

# TIM

Sector: Telecoms

# BUY

Price: Eu0.31 - Target: Eu0.38

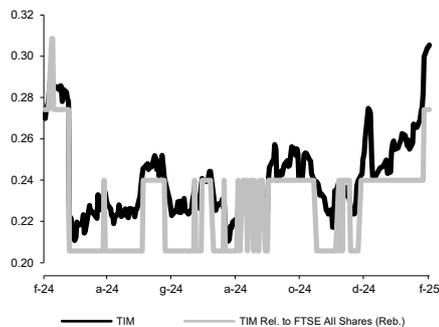
## Back to Equity FCF this year, Return to Remuneration from FY26

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	n.m.	n.m.	n.m.

**Next Event:** 2025-27 BP Today (h.11am CET, [link](#))  
**FY24 Final Results** 5 March 2025

### TIM - 12M Performance



Stock Data			
Reuters code:	TLIT.MI		
Bloomberg code:	TIT IM		
Performance	1M	3M	12M
Absolute	19.9%	40.6%	11.4%
Relative	13.0%	29.2%	-7.1%
12M (H/L)	0.31/0.21		
3M Average Volume (th):	263,682.71		

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	4,682
Total Mkt Cap (Eu mn):	6,731
Mkt Float - Ord (Eu mn):	3,047
Mkt Float (in %):	65.1%
Main Shareholder:	
Vivendi SA	23.9%

Balance Sheet Data	
Book Value (Eu mn):	13,268
BVPS (Eu):	0.62
P/BV:	0.5
Net Financial Position (Eu mn):	-7,085
Enterprise Value (Eu mn):	18,987

- FY24 preliminary results and FY25-27 targets.** No surprises from preliminary FY24 results, which were in line with our estimates and consensus, meeting FY guidance for the third consecutive year. The new 2025-27 P&L targets are broadly aligned with the previous plan, while the cumulative 3-year target for Equity FCF after lease (~€2.5bn, of which €0.5bn in FY25, €0.9bn in FY26, €1.1bn in FY27) exceeds our initial forecast (€2.1bn cumulative). This improvement is partly driven by TIM Brasil, CapEx optimisation at domestic level, lower cash interest charges, cash taxes and extraordinary WC absorption. Notably, for FY25 the company now sees Equity FCF of €0.5bn, a significant improvement from the zero net cash flow previously expected.
- Focus on shareholder remuneration.** The Company announced a return to shareholder remuneration, with a planned outlay of €0.35bn in FY26 (50% of the proceeds from the Sparkle disposal), €0.5bn in FY27, and €0.6bn in FY28 subject to the availability of distributable reserves, and BoD and shareholder approval. However, the company has not provided key details on the remuneration mix (dividends vs. buybacks) or its allocation across different share classes (ordinary and savings). Notably, if dividends are paid from capital reserves, savings shareholders hold the same rights as ordinary shareholders. Moreover, should TIM SpA generate a profit over the plan period, savings shareholders would still be entitled to both accrued dividends and a minimum dividend for the year (€0.5bn cash out). The lack of clarity on the shareholder remuneration structure—whether through buybacks or dividends, and how it will be distributed between ordinary and savings shares—could raise several questions in today's call. We expect consensus to assume a payment from reserves, resulting in equal DPS for ordinary and savings shareholders. However, the true game-changer for accrued dividends on savings shares remains the cash-in of the 1998 Concession Fee expected no earlier than 2026, contingent on the Supreme Court ruling in TIM's favour.
- Change in estimates:** with an outlook broadly in line with expectations, we are tweaking our revenue and EBITDA estimates while incorporating the improved EFCF generation outlined in company guidance. We are also postponing the cash inflow from the Sparkle disposal from 4Q25 to 1Q26 and factoring in a resumption of shareholder remuneration, assuming a 100% dividend mix fully funded through capital reserves (maintaining the same DPS for TIT/TITR). At this stage, we are not yet including the potential €1bn cash in from the 1998 Concession Fee, which, if it materialises, could enable TIM SpA to generate sufficient profit to distribute accrued dividends to TITR shareholders. We now expect 1.4x leverage at YE27 (target 1.3x).
- BUY confirmed; target still €0.38 for TIM Ords (€0.46 for TIM Savs).** The new business plan brings forward cash generation by one year compared to the previous plan, providing clear evidence of the company's ability to stand on its own even after the sale of the fixed network and to reinstate shareholder remuneration as a normal company. Regarding consolidation scenarios in Italy, we believe TIM is well-placed to capitalise on potential M&A opportunities. Assuming re-leverage up to 1.7x by YE27—a "best-in-class" level in the European telco industry—we estimate financial firepower (available for M&A and/or capital structure simplification) of between €1.7bn and €2.7bn, with the upper range reflecting the potential cash inflow from the 1998 Concession Fee. Our TPs (both unchanged at €0.38 for Ords and €0.46 for Savs) do not factor in c.€0.26 of additional upside from a potential re-rating of TIM Consumer to a "fair" multiple of 7.5x EV/EBITDA<sub>A</sub>L (the same multiple offered by Fastweb for Vodafone Italia), which could be crystallised immediately through market repair/consolidation or asset disposal.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,493	13,960	14,414	14,859
EBITDA Adj (Eu mn)	6,383	4,339	4,473	4,678	4,908
Net Profit Adj (Eu mn)	-437	-212	177	106	413
EPS New Adj (Eu)	-0.020	-0.010	0.008	0.005	0.019
EPS Old Adj (Eu)	-0.020	-0.011	0.006	0.013	0.019
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.1	4.1	4.2	3.9	3.6
EV/EBIT Adj	30.9	9.9	14.8	12.4	10.7
P/E Adj	nm	nm	36.9	61.3	15.8
Div. Yield	0.0%	0.0%	5.2%	7.5%	9.2%
Net Debt/EBITDA Adj	3.2	1.7	1.6	1.3	1.2

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- 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 of 5.5% are being used.

Frequency of research: quarterly.

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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:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
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 (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
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SELL:	00.00 %

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Emittente	%	Long/Short

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