



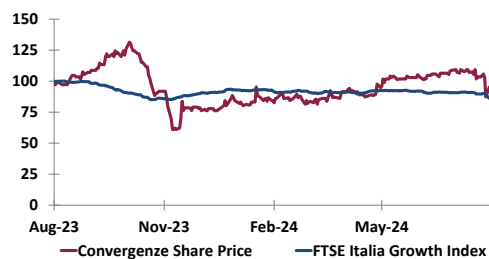
## FLASH NOTE

### OUTPERFORM

Current Share Price (€): 1.64

Target Price (€): 3.50

#### Convergenze - 1Y Performance



Source: S&P Capital IQ - Note: 07/08/2023=100

#### Company data

ISIN number	IT0005426215
Bloomberg code	CVG IM
Reuters code	CVG.MI
Industry	TLC - Energy
Stock market	Euronext Growth Milan
Share Price (€)	1.64
Date of Price	05/08/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	12.3
Market Float (%)	22.1%
Daily Volume	11,500
Avg Daily Volume YTD	9,151
Target Price (€)	3.50
Upside (%)	113%
Recommendation	OUTPERFORM

#### Share price performance

	1M	3M	6M	1Y
Convergenze - Absolute (%)	-12%	-1%	15%	-5%
FTSE Italia Growth (%)	-5%	-7%	-6%	-14%
1Y Range H/L (€)			2.26	1.05
YTD Change (€) / %			0.26	19%

Source: S&P Capital IQ

#### Analysts

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

This document may not be distributed in the United States, Canada, Japan or Australia or to U.S. persons.

## H1 2024 KPIs: Energy BU posts strong margin growth in H1, positive H2 outlook, potential FY24E EBITDA upgrade

#### Stock trading update

Since May 2024 Convergenze shares have started an uptrend, gaining +20%, outperforming the FTSE Italia Growth index which lost 2% in the same period. After the sell-off on Friday August 2<sup>nd</sup>, which hits equity world markets, the stock was affected by the generalized risk-off, closing at €1.50 from €1.77 of day-before closing.

#### H1 2024 operating figures

Key Performance Indicators:

- Energy Points of Delivery over 10,000, +7.5% on 2023 year-end
- kWh supplied +15.1% vs H1 2023
- Service contracts: +5.5% in TLC and +12.4% in Energy vs H1 2023
- Own optic fiber network +15.2% on December 2023
- Users on proprietary network: 50.3% (50% in Q1 2024)
- H1 2024 sales: €12m, €5.6m TLC BU (+14.3% on H1 2023, flat on H2 2023) and €6.5m Energy BU (+18.2% on H1 2023)
- H1 2024 EBITDA margin by segment: TLC BU in 30-31% range (27.7% in FY 2023); Energy BU surging to 8-9% range versus 2% in FY 2023

#### Leveraging strategic investments to drive revenue growth and market share expansion

Convergenze's KPIs showed a robust revenue growth during the period. Strategic investments in FTTH network have driven an uptick in contracted services across both the TLC and Energy business. In addition, the launch of Media & Content Delivery Network BU could further enhance the Company's growth trajectory. The unique vertical integration of the businesses has strengthened cross-selling initiatives. Management remains optimistic about the second half of the year.

#### Buyback update

In December 2023 Convergenze started a buyback program, to date the Company acquired over 82k own shares (1.1% of share capital).

#### Energy margin well above our assumptions, TP and OUTPERFORM rating confirmed

H1 2024 revenues are consistent with our full-year forecast, which points to roughly €12m for TLC and over €13m for Energy. On the other hand, the indication of EBITDA margins for the first half of the year is overall higher than our assumptions, particularly due to the Energy BU, which exceeded our estimates. In detail, our projections for 2024 imply a margin just below 30% for TLC segment, vs 30-31% indicated by Management for H1, while for the Energy BU we assume a margin in the mid-single digits, compared to a much higher 8-9%. On this basis, assuming no specific headwinds for the energy market, we believe that the overall implied FY24E EBITDA margin may be 250-350 bps higher than our estimates, or +15-20% up over our FY24E EBITDA. Waiting for full half-year release due on 27<sup>th</sup> September, we remain confident on our target price of €3.50 per share and our OUTPERFORM rating, 113% potential upside on current share price.

#### KEY FINANCIALS AND ESTIMATES

€m	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenues	16.8	16.5	18.9	28.4	22.8	25.6	28.6	31.9
Adj. EBITDA	1.6	2.3	1.8	1.4	3.2	4.0	4.7	5.8
Margin	10%	14%	10%	5%	14%	16%	17%	18%
Net Income (Loss)	0.5	0.7	0.2	(0.8)	0.5	1.0	1.3	2.0
Net (Debt) Cash	(0.5)	0.1	(2.3)	(6.1)	(5.6)	(5.1)	(4.4)	(2.8)
<b>DCF - Implied multiples</b>						<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EV/Revenues						1.2x	1.1x	1.0x
EV/EBITDA						8.1x	6.8x	5.6x
EV/EBIT						17.3x	14.1x	10.1x
P/E						neg	19.7x	13.4x

Source: Company data 2019-23A, EnVent Research 2024-26E

**DISCLAIMER** (for more details go to [www.enventgroup.eu](http://www.enventgroup.eu) under “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).

According to article 35, paragraph 2b of Euronext Growth Milan Rules for Companies (Regolamento Emittenti Euronext Growth Milan), EnVent has been commissioned to produce Equity Research, and particularly this publication, for the Company.

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](http://www.enventgroup.eu) under “Disclaimer”, “Procedures for prevention of conflicts of interest”).

## MIFID II DISCLOSURES

**Convergenze S.p.A. Società Benefit S.p.A.** (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 Euronext Growth Advisor and Global Coordinator to the subject Company on the Euronext Growth Milan market, a Multilateral Trading Facility regulated by Borsa Italiana (for details [www.enventgroup.eu](http://www.enventgroup.eu) under “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 expected to have a downside within the reference market or industry, with a target price more than 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: 02/08/2024 h. 7.00pm

Date and time of Distribution: 05/08/2024 h. 6.35pm

## 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
08/08/2024	OUTPERFORM	3.50	1.64

## ENVENT RECOMMENDATION DISTRIBUTION (June 30<sup>th</sup>, 2024)

Number of companies covered:	22	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %		82%	5%	0%	5%	9%	0%
of which EnVentCM clients % *		94%	100%	na	100%	100%	na

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

This disclaimer is constantly updated on the website at [www.enventgroup.eu](http://www.enventgroup.eu) under “Disclaimer”.

Additional information available upon request.

© Copyright 2024 by EnVent Italia SIM S.p.A. - All rights reserved

The Issuer is a corporate client of EnVent Italia SIM S.p.A., thus this Note is to be intended as a marketing communication, not an independent research. See final two pages for important disclosures.