Intermonte

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Italian Equity Research – Company Update

TIM

BUY

Sector: Telecoms

Price: Eu0.48 - **Target: Eu0.65**

Impressive Rally, but Still More to Come

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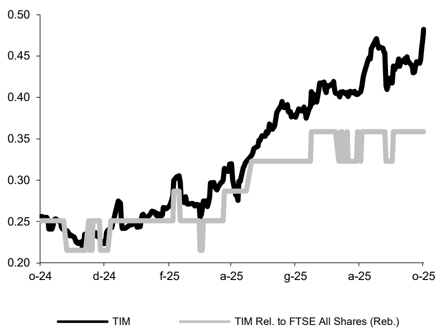
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.50 to 0.65
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Events: 3 November (9M25 Results)

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	15.5%	16.3%	92.0%
Relative	11.9%	8.1%	61.9%
12M (H/L)			0.48/0.22
3M Average Volume (th):			145,790.39

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	7,390
Total Mkt Cap (Eu mn):	10,662
Mkt Float - Ord (Eu mn):	5,510
Mkt Float (in %):	74.6%
Main Shareholder:	
Poste Italiane	24.8%

Balance Sheet Data	
Book Value (Eu mn):	9,247
BVPS (Eu):	0.43
P/BV:	1.1
Net Financial Position (Eu mn):	-6,349
Enterprise Value (Eu mn):	22,306

TIM's stock price has more than doubled YTD, on the back of Poste's entry (reducing the governance discount and opening up new value-creation opportunities, not yet reflected in our SOP) and expectations for the €1bn concession fee by YE (75% included in our SOP). We see further upside from free licence renewal in 2039 (~€0.06/share), and a medium-term margin re-rating at TIM Enterprise (~€0.04). While leaving our estimates unchanged, we are factoring these elements into our valuation, along with the mark-to-market revaluation of the TIM Brasil stake (~€0.05). We are therefore lifting our TP from €0.50 to €0.65, implying >30% upside, possibly with more to come from in-market consolidation, although visibility remains limited and would require broader alignment.

- **5G spectrum renewal: protecting industry returns.** AGCOM has launched a consultation (154/25/CONS) on the spectrum rights expiring at end-2029. Italian operators are pressing for free licence renewal in exchange for investment commitments, to avoid a repeat of the costly €6.5bn 2018 5G auction. AGCOM is considering 2 different approaches (mixed or full renewal) and targeting completion by 2027, two years before expiry. European precedents include France, where 4G frequencies were renewed without charge but with coverage obligations, and Germany, where licences were extended by 3–5 years, taking the total duration to 20 years. In our SOP we assign a 66% chance to free renewal (NPV €2.1bn), equivalent to ~€0.06 in our TP**.** Looking ahead, 5G will require standalone infrastructure decoupled from 4G towers. To contain rollout costs, operators may turn to RAN-sharing JVs (active equipment only), with a potential TIM–Fastweb–Wind3 venture delivering meaningful CapEx savings and improved returns (not yet captured in our estimates), without major antitrust concerns.
- **Unboxing TIM Enterprise.** Last Thursday, TIM showcased TIM Enterprise, stressing its strong positioning, long-term growth prospects, and ~6% EBITDAaL growth in 2024–27, double the sector average. While no new guidance was provided, the event outlined a roadmap with a focus on cloud services, a faster-growing, higher-margin segment that could act as a profitability catalyst. Our estimates remain unchanged, with margins projected to rise from 21% in FY24 to >24% by FY27 alongside ~5% annual revenue growth. In our SOP, however, we now factor in a re-rating of TIM Enterprise from 9.0x to 10.0x EV/EBITDAaL'25E, increasing its valuation from €6.7bn to €7.4bn (€0.35/share, +€0.04 vs. our previous valuation)
- **Synergies with Poste.** Management pointed to potential private/public sector synergies via joint initiatives and bringing currently-outsourced ICT processes in-house. Our initial assessment, limited to cost synergies (excluding any cross-selling benefits) and based on a 2% saving on the aggregate TIM Domestic/ PostePay cash cost base, suggests NPV of ~€1.8bn (~€0.08/share, not yet included in our SOP), or savings of ~€180mn p.a. (~9% upside to Domestic EBITDAaL). More details to come with 3Q results in November.
- **BUY confirmed; TPs up to €0.65 for TIM Ords (from €0.50) and €0.73 for TIM Savs (from €0.58).** Our TPs do not factor in c.€0.11/ share of additional upside from a potential re-rating of TIM Consumer to a "fair" M&A multiple of 7.5x EV/EBITDAaL (the same multiple offered by Fastweb for Vodafone Italia), which could be crystallised immediately through market repair/consolidation or asset disposal. At current prices of TIM and TIM Brasil, TIM Domestic trades at 5x EV/EBITDAaL 2026, versus 6x for the overall sector.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,493	13,865	14,306	14,742
EBITDA Adj (Eu mn)	6,383	4,339	4,335	4,552	4,788
Net Profit Adj (Eu mn)	-437	-756	64	371	605
EPS New Adj (Eu)	-0.020	-0.035	0.003	0.017	0.028
EPS Old Adj (Eu)	-0.020	-0.035	0.003	0.017	0.028
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.9	3.6	5.1	4.9	4.5
EV/EBIT Adj	37.2	10.0	15.8	13.8	12.1
P/E Adj	nm	nm	nm	27.8	17.0
Div. Yield	0.0%	0.0%	3.3%	4.8%	5.8%
Net Debt/EBITDA Adj	3.2	1.7	1.5	1.4	1.2

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (**DCF**) model or similar methods such as a dividend discount model (**DDM**)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 6 October 2025 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	30.30%
OUTPERFORM:	39.39%
NEUTRAL:	30.31%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (76 in total) is as follows:

BUY:	50.00%
OUTPERFORM:	31.58%
NEUTRAL:	18.42%
UNDERPERFORM:	00.00%
SELL:	00.00%

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