



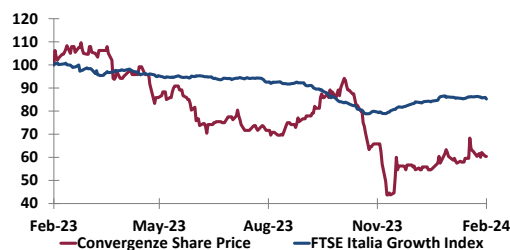
FLASH NOTE

OUTPERFORM

Current Share Price (€): 1.45

Target Price (€): 3.50

Convergenze - 1Y Performance



Source: S&P Capital IQ - Note: 06/02/2023=100

Company data

ISIN number	IT0005426215
Bloomberg code	CVG IM
Reuters code	CVG.MI
Industry	TLC - Energy
Stock market	Euronext Growth Milan
Share Price (€)	1.45
Date of Price	06/02/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	10.9
Market Float (%)	23.2%
Daily Volume	11,500
Avg Daily Volume YTD	14,558
Target Price (€)	3.50
Upside (%)	141%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Convergenze - Absolute (%)	0%	-8%	-15%	-40%
FTSE Italia Growth (%)	-1%	7%	-8%	-15%
1Y Range H/L (€)			2.63	1.05
YTD Change (€) / %			0.07	5%

Source: S&P Capital IQ

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2023 efficiency efforts bring back to sound profitability - KPIs show momentous rise for both BUs, precursor of a bright 2024

2023 operating figures: double digit growth

Year-end Key Performance Indicators:

- Energy Points of Delivery +9.4% YoY
- kWh sales +18.5% on December vs same month prior year
- Service contracts growth: 16% in TLC and 10% in Energy
- Own optic fiber network +23% YoY
- FY 2023 sales: €22.6m, €10.5m TLC BU (+12.9% YoY), €12.1m Energy BU
- FY 2023 profitability estimates by segment EBITDA: TLC BU expected at 27.5-28%, in line with FY 2022; Energy BU improving to 2-3%, versus FY 2022 -6%

Energy profitability recovered, over our estimates

Energy BU preliminary figures H2 2023, imply a profitability recovery, according to management in a 2-3% range, close to a financial performance consistent with the value building expectations for Convergenze, after the unprecedented volatility of commodities and energy prices which distorted financials of the entire industry in the last three years. We recall that after the 2022 Energy BU operating loss our estimates for 2023 were revised on a conservative side, then we factored in the prompt return to breakeven of H1 23 for the rest of the year. The disclosed year-end performance indicators if confirmed along first quarter 2024 would exceed our last estimates and could imply a further revision upward.

Stock trading update

Since November 2023 share price began an upward trend with a peak in January 2024, after a downtrend, with a low at nearly €1.0 to then settle between €1.45-€1.65.

FY23 KPI over our estimates, OUTPERFORM rating confirmed

Convergenze's preliminary 2023 figures substantiated the Energy BU's return to profit. The resurgence is also underscored by the uptick in the number of PODs and the surge in volumes sold. The growth trajectory of the TLC BU, strategically forging ahead with the expansion of the FTTH infrastructure, remained rock-solid. The released data, exceeding our margin forecasts slightly, bolster our upbeat outlook on the equity narrative. As we await the comprehensive financial data for 2023, we reiterate our OUTPERFORM rating and uphold a target price of €3.5, projecting a potential upside of 141% from the current share price of €1.45.

KEY FINANCIALS AND ESTIMATES

€m	2020	2021	2022	2023E	2024E	2025E
Revenues	16.5	18.9	28.4	22.7	24.9	27.0
Adj. EBITDA	2.3	1.8	1.4	2.8	3.6	4.2
<i>Margin</i>	14%	10%	5%	12%	15%	16%
Net Income (Loss)	0.7	0.2	(0.8)	0.2	0.5	0.4
Net (Debt) Cash	0.1	(2.3)	(6.1)	(6.0)	(5.7)	(5.2)
TP - Implied multiples						
EV/Revenues	1.4x	1.2x	0.8x	1.0x	0.9x	0.9x
EV/EBITDA	10.8x	13.0x	19.3x	8.3x	6.4x	5.5x
EV/EBIT	18.8x	44.4x	neg	26.8x	22.3x	23.8x
P/E	24.2x	70.4x	neg	neg	neg	39.5x

Source: Company data 2020-22A, EnVent Research 2023-25E

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Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

NOT RATED: no rating or target price assigned.

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The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 06/02/2024 h. 6.30pm

Date and time of Distribution: 07/07/2024 h. 6.30pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
25/07/2022	OUTPERFORM	5.06	2.50
17/10/2022	OUTPERFORM	4.59	2.39
15/05/2023	OUTPERFORM	3.27	2.04
11/10/2023	OUTPERFORM	3.50	2.24
07/02/2024	OUTPERFORM	3.50	1.45

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of which EnVent clients % *		76%	50%	na	na	na	na

* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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