

# Casta Diva

Sector: Business Services



## Luxury & Pharma Lifting Business Uptrend

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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 Financial Results Supportive of Business Plan

CDG's 1H24 results were a bit short vs. our estimates but showed continued double-digit growth. More in details, key 1H24 financials can be summarized as follows:

- ◆ VoP at €58.2mn, +15% y/y, fueled by both organic and M&A drivers (i.e., Akita Film and E-Motion deals);
- ◆ EBITDA Adj. €5.1mn (8.8% EBITDA Adj. Margin), +24% y/y;
- ◆ EBITDA €3.7mn (6.3% EBITDA Margin), +5% y/y;
- ◆ Net Debt at €12.9mn vs. Net Debt of €5.6mn in Dec. '23, mainly due to NWC absorption linked to higher Trade Receivables. Net Debt/EBITDA Adj. stands at a comfortable annualized 1.3x.

### Relentless Business and Corporate Development

In terms of business and corporate developments, we highlight that: (i) on September 24<sup>th</sup>, CDG appointed Alessandro Scattolin to lead its new Pharma Division, and signed a LOI to acquire a company specializing in medical and scientific events with €7.4mn in FY23 revenues (deal expected to close by year-end); (ii) on October 1<sup>st</sup>, CDG's subsidiary Genius Progetti signed a 3-year, €70mn contract with Ferrari Auto, covering event planning and luxury experiences across Europe, with €27mn allocated for FY25E.

### Fine-Tuning of 2024E-26E Estimates

With 1H24 top line consistent with projections, we are fine tuning our 2024E-26E estimates downward due to M&A-related costs impacting margins (~150bps downgrade in FY24E EBITDA) and NWC pressures, despite stable EBITDA Adj. and higher FY24E-25E EBIT Adj. from reduced D&A charges. Thus, in 2024E-26E, we now forecast: VoP to get close to €136.7mn by FY26E (7% 3-yrs CAGR); EBITDA and EBIT Margin (on VoP) at 10.5% and 7.1% by 2026E; Net Cash to ca. €2.0mn by 2026E year-end.

### Fair Value Unchanged at €2.55 p/s

We confirm CDG Fair Value at €2.55 p/s, as the downward revision of forecasts is offset by: (i) mild sector re-rating, and (ii) roll-over of valuation to FY25E. At €2.55, CDG would trade at 6.8x-4.4x EV/EBITDA 2024E-25E respectively, still at substantial discount vs. peers.

<b>Fair Value (€)</b>	<b>2.55</b>
<b>Market Price (€)</b>	<b>1.32</b>
<b>Market Cap. (€m)</b>	<b>26.5</b>

KEY FINANCIALS (€mn)	2023A	2024E	2025E
VALUE OF PRODUCTION	111.5	120.1	130.1
EBITDA REPORTED	8.6	9.1	12.7
EBIT	5.4	5.5	8.7
NET PROFIT	1.6	2.6	4.5
EQUITY	9.0	11.1	14.7
NET FIN. POS.	-5.6	-7.4	-4.5
EPS ADJ. (€)	0.10	0.20	0.29
DPS (€)	0.03	0.05	0.08

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

KEY RATIOS (*)	2023A	2024E	2025E
EBITDA MARGIN (%)	7.7	7.6	9.8
NET DEBT / EBITDA (x)	0.7	0.8	0.4
ROE (%)	19.0	24.4	31.6
EV/SALES (x)	0.30	0.31	0.24
EV/EBITDA (x)	3.9	4.1	2.5
EV/EBIT (x)	6.2	6.8	3.6
P/E ADJ. (x)	12.7	6.7	4.5
DIV YIELD (%)	2.3	3.4	6.0

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

### STOCK DATA (\*)

MARKET PRICE (€)	1.32
SHS. OUT. (m)	20.0
MARKET CAP. (€m)	26.5
ENTERPRISE VALUE (€m)	36.7
FREE FLOAT (%)	41.8
AVG. -20D VOL. ('000)	104,200
RIC / BBG	CDG.MI / CDG.IM
52 WK RANGE	1.01 - 1.73

Source: Stock Market Data

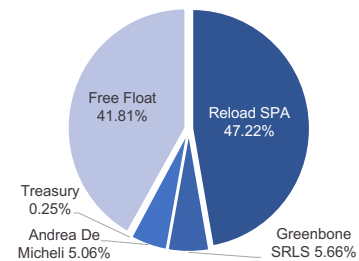


## Business Description

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.

## Shareholders Structure



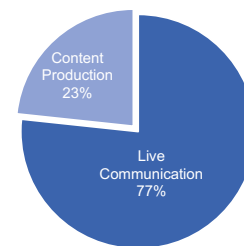
Source: Casta Diva

## Key Financials

€mn	2023A	2024E	2025E	2026E
<b>Value of Production</b>	<b>111.5</b>	<b>120.1</b>	<b>130.1</b>	<b>136.7</b>
y/y (%)	32.8%	7.7%	8.3%	5.1%
<b>EBITDA Reported</b>	<b>8.6</b>	<b>9.1</b>	<b>12.7</b>	<b>14.4</b>
EBITDA Margin (% of VoP)	7.7%	7.6%	9.8%	10.5%
<b>EBIT</b>	<b>5.4</b>	<b>5.5</b>	<b>8.7</b>	<b>9.8</b>
EBIT Margin (% of VoP)	4.9%	4.6%	6.7%	7.1%
<b>Net Profit</b>	<b>1.6</b>	<b>2.6</b>	<b>4.5</b>	<b>5.7</b>
y/y (%)	8.8%	58.6%	73.5%	26.8%
<b>Adjusted Net Profit</b>	<b>2.0</b>	<b>3.9</b>	<b>5.8</b>	<b>7.1</b>
y/y (%)	7.1%	97.9%	48.8%	20.7%
<b>Net Fin. Position</b>	<b>-5.6</b>	<b>-7.4</b>	<b>-4.5</b>	<b>2.0</b>
Net Fin. Pos. / EBITDA (x)	0.7	0.8	0.4	nm
Capex	-3.2	-2.4	-2.6	-3.1
<b>OpFCF b.t.</b>	<b>3.9</b>	<b>2.0</b>	<b>11.3</b>	<b>12.1</b>
OpFCF b.t. as % of EBITDA	45.5%	22.2%	89.2%	84.4%

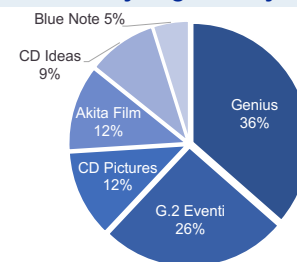
Source: Casta Diva (historical figures), Value Track (estimates)

## Revenues by Business Unit



Source: Casta Diva, FY23

## Revenues by Legal Entity



Source: Casta Diva, FY23

## 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.

## Stock Multiples @ €2.55 Fair Value

	2024E	2025E
EV / SALES (x)	0.5	0.4
EV / EBITDA (x)	6.8	4.4
EV / EBIT (x)	11.3	6.4
EV / CAP.EMP. (x)	3.4	2.9
OpFCF Yield (%)	3.2	24.0
P / E Adj. (x)	13.0	8.7
P / BV (x)	4.8	3.6
Div. Yield. (%)	1.8	3.1

Source: Value Track

# 1H24 Financial Results

## Key Figures & Messages

CDG's 1H24 results are a bit short vs. our estimates; however, they highlighted another semester of double-digit growth, despite some cash erosion caused by delays in receivables collection. All of this was achieved while maintaining a solid financial leverage (i.e., Net Debt / EBITDA Adj. annualized at 1.3x), even in light of significant cash outflows related to M&A transactions. More in detail:

- ◆ **Value of Production at €58.2mn**, +15% y/y vs. €50.5mn in 1H23, fueled by both organic and M&A drivers (i.e., Akita Film and E-Motion deals);
- ◆ **EBITDA Adj. at €5.1mn** (8.8% margin) vs. €4.1mn in 1H23 (8.2% margin), i.e., +24% y/y;
- ◆ **EBITDA Reported at €3.7mn** (6.3% margin) vs. €3.5mn in 1H23 (6.9% margin), i.e., +5% y/y, mainly impacted by higher labor costs as a proportion of VoP;
- ◆ **Net Debt at €12.9mn** vs. Net Debt of €5.6mn in Dec. '23, mainly due to Working Capital absorption linked to Trade Receivables, which were collected in July instead of June.

We remind that while Akita Film was acquired at the beginning of November 2023 (retroactively consolidated from Jan' 1<sup>st</sup>, 2023), 70% of E-Motion was secured at mid-June 2024 (retroactively consolidated from Jan' 1<sup>st</sup>, 2024).

### Casta Diva Group: Key Financials 1H22-1H24

Key Financials (IT GAAP, €mn)	1H22	1H23	1H24	y/y
<b>Value of Production</b>	<b>41.7</b>	<b>50.5</b>	<b>58.2</b>	<b>15%</b>
<b>EBITDA Adj.</b>	<b>3.4</b>	<b>4.1</b>	<b>5.1</b>	<b>23%</b>
<i>EBITDA Adj. Margin (%)</i>	<i>8.2%</i>	<i>8.2%</i>	<i>8.8%</i>	<i>60bps</i>
<b>EBITDA</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	<b>5%</b>
<i>EBITDA Margin (%)</i>	<i>7.9%</i>	<i>6.9%</i>	<i>6.3%</i>	<i>-60bps</i>
<b>Net Financial Position</b>	<b>2.8</b>	<b>-5.6 (*)</b>	<b>-12.9</b>	<b>nm</b>

Source: Casta Diva, Value Track Analysis

In our view, the qualitative messages behind the outlined set of financials are:

1. **Persistent double-digit growth** thanks to organic and M&A efforts;
2. **Resilient profitability** though ongoing M&A integration;
3. **Delay of trade receivables collection** leading to FCF absorption.

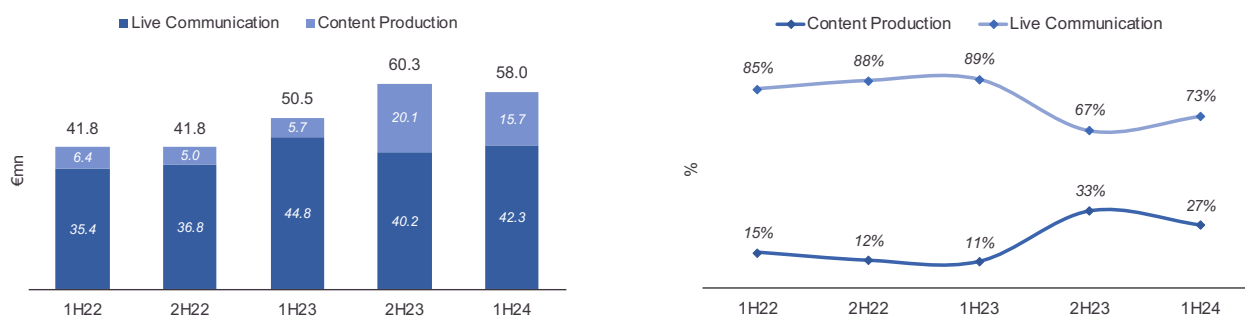
### Persistent Double-Digit Growth Thanks to Organic and M&A Efforts

Casta Diva reported 1H24 **Revenues from Sales** at **€58.0mn**, implying a 15% y/y growth (1H23 at €50.5mn) and a more than sixfold increase with respect to 1H21 €9.6mn. **Value of Production** came out at **€58.2mn**, implying the same 15% y/y growth. In terms of breakdown, we highlight:

- ◆ **Live Communication** business unit closing 1H24 at €42.5mn vs. €44.8mn in 1H23 (-5% y/y), due to differing orders' timing between semesters;
- ◆ **Creative Content Production** business unit revenues at €15.7mn, nearly tripling 1H23 at €5.7mn, boosted by the consolidation of Akita Film and E-Motion.

Worth to notice, after two years where the Live Communication business unit was gaining % on Group total sales at the expense of Content Production, FY23 witnessed a trend reversal, with Live Communication in 1H24 at ca. 73% of the total vs. 85% of 1H22.

### Casta Diva Group: Revenues from Sales Evolution



Source: Casta Diva Value Track Analysis

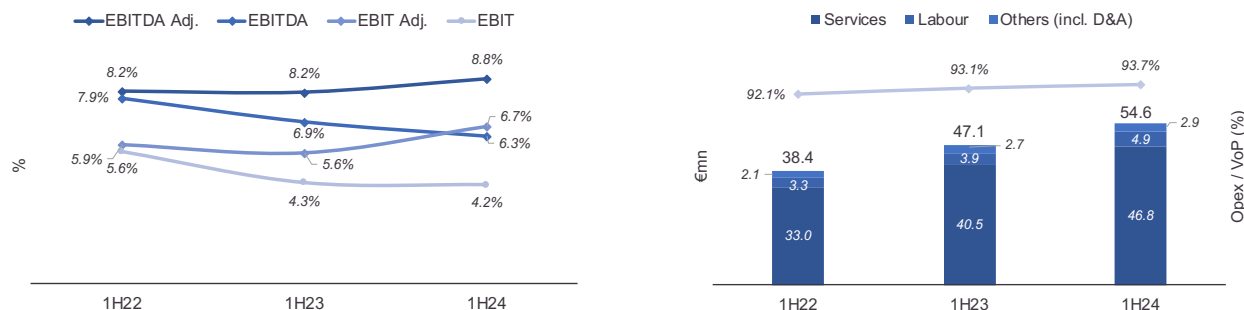
### Resilient Profitability Though Ongoing M&A integration

**EBITDA** was up 5% y/y at **€3.7mn** (vs. €3.5mn in 1H23) and **EBITDA Margin** (on VoP) was down by 63bps to 6.3% (vs. 6.9% in 1H23) after Total Opex at €54.6mn (+16% y/y).

However, the margin gap can largely be explained by the integration of Akita Film and E-Motion, alongside the carryover of certain costs and an increase in the workforce (avg. # of employees increased from 116 in FY23 to 133 in 1H24).

Accounting for €1.4mn of non-recurring expenses related to due diligence expenses, legal consultations, end-of-year bonuses for employees, and activities to streamline non-recurring corporate welfare, and similar items, **EBITDA Adj.** was reported at **€5.1mn**, with an **EBITDA Adj. Margin** of 8.8% (vs. €4.1mn and 8.2% in 1H23, respectively, with one-off expenses at ca. €0.6mn).

### Casta Diva Group: Group Margins and Operating Expenses



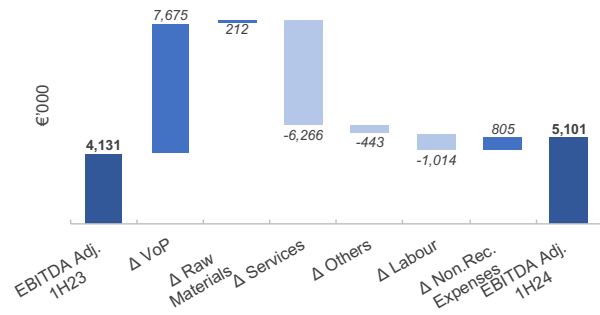
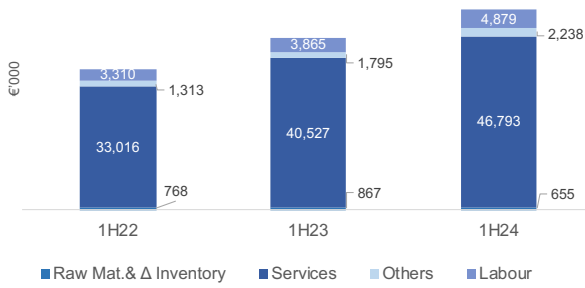
Source: Casta Diva Value Track Analysis

### Casta Diva Group: EBITDA Adj. 1H22-1H24

Key Financials (IT GAAP, €mn)	1H22	1H23	1H24	y/y
<b>EBITDA</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	<b>5%</b>
<i>EBITDA Margin (%)</i>	7.9%	6.9%	6.3%	-122bps
Non-Recurring Expenses	0.1	0.6	1.4	126%
<b>EBITDA Adj.</b>	<b>3.4</b>	<b>4.1</b>	<b>5.1</b>	<b>23%</b>
<b>EBITDA Adj. Margin (%)</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.8%</b>	<b>+59bps</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva Group: Costs Structure and EBITDA Adjusted Bridge 1H23 – 1H24



Source: Casta Diva, Value Track Analysis

Below EBITDA, the decrease of D&A charges by ca. €120k (-9% y/y) drove EBIT at €2.5mn (13% y/y). From EBIT-to-EBIT Adj., there is the same amount of non-recurring expenses. Hence **EBIT Adj.** was reported at **€3.9mn** (6.7% EBIT Adj. Margin) vs. €2.8mn in 1H23 (5.6% margin). Below the EBIT line, it is worth highlighting zero-level taxes (ca. €1k), inferring to a 0.1% tax rate. This has to do with the reverse effect of deferred tax assets on fiscal losses of previous years. Consequently, Casta Diva **Net Profit** came out at **€2.0mn** (vs. €1.5mn in 1H23).

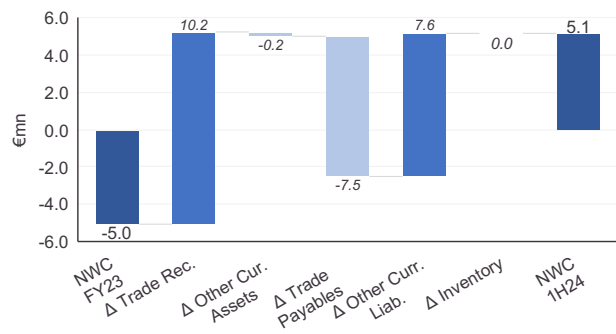
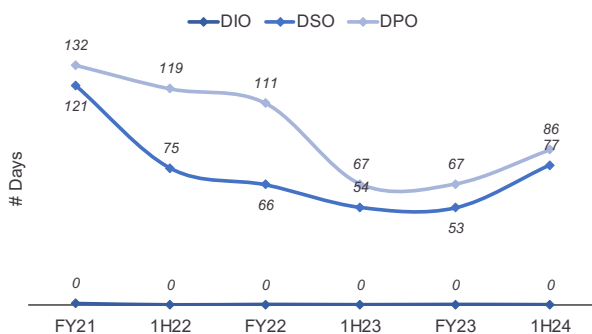
### Delay of Trade Receivables Collection Leading to FCF Absorption

As of the end of June 2024, Casta Diva **Net Debt** was at **€12.9mn**, vs. Net Debt of €5.6mn and Net Cash of €0.9mn as of December 2023 and June 2023, respectively. In this period, the cash absorption had to do mainly for M&A purposes and negative ΔNWC (especially in this semester).

Here a summary of 1H24 main cash flow movements:

- ◆ **Net Working Capital**, absorbing ca. €9.6mn (including the changes in provisions), due to the unfavourable net working capital cycle, enhanced in 1H because of absorption largely linked to Trade Receivables (~€10.2mn), which were collected in July instead of June. However, DSO remains lower than DPO (as usual), with nihil inventory;
- ◆ **Group Net Equity**: ca. €520k from FY23 to 1H24, resulting from changes in the consolidation reserve and other movements leading to a reduction in Net Equity;
- ◆ **Δ Fixed Assets** at ca. €300k.

### Casta Diva Group: Cash Conversion Cycle Evolution and ΔNWC Evolution in 1H24



Source: Casta Diva Value Track Analysis

## Financial Statements 1H22-1H24

### Casta Diva Group: P&L 1H22-1H24

P&L (IT GAAP, €mn)	1H22	1H23	1H24	y/y
<b>Value of Production</b>	<b>41.7</b>	<b>50.5</b>	<b>58.2</b>	<b>15%</b>
Raw Materials (incl. $\Delta$ Inventory)	-0.8	-0.9	-0.7	-24%
Costs of Services	-33.0	-40.5	-46.8	15%
Costs of Rent	-1.0	-1.5	-1.8	17%
Labour Costs	-3.3	-3.9	-4.9	26%
G&A	-0.3	-0.3	-0.4	67%
<b>EBITDA</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	<b>5%</b>
EBITDA Margin (%)	7.9%	6.9%	6.3%	-9%
D&A & Provisions	-1.0	-1.3	-1.2	-9%
<b>EBIT</b>	<b>2.4</b>	<b>2.2</b>	<b>2.5</b>	<b>13%</b>
EBIT Margin (%)	5.6%	4.3%	4.2%	-2%
Net Financial Charges	-0.1	-0.4	-0.4	14%
<b>Pre-Tax Profit</b>	<b>2.2</b>	<b>1.8</b>	<b>2.0</b>	<b>13%</b>
Taxes	0.0	0.0	0.0	nm
Minorities	-0.3	-0.2	0.0	nm
<b>Net Profit</b>	<b>1.9</b>	<b>1.5</b>	<b>2.0</b>	<b>30%</b>

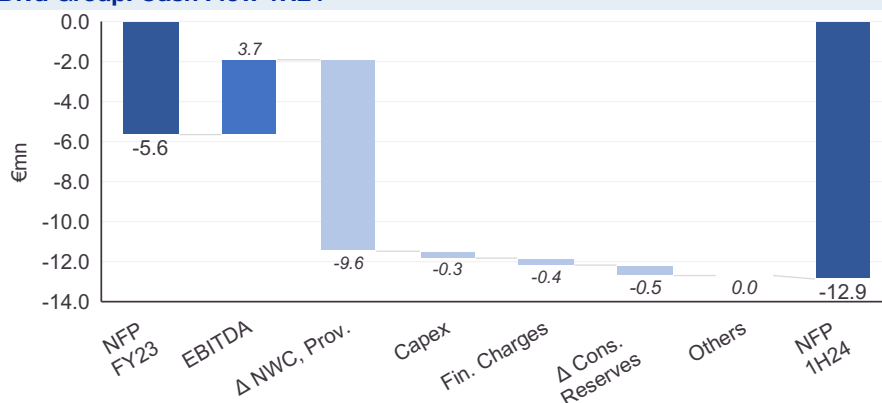
Source: Casta Diva, Value Track Analysis

### Casta Diva Group: Balance Sheet 1H23-1H24

Balance Sheet (IT GAAP, €mn)	1H23	FY23	1H24
Net Fixed Assets	12.3	21.2	20.3
Net Working Capital	-1.7	-5.0	5.1
Provisions	1.2	1.6	2.1
<b>Total Capital Employed</b>	<b>9.3</b>	<b>14.6</b>	<b>23.4</b>
<b>Group Net Equity</b>	<b>10.2</b>	<b>9.0</b>	<b>10.5</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>0.9</b>	<b>-5.6</b>	<b>-12.9</b>

Source: Casta Diva, Value Track Analysis

### Casta Diva Group: Cash Flow 1H24



Source: Casta Diva, Value Track Analysis

# Business & Corporate Development

## Business Development

CDG ultimately became the **Italian communication leader**, with a top tier client base and relevant partnerships, providing best-in-class quality services, acknowledged by the 130+ national and international awards received.

Casta Diva achieving this status is also a result of 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). The E-Motion deal marks the fourth M&A deal of 2023-2024 for a total investment of ca. €8.8mn, largely self-financed.

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.

### Acquisition of 100% of Akita SRL

On November 7<sup>th</sup>, 2023, Casta Diva announced the acquisition of 100% of the share capital of **Akita Film Srl**, Italian company active in the production of commercials/spots worldwide for major brands and top spenders in the fast mover consumer goods, automotive, telco and entertainment industries.

For FY22, the company reported a Value of Production of €14.7mn (growing at ca. 8% CAGR<sub>19-22</sub>), EBITDA of €2.8mn, Net Cash Position of ca. €300k (Net Cash of €1.8mn at the closing date).

The total consideration for the **100% stake** of Akita Film was agreed at ca. **€8.3mn**. Hence, we calculate the following implicit transaction multiples: 0.45x EV/Sales, 2.4x EV/EBITDA, 2.4x EV/EBIT and 3.7x P/E. CDG paid 65% of the total consideration (ca. €5.4mn) at the closing, while the remaining 35% (ca. €2.9mn) should be paid after 18 months from the closing date (June 2025).

The acquisition finalizes CDG goal of achieving a leadership position in the video content production market, after that achieved in the field of corporate events.

### Acquisition of 70% of E-Motion SRL

On December 4<sup>th</sup>, 2023, CDG has announced the signature of the LOI for the acquisition of 70% of the share capital of **E-Motion Srl**, Italian high-quality video production company based in Genova and specialized in corporate and event videos. Back on June 2024 the deal was actually finalized.

E-Motion should have closed FY23 with €3.1mn Revenues and €0.3mn EBITDA.

The total consideration for the **70% stake** in E-Motion was agreed at **€826k**, implying a 100% EV of €1.18mn, calculated based on the average EBITDA of the last four years multiplied by 3.5x. The consideration will be paid by Casta Diva in two tranches (at closing and after 18 months from the closing) without signing new debt. Based on FY23E financials, we calculate 0.38x EV/Sales and 3.8x EV/EBITDA implicit transaction multiples.

The acquisition of E-Motion continues the path traced by the Akita deal, i.e.:

- ◆ Strengthening CDG competitive positioning in the video content production market, doubling the size of the Group in this business;
- ◆ Bringing additional expertise and connections in the video/film production area;
- ◆ Unlocking cross-selling synergies with clients served by E-Motion (that now could be addressed by CDG events business unit) and clients of CDG in needs of industrial/events video production.

### Launch of the New Pharma Division

On September 24<sup>th</sup>, 2024, CDG has appointed Alessandro Scattolin as the director of the **new Pharma Division**, embraced in the CDG's subsidiary G2 Eventi, supported by Alessandro Capasso and Silvia Pellò, with whom he has worked for 20+ years in the pharma event sector.

The newly established Division is already working towards growth, both **organically and through external expansion**. CDG also announces that a **LOI** has been signed for the acquisition of 100% of the shares of a company that has been operating for 20+ years in the event organization sector, predominantly in the medical/scientific field, both nationally and internationally. The target company boasts among its clients leading multinational pharmaceutical companies and top-tier European university institutes. The target company reported **revenues of €7.4mn in FY23**, with an **EBITDA Adj. Margin of 11.6%**. The closing of the acquisition, subject to the completion of ongoing due diligence, is expected by the end of the year.

The combined effect of the new managerial appointments and the acquisition of this company will represent a strategic asset for CDG, enabling it to enter a promising new sector of the live communication market and to add significant volumes to its current operations.

### 3-Year Renewal Contract with Ferrari Valued at €70mn

On October 1<sup>st</sup>, 2024, Genius Progetti, a CDG subsidiary specializing in the creation and organization of events and experiences for major brands and luxury industries, has announced that it has signed a **3-year contract with Ferrari**.

The contract includes general management (planning and marketing strategy), planning, tailor-made experiences, concept and entertainment development, as well as client concierge services for various types of formats across Europe. CDG estimates the potential value of the contract to be approx. **€70.0mn over the next three years**, with the FY25E budget already allocated at around €27.0mn.

### Other Minor M&A Moves Recently Finalized

We flag that in the latest couple of months CDG has finalized further moves related to M&A deals of the recent past:

- ◆ Squeeze out of Genius minorities (10% stake, €1mn cash out);
- ◆ Acquisition of Overseas business (previously managed on a leasing basis, €2mn cash out)

### Next Moves: Goals and Growth Strategy

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).



## Forecasts 2024E-26E

### Estimates Revision

We're fine tuning our 2024E-25E-26E estimates as follows:

- ◆ Unchanged Top Line as we were already including the 3-year renewal of Ferrari contract;
- ◆ Stable EBITDA Adj. projections across the three years, with FY24E and FY25E EBIT Adj. higher than initially expected due to the previously overestimated D&A charges related to Goodwill;
- ◆ Lower EBITDA-EBIT forecasts as we reckon that the extraordinary costs related to recent M&A transactions could affect margins more than initially expected;
- ◆ Net Debt revision due to working capital, albeit the picture may be gradually mitigated.

### 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	136.7	0%
EBITDA	11.6	9.1	-22%	13.4	12.7	-5%	14.4	14.4	0%
EBITDA Adj.	11.6	11.6	0%	13.4	13.4	0%	14.4	14.4	0%
EBIT	7.4	5.5	-26%	9.0	8.7	-3%	9.8	9.8	0%
EBIT Adj.	7.4	8.0	7%	9.0	9.4	5%	9.8	9.8	0%
Net Profit	3.8	2.6	-31%	5.1	4.5	-11%	5.7	5.7	0%
Net Financial Position	-1.3	-7.4	-6.1	1.5	-4.5	-5.9	7.0	2.0	-4.9

Source: Value Track Analysis

### CDG Business Plan vs. Value Track Estimates

Though our refined estimates, both our estimates and CDG's BP envisage a robust double-digit growth profile ahead with a significant profitability and cash generation enhancement. However, our forecasts remain more conservative than CDG targets, while we are more confident on FY26E FCF generation (pre-dividends distribution). At the end of the forecasted period, in 2026E, we expect:

- ◆ **Value of Production €136.7mn**, ca. 10% lower than CDG targets;
- ◆ **EBITDA Adj. €14.4mn**, growing more than top line but less than CDG targets;
- ◆ **EBIT Adj. €9.8mn**, and EBIT Margin gaining ca. 280bps from 2023A vs. 390bps of CDG plan;
- ◆ **Net Cash €2.0mn**, 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	8.0	0%	10.7	9.4	-12%	13.6	9.8	-28%
EBIT Adj. Margin (%)	6.6%	6.6%	0bps	7.8%	7.2%	-60bps	8.9%	7.1%	-180bps
Net Financial Position	-0.4	-7.4	-7.0	3.3	-4.5	-7.8	6.4	2.0	-4.4

Source: Value Track Analysis

## Financial Statements 2023A-26E

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

P&L (IT GAAP, €mn)	2023A	2024E	2025E	2026E
<b>Revenues from Sales</b>	<b>110.8</b>	<b>119.1</b>	<b>129.1</b>	<b>135.7</b>
Others	0.7	1.0	1.0	1.0
<b>Value of Production</b>	<b>111.5</b>	<b>120.1</b>	<b>130.1</b>	<b>136.7</b>
Operating Expenses	-102.9	-111.0	-117.4	-122.3
<b>EBITDA</b>	<b>8.6</b>	<b>9.1</b>	<b>12.7</b>	<b>14.4</b>
<i>EBITDA Margin (%)</i>	<i>7.7%</i>	<i>7.6%</i>	<i>9.8%</i>	<i>10.5%</i>
D&A & Provisions	-3.2	-3.6	-4.0	-4.6
<b>EBIT</b>	<b>5.4</b>	<b>5.5</b>	<b>8.7</b>	<b>9.8</b>
<i>EBIT Margin (%)</i>	<i>4.9%</i>	<i>4.6%</i>	<i>6.7%</i>	<i>7.1%</i>
Net Financial Charges	-1.0	-1.2	-1.2	-1.1
<b>Pre-Tax Profit</b>	<b>4.4</b>	<b>4.3</b>	<b>7.5</b>	<b>8.7</b>
Taxes	-2.5	-1.6	-3.0	-2.9
Minorities	-0.3	0.0	0.0	0.0
<b>Net Profit</b>	<b>1.6</b>	<b>2.6</b>	<b>4.5</b>	<b>5.7</b>

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	20.4	22.4	20.8
Net Working Capital	-5.0	-0.3	-1.5	-2.3
Provisions	1.6	1.6	1.7	1.7
<b>Total Capital Employed</b>	<b>14.6</b>	<b>18.5</b>	<b>19.2</b>	<b>16.8</b>
<b>Group Net Equity</b>	<b>9.0</b>	<b>11.1</b>	<b>14.7</b>	<b>18.9</b>
<b>Net Financial Position [Net debt (-) / Cash (+)]</b>	<b>-5.6</b>	<b>-7.4</b>	<b>-4.5</b>	<b>2.0</b>

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	9.1	12.7	14.4
Capex	-3.2	-2.4	-2.6	-3.1
Δ NWC (incl. Provisions)	-1.4	-4.7	1.2	0.8
<b>OpFCF b.t.</b>	<b>3.9</b>	<b>2.0</b>	<b>11.3</b>	<b>12.1</b>
<i>As a % of EBITDA</i>	<i>45%</i>	<i>22%</i>	<i>89%</i>	<i>84%</i>
Cash Taxes	-2.5	-1.6	-3.0	-2.9
Net Financial Charges	-1.0	-1.2	-1.1	-1.0
Dividends Paid	-0.6	-0.6	-0.9	-1.6
Others (incl. Financial Investments)	-8.5	-0.4	-3.4	-0.1
<b>Δ Net Financial Position</b>	<b>-8.7</b>	<b>-1.8</b>	<b>2.9</b>	<b>6.5</b>

Source: Casta Diva, Value Track Analysis

## Valuation

We confirm CDG **Fair Equity Value** at **€2.55 p/s** as the downwards revision of forecasts is offset by: (i) peers' stock multiples re-rating vs. our last update of June, and (ii) valuation roll-over to FY25E.

Our fair value implies a target Market Cap of ca. €50mn i.e., an upside of ca. 100% with respect to the current market price. Indeed, we believe that CDG current market valuation (ca. 4.0x-2.4x EV/EBITDA FY24E-25E) is too low.

At €2.55 p/s, CDG would trade somewhat in line with FY24E peers' median multiples, but still at ca. 20%-30% discount to peers with respect to FY25E multiples.

Interestingly, our DCF-based cross-check (not the best tool to address companies heavily exposed to macro swings), returns a Fair Equity Value of €3.04 p/s.

### Casta Diva Group: Multiples Sensitivity at Various Stock Price Levels

Fair Equity Value p/s (€)	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)	
	2024E	2025E	2024E	2025E	2024E	2025E
€ 1.70	0.38	0.30	5.0	3.1	8.2	4.5
€ 2.00	0.43	0.34	5.6	3.5	9.3	5.2
€ 2.30	0.48	0.39	6.3	4.0	10.4	5.8
<b>€ 2.55</b>	<b>0.52</b>	<b>0.43</b>	<b>6.8</b>	<b>4.4</b>	<b>11.3</b>	<b>6.4</b>
€ 2.80	0.56	0.47	7.4	4.8	12.3	7.0
€ 3.10	0.61	0.51	8.0	5.3	13.4	7.7
€ 3.40	0.66	0.56	8.7	5.7	14.5	8.4

Source: Value Track Analysis

### Peers Analysis

The whole panel of peers is trading at median **1.1x EV/Sales**, **5.5x EV/EBITDA**, **8.2x EV/EBIT 2024E**, with CDG trading at ca. **20%-70% discount** on 2024E-25E multiples. However, splitting the clusters, we see that:

- ◆ **Live Communication** peers trade at a median 1.0x EV/Sales, 7.1x EV/EBITDA, 8.2x EV/EBIT 2024E;
- ◆ **Creative Content Production** stocks show more fluctuating multiples, with 1.1x EV/Sales, 2.6x EV/EBITDA, 9.9x EV/EBIT 2024E.

Thus, our relative valuation derives a **Fair Equity Value of €2.55 p/s** (unchanged) obtained applying 45%, 15%, 15% discount rates on comparables' median EV/Sales, EV/EBITDA and EV/EBIT FY25E, respectively.

### Casta Diva Group: Relative Valuation

Relative Valuation 2024E-25E (€mn)	EV/Sales	EV/EBITDA	EV/EBIT
Peers' Median 2025E (x)	0.9	4.6	7.3
Discount (%)	-45.0%	-15.0%	-15.0%
<b>Fair Multiples 2025E</b>	<b>0.5</b>	<b>4.0</b>	<b>6.2</b>
<b>Average Fair Equity Value p/s (€)</b>		<b>2.55</b>	

Source: Market Consensus, Value Track Analysis

### Casta Diva Group: Peers Trading Multiples

Peers	EV/Sales (x)		EV/EBITDA (x)		EV/EBIT (x)	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Live Communication</b>						
Dentsu	1.12	1.11	8.2	7.2	13.4	10.4
GL Events	0.83	0.73	4.8	4.2	8.2	6.9
Interpublic	1.31	1.27	7.1	6.9	8.0	8.0
Publicis	1.85	1.82	8.5	8.3	10.2	10.0
Viad	0.85	0.84	7.1	6.6	11.1	9.3
WPP	0.95	0.94	5.1	5.1	6.1	6.0
Fiera Milano	2.06	1.38	7.1	3.8	nm	7.0
SG Company	0.38	0.33	5.5	3.7	6.3	4.1
<b>Average</b>	<b>1.17</b>	<b>1.05</b>	<b>6.7</b>	<b>5.7</b>	<b>9.1</b>	<b>7.7</b>
<b>Median</b>	<b>1.03</b>	<b>1.02</b>	<b>7.1</b>	<b>5.8</b>	<b>8.2</b>	<b>7.5</b>
<b>Creative Content Production</b>						
Notorious Pictures	1.06	0.89	2.6	2.4	7.3	5.6
Leone Film Group	1.32	0.81	1.9	1.1	12.6	7.5
Lucisano Media Group	0.84	0.72	2.0	1.8	6.5	6.6
Lions Gate Entertainment	1.05	0.90	8.6	6.8	20.6	13.1
Thunderbird Entertainment	0.39	nm	3.7	nm	nm	nm
<b>Average</b>	<b>0.93</b>	<b>0.83</b>	<b>3.8</b>	<b>3.0</b>	<b>11.7</b>	<b>8.2</b>
<b>Median</b>	<b>1.05</b>	<b>0.85</b>	<b>2.6</b>	<b>2.1</b>	<b>9.9</b>	<b>7.1</b>
<b>Total Average</b>	<b>1.08</b>	<b>0.98</b>	<b>5.6</b>	<b>4.8</b>	<b>10.0</b>	<b>7.9</b>
<b>Total Median</b>	<b>1.05</b>	<b>0.90</b>	<b>5.5</b>	<b>4.6</b>	<b>8.2</b>	<b>7.3</b>
<b>Casta Diva Group</b>	<b>0.31</b>	<b>0.24</b>	<b>4.1</b>	<b>2.5</b>	<b>6.8</b>	<b>3.6</b>
<i>Discount vs. Total Median (%)</i>	<i>-70%</i>	<i>-73%</i>	<i>-26%</i>	<i>-47%</i>	<i>-17%</i>	<i>-51%</i>

Source: Market Consensus, Value Track Analysis

## Cross Check with DCF

We always reminder that DCF model is, in our view, not the best valuation tool to address companies such as CDG so heavily exposed to macroeconomic swings. That said, we can apply it as a sanitary cross-check by considering some sector specific adjustment.

We assess **€3.04 p/s Fair Equity Value**, based on a 9.9%-11.5% Rolling WACC (depending on each year capital structure according to our estimates) from the Capital Asset Pricing Model approach, relying on the key assumptions below.

### Casta Diva Group: WACC at Rolling Capital Structure

WACC Assumptions	(%)
Risk-Free Rate (%)	2.0
Capital Structure (D/D+E) (%)	23% - 0%
Unlevered Beta (x)	1.1
Market Risk Premium (Italy) (%)	5.2% (*)
Small Cap Market Risk Premium (%)	2.5%
Macroeconomic Scenario Risk Premium (%)	1.0%
Credit Spread (%)	2.0%
Tax Rate (%)	24.0%
<b>Cost of Equity (%)</b>	<b>14.5% - 11.5%</b>
<b>Cost of Debt (%)</b>	<b>3.0%</b>
<b>WACC (%)</b>	<b>9.9% - 11.5%</b>

Source: Market Consensus, Damodaran Data Sets, Value Track Analysis, (\*) Down from 5.6% in June '24

CDG Terminal Value is obtained in 2031E by applying 1.0% Perpetuity Growth Rate, that we believe consistent with average long term annual growth expectations for Italy. The implicit multiple on our 2031E forecast is a 4.5x TV/EBITDA.

The adjustments refer to Treasury shares, Akita and E-Motion vendor loans and minorities cash-out.

### Casta Diva Group: DCF Valuation

DCF Valuation	€mn
Discounted Free Cash Flows 2025E-31E	36.6
Discounted Terminal Value in 2031E with $g=1.0\%$ or $TV/EBITDA=4.5x$	35.4
<b>Fair Enterprise Value (€mn)</b>	<b>71.9</b>
Net Financial Position 2024E	-7.4
Adjustments 2024E	-3.6
<b>Fair Equity Value (€mn)</b>	<b>60.9</b>
NOSH (mn)	20.0
<b>Fair Equity Value p/s (€)</b>	<b>3.04</b>

Source: Value Track Analysis

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