

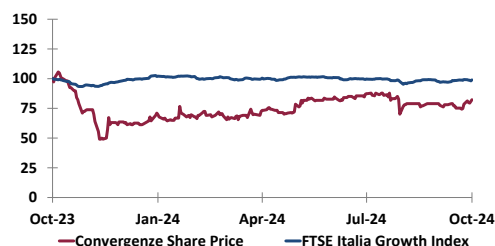


OUTPERFORM

Current Share Price (€): 1.76

Target Price (€): 3.50

Convergenze - 1Y Performance



Source: S&P Capital IQ - Note: 04/10/2023=100

Company data

ISIN number	IT0005426215
Bloomberg code	CVG IM
Reuters code	CVG.MI
Industry	TLC - Energy
Stock market	Euronext Growth Milan
Share Price (€)	1.76
Date of Price	04/10/2024
Shares Outstanding (m)	7.5
Market Cap (€m)	13.2
Market Float (%)	22.0%
Daily Volume	35,000
Avg Daily Volume YTD	7,815
Target Price (€)	3.50
Upside (%)	99%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Convergenze - Absolute (%)	4%	-6%	12%	-19%
FTSE Italia Growth (%)	1%	-1%	-1%	-1%
1Y Range H/L (€)			2.26	1.05
YTD Change (€) / %			0.38	28%

Source: S&P Capital IQ

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H1 2024 results: Energy BU margin leap to 8.5%, TLC over 30%. Bottom-line x10 YoY, net financial position improved

Trading update

Convergenze shares reached one-year low of €1.05 in November end 2023, since then there has been a bullish trend of over 67% gains, outperforming the reference index, which has brought the share back to €1.76 area.

H1 2024: double digit growth in sales, further improvement of EBITDA margin

H1 2024 sales €12m (+15.4% on H1 2023): TLC BU €5.6 (+12.4% on H1 2023) while Energy BU €6.4m (+17.9% on H1 2023) with 17.5m kWh supplied (+15.1% vs H1 2023). EBITDA €2.3m (+73% on H1 2023), 18.7% margin (12.5%): the TLC BU generated €1.7m (+27.7% on H1 2023), with margin at 30.4% (26.8%), while the Energy BU €0.6m (negative in H1 2023), 8.5% margin. Net financial debt improved to €4.8m from €5.6m as of year-end 2023, after capex of €1.3m, mainly for optic fiber network which has reached 10,600km (+23.2% as of June 2023 and +15.2% as of December 2023), plus 1,036 km in IRU.

Operating figures and business update

Media & Content Delivery Network BU is fully operating, driven by the launch of Convergenze TV by Agile TV in partnership with Agile Content. Energy Points of Delivery over 10,000, +7.5% on 2023 year-end. Service contracts over 63.5k (+10.4% vs H1 2023): +5.5% TLC and +12.2% Energy. To date, Convergenze has 90,000 treasury shares (1.2% ownership share).

Management business outlook

According to management, the new 60 GHz XUWA technology is expected to offer higher speed and stability. In addition, the development of the new cybersecurity business line could fuel future growth. In March 2024, Convergenze has been awarded the installation of four EV charging stations in Salerno. In October 2024 Positivo Srl will be merged into Convergenze, completing the process.

Estimates fine-tuned, Target Price €3.50 per share confirmed, OUTPERFORM rating

For the Energy BU, we are uprising our FY24E EBITDA margin projection from mid to high-single digits, fine-tuning also FY25-26E. Overall, we now expect a margin around 18% in 2024, +200bps vs previous estimate. We thus reaffirm our target price of €3.50 and OUTPERFORM rating, with a potential upside of 99% from the current share price, implying 2024E discount of 40% on peers.

KEY FINANCIALS AND ESTIMATES

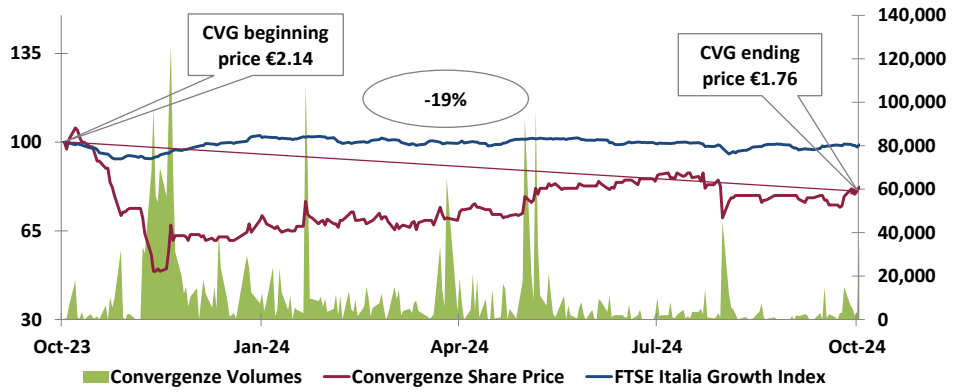
€m	2019	2020	2021	2022	2023	2024E	2025E	2026E
Revenues	16.8	16.5	18.9	28.4	22.8	25.6	28.6	31.9
Adj. EBITDA	1.6	2.3	1.8	1.4	3.2	4.6	5.2	6.0
Margin	10%	14%	10%	5%	14%	18%	18%	19%
Net Income (Loss)	0.5	0.7	0.2	(0.8)	0.5	1.4	1.6	2.0
Net (Debt) Cash	(0.5)	0.1	(2.3)	(6.1)	(5.6)	(4.9)	(3.9)	(2.3)
DCF - Implied multiples						2024E	2025E	2026E
EV/Revenues						1.2x	1.1x	1.0x
EV/EBITDA						6.8x	6.0x	5.2x
EV/EBIT						12.5x	11.4x	9.1x
P/E						19.3x	17.2x	13.0x

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

Market update

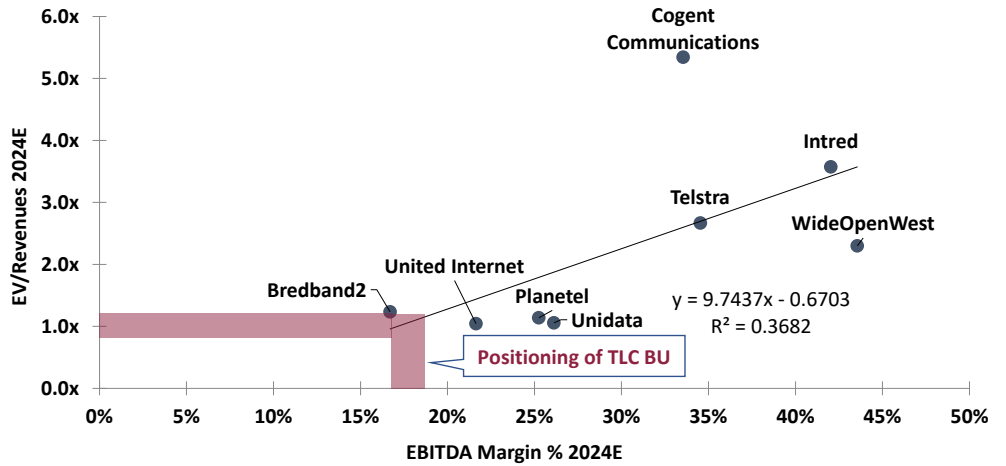
Trading price range €1.05-2.26 per share

Convergenze - 1Y Share price performance and trading volumes



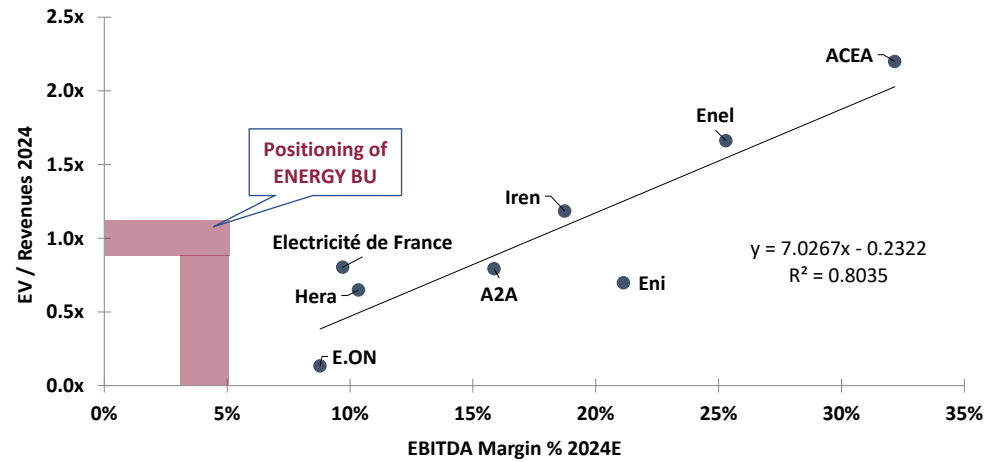
Source: EnVent Research on S&P Capital IQ - Note: 04/10/2023=100

TLC BU peer group - Regression analysis



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

Energy BU peer group - Regression analysis



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

Low comparability with the Energy peer group

Investment case

Vertically integrated with a single touchpoint for connectivity and energy

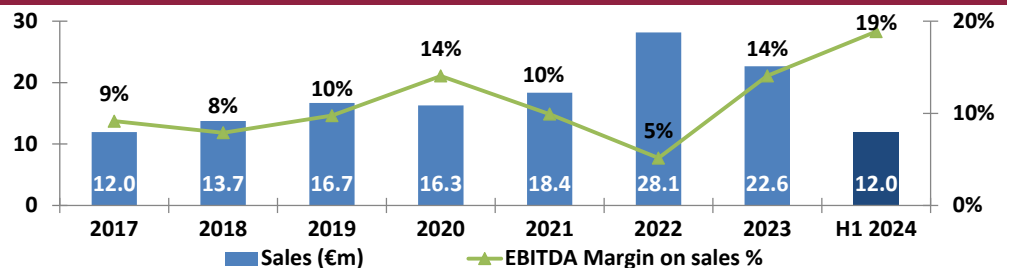
Convergenze SpA *Benefit Corporation*, founded in 2005 and public company since 2020 on the Euronext Growth Milan, is an Italian local multi-utility provider of internet and voice services, electricity, and natural gas to residential and business customers in Salerno-Cilento area (Southern Italy). It operates with a joint business model: provider of broadband connectivity services through a proprietary infrastructure made of 10,600km 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*.

Convergenze is Benefit Corporation and issues Sustainability Report from 2020.

Strategy pillars:

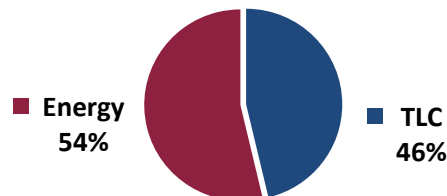
- Extension of the proprietary fiber optic network in the municipalities where Convergenze has already reached a critical mass of customers served by wireless technology
- Increase in the number of Energy customers, taking advantage of cross-selling opportunities between the TLC and Energy BUs, also 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

Industry and company drivers

- EU and Italy digital targets call for continued broadband expansion
- Connectivity and convergence of emerging technologies such as cloud and IoT
- Electric and sustainable mobility trends
- Smart and connected devices are turning upside-down attitude to home energy

savings and efficiency

- Heat pumps: a promising solution for lowering greenhouse gas emissions
- Value of customer base and cross selling opportunities
- Proprietary network and interconnections
- Sustainability and corporate responsibility

Challenges

- Energy prices volatility and risk management
- Highly competitive telco and energy markets
- The number of customers and churn rate may fluctuate and cause volatility
- Regulatory risk

Risk profile: *medium*

Competitive forces		
Force	Factors	Risk Map
Competitive rivalry	<ul style="list-style-type: none"> • High competition: price is main competitive factor. 	<p>Higher risk</p> <p>Lower impact</p> <p>Higher impact</p> <p>Lower risk</p> <p>Overall risk profile MEDIUM</p>
Customers	<ul style="list-style-type: none"> • High bargaining power: Customers could switch service-provider. Wide availability of offers. 	
New entrants	<ul style="list-style-type: none"> • Barriers to entry medium-high: investments into proprietary infrastructure; setup of sales organization and marketing cost for customer acquisition. 	
Substitutes	<ul style="list-style-type: none"> • Medium-high: Constant innovation and technological change (i.e. introduction of GPON, 5G, etc.). 	
Suppliers	<ul style="list-style-type: none"> • Medium-low bargaining power: availability of Convergenze own fiber and wireless network. 	

H1 2024 results

- H1 2024 sales €12m (+15.4% on H1 2023): TLC BU €5.6 (+12.4% on H1 2023) while Energy BU €6.4m (+17.9% on H1 2023) with 17.5m kWh supplied (+15.1% vs H1 2023)
- EBITDA €2.3m (+73% on H1 2023), 18.7% margin (12.5%): the TLC BU generated €1.7m (+27.7% on H1 2023), with margin at 30.4% (26.8%), while the Energy BU €0.6m (negative in H1 2023), with margin at 8.5%
- Net financial debt improved at €4.8m, from €5.6m as of year-end 2023, thanks to €0.7m cash flow
- Capex €1.3m, mainly for optic fiber network which has reached 10,600km (+23.2% as of June 2023 and +15.2% as of December 23)

Profit and Loss

€m	H1 2023	H1 2024
Sales TLC BU	4.9	5.6
Sales Energy BU	5.5	6.5
Sales	10.4	12.0
Other income	0.1	0.1
Total Revenues	10.5	12.1
YoY %	-16.8%	15.0%
Cost of sales	(6.7)	(7.1)
Gross profit	3.9	5.0
<i>Margin</i>	36.8%	41.5%
Services	(0.9)	(0.8)
Personnel	(1.4)	(1.6)
Other operating costs	(0.3)	(0.3)
Operating costs	(2.6)	(2.8)
Adjusted EBITDA	1.3	2.3
<i>Margin</i>	12.4%	18.7%
Non-recurring items	0.0	0.0
Writedown of trade receivables	(0.0)	(0.0)
EBITDA	1.3	2.2
<i>Margin</i>	12.4%	18.5%
D&A	(0.9)	(1.0)
EBIT	0.4	1.3
<i>Margin</i>	3.8%	10.5%
Interest	(0.3)	(0.3)
EBT	0.1	0.9
<i>Margin</i>	1.2%	7.8%
Income taxes	(0.1)	(0.3)
Net Income (Loss)	0.0	0.6
<i>Margin</i>	0.4%	5.0%

Balance Sheet

€m	H1 2023	2023	H1 2024
Inventory	0.3	0.3	0.3
Trade receivables	3.2	4.0	4.5
Trade payables	(2.6)	(3.5)	(4.0)
Trade Working Capital	0.9	0.8	0.8
Other assets (liabilities)	(2.2)	(2.4)	(3.2)
Net Working Capital	(1.3)	(1.6)	(2.4)
Intangible assets	0.9	0.8	0.7
Property, plant and equipment	12.9	12.9	13.3
Equity investments and financial assets	0.1	0.1	0.2
Non-current assets	13.8	13.7	14.2
Provisions	(0.8)	(0.9)	(1.0)
Net Invested Capital	11.7	11.2	10.8
Bank debt	6.3	5.5	5.0
Bonds	0.7	0.6	0.5
Other financial debt	0.1	0.1	0.1
Cash and equivalents	(0.6)	(0.6)	(0.8)
Net Debt (Cash)	6.5	5.6	4.8
Equity	5.2	5.7	6.0
Sources	11.7	11.2	10.8

Source: Company data

Cash Flow

€m	H1 2023	H1 2024
EBIT	0.4	1.3
Current taxes	(0.1)	(0.3)
D&A	0.9	1.0
Provisions	0.1	0.1
Cash flow from P&L operations	1.3	2.0
Trade Working Capital	0.5	(0.1)
Other assets and liabilities	0.1	0.8
Operating cash flow before capex	1.8	2.7
Capex	(1.9)	(1.3)
Operating cash flow after WC and capex	(0.1)	1.4
Interest	(0.3)	(0.3)
Equity investments and financial assets	(0.0)	(0.1)
Dividends	0.0	(0.1)
Tresasury shares	0.0	(0.1)
Net cash flow	(0.4)	0.7
Net (Debt) Cash - Beginning	(6.1)	(5.6)
Net (Debt) Cash - End	(6.5)	(4.8)
Change in Net (Debt) Cash	(0.4)	0.7

Ratio analysis

	H1 2023	H1 2024
ROE	1%	10%
ROA	2%	6%
ROS	4%	11%
ROI	3%	12%
DSO	46	56
DPO	40	62
DOI	5	4
TWC/Sales	9%	7%
NWC/Sales	neg	neg
Capex/Sales	18%	11%
Net Debt/Equity	1.2x	0.8x
Cash flow from P&L operations/EBITDA	99%	88%
FCF/EBITDA	neg	63%
Basic EPS (€)	0.01	0.08

Source: Company data - Note: H1 KPIs calculated on LTM economics

Corporate period facts

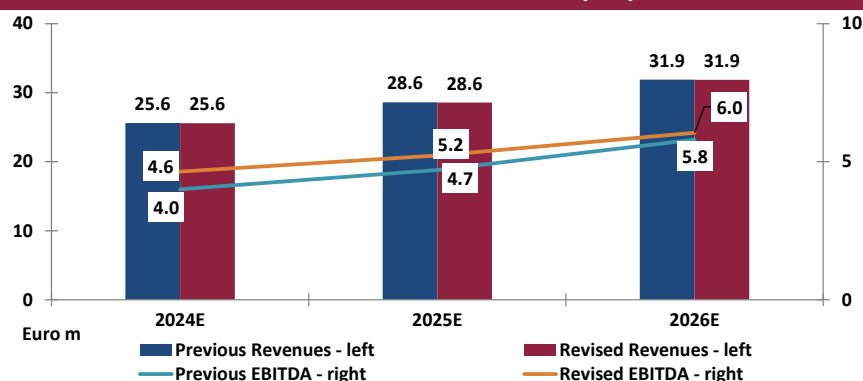
- €0.15m dividends paid in May 2024
- To date, Convergence has 90,000 treasury shares, corresponding to 1.2% ownership share.

Estimates revision

For the Energy BU, we are upraising our FY24E EBITDA margin projection from mid to high-single digits, fine-tuning also FY25-26E. Overall, we now expect a margin around 18% in 2024, +200bps vs previous estimate.

Change in estimates

Previous vs Revised Revenues and EBITDA estimates (€m)



Source: EnVent Research

€m	Revised			Previous			Change %		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Revenues	25.6	28.6	31.9	25.6	28.6	31.9	0%	0%	0%
Adj. EBITDA	4.6	5.2	6.0	4.0	4.7	5.8	16%	11%	4%
<i>Margin</i>	18%	18%	19%	16%	16%	18%			
EBIT	2.5	2.8	3.5	1.8	2.3	3.2	40%	20%	8%
<i>Margin</i>	10%	10%	11%	7%	8%	10%			
Net Income (Loss)	1.4	1.6	2.0	1.0	1.3	2.0	39%	20%	2%
Net (Debt) Cash	(4.9)	(3.9)	(2.3)	(5.1)	(4.4)	(2.8)	-4%	-12%	-19%
<i>Net Debt/EBITDA</i>	1.1x	0.7x	0.4x	1.3x	0.9x	0.5x			

Source: EnVent Research

Financial projections

€m	Profit and Loss							
	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales TLC BU	7.0	7.5	8.9	9.3	10.5	11.8	13.8	15.8
Sales Energy BU	9.7	8.8	9.4	18.8	12.2	13.4	14.1	14.8
Sales Media & Content BU	0.0	0.0	0.0	0.0	0.0	0.2	0.5	1.1
Sales	16.7	16.3	18.4	28.1	22.6	25.4	28.4	31.7
Other income	0.1	0.2	0.6	0.2	0.2	0.2	0.2	0.2
Total Revenues	16.8	16.5	18.9	28.4	22.8	25.6	28.6	31.9
YoY %	-	-1.9%	14.9%	49.8%	-19.5%	12.1%	11.7%	11.6%
Cost of sales	(11.7)	(10.1)	(12.6)	(22.0)	(14.4)	(15.3)	(16.5)	(17.9)
Gross profit	5.1	6.3	6.3	6.3	8.4	10.3	12.1	14.0
<i>Margin</i>	30.4%	38.5%	33.5%	22.4%	36.9%	40.3%	42.2%	43.8%
Services	(1.4)	(1.7)	(1.5)	(1.3)	(1.5)	(1.7)	(2.4)	(3.0)
Personnel	(1.8)	(2.1)	(2.5)	(3.1)	(3.3)	(3.5)	(3.8)	(4.2)
Other operating costs	(0.3)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
Operating costs	(3.5)	(4.0)	(4.5)	(4.9)	(5.2)	(5.7)	(6.8)	(7.9)
Adjusted EBITDA	1.6	2.3	1.8	1.4	3.2	4.6	5.2	6.0
<i>Margin</i>	9.7%	13.9%	9.6%	5.1%	14.0%	18.1%	18.3%	19.0%
Non-recurring items	(0.1)	(0.1)	(0.0)	(0.1)	0.0	0.0	0.0	0.0
Writedown of trade receivables	0.0	0.0	0.0	(0.2)	(0.1)	0.0	0.0	0.0
EBITDA	1.6	2.2	1.8	1.2	3.1	4.6	5.2	6.0
<i>Margin</i>	9.4%	13.1%	9.5%	4.2%	13.6%	18.1%	18.3%	19.0%
D&A	(0.6)	(0.9)	(1.3)	(1.6)	(1.9)	(2.1)	(2.5)	(2.6)
EBIT	1.0	1.2	0.5	(0.4)	1.2	2.5	2.8	3.5
<i>Margin</i>	5.9%	7.5%	2.8%	-1.6%	5.2%	9.8%	9.6%	10.8%
Interest	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
EBT	0.8	1.0	0.3	(0.8)	0.7	2.0	2.2	2.9
<i>Margin</i>	4.6%	6.2%	1.5%	-2.8%	2.9%	7.8%	7.8%	9.2%
Income taxes	(0.3)	(0.3)	(0.0)	0.0	(0.1)	(0.6)	(0.7)	(0.9)
Net Income (Loss)	0.5	0.7	0.2	(0.8)	0.5	1.4	1.6	2.0
<i>Margin</i>	3.1%	4.2%	1.3%	-2.8%	2.2%	5.4%	5.4%	6.4%

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

Balance Sheet

€m	2019	2020	2021	2022	2023	2024E	2025E	2026E
Inventory	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3
Trade receivables	2.0	2.0	2.5	3.2	4.0	4.2	4.7	5.3
Trade payables	(3.2)	(3.3)	(3.7)	(2.1)	(3.5)	(3.8)	(4.2)	(4.6)
Trade Working Capital	(1.0)	(1.1)	(1.0)	1.4	0.8	0.7	0.9	1.1
Other assets (liabilities)	(1.1)	(1.0)	(1.7)	(2.1)	(2.4)	(2.7)	(3.0)	(3.3)
Net Working Capital	(2.1)	(2.0)	(2.7)	(0.8)	(1.6)	(2.0)	(2.1)	(2.3)
Intangible assets	0.2	0.6	0.9	0.9	0.8	0.6	0.4	0.2
Property, plant and equipment	4.8	6.8	10.5	11.8	12.9	14.1	15.1	16.0
Equity investments and financial assets	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Non-current assets	5.0	7.5	11.4	12.8	13.7	14.8	15.6	16.3
Provisions	(0.5)	(0.5)	(0.6)	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)
Net Invested Capital	2.4	5.0	8.2	11.3	11.2	11.9	12.5	12.9
Net Debt (Cash)	0.5	(0.1)	2.3	6.1	5.6	4.9	3.9	2.3
Equity	1.9	5.0	5.9	5.2	5.7	7.0	8.6	10.6
Sources	2.4	5.0	8.2	11.3	11.2	11.9	12.5	12.9

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

Cash Flow

€m	2019	2020	2021	2022	2023	2024E	2025E	2026E
EBIT	1.0	1.2	0.5	(0.4)	1.2	2.5	2.8	3.5
Current taxes	(0.3)	(0.3)	(0.0)	0.0	(0.1)	(0.6)	(0.7)	(0.9)
D&A	0.6	0.9	1.3	1.6	1.9	2.1	2.5	2.6
Provisions	0.1	(0.0)	0.1	0.2	0.1	0.0	0.1	0.1
Cash flow from P&L operations	1.4	1.8	1.8	1.4	3.1	4.1	4.6	5.3
Trade Working Capital	0.3	0.0	(0.1)	(2.3)	0.6	0.1	(0.2)	(0.2)
Other assets and liabilities	0.6	(0.1)	0.7	0.5	0.2	0.3	0.3	0.3
Operating cash flow before capex	2.3	1.7	2.5	(0.5)	3.9	4.4	4.8	5.4
Capex	(1.4)	(3.4)	(5.2)	(3.0)	(2.8)	(3.2)	(3.2)	(3.2)
Operating cash flow after WC and capex	0.9	(1.7)	(2.8)	(3.5)	1.1	1.2	1.5	2.2
Interest	(0.2)	(0.2)	(0.2)	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Equity investments and financial assets	(0.0)	(0.0)	0.0	(0.1)	(0.0)	0.0	0.0	0.0
IPO proceeds	0.0	2.5	0.3	0.0	0.0	0.0	0.0	0.0
Warrants exercise	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Changes in equity	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Net cash flow	0.7	0.6	(2.4)	(3.8)	0.6	0.7	1.0	1.6
Net Debt (Beginning)	(1.2)	(0.5)	0.1	(2.3)	(6.1)	(5.6)	(4.9)	(3.9)
Net Debt (End)	(0.5)	0.1	(2.3)	(6.1)	(5.6)	(4.9)	(3.9)	(2.3)
Change in Net Debt (Cash)	0.7	0.6	(2.4)	(3.8)	0.6	0.7	1.0	1.6

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

Ratio analysis

KPIs	2019	2020	2021	2022	2023	2024E	2025E	2026E
ROE	33%	20%	4%	neg	9%	22%	20%	21%
ROA	13%	10%	3%	neg	6%	12%	12%	13%
ROS	6%	8%	3%	neg	5%	10%	10%	11%
ROI	41%	25%	6%	-4%	11%	21%	22%	27%
DSO	36	37	40	34	53	50	50	50
DPO	65	63	55	24	55	55	55	55
DOI	5	7	9	12	11	8	8	8
TWC/Sales	-6%	-7%	-5%	5%	3%	3%	3%	3%
NWC/Sales	-13%	-13%	-14%	-3%	-7%	-8%	-7%	-7%
Capex/Sales	8%	21%	29%	11%	12%	13%	11%	10%
Net Debt/Revenues	0.0x	cash	0.1x	0.2x	0.2x	0.2x	0.1x	0.1x
Net Debt/EBITDA	0.3x	0.0x	1.3x	5.1x	1.8x	1.1x	0.7x	0.4x
Net Debt/EBIT	0.5x	cash	4.4x	neg	4.7x	1.9x	1.4x	0.7x
Net Debt/Equity	0.3x	0.0x	0.4x	1.2x	1.0x	0.7x	0.5x	0.2x
Cash flow from P&L operations/EBITDA	88%	84%	103%	116%	99%	88%	89%	87%
FCF/EBITDA	56%	neg	neg	neg	36%	26%	30%	36%
Basic EPS (€)	na	0.09	0.03	neg	0.07	0.18	0.21	0.27

Source: Company data 2019-23A, 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.

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

Treasury shares

To date, Convergenze has 90,000 treasury shares, corresponding to 1.2% ownership share. We calculate per share values using net outstanding number of shares (7,407,509).

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.1% (last 30 days average. Source: Bloomberg, October 2024)
- Market return: 11.3% (last 30 days average. Source: Bloomberg, October 2024)
- Market risk premium: 8.1%
- Beta: 0.8
- Cost of equity: 9.6%
- Cost of debt: 5.0%, from 4.0%

- Tax rate: 24% IRES
- 50% debt/(debt + equity) as capital structure
- WACC calculated at 6.7%
- 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	4.6	5.2	6.0	4.4
<i>Margin</i>	<i>13.6%</i>	<i>18.1%</i>	<i>18.3%</i>	<i>19.0%</i>	<i>15.0%</i>
EBIT	1.2	2.5	2.8	3.5	2.4
<i>Margin</i>	<i>5.2%</i>	<i>9.8%</i>	<i>9.6%</i>	<i>10.8%</i>	<i>8.2%</i>
Taxes	(0.3)	(0.7)	(0.8)	(1.0)	(0.7)
NOPAT	0.8	1.8	2.0	2.5	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	4.0	4.5	5.1	3.7
Trade Working Capital	0.6	0.1	(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	1.1	1.4	2.0	1.4
<i>- H1 Unlevered Free Cash Flows</i>		<i>(1.4)</i>			
Free Cash Flows to be discounted		(0.3)	1.4	2.0	
WACC	6.7%				
Long-term growth (G)	2.5%				
Discounted Cash Flows		(0.3)	1.3	1.7	
Sum of Discounted Cash Flows	2.7				
Terminal Value					33.9
Discounted TV	28.8				
Enterprise Value	31.5				
Net debt as of 30/06/24	(4.8)				
Equity Value	26.7				

DCF - Implied multiples	2024E	2025E	2026E
EV/Revenues	1.2x	1.1x	1.0x
EV/EBITDA	6.8x	6.0x	5.2x
EV/EBIT	12.5x	11.4x	9.1x
P/E	19.3x	17.2x	13.0x
Discount of current valuation vs DCF	43%		
Current market price - Implied multiples	2024E	2025E	2026E
EV/Revenues	0.7x	0.6x	0.6x
EV/EBITDA	3.9x	3.4x	3.0x
EV/EBIT	7.1x	6.5x	5.2x
P/E	9.4x	8.4x	6.4x

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	1.1x	1.0x	5.8x	4.1x	3.5x	11.3x	6.4x	5.5x	16.5x	9.9x	8.1x
Intred	4.1x	3.6x	3.3x	9.2x	8.4x	7.5x	16.6x	17.3x	15.3x	21.7x	24.1x	21.1x
Planetel	1.3x	1.1x	1.0x	6.1x	4.5x	4.0x	24.3x	9.1x	6.9x	28.7x	9.2x	6.7x
United Internet	1.1x	1.1x	1.0x	5.9x	4.9x	4.4x	9.0x	9.2x	8.0x	14.1x	12.2x	8.6x
Bredband2	1.3x	1.2x	1.2x	11.6x	7.3x	6.7x	17.0x	14.6x	12.7x	21.7x	18.5x	15.5x
Cogent Communications	6.3x	5.3x	5.1x	na	15.8x	17.3x	neg	neg	neg	2.9x	neg	neg
WideOpenWest	2.1x	2.3x	2.4x	7.8x	5.2x	5.2x	neg	na	34.0x	neg	na	neg
Telstra	2.8x	2.6x	2.6x	10.3x	7.6x	7.4x	19.2x	17.1x	15.9x	23.5x	21.1x	19.9x
Mean	2.5x	2.3x	2.2x	8.1x	7.2x	7.0x	16.2x	12.3x	14.0x	18.5x	15.8x	13.3x
Mean w/out extremes	2.2x	2.0x	1.9x	7.9x	6.3x	5.9x	16.0x	12.5x	11.7x	19.5x	15.4x	13.0x
Median	1.7x	1.7x	1.8x	7.8x	6.2x	6.0x	16.8x	11.9x	12.7x	21.7x	15.3x	12.1x
Energy - Local multi-utilities												
A2A	0.7x	0.8x	0.8x	6.1x	4.8x	4.9x	11.1x	8.9x	9.7x	9.4x	8.4x	9.7x
ACEA	2.1x	2.2x	2.2x	8.5x	6.7x	6.5x	19.0x	14.8x	14.7x	12.1x	12.0x	11.9x
Hera	0.6x	0.6x	0.7x	7.2x	6.2x	6.1x	11.0x	11.9x	11.6x	11.4x	12.0x	11.8x
Iren	1.2x	1.2x	1.3x	7.7x	6.3x	6.0x	17.8x	14.7x	14.1x	9.9x	9.5x	8.8x
Mean	1.2x	1.2x	1.2x	7.4x	6.0x	5.9x	14.7x	12.6x	12.5x	10.7x	10.5x	10.6x
Median	1.0x	1.0x	1.1x	7.4x	6.2x	6.0x	14.4x	13.3x	12.8x	10.6x	10.7x	10.8x
Energy - Multinational ex-incumbents												
Enel	1.6x	1.6x	1.7x	8.5x	6.5x	6.5x	11.5x	9.8x	9.9x	20.5x	10.3x	10.3x
Eni	0.7x	0.7x	0.7x	3.9x	3.4x	3.5x	7.6x	5.6x	6.1x	9.5x	7.5x	7.5x
E.ON	0.8x	0.8x	0.8x	na	8.1x	7.8x	nm	12.6x	12.4x	na	11.6x	11.7x
Edison	0.4x	na	na	7.2x	na	na	11.0x	na	na	15.5x	na	na
Mean	0.9x	1.0x	1.1x	6.5x	6.0x	6.0x	10.1x	9.3x	9.5x	15.2x	9.8x	9.8x
Median	0.7x	0.8x	0.8x	7.2x	6.5x	6.5x	11.0x	9.8x	9.9x	15.5x	10.3x	10.3x
Energy - Full sample												
Mean	1.0x	1.1x	1.2x	7.0x	6.0x	5.9x	12.7x	11.2x	11.2x	12.6x	10.2x	10.3x
Median	0.7x	0.8x	0.8x	7.2x	6.3x	6.1x	11.1x	11.9x	11.6x	11.4x	10.3x	10.3x
Full sample												
Mean	1.8x	1.7x	1.7x	7.6x	6.6x	6.5x	14.3x	11.7x	12.6x	15.5x	12.8x	11.7x
Median	1.3x	1.2x	1.2x	7.4x	6.3x	6.1x	11.5x	11.9x	12.0x	14.8x	11.6x	10.3x

Source: S&P Capital IQ, 04/10/2024

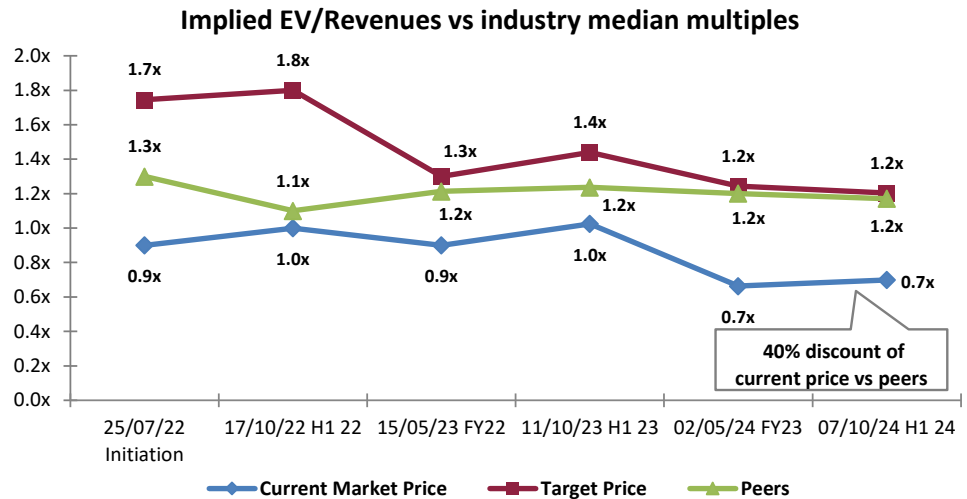
- We focus on EV/Revenues ratio to assess Convergence's short-term value, which is not affected by investment cycles or temporary profitability below industry standards, as in the case of the Energy BU.
- We have based our analysis on 2024 consensus data.
- For the Energy BU, we have applied multiples 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.

Sum of Parts application

€m			
Convergenze		2024E Market multiples	
EV TLC & MEDIA BU			
2024E Sales	12.0	1.7x	20.8
EV Energy BU			
2024E Sales	13.4	1.0x	12.9
SOP EV Convergenze			33.7
Net debt as of 30/06/24			(4.8)
Equity value Convergenze			28.9
Equity value Convergenze per share (€)			3.90

Source: EnVent Research

Target Price



Source: EnVent Research on S&P Capital IQ, 07/10/2024

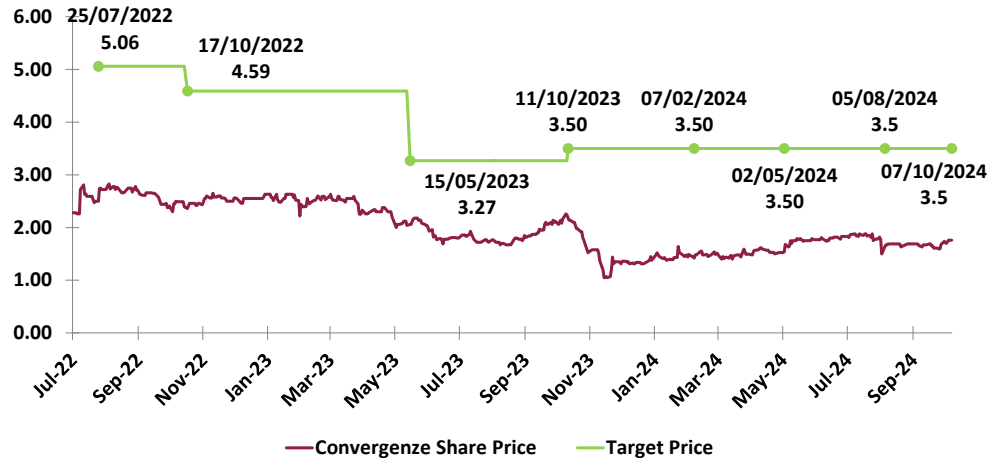
Our updated valuation combining DCF and market multiples under the SoP approach confirms the last €3.50 target price, +99% potential upside on current price, implying 2024E 1.2x EV/Revenues, while Convergenze is trading at 0.7x. We reaffirm our OUTPERFORM rating on the stock.

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

Convergenze Price per Share	€
Target Price	3.50
Current Share Price (04/10/2024)	1.76
Premium (Discount)	99%

Source: EnVent Research

Convergenze Share Price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 07/10/2024

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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;

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Date and time of Production: 04/10/2024 h. 7.00pm

Date and time of Distribution: 07/10/2024 h. 6.30pm

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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
05/08/2024	OUTPERFORM	3.50	1.64
07/10/2024	OUTPERFORM	3.50	1.76

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