



## OUTPERFORM

**Current Share Price (€): 1.62**

**Target Price (€): 3.90**

### Convergenze - 1Y Performance



Source: S&P Capital IQ - Note: 15/04/2024=100

### Company data

ISIN number	IT0005426215
Bloomberg code	CVG IM
Reuters code	CVG.MI
Industry	TLC - Energy
Stock market	Euronext Growth Milan
Share Price (€)	1.62
Date of Price	14/04/2025
Shares Outstanding (m)	7.5
Market Cap (€m)	12.1
Market Float (%)	21.1%
Daily Volume	9,500
Avg Daily Volume YTD	5,356
Target Price (€)	3.90
Upside (%)	141%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	6M	1Y
Convergenze - Absolute (%)	-2%	-8%	-17%	3%
FTSE Italia Growth (%)	-2%	-4%	-8%	-7%
1Y Range H/L (€)			1.96	1.50
YTD Change (€) / %			-0.10	-6%

Source: S&P Capital IQ

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**Most profitable year to date: outstanding margins across all BUs, net income at €1.3m. Breaking into the TLC mobile market.**

### Trading update: outperforming the market

In the last twelve months, Convergenze share price outperformed the EGM market, with a brief pullback before resuming the upward trend, then reached the current €1.60 area. Overall, the stock is up by 3% LTM, vs -7% of FTSE Italia Growth index.

### FY24: TLC archives 31% operating margin, Energy jumps to 9.5%

Sales were €26.4m, +16.6% YoY, in line with our estimate. By BU: TLC €11.4m, +9.2% YoY; Energy €15m, +22.9% YoY with 43.9m kWh supplied (+10% YoY), driven by energy prices and new contracts. Adjusted EBITDA €5m, +57.8% YoY, over our €4.6m estimate, 19% margin vs 14% in FY23, broken down by BU: TLC 31% vs 27.7% in FY23; Energy 9.5% vs 2% in FY23. Net income surged to €1.3m (4.7% margin) vs €0.5m in FY23 (2.2% margin). Disbursements for €2.7m capex, €150k dividends and €200k shares buyback led to a net cash flow of €0.9m, bringing net financial debt to €4.7m, from €5.6m as of year-end 2023. Capex was mainly in 2,000 km expansion of the own optic fiber network, worth €1m, which has reached 11,100 km (+20% YoY), Wi-Fi and datacenter €0.7m. Dividend proposed of €0.02 per share (€0.15m), as in FY23, 12% payout and 1.2% current dividend yield.

### Expanding into mobile to complete the selling proposition as integrated TLC operator

Convergenze entered the mobile TLC market as Mobile Virtual Network Operator, partnering with the national provider Vianova. Convergenze will rely on Fastweb and Vodafone network to offer 5G and VoLTE services, with operations expected to start in Q2.

### Outlook: Italy's broadband gap and rising data center investments

Italy's FTTH coverage still lags behind other European countries, pointing to untapped potential in broadband infrastructure. As AI adoption grows, data center investments are increasing to meet rising demand. Italy's data center market is expanding, with significant investments underway.

### Target Price €3.90 per share (from €3.50), OUTPERFORM rating confirmed

We appreciate Convergenze growth path, building on its infrastructure and on the customer base, to complement the value proposition by value-added services to accomplish its mission of becoming an integrated services operator. Our updated estimates and valuation yield an upgrade in target price from €3.50 to €3.90, 141% potential upside on current price, implying 2025E 1.1x EV/Revenues, while Convergenze is trading at 0.6x. We reaffirm our OUTPERFORM rating on the stock.

KEY FINANCIALS AND ESTIMATES (€m)	2022	2023	2024	2025E	2026E	2027E
Revenues	28.4	22.8	26.6	29.8	32.7	34.9
Adj. EBITDA	1.4	3.2	5.0	5.7	6.2	6.6
Margin	5.1%	14.0%	18.9%	19.1%	19.0%	19.0%
Net Income (Loss)	(0.8)	0.5	1.3	2.0	2.1	2.2
Net (Debt) Cash	(6.1)	(5.6)	(4.7)	(4.0)	(2.0)	0.2
Equity	5.2	5.7	6.6	8.4	10.7	12.8
KEY RATIOS AND MULTIPLES	2022	2023	2024	2025E	2026E	2027E
ROE	neg	9%	20%	26%	22%	19%
ROA	neg	6%	13%	15%	14%	13%
Net Debt/EBITDA	5.1x	1.8x	1.0x	0.7x	0.3x	cash
Basic EPS (€)	neg	0.07	0.17	0.26	0.28	0.29
EV/Revenues	0.6x	0.7x	0.6x	0.6x	0.5x	0.5x
EV/EBITDA	13.8x	5.4x	3.7x	2.9x	2.7x	2.5x

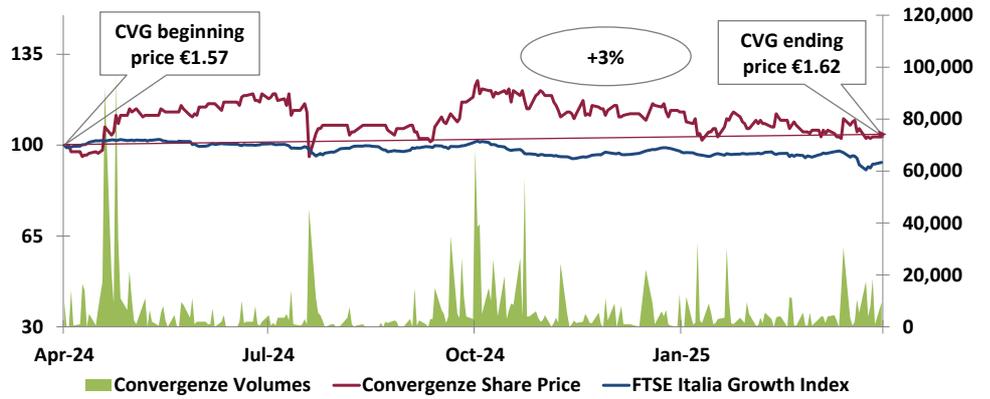
Source: Company data 2022-24A, EnVent Research 2025-27E

## Market update: outperforming the market

### Convergenze - 1Y Share price performance and trading volumes

Trading price range €1.50-1.96 per share

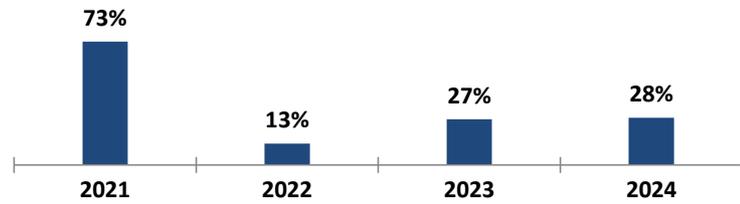
+3% for Convergenze, vs -7% of the Italia Growth Index



Source: EnVent Research on S&P Capital IQ - Note: 15/04/2024=100

### Convergenze - Liquidity analysis and velocity turnover

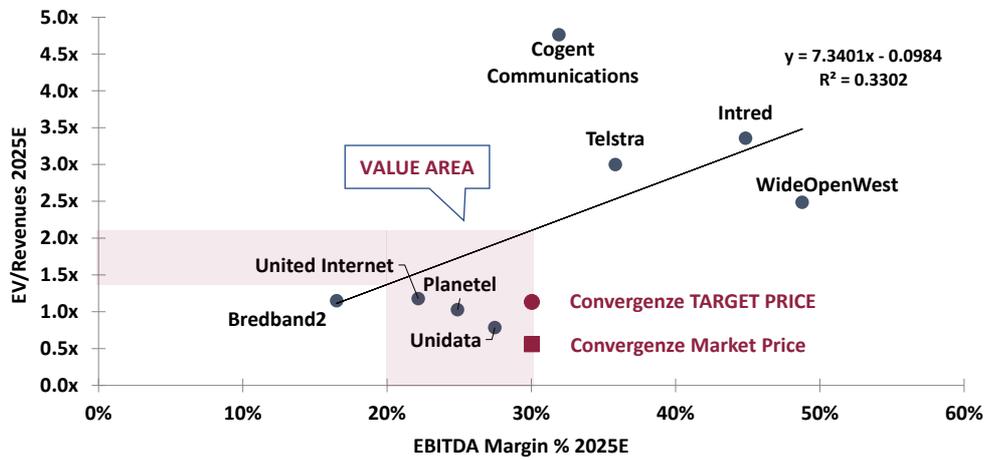
Flat trading volumes in 2024, with 8k average daily shares traded



Source: EnVent Research on S&P Capital IQ - Note: Velocity turnover: total trades to total ordinary shares

### TLC BU peer group - Regression analysis

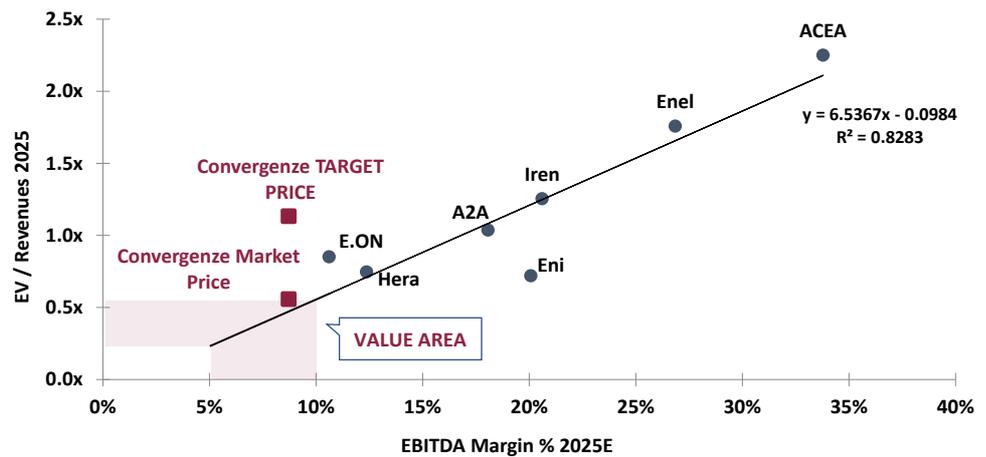
Low correlation, diversified peer group



Source: EnVent Research on S&P Capital IQ, April 2025

**Energy BU peer group - Regression analysis**

Fair correlation within the group  
Low comparability of  
Convergenze with energy group



Source: EnVent Research on S&P Capital IQ, April 2025

**Investment case**

Vertically integrated operator

Single touchpoint for connectivity  
and energy

Convergenze SpA *Benefit Corporation* and *B Corp*, founded in 2005 and public company since 2020 on the Euronext Growth Milan, is an Italian regional 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 FTTH optic fiber network and WiFi towers; energy dispatch operator; owner of a network of patented electric cars charging points/stations *Electric Vehicle Only (EVO)*.  
Convergenze has been issuing Sustainability Report since 2020.

Own infrastructure:

- 11,100km FTTH optic fiber network
- 100 BTS WiFi towers
- 2 data centers
- 30 EVO charging stations + 3 EVO Hospitality

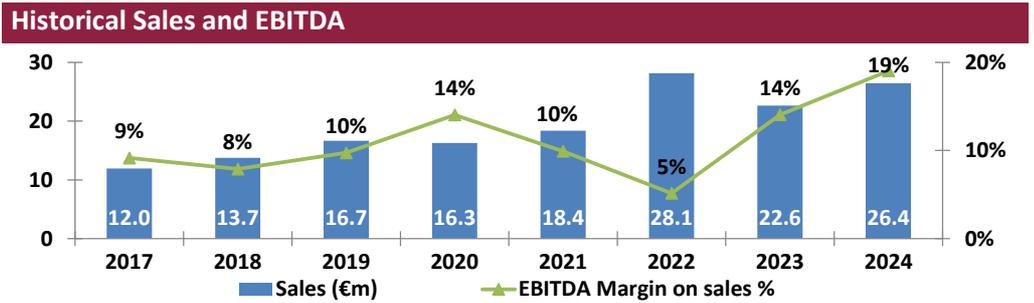
Key features:

- Benefit Corporation and B Corp
- 100% energy from renewable sources
- Patented EVO network

Strategy pillars:

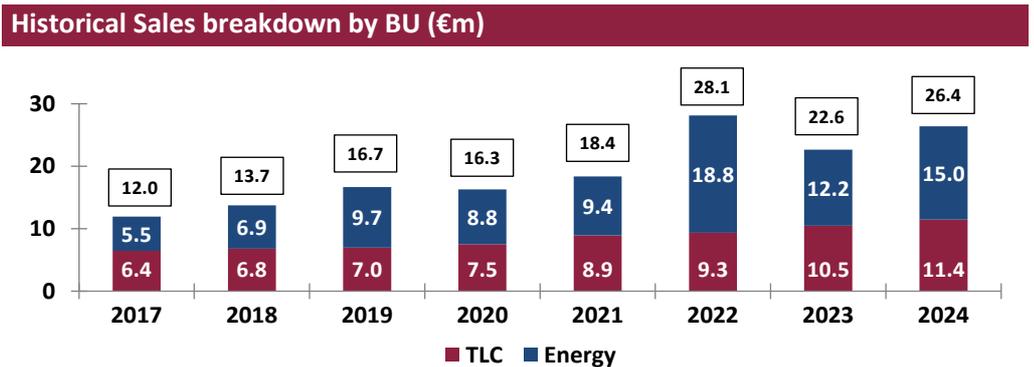
- Extension of the proprietary fiber optic network in the municipalities where Convergenze has reached a critical mass of customers served by wireless technology
- Acquisition of TLC players to expand geographical coverage
- Increase in the number of Energy customers, taking advantage of cross-selling opportunities between TLC and Energy BUs, also through e-commerce
- Product diversification through addition of value-added services such as entertainment, cloud, datacenter as a service, virtualization, antivirus and cybersecurity solutions

**FY24 best profitable year**



Source: Company data

**FY24 sales breakdown:  
Energy 57%, TLC 43%**



Source: Company data

### Industry and Company drivers

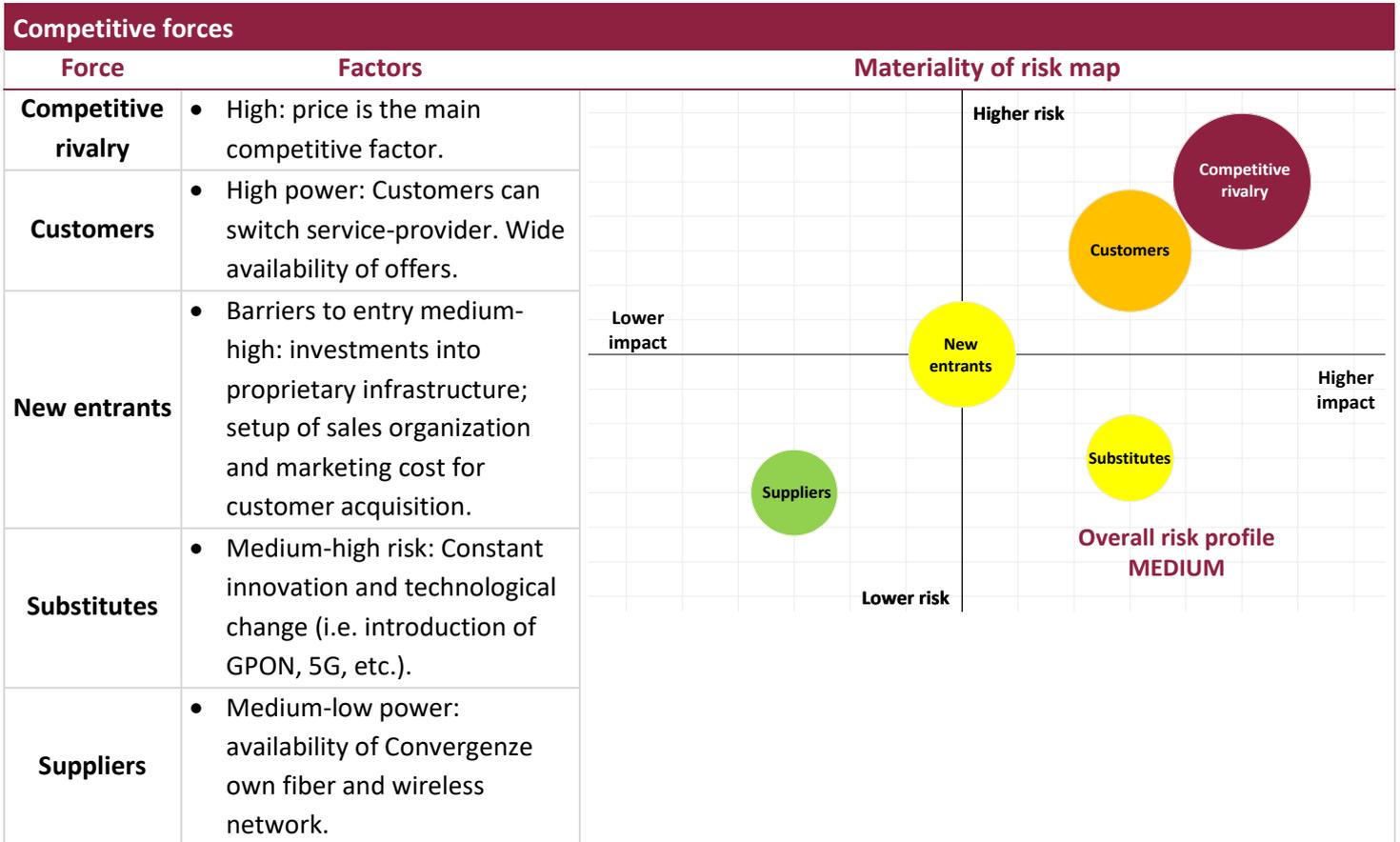
- EU and Italy digital targets call for continued broadband expansion
- Connectivity and convergence of technologies such as broadband, cloud, IoT and AI
- Electric and sustainable mobility trends
- Smart and connected devices turning upside-down attitude to home energy savings and efficiency
- Value of customer base and cross selling opportunities
- Proprietary fiber infrastructure and interconnections as competitive advantage and barrier to entry
- Sustainability and corporate responsibility

### Challenges

- Energy prices volatility and risk management
- Highly competitive telco and energy markets
- Customers churn rate
- Regulatory risk

## Risk/opportunity assessment

**Business risk: medium**



Source: EnVent Research

**Financial risk: low**

### Ratios map

**TWC and Debt leverage: no issue**

**Robust cash generation**

**Outpacing peers growth**

Opportunity area

EBITDA leverage

G consistency-history

Trade Working Capital

Financial risk

G consistency-industry

Cash flow coverage

Business risk

Debt leverage

Source: EnVent Research

## ESG

### Overview and communication of the Company's sustainability strategy

#### Analysis and reporting

Sustainability reports and reporting standards	●
Sustainability initiatives and memberships	●
Sustainability risk management information	●
Governance information	●
Stakeholders and stakeholders dialogue	●

#### Sustainability targets

Scope 1 emissions (Direct emissions)	●
Scope 2 emissions (Energy consumption)	●
Scope 3 emissions (Value chain)	●
<b>Social targets</b>	
Past target achievements	●
Policies implementation	●

Source: Company data and Convergenze Sustainability report 2023

### FY24 results: outstanding margins across all BUs, net income at €1.3m, over 2x prior year

- Sales €26.4m, +16.6% YoY
  - TLC €11.4m, +9.2% YoY
  - Energy €15m, +22.9% YoY
- EBITDA €5.2m, +61.4% YoY, 19.5% margin
- Adjusted EBITDA €5m, +57.8% YoY, 19% margin vs 14% in FY23
  - TLC €3.6m, +22.3% YoY, 31% margin vs 27.7% in FY23
  - Energy €1.4m (almost +500% YoY), 9.5% margin vs 2% in FY23
- Net income €1.3m, nearly 3x €0.5m in FY23
- Net financial debt improved at €4.7m, from €5.6m as of year-end 2023, thanks to €0.9m net cash flow after €2.7m capex, €150k dividend payment and €207k shares buyback
- Capex €2m, mainly for 2,000km expansion of own optic fiber network (€1m) and Wi-Fi and datacenters (€0.7m)

#### Ongoing investment in strategic assets

#### Rising demand for ultra-broadband connectivity

#### Bearing fruits from variable fee-based energy contracts

Operating figures:

TLC:

- Own optic fiber network 11,100km, +20% YoY
- Users on proprietary network 52% (50% in FY23)

Energy:

- Energy volumes: 43.9m kWh supplied, +10% YoY
- Energy Points of Delivery 10,400, +13% YoY
- Service contracts 67.9k, + 7% YoY

### Profit and Loss

€m	2023	2024
Sales TLC BU	10.5	11.4
Sales Energy BU	12.2	15.0
Sales	22.6	26.4
Other income	0.2	0.2
<b>Revenues</b>	<b>22.8</b>	<b>26.6</b>
YoY %	-19.5%	16.6%
Cost of sales	(14.4)	(15.7)
<b>Gross profit</b>	<b>8.4</b>	<b>10.9</b>
Margin	36.9%	41.1%
Services	(1.5)	(1.6)
Personnel	(3.3)	(3.7)
Other operating costs	(0.5)	(0.6)
Operating costs	(5.2)	(5.9)
<b>Adjusted EBITDA</b>	<b>3.2</b>	<b>5.0</b>
Margin	14.0%	18.9%
Non-recurring items	0.0	0.2
Writedown of trade receivables	(0.1)	(0.6)
<b>EBITDA</b>	<b>3.1</b>	<b>4.6</b>
Margin	13.6%	17.1%
D&A	(1.9)	(2.1)
<b>EBIT</b>	<b>1.2</b>	<b>2.5</b>
Margin	5.2%	9.3%
Interest	(0.5)	(0.6)
<b>EBT</b>	<b>0.7</b>	<b>1.8</b>
Margin	2.9%	6.9%
Income taxes	(0.1)	(0.6)
<b>Net Income (Loss)</b>	<b>0.5</b>	<b>1.3</b>
Margin	2.2%	4.7%

Source: Company data

### Balance Sheet

€m	2023	2024
Inventory	0.3	0.4
Trade receivables	4.0	4.1
Trade payables	(3.5)	(3.3)
Trade Working Capital	0.8	1.2
Other assets (liabilities)	(2.4)	(3.2)
<b>Net Working Capital</b>	<b>(1.6)</b>	<b>(2.0)</b>
Intangible assets	0.8	0.6
Property, plant and equipment	12.9	13.7
Equity investments and financial assets	0.1	0.1
<b>Non-current assets</b>	<b>13.7</b>	<b>14.3</b>
<b>Provisions</b>	<b>(0.9)</b>	<b>(1.1)</b>
<b>Net Invested Capital</b>	<b>11.2</b>	<b>11.3</b>
Bank debt	5.5	4.8
Bonds	0.6	0.4
Other financial debt	0.1	0.1
Cash and equivalents	(0.6)	(0.6)
<b>Net Debt (Cash)</b>	<b>5.6</b>	<b>4.7</b>
<b>Equity</b>	<b>5.7</b>	<b>6.6</b>
<b>Sources</b>	<b>11.2</b>	<b>11.3</b>

### Cash Flow

€m	2023	2024
<b>EBIT</b>	<b>1.2</b>	<b>2.5</b>
Current taxes	(0.1)	(0.6)
D&A	1.9	2.1
Provisions	0.1	0.2
<b>Cash flow from P&amp;L operations</b>	<b>3.1</b>	<b>4.1</b>
Trade Working Capital	0.6	(0.4)
Other assets and liabilities	0.2	0.8
<b>Operating cash flow before capex</b>	<b>3.9</b>	<b>4.5</b>
Capex	(2.8)	(2.7)
<b>Operating cash flow after WC and capex</b>	<b>1.1</b>	<b>1.8</b>
Interest	(0.5)	(0.6)
Equity investments and financial assets	(0.0)	0.0
Dividends	0.0	(0.1)
Shares buyback	0.0	(0.2)
<b>Net cash flow</b>	<b>0.6</b>	<b>0.9</b>
Net (Debt) Cash - Beginning	(6.1)	(5.6)
Net (Debt) Cash - End	(5.6)	(4.7)
<b>Change in Net (Debt) Cash</b>	<b>0.6</b>	<b>0.9</b>

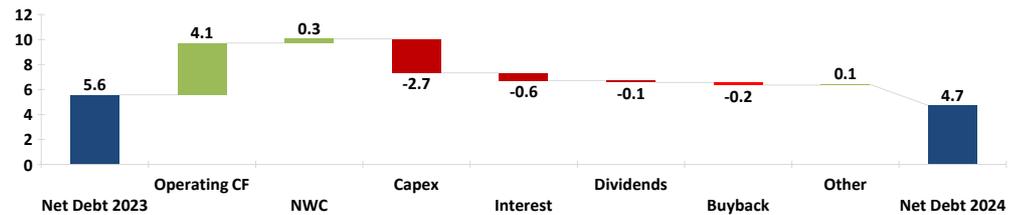
Source: Company data

### Ratio analysis

	2023	2024
ROE	9%	19%
ROA	6%	12%
ROS	5%	9%
ROI	11%	22%
DSO	53	47
DPO	55	48
DOI	11	12
TWC/Sales	3%	5%
NWC/Sales	-7%	-7%
Capex/Sales	12%	10%
Net Debt/Revenues	0.2x	0.2x
Net Debt/EBITDA	1.8x	1.0x
Net Debt/EBIT	4.7x	1.9x
Net Debt/Equity	1.0x	0.7x
Cash flow from P&L operations/EBITDA	99%	91%
FCF/EBITDA	37%	39%
Basic EPS (€)	0.07	0.17

### Net financial debt bridge FY24 (€m)

**Robust operating cash flow supports capex needs**



Source: Company data

### Business update

**Entering in Italian mobile TLC market and Albanian TLC market**

**New security services**

**Launch of Convergenze TV**

Recap of ongoing initiatives and last year updates:

- Launch of mobile offering SIMON in partnership with national TLC operator Vianova, as Mobile Virtual Network Operator, offering 5G and VoLTE services based on Fastweb and Vodafone networks, operating from Q2 2025
- Launch of complementary security products: cyber technology with MySafeNet, and physical security with MySefZone in Q2 2025
- Operatio of a Point of Presence in the Albanian TLC market with connectivity services to wholesalers to and from Italy through the Trans Adriatic Express submarine cable, starting in October 2024
- New bundle of services offered within the Media&Content Delivery Network BU, through five-year sales agreement with the Spanish provider of digital OTT TV Agile Content, offering Convergenze TV entertainment to subscribers from Q2 2024

### Corporate period facts

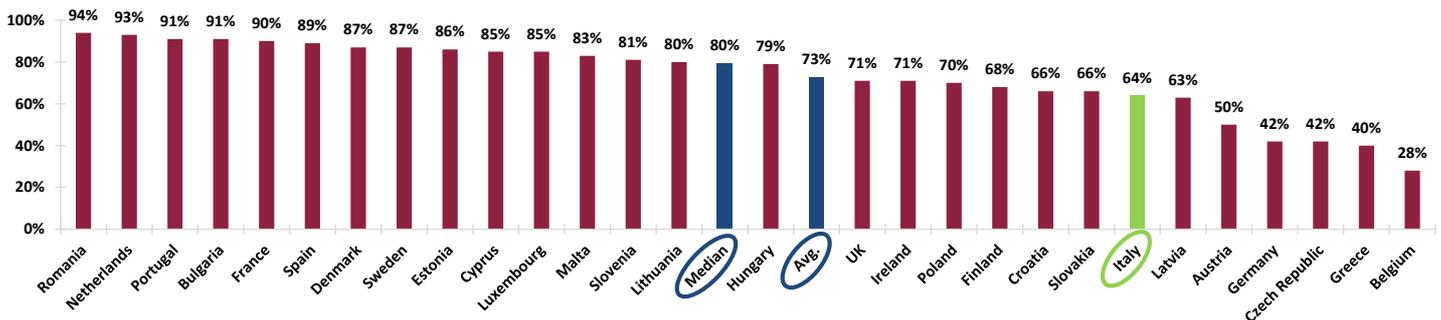
- First dividend €0.15m (€0.02 per share) in May 2024
- Incorporation of wholly owned subsidiary Positivo
- Rating upgrade by Cerved Rating Agency, from B1.2 to B1.1
- B Corp certification, meeting standards of social and environmental performance, transparency and accountability
- 2023 Sustainability Report issued in May 2024
- To date, Convergenze has 152,000 treasury shares, 2.03% of share capital

## Industry outlook

### Broadband and connectivity: Italy speeds up, but coverage and adoption still lag behind

As of September 2024, the number of European homes connected to FTTH reached 269m, +10% compared to the same period in 2023. Growth was largely driven by the United Kingdom, which added 4.2m homes, followed by Germany and Italy, which saw increases of 3.8m and 3.1m homes.

#### National FTTH coverage by country



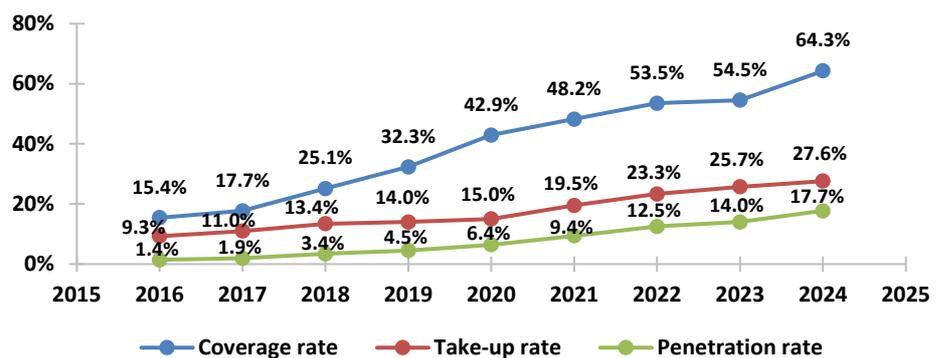
Source: FTTH Council Europe, 2025 FTTH Market Panorama, 2025.

#### Italy's broadband lags

As of September 2024, Italy's FTTH coverage lags behind other European countries, reaching 64% of households, well below the median of 80%. The gap is more pronounced in rural areas, where only 48% of households are covered in Italy, compared to the European median of 63%, highlighting the country's significant delay in broadband infrastructure expansion.

#### Ongoing expansion of fiber infrastructure across Italy

#### FTTH coverage, take-up and penetration rate in Italy - 2016-24 (%)



Source: FTTH Council Europe, 2025 FTTH Market Panorama, 2025.

Note: *Coverage rate*: homes passed as a proportion of total households; *Take-up rate*: Subscribers as a proportion of homes passed; *Penetration rate*: subscribers as a proportion of total households

In 2022, European TLC operators invested over €25bn in FTTH infrastructure to expand fiber coverage across the region. Sustained investment at similar levels is crucial to meet the growing demand for high-speed connectivity, to close the gap with global frontrunners, and to advance toward the EU's Digital Decade targets.

### AI boom propels data center demand

As AI adoption accelerates, the demand for processing power will continue to outstrip supply, driving a sharp increase in data center investments. According to Goldman Sachs, power consumption for data centers could rise by over 160% by 2030, with AI workloads contributing significantly to this surge. Hyperscale cloud providers and enterprises are directing significant investments into high-density infrastructure to keep pace with this trend.

According to Politecnico di Milano School of Management, Italy is a thriving market, with €5bn already invested between 2023 and 2024, and an additional €10bn expected for 2025-2026.

Source: Goldman Sachs, AI to drive 165% increase in data center power demand by 2030, 2025; Politecnico Milano - Osservatori.net, Data Center, aumentano gli investimenti in Italia: 5 miliardi di euro già spesi nel biennio 2023-2024 e oltre 10 miliardi previsti per il biennio 2025-2026, 2025

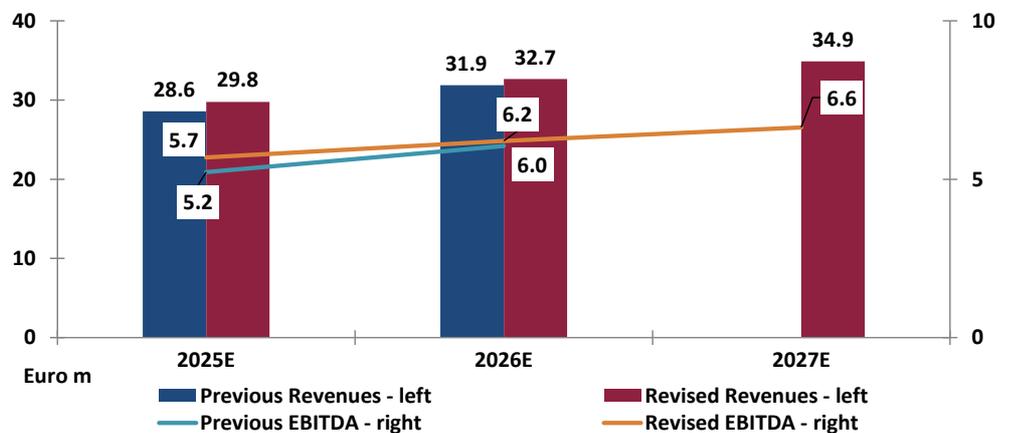
**Italian market boom: €5bn invested, €10bn expected by 2026**

### Estimates revision

We have factored actual FY24 results in our model and fine-tuned FY25-26E revenue and cost estimates, trade working capital and capex dynamics. We have shifted by one year the results of the Media & Content BU. We extended the forecast horizon to include 2027.

### Change in estimates

**Revenues and EBITDA estimates (€m) - Previous vs Revised**



Source: EnVent Research - Note: columns left axe, curves right axe

€m	Revised			Previous		Change %	
	2025E	2026E	2027E	2025E	2026E	2025E	2026E
<b>Revenues</b>	29.8	32.7	34.9	28.6	31.9	4%	2%
<b>Adj. EBITDA</b>	5.7	6.2	6.6	5.2	6.0	9%	3%
<i>Margin</i>	19.1%	19.0%	19.0%	18.3%	19.0%		
<b>EBIT</b>	3.4	3.6	3.7	2.8	3.5	25%	5%
<i>Margin</i>	11.5%	11.1%	10.7%	9.6%	10.8%		
<b>Net Income (Loss)</b>	2.0	2.1	2.2	1.6	2.0	27%	3%
<b>Net (Debt) Cash</b>	(4.0)	(2.0)	0.2	(3.9)	(2.3)	4%	-9%
<i>Net Debt/EBITDA</i>	0.7x	0.3x	0.0x	0.7x	0.4x		

Source: EnVent Research

## Financial projections

€m	Profit and Loss					
	2022	2023	2024	2025E	2026E	2027E
Sales TLC BU	9.3	10.5	11.4	14.0	16.1	17.3
Sales Energy BU	18.8	12.2	15.0	15.4	15.9	16.3
Sales Media & Content BU	0.0	0.0	0.0	0.2	0.5	1.0
<b>Sales</b>	<b>28.1</b>	<b>22.6</b>	<b>26.4</b>	<b>29.6</b>	<b>32.5</b>	<b>34.7</b>
Other income	0.2	0.2	0.2	0.2	0.2	0.2
<b>Revenues</b>	<b>28.4</b>	<b>22.8</b>	<b>26.6</b>	<b>29.8</b>	<b>32.7</b>	<b>34.9</b>
<i>YoY %</i>	49.8%	-19.5%	16.6%	11.9%	9.7%	6.8%
Cost of sales	(22.0)	(14.4)	(15.7)	(17.2)	(18.6)	(19.4)
<b>Gross profit</b>	<b>6.3</b>	<b>8.4</b>	<b>10.9</b>	<b>12.6</b>	<b>14.1</b>	<b>15.5</b>
<i>Margin</i>	22.4%	36.9%	41.1%	42.3%	43.1%	44.4%
Services	(1.3)	(1.5)	(1.6)	(2.2)	(2.7)	(3.3)
Personnel	(3.1)	(3.3)	(3.7)	(4.1)	(4.4)	(4.8)
Other operating costs	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)
<b>Operating costs</b>	<b>(4.9)</b>	<b>(5.2)</b>	<b>(5.9)</b>	<b>(6.9)</b>	<b>(7.9)</b>	<b>(8.8)</b>
<b>Adjusted EBITDA</b>	<b>1.4</b>	<b>3.2</b>	<b>5.0</b>	<b>5.7</b>	<b>6.2</b>	<b>6.6</b>
<i>Margin</i>	5.1%	14.0%	18.9%	19.1%	19.0%	19.0%
Non-recurring items	(0.1)	0.0	0.2	0.0	0.0	0.0
Writedown of trade receivables	(0.2)	(0.1)	(0.6)	0.0	0.0	0.0
<b>EBITDA</b>	<b>1.2</b>	<b>3.1</b>	<b>4.6</b>	<b>5.7</b>	<b>6.2</b>	<b>6.6</b>
<i>Margin</i>	4.2%	13.6%	17.1%	19.1%	19.0%	19.0%
D&A	(1.6)	(1.9)	(2.1)	(2.3)	(2.6)	(2.9)
<b>EBIT</b>	<b>(0.4)</b>	<b>1.2</b>	<b>2.5</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>
<i>Margin</i>	-1.6%	5.2%	9.3%	11.5%	11.1%	10.7%
Interest	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
<b>EBT</b>	<b>(0.8)</b>	<b>0.7</b>	<b>1.8</b>	<b>2.8</b>	<b>3.0</b>	<b>3.1</b>
<i>Margin</i>	-2.8%	2.9%	6.9%	9.4%	9.2%	8.9%
Income taxes	0.0	(0.1)	(0.6)	(0.8)	(0.9)	(0.9)
<b>Net Income (Loss)</b>	<b>(0.8)</b>	<b>0.5</b>	<b>1.3</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>
<i>Margin</i>	neg	2.2%	4.7%	6.6%	6.4%	6.2%

Source: Company data 2022-24A, EnVent Research 2025-27E

### Balance Sheet

€m	2022	2023	2024	2025E	2026E	2027E
Inventory	0.3	0.3	0.4	0.4	0.4	0.5
Trade receivables	3.2	4.0	4.1	4.9	5.4	5.8
Trade payables	(2.1)	(3.5)	(3.3)	(3.9)	(4.2)	(4.4)
Trade Working Capital	1.4	0.8	1.2	1.5	1.7	1.8
Other assets (liabilities)	(2.1)	(2.4)	(3.2)	(3.0)	(3.3)	(3.5)
<b>Net Working Capital</b>	<b>(0.8)</b>	<b>(1.6)</b>	<b>(2.0)</b>	<b>(1.5)</b>	<b>(1.6)</b>	<b>(1.6)</b>
Intangible assets	0.9	0.8	0.6	0.5	0.3	0.1
Property, plant and equipment	11.8	12.9	13.7	14.5	15.1	15.5
Equity investments and financial assets	0.1	0.1	0.1	0.1	0.1	0.1
<b>Non-current assets</b>	<b>12.8</b>	<b>13.7</b>	<b>14.3</b>	<b>15.1</b>	<b>15.5</b>	<b>15.6</b>
<b>Provisions</b>	<b>(0.8)</b>	<b>(0.9)</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(1.2)</b>	<b>(1.3)</b>
<b>Net Invested Capital</b>	<b>11.3</b>	<b>11.2</b>	<b>11.3</b>	<b>12.5</b>	<b>12.7</b>	<b>12.7</b>
<b>Net Debt (Cash)</b>	<b>6.1</b>	<b>5.6</b>	<b>4.7</b>	<b>4.0</b>	<b>2.0</b>	<b>(0.2)</b>
<b>Equity</b>	<b>5.2</b>	<b>5.7</b>	<b>6.6</b>	<b>8.4</b>	<b>10.7</b>	<b>12.8</b>
<b>Sources</b>	<b>11.3</b>	<b>11.2</b>	<b>11.3</b>	<b>12.5</b>	<b>12.7</b>	<b>12.7</b>

Source: Company data 2022-24A, EnVent Research 2025-27E

### Cash Flow

€m	2022	2023	2024	2025E	2026E	2027E
<b>EBIT</b>	<b>(0.4)</b>	<b>1.2</b>	<b>2.5</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>
Current taxes	0.0	(0.1)	(0.6)	(0.8)	(0.9)	(0.9)
D&A	1.6	1.9	2.1	2.3	2.6	2.9
Provisions	0.2	0.1	0.2	0.1	0.1	0.1
<b>Cash flow from P&amp;L operations</b>	<b>1.4</b>	<b>3.1</b>	<b>4.1</b>	<b>4.9</b>	<b>5.4</b>	<b>5.8</b>
Trade Working Capital	(2.3)	0.6	(0.4)	(0.3)	(0.2)	(0.2)
Other assets and liabilities	0.5	0.2	0.8	(0.2)	0.3	0.2
<b>Operating cash flow before capex</b>	<b>(0.5)</b>	<b>3.9</b>	<b>4.5</b>	<b>4.5</b>	<b>5.5</b>	<b>5.9</b>
Capex	(3.0)	(2.8)	(2.7)	(3.0)	(3.0)	(3.0)
<b>Operating cash flow after WC and capex</b>	<b>(3.5)</b>	<b>1.1</b>	<b>1.8</b>	<b>1.5</b>	<b>2.5</b>	<b>2.9</b>
Interest	(0.4)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
Equity investments and financial assets	(0.1)	(0.0)	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	(0.1)	(0.1)	0.0	0.0
Shares buyback	0.0	0.0	(0.2)	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(3.8)</b>	<b>0.6</b>	<b>0.9</b>	<b>0.7</b>	<b>2.0</b>	<b>2.2</b>
Net Debt (Beginning)	(2.3)	(6.1)	(5.6)	(4.7)	(4.0)	(2.0)
Net Debt (End)	(6.1)	(5.6)	(4.7)	(4.0)	(2.0)	0.2
<b>Change in Net Debt (Cash)</b>	<b>(3.8)</b>	<b>0.6</b>	<b>0.9</b>	<b>0.7</b>	<b>2.0</b>	<b>2.2</b>

Source: Company data 2022-24A, EnVent Research 2025-27E

### Ratio analysis

Key ratios	2022	2023	2024	2025E	2026E	2027E
ROE	neg	9%	20%	26%	22%	19%
ROA	neg	6%	13%	15%	14%	13%
ROS	neg	5%	9%	12%	11%	11%
ROI	neg	11%	22%	28%	29%	30%
DSO	34	53	47	50	50	50
DPO	24	55	48	50	50	50
DOI	12	11	12	10	10	10
TWC/Sales	5%	3%	5%	5%	5%	5%
NWC/Sales	-3%	-7%	-7%	-5%	-5%	-5%
Capex/Sales	11%	12%	10%	10%	9%	9%
Net Debt/Revenues	0.2x	0.2x	0.2x	0.1x	0.1x	cash
Net Debt/EBITDA	5.1x	1.8x	1.0x	0.7x	0.3x	cash
Net Debt/EBIT	neg	4.7x	1.9x	1.2x	0.6x	cash
Net Debt/Equity	1.2x	1.0x	0.7x	0.5x	0.2x	cash
Cash flow from P&L operations/EBITDA	116%	99%	91%	87%	87%	87%
FCF/EBITDA	neg	36%	35%	26%	40%	43%
Basic EPS (€)	neg	0.07	0.17	0.26	0.28	0.29

Source: Company data 2022-24A, EnVent Research 2025-27E

## Valuation

Our valuation hinges on several key factors:

- Effective prioritization of investment in TLC infrastructure shields Convergence from margin volatility. This ensures profitability even in a fiercely competitive market, ultimately adding intrinsic value to the Company.
- The Energy business has now dialled up its stability. This is largely due to the implementation of indexed supply contracts.

On these considerations, we have updated our DCF valuation and applied market multiples by BU under the Sum of Parts approach.

We recall that industry peers, especially energy peers, are mostly large and diversified companies and thus they might provide a misleading value indication; as such, we attribute significance to the outcome of DCF.

### High volatility framework

The valuation is run in a framework of volatility, including domestic and international turbulence and erratic inflation perspective: certain value determinants may be subject to judgmental adjustments.

### Treasury shares

To date, Convergence has 152,000 treasury shares, corresponding to 2.03% ownership share. We calculate per share values using net outstanding number of shares (7,345,509).

### Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.9% (last 30 days average. Source: Bloomberg, April 2025)
- Market return: 13.3% (last 30 days average. Source: Bloomberg, April 2025)
- Market risk premium: 9.4%
- Beta: 0.8
- Cost of equity: 11.4%
- Cost of debt: 5.0%
- Tax rate: 24% IRES
- 50% debt/(debt + equity) as capital structure
- WACC calculated at 7.6%, from 6.7%
- Perpetual growth rate after explicit projections (G): 2.5%
- Terminal Value assumes a 15% EBITDA margin

### Sudden rise of market risk records impacts cost of capital

### DCF model

€m	2024	2025E	2026E	2027E	Perpetuity
<b>Revenues</b>	<b>26.6</b>	<b>29.8</b>	<b>32.7</b>	<b>34.9</b>	<b>35.8</b>
<b>EBITDA</b>	<b>4.6</b>	<b>5.7</b>	<b>6.2</b>	<b>6.6</b>	<b>5.4</b>
<i>Margin</i>	17.1%	19.1%	19.0%	19.0%	15.0%
<b>EBIT</b>	<b>2.5</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>	<b>2.6</b>
<i>Margin</i>	9.3%	11.5%	11.1%	10.7%	7.3%
Taxes	(0.7)	(1.0)	(1.1)	(1.1)	(0.8)
<b>NOPAT</b>	<b>1.7</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	<b>1.9</b>
D&A	2.1	2.3	2.6	2.9	2.8
Provisions	0.2	0.1	0.1	0.1	0.0
<b>Cash flow from P&amp;L operations</b>	<b>4.0</b>	<b>4.8</b>	<b>5.2</b>	<b>5.7</b>	<b>4.6</b>
Trade Working Capital	(0.4)	(0.3)	(0.2)	(0.2)	(0.1)
Other assets and liabilities	0.8	(0.2)	0.3	0.2	0.0
Capex	(2.7)	(3.0)	(3.0)	(3.0)	(2.8)
<b>Unlevered free cash flow</b>	<b>1.6</b>	<b>1.3</b>	<b>2.3</b>	<b>2.7</b>	<b>1.8</b>
<b>Free Cash Flows to be discounted</b>		<b>1.3</b>	<b>2.3</b>	<b>2.7</b>	<b>1.8</b>
WACC	7.6%				
Long-term growth (G)	2.5%				
<b>Discounted Cash Flows</b>		<b>1.2</b>	<b>2.0</b>	<b>2.2</b>	
Sum of Discounted Cash Flows	5.4				
<b>Terminal Value</b>					<b>35.3</b>
Discounted TV	28.4				
<b>Enterprise Value</b>	<b>33.8</b>				
Net debt as of 31/12/24	(4.7)				
<b>Equity Value</b>	<b>29.0</b>				

<b>DCF - Implied multiples</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
EV/Revenues	1.3x	1.1x	1.0x	1.0x
EV/EBITDA	7.4x	5.9x	5.4x	5.1x
EV/EBIT	13.7x	9.8x	9.3x	9.0x
P/E	23.2x	14.8x	13.8x	13.3x

*Discount of current valuation vs DCF* **51%**

<b>Current market price - Implied multiples</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
EV/Revenues	0.6x	0.6x	0.5x	0.5x
EV/EBITDA	3.7x	2.9x	2.7x	2.5x
EV/EBIT	6.8x	4.8x	4.6x	4.5x
P/E	9.5x	6.1x	5.6x	5.5x

Source: EnVent Research

## Sum of Parts

### Industry segmentation

- TLC - Italian and international providers of broadband connectivity
- Energy - local multi-utilities
- Energy- multinational ex-incumbents

### Market multiples

Company	EV/Revenues			EV/EBITDA			EV/EBIT			P/E		
	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
<b>Convergenze</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>3.7x</b>	<b>2.9x</b>	<b>2.7x</b>	<b>6.8x</b>	<b>4.8x</b>	<b>4.6x</b>	<b>9.5x</b>	<b>6.1x</b>	<b>5.6x</b>
<b>TLC</b>												
Unidata	0.9x	0.8x	0.7x	3.2x	2.9x	2.5x	5.0x	4.5x	3.9x	7.4x	6.6x	5.5x
Intred	3.6x	3.4x	3.1x	8.1x	7.5x	6.6x	16.7x	15.9x	13.0x	22.3x	21.4x	17.0x
Planetel	1.1x	1.0x	0.9x	4.6x	4.1x	3.6x	13.5x	10.6x	7.2x	13.0x	9.4x	6.2x
United Internet	1.2x	1.2x	1.1x	5.7x	5.3x	4.9x	10.0x	9.6x	8.7x	9.1x	9.6x	7.5x
Bredband2	1.3x	1.1x	1.1x	7.6x	7.0x	6.4x	14.7x	12.6x	11.2x	18.6x	15.5x	13.4x
Cogent Communications	4.7x	4.8x	4.4x	13.0x	14.9x	12.4x	neg	neg	nm	neg	neg	neg
WideOpenWest	2.1x	2.5x	2.6x	4.6x	5.1x	5.1x	39.4x	26.9x	23.2x	neg	neg	neg
Telstra	2.8x	3.0x	2.9x	7.8x	8.4x	8.0x	17.4x	18.4x	17.0x	21.6x	22.8x	21.1x
<b>Mean</b>	<b>2.2x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>6.8x</b>	<b>6.9x</b>	<b>6.2x</b>	<b>16.7x</b>	<b>14.1x</b>	<b>12.0x</b>	<b>15.4x</b>	<b>14.2x</b>	<b>11.8x</b>
<b>Mean w/out extremes</b>	<b>2.0x</b>	<b>2.0x</b>	<b>2.0x</b>	<b>6.4x</b>	<b>6.2x</b>	<b>5.8x</b>	<b>14.5x</b>	<b>13.4x</b>	<b>11.4x</b>	<b>15.6x</b>	<b>14.0x</b>	<b>11.0x</b>
<b>Median</b>	<b>1.7x</b>	<b>1.8x</b>	<b>1.9x</b>	<b>6.7x</b>	<b>6.1x</b>	<b>5.8x</b>	<b>14.7x</b>	<b>12.6x</b>	<b>11.2x</b>	<b>15.8x</b>	<b>12.6x</b>	<b>10.4x</b>
<b>Energy - Local multi-utilities</b>												
A2A	1.0x	1.0x	1.1x	5.4x	5.7x	5.6x	9.5x	11.0x	10.9x	7.8x	9.3x	9.2x
ACEA	2.3x	2.3x	2.1x	6.5x	6.7x	6.2x	13.7x	13.8x	13.5x	12.6x	11.6x	12.1x
Hera	0.7x	0.7x	0.7x	6.2x	6.0x	6.0x	11.9x	11.2x	11.2x	12.5x	11.6x	11.8x
Iren	1.4x	1.3x	1.3x	6.5x	6.1x	5.8x	15.6x	14.6x	13.7x	11.1x	9.7x	9.2x
<b>Mean</b>	<b>1.4x</b>	<b>1.3x</b>	<b>1.3x</b>	<b>6.2x</b>	<b>6.1x</b>	<b>5.9x</b>	<b>12.7x</b>	<b>12.6x</b>	<b>12.3x</b>	<b>11.0x</b>	<b>10.5x</b>	<b>10.6x</b>
<b>Median</b>	<b>1.2x</b>	<b>1.1x</b>	<b>1.2x</b>	<b>6.3x</b>	<b>6.1x</b>	<b>5.9x</b>	<b>12.8x</b>	<b>12.5x</b>	<b>12.3x</b>	<b>11.8x</b>	<b>10.6x</b>	<b>10.5x</b>
<b>Energy - Multinational ex-incumbents</b>												
Enel	1.9x	1.8x	1.8x	6.6x	6.5x	6.4x	9.8x	10.1x	9.9x	10.4x	10.5x	10.1x
Eni	0.7x	0.7x	0.7x	3.2x	3.6x	3.5x	5.6x	6.7x	6.5x	6.5x	7.3x	6.8x
E.ON	0.9x	0.9x	0.9x	8.5x	8.0x	8.0x	13.2x	12.5x	12.8x	13.0x	13.0x	13.6x
<b>Mean</b>	<b>1.2x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>6.1x</b>	<b>6.1x</b>	<b>5.9x</b>	<b>9.5x</b>	<b>9.8x</b>	<b>9.7x</b>	<b>10.0x</b>	<b>10.2x</b>	<b>10.2x</b>
<b>Median</b>	<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>6.6x</b>	<b>6.5x</b>	<b>6.4x</b>	<b>9.8x</b>	<b>10.1x</b>	<b>9.9x</b>	<b>10.4x</b>	<b>10.5x</b>	<b>10.1x</b>
<b>Energy - Full sample</b>												
<b>Mean</b>	<b>1.3x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>6.1x</b>	<b>6.1x</b>	<b>5.9x</b>	<b>11.3x</b>	<b>11.4x</b>	<b>11.2x</b>	<b>10.6x</b>	<b>10.4x</b>	<b>10.4x</b>
<b>Median</b>	<b>1.0x</b>	<b>1.0x</b>	<b>1.1x</b>	<b>6.5x</b>	<b>6.1x</b>	<b>6.0x</b>	<b>11.9x</b>	<b>11.2x</b>	<b>11.2x</b>	<b>11.1x</b>	<b>10.5x</b>	<b>10.1x</b>
<b>Full sample</b>												
<b>Mean</b>	<b>1.8x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>6.5x</b>	<b>6.5x</b>	<b>6.1x</b>	<b>14.0x</b>	<b>12.7x</b>	<b>11.6x</b>	<b>12.8x</b>	<b>12.2x</b>	<b>11.0x</b>
<b>Median</b>	<b>1.3x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>6.5x</b>	<b>6.1x</b>	<b>6.0x</b>	<b>13.3x</b>	<b>11.9x</b>	<b>11.2x</b>	<b>12.5x</b>	<b>10.5x</b>	<b>10.1x</b>

Source: S&P Capital IQ, 14/04/2025

### Sum of Parts application

- We focus on EV/Revenues to assess Convergence short-term value, which is not affected by investment cycles or temporary profitability below industry standards
- We have based our analysis on 2025 consensus data
- Assuming a residual contribution in the coming years, we incorporate Media & Content BU into TLC BU

€m			
Convergence	2025E Market multiples		
<b>EV TLC + MEDIA BU</b>			
2025E Sales	14.2	1.8x	26.0
<b>EV Energy BU</b>			
2025E Sales	15.4	1.0x	16.0
<b>SOP EV Convergence</b>			<b>41.9</b>
Net debt as of 31/12/24			(4.7)
<b>Equity value Convergence</b>			<b>37.2</b>

### Wide upside potential

Source: EnVent Research

### Target Price

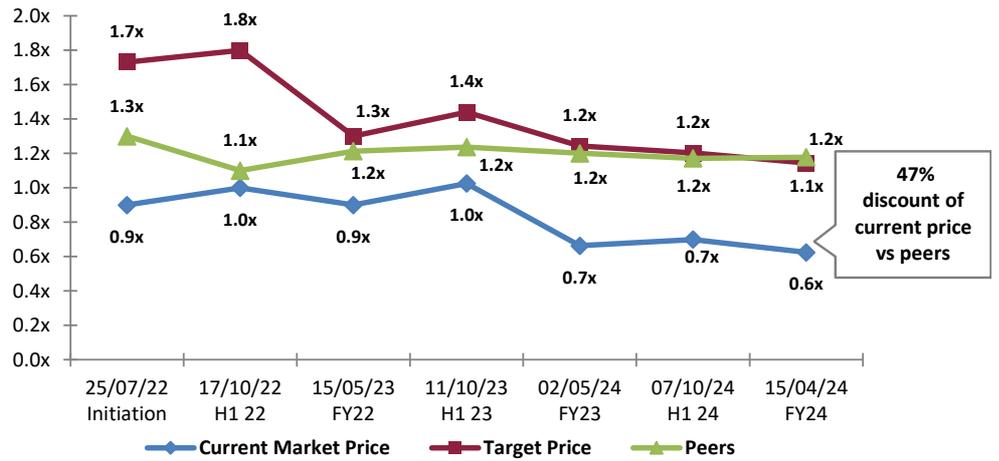
Our updated valuation based on DCF yields an upgrade in target price from €3.50 to €3.90, +141% potential upside on current price, implying 2025E 1.1x EV/Revenues, while Convergence is trading at 0.6x. We reaffirm our OUTPERFORM rating on the stock.

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

Convergence Price per Share	€
<b>Target Price</b>	<b>3.90</b>
Current Share Price (14/04/2025)	1.62
<b>Premium (Discount)</b>	<b>141%</b>

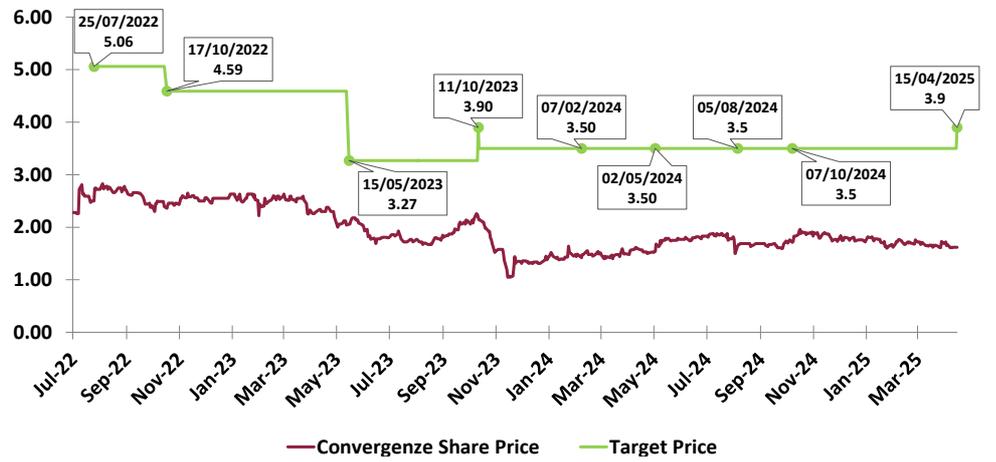
Source: EnVent Research

### Implied EV/Revenues vs industry median multiples



Source: EnVent Research on S&P Capital IQ, 15/04/2025

### Convergence Share Price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 15/04/2025

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

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Date and time of Distribution: 15/04/2025 h. 6.20pm

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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
05/11/2024	OUTPERFORM	3.50	1.87
06/02/2025	OUTPERFORM	3.50	1.72
15/04/2025	OUTPERFORM	3.90	1.62

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<b>Number of companies covered:</b>	<b>29</b>	<b>OUTPERFORM</b>	<b>NEUTRAL</b>	<b>UNDERPERFORM</b>	<b>SUSPENDED</b>	<b>UNDER REVIEW</b>	<b>NOT RATED</b>
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