TIM

BUY

Sector: Telecoms

Price: Eu0.63 - **Target: Eu0.74**

4Q Preview: Strong Year-End Ramp-Up in EBITDAaL & EFCFaL

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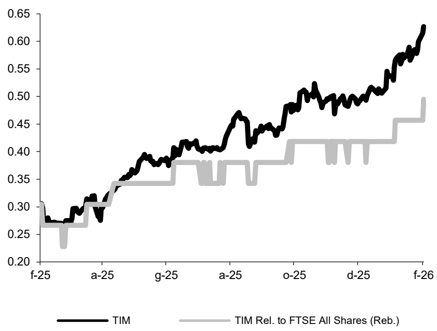
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.68 to 0.74
	2025E	**2026E**	**2027E**
Chg in Adj EPS	n.m.	-13.0%	-1.4%

Next Event

FY25 Results Out 24 Feb (conf. call 25 Feb)

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	16.5%	26.4%	105.8%
Relative	15.0%	21.6%	82.1%
12M (H/L)			0.63/0.26
3M Average Volume (th):			205,332.36

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	9,605
Total Mkt Cap (Eu mn):	14,021
Mkt Float - Ord (Eu mn):	6,921
Mkt Float (in %):	72.1%
Main Shareholder:	
Poste Italiane	27.3%

Balance Sheet Data	
Book Value (Eu mn):	9,897
BVPS (Eu):	0.46
P/BV:	1.4
Net Financial Position (Eu mn):	-5,721
Enterprise Value (Eu mn):	25,273

TIM Group will report preliminary FY25 results on 24 February, alongside an update to FY26 guidance. A more comprehensive 2026–28 Business Plan is expected in June, once the savings shares conversion is completed and synergies with Poste Italiane have been fully quantified. Yesterday TIM Brasil (c.54% of OpFCF) already reported an excellent FY25 OpFCF performance (+16% YoY, 2% above exp.); focus now shifts to the domestic market, which should have benefited from a strong 4Q acceleration in EBITDAaL (Consumer price increases, easy comp on personnel costs, solid Enterprise trends, Transformation plan) and a ramp-up in EFCFaL (NWC release) consistent with the ~€0.5bn FY target, bringing net debt to €7.1bn excluding the 1998 licence fee reimbursement (1.9x adj. EBITDA).

- **4Q/FY preview.** We expect FY results to come in at the upper end of the indicated ranges, with Group revenues growing +3.1% YoY (vs. 2–3% guidance), of which Domestic +2.4% (vs. 1–2%), and Group adj. EBITDAaL up +7.0% (vs. c.+7% guidance), with Domestic at +5.5% (vs. 5–6%), supported by an acceleration in 4Q (+9.5%) vs. 3Q (+4.0%). Within the mix, we expect TIM Consumer EBITDAaL to have grown by c.+3%, a 21% margin, while TIM Enterprise should have delivered EBITDAaL growth of +9%, a 22% margin. In absolute terms, both BUs should contribute c.€0.4bn each to Domestic EBITDAaL-CapEx. Assuming €0.5bn Group EFCFaL, partially offset by €0.4bn of remuneration from TIM Brasil (€0.3bn dividend + €0.1bn SBB), net debt should come to c.€7.1bn (€-0.1bn YoY). Following the Supreme Court ruling confirming the credit in favour of TIM as certain and enforceable, the €1bn from the 1998 licence fee should be booked in the 2025 P&L as a positive one-off in reported EBITDAaL, offset by the recognition of a receivable. As such, the EFCFaL benefit, via NWC release, should only materialise in 2026 once cash is collected from the government.
- **Change in estimates.** We are fine-tuning 2026 revenues/EBITDA/EFCFaL. We are lifting FY26 EFCF from €0.7bn to €1.7bn to reflect the reversal of the Eu1bn credit related to the 1998 licence fee, then incorporating the €0.7bn proceeds from the Sparkle disposal (previously assumed in 4Q25), offset by €0.63bn cash-out for the savings shares conversion, €150mn for the buyout of the 51% stake in I-Systems in Brazil, and €0.2bn remuneration to TIM Brasil minorities. This leads us to assume a YE26 net debt of €5.7bn (1.5x adj. EBITDAaL).
- **BUY confirmed, new TP €0.74 (from €0.68).** We believe that, despite the impressive stock rally, the equity story does not end here. Several developments may come by the mid-year CMD (synergies with Poste, free spectrum renewal, MSA talks with INWIT, potential all-share purchase of PosteMobile in 2H, market consolidation?) on top of significant flows into the stock driven by increased liquidity once the savings shares conversion is completed. We are raising our TP from €0.68 to €0.74 to reflect an updated base-case scenario to embody: i) Higher mark-to-market valuation of the TIM Brasil stake +€0.06 vs. December); ii) RAN-sharing agreement with FWB (~€0.3bn; €0.02/share); iii) Lower chances for the €2.9bn NetCo earnout by YE26 (from 25% to 5%; now €0.01/share vs. €0.03 previously). At this stage, our TP does not yet factor in the following blue-sky optionality that could drive it above €1.00/share: i) in-market consolidation (~€0.18/share); ii) Synergies with Poste (~€0.08/share; ~€1.8bn NPV currently limited to cash costs); iii) MSA renegotiation with INWIT (~€0.03/share).

Key Figures & Ratios	2024A	2025E	2026E	2027E	2028E
Sales (Eu mn)	14,493	13,778	14,215	14,647	15,107
EBITDA Adj (Eu mn)	4,339	4,358	4,518	4,739	4,958
Net Profit Adj (Eu mn)	-756	470	294	553	772
EPS New Adj (Eu)	-0.035	0.022	0.014	0.026	0.036
EPS Old Adj (Eu)	-0.035	0.003	0.016	0.026	
DPS (Eu)	0.000	0.000	0.016	0.018	0.025
EV/EBITDA Adj	3.6	5.0	5.6	5.2	4.8
EV/EBIT Adj	10.0	9.1	16.6	14.5	12.1
P/E Adj	nm	28.4	45.5	24.2	17.3
Div. Yield	0.0%	0.0%	2.6%	2.9%	4.0%
Net Debt/EBITDA Adj	1.7	1.6	1.3	1.1	0.9

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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.
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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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BUY:	32.33%
OUTPERFORM:	37.59%
NEUTRAL:	29.33%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (72 in total) is as follows:

BUY:	54.17%
OUTPERFORM:	31.94%
NEUTRAL:	12.50%
UNDERPERFORM:	01.39%
SELL:	00.00%

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