TIM

BUY

Sector: Telecoms

Price: Eu0.28 - **Target: Eu0.42**

Hitting Targets and Boosting Confidence Ahead of CMD

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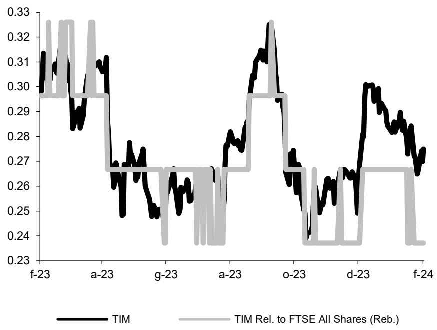
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-14.5%	-31.0%	44.8%

Next Events Conf. Call. Today (h.11am CET, link)
Capital Markets Day in Rome on 7th March (link)

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.0%	4.6%	-7.2%
Relative	-5.7%	-2.2%	-19.7%
12M (H/L)			0.33/0.24
3M Average Volume (th):			141,906.17

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	4,216
Total Mkt Cap (Eu mn):	5,942
Mkt Float - Ord (Eu mn):	2,744
Mkt Float (in %):	65.1%
Main Shareholder:	
Vivendi SA	23.9%

Balance Sheet Data	
Book Value (Eu mn):	12,064
BVPS (Eu):	0.56
P/BV:	0.5
Net Financial Position (Eu mn):	-25,777
Enterprise Value (Eu mn):	31,719

- **FY23 preliminary results.** FY23 results were broadly in line with our estimates/ consensus, with all targets achieved for the second consecutive year. While appreciating the increasingly strong track record on meeting guidance, which bodes well for the delivery of the next BP (out on 7 March), this was a neutral release suggesting limited room for earning upgrades. Domestic service revenues finally resumed growth after almost 6 years (4Q +1.2%) and domestic EBITDAaL grew for the third quarter in a row (4Q: +5.5%) supported by price increases and an easier comparison with last year (lower energy and labour costs). In Brazil, 4Q service revenues grew +7.2% in local currency (+7.5% in 3Q, Claro: +7.1% in 4Q) and EBITDAaL was up +15.1% (3Q +20.7%), while local targets on FY24-26 were consistent with our estimates and market expectations (CapEx slightly higher). Group EFCF-AL was broadly neutral in FY (Eu-64mn, our est. Eu-79mn, cons. Eu-213mn) including advance NRRP payments (Eu0.76bn cashed-in in December), while net debt was in line (our est. Eu20.3bn, cons. Eu20.4bn). The full P&L below EBITDA and the missing items on EFCF (WKC, cash taxes, interest) will be revealed on 6 March.
- **Domestic highlights.** (+) Services revenues finally stabilised (4Q: +1.2%, 3Q: -0.6%, 2Q: -0.9%, 1Q: -2.4%) thanks entirely to fixed (78% of total). (++) Fixed: FSR grew for the third consecutive quarter (4Q: +3.0%, 3Q: +0.6%, 2Q: +0.2%, 1Q: -1.8%) supported by selective price hikes (€75mn upside in FY23 o/w €40mn on fixed) despite marginally higher retail line losses (4Q: -91k, 3Q: -75k, our exp. -56k) but still solid UBB customer intake in both retail (4Q: +27k, 3Q: +22k) and wholesale (4Q:+38k, 3Q: +19k). (-) Mobile: MSR trend under pressure (4Q: -4.9%, 3Q: -2.7%, 2Q: -4.2%, 1Q: -1.8%) still affected by MTR reduction and a lower customer base YoY, similar to the Vodafone Italy performance (4Q: -4.8%, 3Q: -4.3%). The decline was mainly due to wholesale (-21% in 4Q), while the retail segment reported milder declines (4Q: -1.7%), but also to a further deterioration in the human net adds trend (4Q: -130k, 3Q: -68k, 2Q: -28k, our est. -73k) probably due to price hikes. (+) Transformation plan execution on track, with ~Eu0.8bn of additional savings achieved in 2023. (+/-) TIM entities: Consumer still negative (serv. rev. 4Q: -3.2%, 3Q: -3.4%), Enterprise (FY: +5.1%, with Cloud +31%) growing faster than the market, NetCo stable (FY: -0.2%).
- **Change in estimates.** Our FY24-26 domestic estimates remain virtually unchanged, but we are raising TIM Brasil CapEx in line with the new 2024-26 outlook (R$4.4-4.6bn per year).
- **BUY confirmed; target still €0.42 on Ords / €0.44 on Savs.** We believe the market is significantly undervaluing TIM's break-up value and the material upside from CEO Labriola's transformational ServiceCo plan, based on improving operating models across the entities (TIM Enterprise expansion, TIM Consumer turnaround, TIM Brasil value strategy) and leaner cost structures, as well as the higher speculative appeal from potential in-market consolidation in Italy. Our TPs (€0.42 Ords /€0.44 Savs) remain unchanged, and do not yet incorporate potential upside of approximately €0.25 from a re-rating of TIM Consumer to a 'fair' multiple of 5x EV/EBITDAaL, in line with Zegona's offer for Vodafone Spain, a cash-burning asset. This re-rating would be accelerated in the event of consolidation in Italy driving market repair. We retain a preference for savings shares (TP at €0.44), which could benefit from greater speculative appeal related to their potential conversion into ordinary shares and the payment of three dividends in arrears for c.€0.5bn (we assume in FY25), thanks to the capital gain from the NetCo disposal.

Key Figures & Ratios	**2022A**	**2023E**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	15,788	16,296	16,581	16,950	17,328
EBITDA Adj (Eu mn)	6,029	6,383	6,616	6,849	7,024
Net Profit Adj (Eu mn)	-217	-642	-257	143	521
EPS New Adj (Eu)	-0.010	-0.030	-0.012	0.007	0.024
EPS Old Adj (Eu)	-0.010	-0.035	-0.017	0.005	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	5.2	4.9	4.8	4.7	4.6
EV/EBIT Adj	nm	35.3	27.0	20.8	18.0
P/E Adj	nm	nm	nm	41.1	11.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.2	4.0	3.9	3.9	3.8