

## EQUITY RESEARCH

**CASTA DIVA GROUP S.P.A**  
 RESULTS REVIEW

BUY

TP 2.50€

Up/Downside: 74%

## Dynamic Maintained

**Casta Diva Group's FY 2023 highlights a solid increase in VoP (+33%) and EBIT (+38%), benefiting from an optimized cost structure, a positive volume effect and integration of Akita Film S.r.l. Our Buy recommendation and TP are reiterated.**

The group continues its growth in accordance with the objectives defined in its strategic plan. Indeed, CDG's VoP increased to €111.5m (+33% YoY) over the period, driven by solid organic growth (+19%) and the integration of 99% of Akita Film S.r.l. (+ 14%), which took place in FY 2023.

Thanks to solid cost control, a positive volume effect (130 clients contributing at least €100k) and the integration of Akita Film, the group's EBITDA increased by +26% to reach €8.6m for a margin of 7.7%. Excluding non-recurring items mainly related to M&A costs and year-end bonuses, adjusted EBITDA increased to €10.2m (margin of 9.2%). Despite these non-recurring items, the group's EBIT margin also improved, rising to 4.9% (vs. 4.6%).

Following €11.3m in CAPEX and an increase in working capital, the group's net debt increased to €5.6m. CDG maintained a modest level of debt (a little over half of adjusted EBITDA), although it continued to acquire its peers in cash. On this point, the group also recently announced the closing of the acquisition of 70% of E-Motion, a Genoa production company specializing in corporate, product and event videos. Further details were set out in our initiation report published at the start of May. Looking ahead, management expects positive results in FY 2024, both from an organic and external perspective. Management is currently reviewing a pipeline of targets, and therefore soon expects news on this front.

In the medium-term, the group aims to become a national champion (objective of €200 to €300m in revenue) in order to compete with major European peers. In fact, the group seeks to: (i) consolidate the market in Italy (both in the live communication and video production markets), (ii) enter new markets (such as medical conventions, fashion and major events), (iii) optimise the company's structure, and (iv) enter international markets (via M&A).

Overall, driven by positive dynamics, our estimates remain unchanged since we are calling for a revenue increase of +12% and an optimized EBITDA margin (9.5%). Benefiting from a solid M&A pipeline and ample room for additional leverage, we expect some announcements on the M&A front in the short-term which could represent interesting growth catalysts. Following a solid set of results for FY 2023, we confirm our Buy recommendation and our price target.

### Key data

Price (€)	1.4
Industry	Advertising/Marketing Services
Ticker	CDG-IT
Shares Out (m)	20.045
Market Cap (m €)	28.8
Next event	H1 2024 - 15/07

Source: FactSet

### Ownership (%)

Reload S.p.A.	47.2
Greenbone S.r.l.	5.7
Andrea De Micheli	5.1
Free float	42.1

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.20	0.28	0.35
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-0.6	-11.6	10.5
Rel FTSE Italy	-0.1	-9.2	-1.0



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	111.5	125.0	137.7	148.3	EV/Sales	0.2	0.1	0.1
Current Op Inc (m €)	5.4	7.2	9.7	12.0	EV/EBITDA	2.1	1.3	0.7
Current op. Margin (%)	4.9	5.8	7.0	8.1	EV/EBIT	3.5	1.9	0.9
EPS (€)	0.08	0.20	0.28	0.35	PE	7.1	5.2	4.1
DPS (€)	0.00	0.00	0.00	0.00				
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-9.8	13.4	6.7	7.5				

Source: TPICAP Midcap

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**FINANCIAL DATA**

<b>Income Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Sales	29.7	84.0	111.5	125.0	137.7	148.3
Changes (%)	70.7	182.5	32.8	12.1	10.2	7.7
Gross profit	5.8	13.1	17.4	20.9	23.9	26.5
% of Sales	19.4	15.6	15.6	16.7	17.3	17.8
<b>EBITDA</b>	<b>1.5</b>	<b>6.8</b>	<b>8.6</b>	<b>11.9</b>	<b>14.3</b>	<b>16.4</b>
% of Sales	5.0	8.1	7.7	9.5	10.3	11.0
<b>Current operating profit</b>	<b>0.8</b>	<b>4.4</b>	<b>5.4</b>	<b>7.2</b>	<b>9.7</b>	<b>12.0</b>
% of Sales	2.6	5.3	4.9	5.8	7.0	8.1
Non-recurring items	-0.3	-0.6	-0.0	0.0	0.0	0.0
EBIT	0.5	3.9	5.4	7.2	9.7	12.0
Net financial result	-0.2	-0.5	-1.0	-1.0	-1.1	-1.2
Income Tax	0.1	-1.6	-2.5	-2.2	-3.0	-3.8
<b>Net profit, group share</b>	<b>0.4</b>	<b>2.1</b>	<b>2.2</b>	<b>4.1</b>	<b>5.6</b>	<b>7.0</b>
EPS	0.02	0.08	0.08	0.20	0.28	0.35
<b>Financial Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Goodwill	2.6	7.4	16.2	16.2	16.2	16.2
Tangible and intangible assets	6.2	5.2	4.6	3.9	3.8	4.2
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.8	0.8	0.4	0.4	0.4	0.4
Working capital	3.5	-2.1	-0.6	-4.8	-5.8	-6.7
Other Assets	1.6	2.7	3.1	3.1	3.1	3.1
<b>Assets</b>	<b>14.7</b>	<b>14.1</b>	<b>23.7</b>	<b>18.8</b>	<b>17.7</b>	<b>17.2</b>
Shareholders equity group	6.1	7.8	8.7	12.7	18.3	25.4
Minorities	0.6	0.7	0.4	0.4	0.4	0.4
LT & ST provisions and others	0.2	0.4	0.0	0.0	0.0	0.0
Net debt	3.7	-1.6	5.6	-3.3	-10.1	-17.6
Other liabilities	2.7	3.0	4.5	4.5	4.5	4.5
<b>Liabilities</b>	<b>14.7</b>	<b>14.1</b>	<b>23.7</b>	<b>18.8</b>	<b>17.7</b>	<b>17.2</b>
Net debt excl. IFRS 16	3.7	-1.6	5.6	-3.3	-10.1	-17.6
Gearing net	0.6	-0.2	0.6	-0.3	-0.5	-0.7
Leverage	2.5	-0.2	0.7	-0.3	-0.7	-1.1
<b>Cash flow statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
CF after elimination of net borrowing costs and taxes	1.3	4.3	5.2	8.7	10.1	11.4
$\Delta$ WCR	-0.5	7.4	-3.7	8.7	1.0	0.8
Operating cash flow	0.8	11.7	1.5	17.4	11.1	12.2
Net capex	-0.8	-6.3	-11.3	-4.0	-4.4	-4.7
FCF	-0.1	5.4	-9.8	13.4	6.7	7.5
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	0.2	-0.1	-0.7	0.0	0.0	0.0
Change in borrowings	0.3	8.9	2.7	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.7	0.1	0.6	0.0	0.0	0.0
Change in net cash over the year	1.2	14.4	-6.8	13.4	6.7	7.5
ROA (%)	1.4%	2.4%	2.4%	4.5%	5.6%	6.4%
ROE (%)	6.6%	17.8%	18.2%	31.0%	29.9%	27.4%
ROCE (%)	3.8%	33.4%	21.1%	30.0%	43.3%	55.4%

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### Analyst certifications

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### Methodology

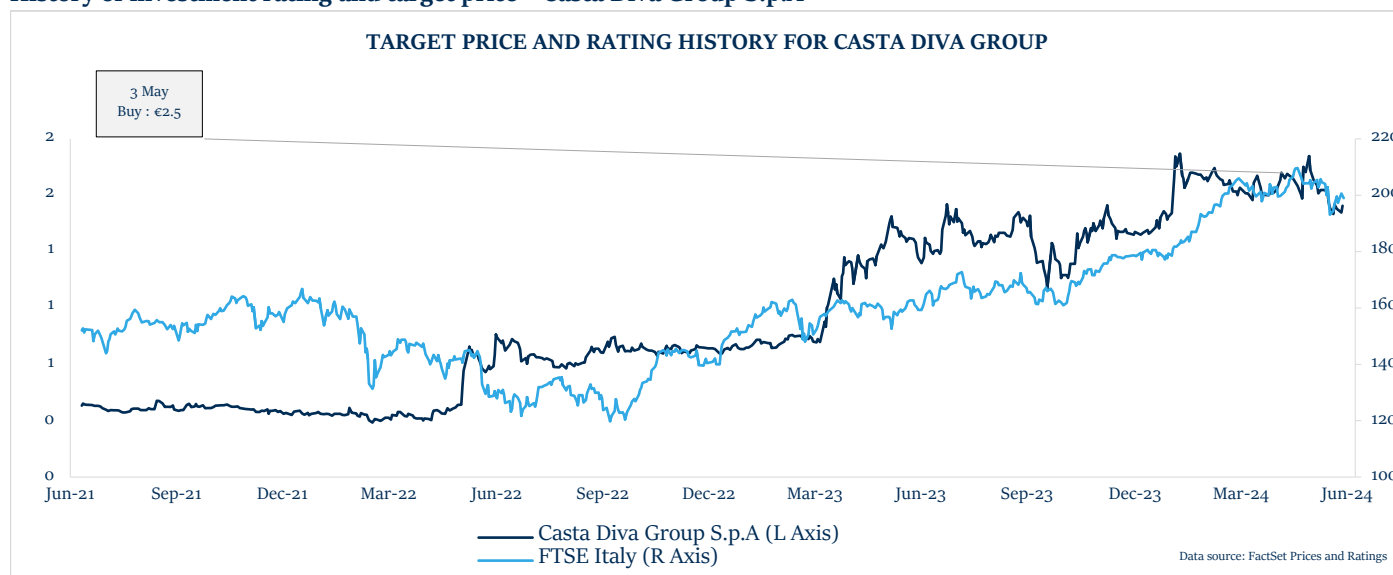
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

### Conflict of Interests between TP ICAP Midcap and the Issuer

No conflict of interests between TP ICAP Midcap and the Issuer

### History of investment rating and target price – Casta Diva Group S.p.A



**Distribution of Investment Ratings**

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	81%	65%
Hold	16%	62%
Sell	1%	0%
Under review	2%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

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