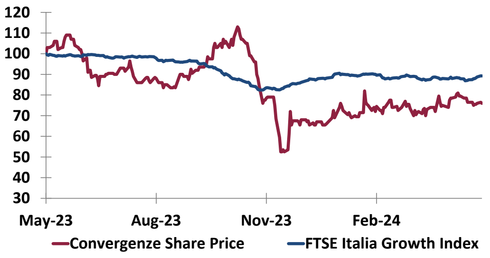
Convergenze
internet - phone - TV - energie

OUTPERFORM

Current Share Price (€): 1.52

Target Price (€): 3.50

Convergenze - 1Y Performance



Source: S&P Capital IQ - Note: 02/05/2023=100

Company data

ISIN number	IT0005426215
Bloomberg code	CVG IM
Reuters code	CVG.MI
Industry	TLC - Energy
Stock market	Euronext Growth Milan
Share Price (€)	1.52
Date of Price	30/04/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	11.4
Market Float (%)	23.2%
Daily Volume	6,500
Avg Daily Volume YTD	9,935
Target Price (€)	3.50
Upside (%)	130%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Convergenze - Absolute (%)	1%	3%	-3%	-24%
FTSE Italia Growth (%)	1%	-1%	7%	-11%
1Y Range H/L (€)			2.26	1.05
YTD Change (€) / %			0.14	10%

Source: S&P Capital IQ

Analysts

Luigi Tardella - Head of Research
ltardella@envent.it
Silvestro Bonora sbonora@envent.it
Ivan Tromba itromba@envent.it

EnVent Italia SIM S.p.A.
Via degli Omenoni, 2 - 20121 Milano (Italy)
Phone +39 02 22175979

FY23: Energy BU rise, TLC confirms profit momentum. Strong results set stage for growth and diversification initiatives

Trading update: high volatility, rebound in recent months

After mid 2023 bearish trend hitting a relative low point at €1.05 and over 40% overall vs Italia Growth Index, there has been a notable turnaround, outperforming the reference index by nearly 40%, reaching the present €1.52.

FY23: TLC 13% up, energy back to profit, EBITDA over our forecast

FY23 sales were €22.6m, with TLC BU up by 12.1% reaching €10.5m, and Energy BU at €12.2m, vs €18.8m in FY22 (abnormal energy prices industry-wide on stable volumes) and €9.4m in FY21. Adjusted EBITDA, over our €2.8m estimates, was €3.2m (+120% YoY), 14% on sales vs 5.1% in FY22. The TLC BU generated €2.9m EBITDA, 27.7% margin (27% in FY22). The Energy BU reported an EBITDA of €0.2m, vs €(1.1)m in FY22, break-even after previous years losses. Net income was €0.5m, vs net loss of €0.8m in FY22. Net financial debt decreased to €5.6m, from €6.5m as of June 2023. As of December 2023, proprietary FTTH optic fiber network reached 9,295km, +23.8% from December 2022 and +8.1% from June 2023.

Current trading: gains continue in Q1 2024, entering TLC Albanian market

Key performance indicators for Q1 2024: sales €6m on Q1 24, with TLC BU up by 12.5% at €2.7m and Energy BU at €3.2m (Q1 24 vs Q1 23: kWh +7.4%, POD 9,800, + 13.9%); own optic fiber network 9,800km as of March 2024, +500km vs FY23. Q1 24 EBITDA estimates: TLC BU at 29-30%; Energy BU at 5-6%. Convergenze will establish a Point of Presence (POP) in the Albanian TLC market with services to wholesalers.

Market environment and business outlook

In past three years energy sector grappled with unprecedented price volatility impacting the entire industry, and profitability of Convergenze's Energy BU. Conversely, the TLC BU has maintained its growth trajectory. Looking ahead, management anticipates sequential margin improvement in the Energy BU, even amidst potential geopolitical headwinds. For TLC BU, the expansion of FTTH infrastructure is expected to continue. New Media & Content BU is to become operational in H2. Leveraging on Convergenze 's unique vertical integration in TLC and Energy, cross-selling initiatives, search for diversification into new value-added services and M&A remain strategic.

Target Price €3.50 per share, OUTPERFORM rating confirmed

We have added 2026 to our projections and factored in the return to profitability for the Energy BU as market normalizes. We also see continued growth path in the TLC BU and an initial contribution from the newly established Media & Content BU. Based on the improving performance, we reconfirm our OUTPERFORM rating and target price of €3.50, with a potential upside of 130% from the current share price of €1.52.

KEY FINANCIALS AND ESTIMATES

€m	2022	2023	2024E	2025E	2026E
Revenues	**28.4**	**22.8**	**25.6**	**28.6**	**31.9**
Adj. EBITDA	**1.4**	**3.2**	**4.0**	**4.7**	**5.8**
Margin	*5%*	*14%*	*16%*	*17%*	*18%*
Net Income (Loss)	**(0.8)**	**0.5**	**1.0**	**1.3**	**2.0**
Net (Debt) Cash	**(6.1)**	**(5.6)**	**(5.1)**	**(4.4)**	**(2.8)**

DCF - Implied multiples	**2023**	**2024E**	**2025E**	**2026E**
EV/Revenues	1.4x	1.2x	1.1x	1.0x
EV/EBITDA	10.3x	8.1x	6.8x	5.6x
EV/EBIT	27.0x	17.3x	14.1x	10.1x
P/E	neg	neg	19.7x	13.4x

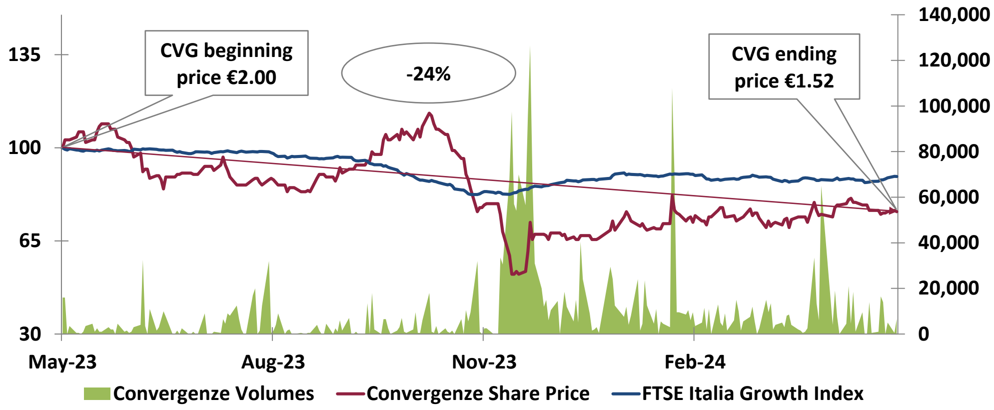
Source: Company data 2022-23A, EnVent Research 2024-26E

Market update

Convergenze - 1Y Share price performance and trading volumes

Trading price range €1.05-2.26 per share

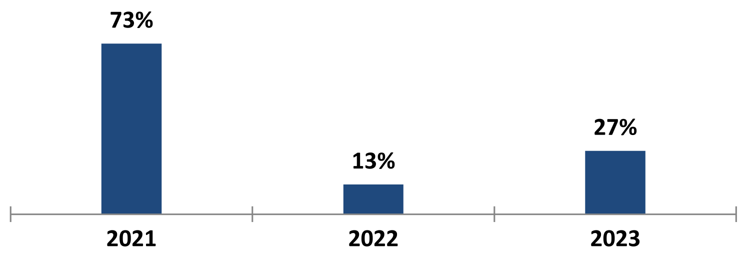
-24% for Convergenze, vs -11% of the Italia Growth Index



Source: EnVent Research on S&P Capital IQ - Note: 02/05/2023=100

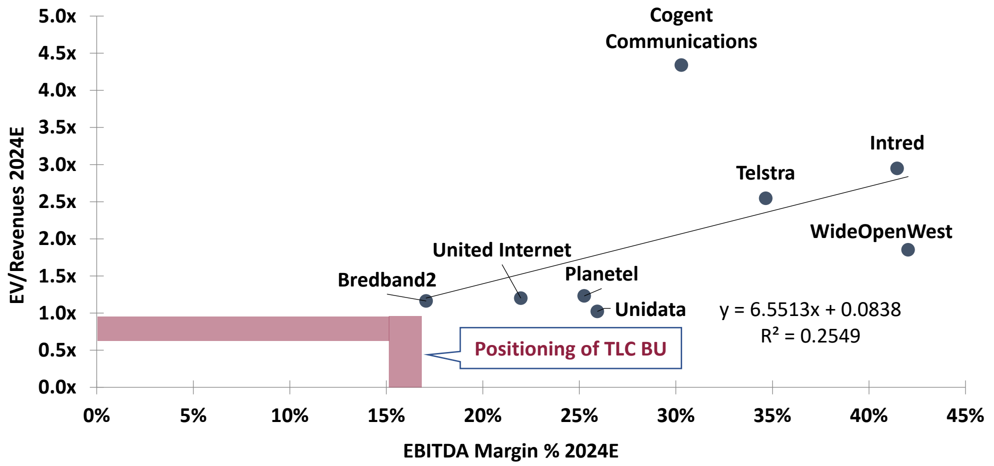
Convergenze - Liquidity analysis and velocity turnover

Higher trading volumes in 2023, with 8k average shares daily traded vs 3,7k in 2022



Source: EnVent Research on S&P Capital IQ

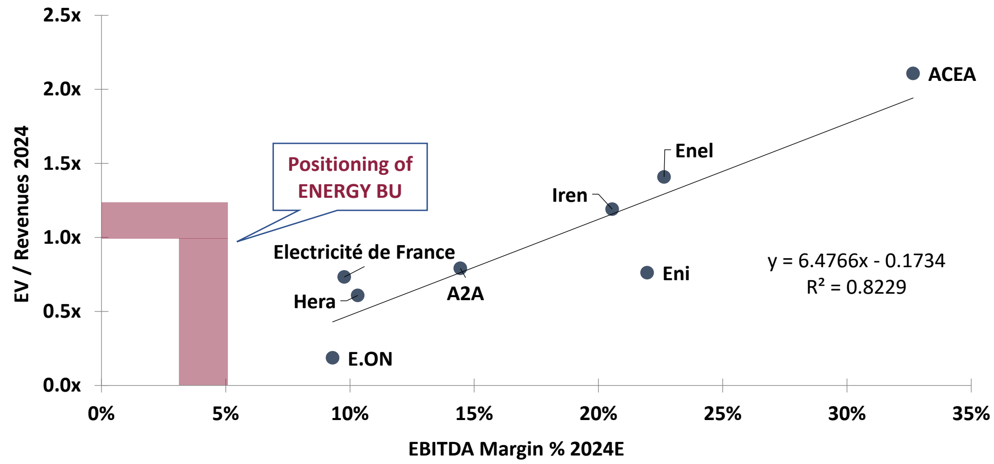
TLC BU peer group - Regression analysis



Source: EnVent Research on S&P Capital IQ, April 2024

Low comparability with the Energy peer group

Energy BU peer group - Regression analysis



Source: EnVent Research on S&P Capital IQ, April 2024

Investment case

Vertically integrated with a single touchpoint for connectivity and energy

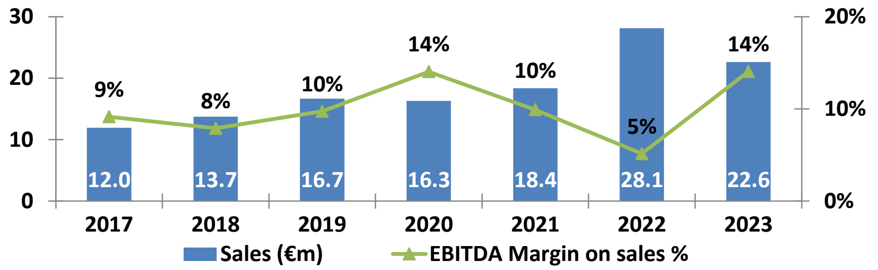
Convergenze SpA *Benefit Corporation*, founded in 2005 and public company since 2020 on the Euronext Growth Milan, is an Italian local multi-utility provider of internet and voice services, electricity, and natural gas to residential and business customers in Salerno-Cilento area (Southern Italy). It operates with a joint business model: provider of broadband connectivity services through a proprietary infrastructure made of 9,800km of FTTH optic fiber network and over 100 BTS WiFi towers; energy dispatch operator and owner of a network of patented electric cars charging points/stations *Electric Vehicle Only*.

Strategy

Strategy pillars:

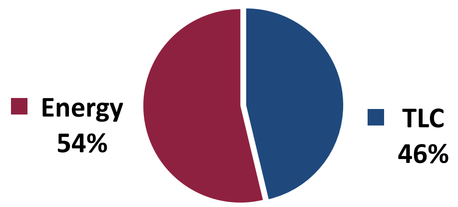
- Extension of the proprietary fiber optic network in the municipalities where Convergenze has already reached a critical mass of customers served by wireless technology
- Increase in the number of Energy customers, taking advantage of cross-selling opportunities between the TLC and Energy BUs, also through e-commerce
- Value-added services such as cloud, datacenter as a service, virtualization
- Introduction of the BU Media & Content Delivery for product diversification
- Acquisition of TLC players to expand the geographical coverage

Historical Sales and EBITDA



Source: Company data

Sales breakdown, FY23



Source: Company data

Drivers

Industry drivers

EU digital targets call for continued broadband expansion. According to the EU strategy for a digital Europe, by 2025: households should have access to 100 Mbps networks; key businesses and institutions should have access to gigabit connectivity; urban areas and major transport paths should have uninterrupted 5G coverage; mobile data should be accessible everywhere (Source: European Commission, *Digital Economy and Society Index - Digital infrastructures*, 2021). Italy's positioning behind most European countries as to broadband connectivity calls for investments in fixed and mobile broadband network infrastructures.

Broadband in Italy, more efforts expected. In view of the resources coming from the NRRP, the Italian government has anticipated by four years the EU targets of the Digital Compass 2030 with the aim of promoting investment in ultrabroadband networks, to ensure connection speeds of at least 1 Gbps in download and 200 Mbps in upload by 2026. Despite some progress in coverage and uptake of connectivity networks, the pace of fiber deployment is not yet adequate and efforts are needed to increase the coverage of Very High Capacity Networks. Italy's major FTTH network builders, TIM and Open Fiber, lag behind in their coverage programs. The gap in optic fiber infrastructure development leaves room to local operators able to bring innovative services in territories where large players struggle or have no interest to penetrate.

Increasing use of Internet and digitalization. Digitalization is linked to the increase in demand for TLC-related services, especially after Covid-19 pandemic, when Internet users grew for remote education, work and health services needs.

Connectivity and convergence of emerging technologies such as cloud and IoT. Emerging technologies such as broadband, cloud, IoT and AI are converging, disrupting established business models and accelerating economic growth. Cloud computing adoption will continue to increase, as such, room for growth is still huge. IoT is emerging as the third internet wave, impacting individuals' lives, workplace productivity and consumption.

Electric and sustainable mobility leading the edge. To face major issues evident in cities such as emissions and congestion, governments and municipalities have introduced regulations and incentives to accelerate the shift to sustainable mobility. The EU approved a program aiming at reducing net greenhouse gas emissions by at least 55% by 2030. In this framework, electric vehicles (EV) play a crucial role in the transformation of the mobility industry. In line with EV uptake, the buildup of charging infrastructure needs to accelerate. McKinsey estimates that more than 15,000 chargers per week will be installed by 2030 within the EU (Source: McKinsey, *Why the automotive future is electric*, 2021).

Smart and connected devices are turning upside-down attitude to home energy savings and efficiency. With technological advance in voice control and artificial intelligence, home automation devices contribute to energy savings in many ways: climate control, lighting, energy management, water allocation. Despite a substantial growth over the last years, the market has yet to reach its full potential. Currently most of devices are purchased through service providers, due to their go-to-market access.

Company drivers

Value of customer base and cross selling opportunities. Customer base build-up and retention is crucial in an increasingly crowded and competitive environment. Convergenze most valuable asset is customer base. Through cementing the relationship with existing customers and offering additional services, Convergenze generates extra revenues without the costly endeavor for customer acquisition.

Vertically integrated with a single touchpoint for connectivity and energy. Bundle broadband and utilities (and adding media) is an easier way for households and small businesses to manage communication and bills, having a sole provider and a dedicated customer support.

Proprietary network and interconnections. Convergenze owns a proprietary infrastructure made of FTTH optic fiber network, Wi-Fi BTS towers (FWA), interconnection points with the voice network, two data centers. The investment in the FTTH and WiFi infrastructure makes it possible to reduce the cost of third-party network and consequently to increase the value generated thanks to the existing customer base and new customers in new locations. The data centers serve value-added cloud, datacenter-as-a-service and virtualization services.

R&D and innovation underpin TLC development. The continuous research and development activity exploits opportunities arising from new generation technologies, in the fields of IoT, cloud, virtualization products, media. The Company has developed internally some software platforms and technologies.

Green since the beginning. State-of-the-art technologies and green practices identify Convergenze business model since the beginning. The energy supplied to customers comes from 100% renewable sources. The electric vehicles chargers network expansion is in line with the Company mission to bring green innovation in presided territories, promoting sustainable mobility and generating local development. The Company headquarter, called *Convergenze Innovation Center*, is one of the most technologically advanced spaces in Southern Italy on which the largest photovoltaic system of the South was built.

Value chain monitoring and control. Convergenze has control over the TLC and Energy supply chain, ensuring quality and efficiency in the delivery of its services, from sale to post-sale assistance. The salesforce is trained to provide qualified consultancy, also with customized solutions, together with dedicated technicians.

Repeatable business model, also scalable at national level. Revenues are driven by the proprietary infrastructure and number of customers. Network expansion drives subscriber growth and additional revenues. The optic fiber infrastructure is a permanent competitive advantage and a barrier to entry for competitors. The Company is in the position to replicate the business model originally setup on the local market in uncovered regions, especially in *white* and *grey* areas. The first steps in this direction have been the opening of an operational headquarter in Poggibonsi (Siena) and two sales branches in Pinzolo (Trento) and Atripalda (Avellino).

Sustainability and corporate responsibility. Convergenze has been a *Benefit Corporation* since 2020, a qualification for profit-corporates based on the positive impact on community, workers and environment, as legally defined goals in addition to profit (law 208/2015). In accordance with the regulatory obligations, a report detailing the pursuit of common benefit is attached to annual financial statements, and, in addition to this, Convergenze releases a sustainability report.

Management with an established track record. The management team has over 15 years of experience in the TLC industry and over 5 years in the Energy industry.

Challenges

Soaring energy prices. High volatility of natural gas and electricity prices, due to macroeconomic factors or supply-demand dynamics, still impacts the entire industry and to procure energy supplies is subject to significant fluctuations in costs and subsequent impact on financials. Hedging policies are a mitigant factor but may substantially affect margins. .

Highly competitive telco and energy markets. The fragmented competitive arena, populated by large national or multinational companies, industrial groups and small local/regional players, is a permanent feeder of competition and pressure on prices in both industries, where market players use price as main competitive factor.

The number of customers and churn rate may fluctuate and cause volatility. The customer base is a valuable asset expected to increase its value and turnover over time, but subject also to risk and volatility.

Regulatory risk. Both TLC and Energy industries are highly regulated, subject to technological change and thus to changes in the relevant regulation.

Business update

- First batch of optic fiber in Sapri area completed, about 70% of the entire project
- Agreement with SUEZ Italy to provide smart water metering for LoRaWan connectivity services in Salerno
- Start of Media&Content Delivery Network BU by five-year sales agreement with the Spanish provider of digital OTT TV Agile Content to offer entertainment to subscribers from Q1 2024

Corporate period facts

- Convergenze Warrant 2020-23 (IT0005426199) has been exercised during the last exercise period between December 1-18, 2023, at a strike price of €2.54, with a conversion ratio of 1 share:2 warrants.

Industry outlook

Broadband and connectivity

Room for growth

According to FTTH Council Europe, as of September 2023, the Italian take up ratio (properties eligible to install FTTH over total) were at 27%, still very far from the European average of 53%. To speed up, the European Union has proposed the white paper "How to master Europe's digital infrastructures needs?" promoting the switch-off of copper networks by 2030 (FTTH Council Europe, *FTTH Conference 2024*, 2024).

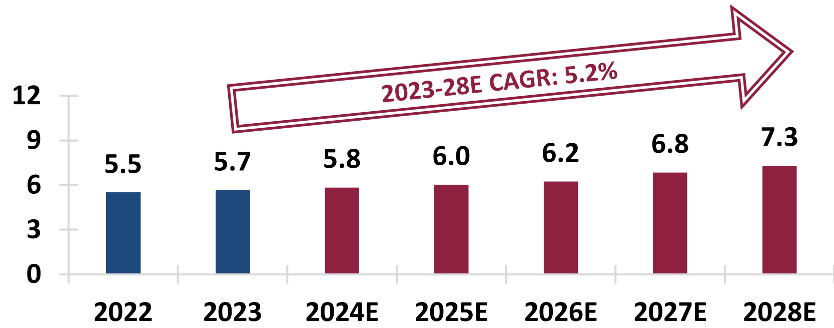
Data centers

In 2023, hyperscale cloud services experienced significant demand, powered by artificial intelligence applications. Looking ahead, the integration of AI across various industries will lead to increasing demand for high-density data centers and expansive campuses. Italy is mirroring the European trend, growing demand from both investors and operators trying to get positioned on the most effective locations. Challenges such as limited land availability within sought-after areas, regulatory constraints, unclear urban development guidelines, and ESG considerations are shifting focus towards brownfield sites. This trend is helping to create positive outcomes on the social structure giving new life to abandoned industrial areas. In addition, AI surging needs are guiding the major hyperscalers to look at alternative locations compared to the most established around Milan (Collers, *Data Center snapshot Italy*, 2024).

According to Statista, revenue in the Data Center market in Italy is projected to reach $7.3bn in 2028, growing at 5.2% CAGR. With a promising outlook, the industry is poised for further expansion driven primarily by the burgeoning influence of artificial intelligence (AI).

+5.2% 2023-28E CAGR for Italy market

Data center revenue in Italy ($bn) 2022-28E



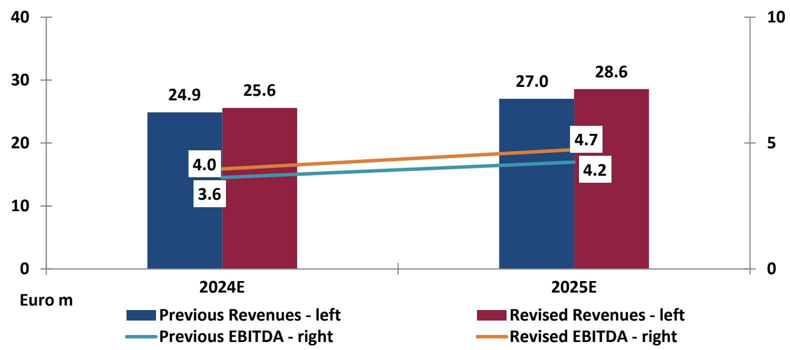
Source: Statista, *Data Center - Italy*, 2024

Estimates revision

We keep our financial projections for the current and next two years, extending the forecast horizon to explicitly include 2026. Our projections reflect the Energy BU's expected return to profitability in the context of a normalization of the energy market, a continuing growth path in the TLC BU and a contribution from the newly established Media & Content BU.

Change in estimates

Previous vs Revised Revenues and EBITDA estimates (€m)



Source: EnVent Research

€m	Revised 2024E	Revised 2025E	Revised 2026E	Previous 2024E	Previous 2025E	Previous 2026E	Change % 2024E	Change % 2025E	Change % 2026E
Revenues	25.6	28.6	31.9	24.9	27.0	na	3%	6%	na
Adj. EBITDA	4.0	4.7	5.8	3.6	4.2	na	9%	12%	na
Margin	*16%*	*17%*	*18%*	*15%*	*16%*	na			
EBIT	1.8	2.3	3.2	1.0	1.0	na	77%	131%	na
Margin	*7%*	*8%*	*10%*	*4%*	*4%*	na			
Net Income (Loss)	1.0	1.3	2.0	0.5	0.4	na	122%	214%	na
Net (Debt) Cash	(5.1)	(4.4)	(2.8)	(5.7)	(5.2)	na	-9%	-15%	na
Net Debt/EBITDA	*1.3x*	*0.9x*	*0.5x*	*1.6x*	*1.2x*	*na*			

Source: EnVent Research

Financial projections

Profit and Loss

€m	2022	2023	2024E	2025E	2026E
Sales TLC BU	9.3	10.5	11.8	13.8	15.8
Sales Energy BU	18.8	12.2	13.4	14.1	14.8
Sales Media & Content BU	0.0	0.0	0.2	0.5	1.1
Sales	28.1	22.6	25.4	28.4	31.7
Other income	0.2	0.2	0.2	0.2	0.2
Total Revenues	**28.4**	**22.8**	**25.6**	**28.6**	**31.9**
YoY %	*49.8%*	*-19.5%*	*12.1%*	*11.7%*	*11.6%*
Cost of sales	(22.0)	(14.4)	(15.9)	(17.0)	(18.2)
Gross profit	**6.3**	**8.4**	**9.6**	**11.6**	**13.7**
Margin	*22.4%*	*36.9%*	*37.7%*	*40.5%*	*42.8%*
Services	(1.3)	(1.5)	(1.7)	(2.4)	(3.0)
Personnel	(3.1)	(3.3)	(3.5)	(3.8)	(4.2)
Other operating costs	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
Operating costs	(4.9)	(5.2)	(5.7)	(6.8)	(7.9)
Adjusted EBITDA	**1.4**	**3.2**	**4.0**	**4.7**	**5.8**
Margin	*5.1%*	*14.0%*	*15.5%*	*16.6%*	*18.0%*
Non-recurring items	(0.1)	0.0	0.0	0.0	0.0
Writedown of trade receivables	(0.2)	(0.1)	0.0	0.0	0.0
EBITDA	**1.2**	**3.1**	**4.0**	**4.7**	**5.8**
Margin	*4.2%*	*13.6%*	*15.5%*	*16.6%*	*18.0%*
D&A	(1.6)	(1.9)	(2.1)	(2.5)	(2.6)
EBIT	**(0.4)**	**1.2**	**1.8**	**2.3**	**3.2**
Margin	*-1.6%*	*5.2%*	*7.2%*	*7.9%*	*9.9%*
Interest	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)
EBT	**(0.8)**	**0.7**	**1.5**	**1.9**	**2.8**
Margin	*-2.8%*	*2.9%*	*5.8%*	*6.7%*	*8.8%*
Income taxes	0.0	(0.1)	(0.4)	(0.6)	(0.8)
Net Income (Loss)	**(0.8)**	**0.5**	**1.0**	**1.3**	**2.0**
Margin	*-2.8%*	*2.2%*	*4.1%*	*4.7%*	*6.2%*

Source: Company data 2022-23A, EnVent Research 2024-26E

Balance Sheet

€m	2022	2023	2024E	2025E	2026E
Inventory	0.3	0.3	0.3	0.3	0.3
Trade receivables	3.2	4.0	4.2	4.7	5.3
Trade payables	(2.1)	(3.5)	(3.9)	(4.3)	(4.6)
Trade Working Capital	1.4	0.8	0.6	0.8	1.0
Other assets (liabilities)	(2.1)	(2.4)	(2.7)	(3.0)	(3.3)
Net Working Capital	**(0.8)**	**(1.6)**	**(2.1)**	**(2.2)**	**(2.3)**
Intangible assets	0.9	0.8	0.6	0.4	0.2
Property, plant and equipment	11.8	12.9	14.1	15.1	16.0
Equity investments and financial assets	0.1	0.1	0.1	0.1	0.1
Non-current assets	**12.8**	**13.7**	**14.8**	**15.6**	**16.3**
Provisions	**(0.8)**	**(0.9)**	**(0.9)**	**(1.0)**	**(1.1)**
Net Invested Capital	**11.3**	**11.2**	**11.8**	**12.4**	**12.8**
Net Debt (Cash)	**6.1**	**5.6**	**5.1**	**4.4**	**2.8**
Equity	**5.2**	**5.7**	**6.7**	**8.0**	**10.0**
Sources	**11.3**	**11.2**	**11.8**	**12.4**	**12.8**

Source: Company data 2022-23A, EnVent Research 2024-26E

Cash Flow

€m	2022	2023	2024E	2025E	2026E
EBIT	**(0.4)**	**1.2**	**1.8**	**2.3**	**3.2**
Current taxes	0.0	(0.1)	(0.4)	(0.6)	(0.8)
D&A	1.6	1.9	2.1	2.5	2.6
Provisions	0.2	0.1	0.0	0.1	0.1
Cash flow from P&L operations	**1.4**	**3.1**	**3.6**	**4.2**	**5.0**
Trade Working Capital	(2.3)	0.6	0.2	(0.2)	(0.2)
Other assets and liabilities	0.5	0.2	0.3	0.3	0.3
Operating cash flow before capex	**(0.5)**	**3.9**	**4.0**	**4.4**	**5.1**
Capex	(3.0)	(2.8)	(3.2)	(3.2)	(3.2)
Operating cash flow after WC and capex	**(3.5)**	**1.1**	**0.8**	**1.1**	**1.9**
Interest	(0.4)	(0.5)	(0.4)	(0.4)	(0.4)
Equity investments and financial assets	(0.1)	(0.0)	0.0	0.0	0.0
IPO proceeds	0.0	0.0	0.0	0.0	0.0
Warrants exercise	0.004	0.007	0.000	0.000	0.000
Changes in equity	0.1	0.0	0.0	0.0	0.0
Net cash flow	**(3.8)**	**0.6**	**0.4**	**0.8**	**1.5**
Net Debt (Beginning)	(2.3)	(6.1)	(5.6)	(5.1)	(4.4)
Net Debt (End)	(6.1)	(5.6)	(5.1)	(4.4)	(2.8)
Change in Net Debt (Cash)	**(3.8)**	**0.6**	**0.4**	**0.8**	**1.5**

Source: Company data 2022-23A, EnVent Research 2024-26E

Ratio analysis

KPIs	2022	2023	2024E	2025E	2026E
ROE	-14%	9%	17%	18%	22%
ROA	-3%	6%	9%	10%	12%
ROS	-2%	5%	7%	8%	10%
ROI	-4%	11%	16%	18%	25%
DSO	34	53	50	50	50
DPO	24	55	55	55	55
DOI	12	11	8	8	8
TWC/Sales	5%	3%	2%	3%	3%
NWC/Sales	-3%	-7%	-8%	-8%	-7%
Capex/Sales	11%	12%	13%	11%	10%
Net Debt/Revenues	0.2x	0.2x	0.2x	0.2x	0.1x
Net Debt/EBITDA	5.1x	1.8x	1.3x	0.9x	0.5x
Net Debt/EBIT	neg	nm	nm	1.9x	0.9x
Net Debt/Equity	1.2x	1.0x	0.8x	0.5x	0.3x
Cash flow from P&L operations/EBITDA	116%	99%	90%	90%	87%
FCF/EBITDA	neg	36%	20%	24%	33%
Basic EPS (€)	neg	0.07	0.14	0.18	0.26

Source: Company data 2022-23A, EnVent Research 2024-26E

Valuation

Our valuation hinges on several key factors:

- Effective prioritization of investment in TLC infrastructure shields Convergenze from margin volatility. This ensures profitability even in a fiercely competitive market, ultimately adding intrinsic value to the Company.
- The Energy business has now dialed up its stability. This is largely due to the implementation of indexed supply contracts.
- The highly fragmented customer base significantly mitigates the risk associated with revenue concentration.

On these considerations, we have updated our DCF model and applied market multiples to Convergenze metrics.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.2% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, April 2024)
- Market return: 11.9% (last 30 days average. Source: Bloomberg, April 2024)
- Market risk premium: 8.6%
- Beta: 0.8 (from selected comparable companies. Source: Bloomberg, April 2024)
- Cost of equity: 10.1%

- Cost of debt: 4.0%
- Tax rate: 24% IRES
- 50% debt/(debt + equity) as capital structure
- WACC calculated at 6.6%
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal Value assumes a 15% EBITDA margin

DCF Valuation

€m		2023	2024E	2025E	2026E	Perpetuity
Revenues		**22.8**	**25.6**	**28.6**	**31.9**	**29.3**
EBITDA		**3.1**	**4.0**	**4.7**	**5.8**	**4.4**
Margin		*13.6%*	*15.5%*	*16.6%*	*18.0%*	*15.0%*
EBIT		**1.2**	**1.8**	**2.3**	**3.2**	**2.4**
Margin		*5.2%*	*7.2%*	*7.9%*	*9.9%*	*8.2%*
Taxes		(0.3)	(0.5)	(0.7)	(0.9)	(0.7)
NOPAT		**0.8**	**1.3**	**1.6**	**2.2**	**1.7**
D&A		1.9	2.1	2.5	2.6	2.0
Provisions		0.1	0.0	0.1	0.1	0.0
Cash flow from P&L operations		**2.9**	**3.5**	**4.2**	**4.9**	**3.7**
Trade Working Capital		0.6	0.2	(0.2)	(0.2)	(0.3)
Other assets and liabilities		0.2	0.3	0.3	0.3	0.0
Capex		(2.8)	(3.2)	(3.2)	(3.2)	(2.0)
Unlevered free cash flow		**0.9**	**0.7**	**1.0**	**1.8**	**1.4**
Free Cash Flows to be discounted			**0.7**	**1.0**	**1.8**	
WACC	6.6%					
Long-term growth (G)	2.5%					
Discounted Cash Flows			**0.7**	**0.9**	**1.5**	
Sum of Discounted Cash Flows	3.1					
Terminal Value						**35.0**
Discounted TV	28.9					
Enterprise Value	**32.0**					
Net debt as of 31/12/23	(5.6)					
Equity Value	**26.4**					
Equity Value per share (€)	**3.52**					

DCF - Implied multiples		**2023**	**2024E**	**2025E**	**2026E**
EV/Revenues		1.4x	1.2x	1.1x	1.0x
EV/EBITDA		10.3x	8.1x	6.8x	5.6x
EV/EBIT		27.0x	17.3x	14.1x	10.1x
P/E		neg	neg	19.7x	13.4x
Discount of current valuation vs DCF	***47%***				
Current market price - Implied multiples		**2023**	**2024E**	**2025E**	**2026E**
EV/Revenues		0.7x	0.7x	0.6x	0.5x
EV/EBITDA		5.5x	4.3x	3.6x	2.9x
EV/EBIT		14.3x	9.2x	7.5x	5.4x
P/E		neg	neg	8.5x	5.8x

Source: EnVent Research

SoP valuation on market multiples by BU

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
TLC												
Unidata	1.3x	1.0x	0.9x	5.6x	3.9x	3.4x	10.9x	6.3x	5.2x	16.0x	9.8x	7.7x
Intred	3.4x	2.9x	2.6x	7.6x	7.1x	6.3x	13.7x	15.2x	13.1x	18.2x	21.4x	18.4x
Planetel	1.4x	1.2x	1.1x	6.6x	4.9x	4.3x	26.2x	9.8x	7.5x	31.5x	10.1x	7.4x
United Internet	1.3x	1.2x	1.2x	6.8x	5.5x	5.1x	10.3x	9.7x	8.9x	16.8x	9.6x	8.5x
Bredband2	1.2x	1.2x	1.1x	10.6x	6.8x	6.6x	15.5x	14.0x	12.5x	20.4x	15.7x	14.1x
Cogent Communications	5.6x	4.3x	4.1x	40.9x	14.3x	14.8x	neg	neg	neg	2.5x	neg	neg
WideOpenWest	1.8x	1.9x	1.9x	6.7x	4.4x	4.4x	neg	18.1x	16.9x	neg	na	neg
Telstra	2.7x	2.5x	2.5x	9.7x	7.3x	7.0x	18.1x	16.3x	15.2x	21.9x	20.4x	18.9x
Mean	**2.3x**	**2.0x**	**1.9x**	**11.8x**	**6.8x**	**6.5x**	**15.8x**	**12.8x**	**11.3x**	**18.2x**	**14.5x**	**12.5x**
Mean w/out extremes	**2.0x**	**1.8x**	**1.7x**	**8.0x**	**6.0x**	**5.6x**	**14.6x**	**13.0x**	**11.4x**	**18.7x**	**14.0x**	**12.2x**
Median	**1.6x**	**1.5x**	**1.5x**	**7.2x**	**6.1x**	**5.7x**	**14.6x**	**14.0x**	**12.5x**	**18.2x**	**12.9x**	**11.3x**
Energy - Local multi-utilities												
A2A	0.8x	0.8x	0.8x	6.3x	5.5x	5.6x	11.4x	10.6x	11.9x	8.8x	9.9x	11.8x
ACEA	2.0x	2.1x	2.1x	8.1x	6.5x	6.2x	18.0x	14.5x	13.9x	11.8x	11.8x	11.6x
Hera	0.6x	0.6x	0.6x	6.8x	5.9x	5.8x	10.5x	11.2x	11.2x	11.1x	11.8x	11.7x
Iren	1.1x	1.2x	1.0x	6.7x	5.8x	5.5x	15.3x	13.1x	12.6x	9.5x	9.1x	8.3x
Mean	**1.1x**	**1.2x**	**1.1x**	**7.0x**	**5.9x**	**5.8x**	**13.8x**	**12.3x**	**12.4x**	**10.3x**	**10.7x**	**10.9x**
Median	**0.9x**	**1.0x**	**0.9x**	**6.8x**	**5.8x**	**5.7x**	**13.4x**	**12.1x**	**12.3x**	**10.3x**	**10.8x**	**11.7x**
Energy - Multinational ex-incumbents												
Enel	1.5x	1.4x	1.5x	8.0x	6.2x	6.2x	10.9x	9.5x	9.6x	18.3x	9.3x	9.3x
Eni	0.7x	0.8x	0.8x	4.2x	3.5x	3.6x	8.0x	5.7x	6.0x	10.1x	6.9x	7.2x
Electricité de France	na	na	na	na	na	na	na	na	na	na	na	na
E.ON	0.7x	0.7x	0.7x	17.5x	7.5x	7.5x	64.5x	11.7x	11.8x	62.6x	11.5x	11.9x
Edison	0.4x	na	na	6.5x	na	na	10.1x	na	na	13.9x	na	na
Mean	**0.8x**	**1.0x**	**1.0x**	**9.1x**	**5.7x**	**5.7x**	**23.4x**	**9.0x**	**9.1x**	**26.2x**	**9.2x**	**9.5x**
Median	**0.7x**	**0.8x**	**0.8x**	**7.3x**	**6.2x**	**6.2x**	**10.5x**	**9.5x**	**9.6x**	**16.1x**	**9.3x**	**9.3x**
Energy - Full sample												
Mean	**1.0x**	**1.1x**	**1.1x**	**8.0x**	**5.8x**	**5.8x**	**18.6x**	**10.9x**	**11.0x**	**18.3x**	**10.0x**	**10.3x**
Median	**0.7x**	**0.8x**	**0.8x**	**6.8x**	**5.9x**	**5.8x**	**11.2x**	**11.2x**	**11.8x**	**11.4x**	**9.9x**	**11.6x**
Full sample												
Mean	**1.6x**	**1.6x**	**1.5x**	**9.9x**	**6.3x**	**6.1x**	**17.4x**	**11.8x**	**11.2x**	**18.2x**	**12.1x**	**11.3x**
Median	**1.3x**	**1.2x**	**1.1x**	**6.8x**	**5.9x**	**5.8x**	**12.6x**	**11.4x**	**11.8x**	**16.0x**	**10.1x**	**11.6x**
Convergenze	**1.4x**	**1.2x**	**1.1x**	**10.3x**	**8.1x**	**6.8x**	**27.0x**	**17.3x**	**14.1x**	**neg**	**neg**	**19.7x**

Source: S&P Capital IQ, 30/04/2024

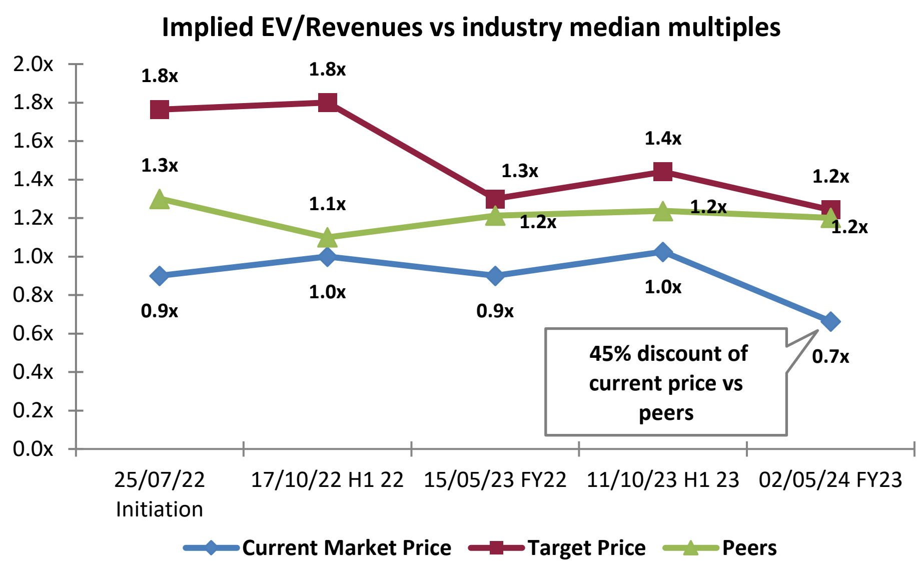
- We focus on EV/Revenues ratio to assess Convergence's short-term value, which is not affected by investment cycles or temporary profitability below industry standards, as in the case of the Energy BU.
- We have based our analysis on 2024 consensus data.
- For the Energy BU, we have applied multiples of local multi-utilities, considering comparability.
- As for the Media & Content BU, assuming a residual contribution for this year, we incorporate it into the TLC BU.

SoP application

€m			
Convergenze		**2024E Market multiples**	
EV TLC & MEDIA BU			
2024E Sales	**12.0**	1.5x	**18.5**
EV Energy BU			
2024E Sales	**13.4**	1.0x	**13.3**
SOP EV Convergenze			**31.8**
Net debt as of 31/12/23			(5.6)
Equity value Convergenze			**26.2**
Equity value Convergenze per share (€)			**3.50**

Source: EnVent Research

Target Price



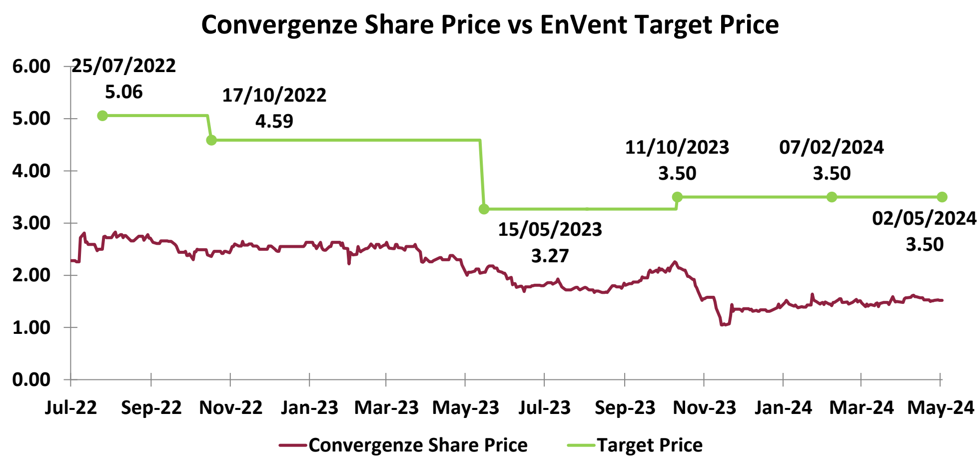
Source: EnVent Research on S&P Capital IQ, 02/05/2024

Our valuation of Convergenze incorporates both the DCF analysis and market references for the three BUs, as indicated by SoP method. This results in a target price confirmed to €3.50. With a potential upside of 130% compared to the current share price, we reaffirm our OUTPERFORM rating on the stock.

Please refer to important disclosures at the end of this report.

Convergenze Price per Share	€
Target Price	**3.50**
Current Share Price (30/04/2024)	1.52
Premium (Discount)	**130%**

Source: EnVent Research



Source: EnVent Research on S&P Capital IQ, 02/05/2024

DISCLAIMER (for more details go to www.enventgroup.eu under "Legal notices - Disclaimer")
This publication has been prepared by Luigi Tardella, Head of Research Division, Silvestro Bonora and Ivan Tromba, Equity Analysts, on behalf of the Research & Analysis Division of EnVent Italia SIM S.p.A. ("EnVent"). EnVent Italia SIM is authorized and regulated in Italy by Consob (Register of Investment Firms Reg. No. 315).

This publication does not represent to be, nor can it be construed as being, an offer or solicitation to buy, subscribe or sell financial products or instruments, or to execute any operation whatsoever concerning such products or instruments. This publication is not, under any circumstances, intended for distribution to the general public. Accordingly, this document is only for persons who are Eligible Counterparties or Professional Clients only, i.e. persons having professional experience in investments who are authorized persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 and COBS 4.12 of the FCA's New Conduct of Business Sourcebook. For residents in Italy, this document is intended for distribution only to professional clients and qualified counterparties as defined in Consob Regulation n. 16190 of the 29th October 2007, as subsequently amended and supplemented.
This publication, nor any copy of it, can not be brought, transmitted or distributed in the United States of America, Canada, Japan or Australia. Any failure to comply with these restrictions may constitute a violation of the securities laws provided by the United States of America, Canada, Japan or Australia.
EnVent does not guarantee any specific result as regards the information contained in the present publication, and accepts no responsibility or liability for the outcome of the transactions recommended therein or for the results produced by such transactions. Each and every investment/divestiture decision is the sole responsibility of the party receiving the advice and recommendations, who is free to decide whether or not to implement them. The price of the investments and the income derived from them can go down as well as up, and investors may not get back the amount originally invested. Therefore, EnVent and/or the author(s) of the present publication cannot in any way be held liable for any losses, damage, or lower earnings that the party using the publication might suffer following execution of transactions on the basis of the information and/or recommendations contained therein.
The purpose of this publication is merely to provide information that is up to date and as accurate as possible. The information and each possible estimate and/or opinion and/or recommendation contained in this publication is based on sources believed to be reliable. Although EnVent makes every reasonable endeavour to obtain information from sources that it deems to be reliable, it accepts no responsibility or liability as to the completeness, accuracy or exactitude of such information and sources. Past performance is not a guarantee of future results.
Most important sources of information used for the preparation of this publication are the documentation published by the Company (annual and interim financial statements, press releases, company presentations, IPO prospectus), the information provided by business and credit information providers (as Bloomberg, S&P Capital IQ, AIDA) and industry reports.
EnVent has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the case that any matter, opinion, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if the research on the subject company is withdrawn. The estimates, opinions, and recommendations expressed in this publication may be subject to change without notice, on the basis of new and/or further available information.
EnVent intends to provide continuous coverage of the Company and the financial instrument forming the subject of the present publication, with a semi-annual frequency and, in any case, with a frequency consistent with the timing of the Company's periodical financial reporting and of any exceptional event occurring in its sphere of activity.
A draft copy of this publication may be sent to the subject Company for its information and review (without valuation, target price and recommendation), for the purpose of correcting any inadvertent material inaccuracies. EnVent did not disclose the rating to the issuer before publication and dissemination of this document.

ANALYST DISCLOSURES
For each company mentioned in this publication, all of the views expressed in this publication accurately reflect the financial analysts' personal views about any or all of the subject company (companies) or securities.
Neither the analysts nor any member of the analysts' households have a financial interest in the securities of the subject Company. Neither the analysts nor any member of the analysts' households serve as an officer, director or advisory board member of the subject company. Analysts' remuneration was not, is not or will be not related, either directly or indirectly, to specific proprietary investment transactions or to market operations in which EnVent has played a role (as Euronext Growth Advisor, for example) or to the specific recommendation or view in this publication. EnVent has adopted internal procedures and an internal code of conduct aimed to ensure the independence of its financial analysts. EnVent Research analysts and other staff involved in issuing and disseminating research reports operate independently of EnVent Group business. EnVent, within the Research & Analysis Division, may collaborate with external professionals. It may, directly or indirectly, have a potential conflict of interest with the Company and, for that reason, EnVent adopts organizational and procedural measures for the prevention and management of conflicts of interest (for details www.enventgroup.eu under "Legal notices - Disclaimer", "Procedures for prevention of conflicts of interest").

MIFID II DISCLOSURES

Convergenze S.p.A. Società Benefit (the "Issuer or the "Company") is a corporate client of EnVent. This document, being paid for by a corporate Issuer, is a Minor Non-monetary Benefit as set out in Article 12 (3) of the Commission Delegated Act (C2016) 2031.
This note is a marketing communication and not independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and this note is not subject to the prohibition on dealing ahead of the dissemination of investment research.

CONFLICTS OF INTEREST

In order to disclose its possible conflicts of interest, EnVent states that it acts or has acted in the past 12 months as Corporate Broker to the subject Company on the Euronext Growth Milan market, a Multilateral Trading Facility regulated by Borsa Italiana (for details www.enventgroup.eu under "Legal notices - Disclaimer", "Potential conflicts of interest").

CONFIDENTIALITY

Neither this publication nor any portions thereof (including, without limitation, any conclusion as to values or any individual associated with this publication or the professional associations or organizations with which they are affiliated) shall be reproduced to third parties by any means without the prior written consent and approval from EnVent.

VALUATION METHODOLOGIES

EnVent Research & Analysis Division calculates range of values and fair values for the companies under coverage using professional valuation methodologies, such as the discounted cash flows method (DCF), dividend discount model (DDM) and multiple-based models (e.g. EV/Revenues, EV/EBITDA, EV/EBIT, P/E, P/BV). Alternative valuation methodologies may be used, according to circumstances or judgement of non-adequacy of most used methods. The target price could be also influenced by market conditions or events and corporate or share peculiarities.

STOCK RATINGS

The "OUTPERFORM", "NEUTRAL", AND "UNDERPERFORM" recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.
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.
Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.
The stock price indicated in the report is the last closing price on the day of Production.
Date and time of Production: 30/04/2024 h. 7.00pm
Date and time of Distribution: 02/05/2024 h. 6.45pm

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
07/02/2023	OUTPERFORM	3.50	1.45
02/05/2024	OUTPERFORM	3.50	1.52

ENVENT RECOMMENDATION DISTRIBUTION (May 02nd, 2024)

Number of companies covered: 27	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %	85%	11%	0%	4%	0%	0%
of which EnVent clients % *	77%	33%	na	100%	na	na

This disclaimer is constantly updated on the website at www.enventgroup.eu under "Legal notices - Disclaimer".
Additional information available upon request.