-0.2%	14.6%	-26.4%	15.5%	22.5%	25.7%
<b>Growth Rates (%)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Sales	72.4%	209.8%	32.6%	6.6%	8.8%	10.4%
EBITDA Adj	nm	373.0%	45.4%	14.9%	14.1%	17.5%
EBIT Adj	nm	494.7%	52.4%	14.6%	18.9%	23.1%
Net Profit Adj	nm	174.7%	17.6%	69.1%	26.6%	25.7%
EPS Adj	nm	168.3%	12.4%	69.1%	26.6%	25.7%
DPS			nm	nm	nm	12.3%

\*Excluding extraordinary items Source: INTERMONTE SIM estimates

**Casta Diva Group: 2023 Full Year Consolidated Results**

As at	1H22	2H22	FY22	1H23	2H23	FY23	FY23E	Δ A vs E
Net sales	41.6	42.0	83.6	50.5	60.3	110.8	110.4	0.4%
Other revenues	0.1	0.3	0.3	0.0	0.6	0.7	0.4	
<b>Value of production</b>	<b>41.7</b>	<b>42.3</b>	<b>84.0</b>	<b>50.5</b>	<b>61.0</b>	<b>111.5</b>	<b>110.8</b>	<b>0.6%</b>
Operating expenses	(38.3)	(38.7)	(77.0)	(46.5)	(54.9)	(101.3)	(100.8)	
<b>Adjusted EBITDA</b>	<b>3.4</b>	<b>3.6</b>	<b>7.0</b>	<b>4.1</b>	<b>6.1</b>	<b>10.2</b>	<b>10.0</b>	<b>1.7%</b>
<i>% margin</i>	8.2%	8.5%	8.3%	8.0%	10.1%	9.2%	9.1%	
Non-recurring items	(0.1)	(0.6)	(0.7)	(0.6)	(1.0)	(1.6)	(1.2)	
<b>Reported EBITDA</b>	<b>3.3</b>	<b>3.0</b>	<b>6.3</b>	<b>3.5</b>	<b>5.1</b>	<b>8.6</b>	<b>8.8</b>	<b>-2.6%</b>
<i>% margin</i>	7.9%	7.0%	7.5%	6.9%	8.5%	7.7%	8.0%	
D&A	(1.0)	(1.4)	(2.4)	(1.3)	(1.9)	(3.2)	(3.1)	
<b>EBIT</b>	<b>2.4</b>	<b>1.5</b>	<b>3.9</b>	<b>2.2</b>	<b>3.2</b>	<b>5.4</b>	<b>5.7</b>	<b>-5.0%</b>
<i>% margin</i>	5.7%	3.6%	4.6%	4.3%	5.4%	4.9%	5.2%	
Financial income (charges)	(0.1)	(0.4)	(0.5)	(0.4)	(0.6)	(1.0)	(1.0)	
<b>Pre-tax profit</b>	<b>2.2</b>	<b>1.2</b>	<b>3.4</b>	<b>1.8</b>	<b>2.6</b>	<b>4.4</b>	<b>4.7</b>	<b>-6.2%</b>
Taxes			(1.6)			(2.5)	(1.9)	
<i>% tax rate</i>			46.3%			56.8%	40.0%	
<b>Group net income</b>			<b>1.8</b>			<b>1.9</b>	<b>2.8</b>	<b>-32.5%</b>
<i>o/w pertaining to CDG</i>			1.5			1.6	2.5	-34.7%
<i>o/w pertaining to minorities</i>			0.3			0.3	0.3	-14.0%
<b>Net Cash (Debt)</b>	<b>2.8</b>		<b>2.8</b>	<b>0.9</b>		<b>(5.6)</b>	<b>(6.7)</b>	<b>-16.4%</b>
<i>leverage ratio*</i>	(0.5)		(0.4)	(0.1)		0.6	0.7	

\* based on LTM Adjusted EBITDA

Source: Company data, Websim Corporate estimates

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	CASTA DIVA GROUP		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	2.40	Previous Target (Eu):	2.40
Current Price (Eu):	1.71	Previous Price (Eu):	1.41
Date of report:	29/05/2024	Date of last report:	30/01/2024

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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- BUY: stock expected to outperform the market by over 25% over a 12 month period;
- OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
- NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;
- UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
- SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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