

TIM

Sector: Telecoms

BUY

Price: Eu0.51 - Target: Eu0.65

3Q Preview: Domestic EBITDAaL on Track, Acceleration in 4Q

Giorgio Tavolini +39-02-77115.279

giorgio.tavolini@intermonte.it

Andrea Randone +39-02-77115.364

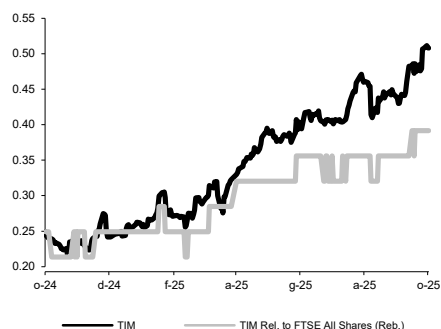
andrea.randone@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	0.8%	-8.8%	-5.4%

Next Events: 5 Nov: 3Q press release (after market close), 6 Nov: Conference call at 11:00 CET ([link](#))

TIM - 12M Performance



Stock Data

Reuters code:	TLIT.MI		
Bloomberg code:	TIT IM		
Performance	1M	3M	12M
Absolute	16.0%	25.0%	103.8%
Relative	16.5%	20.0%	82.2%
12M (H/L)	0.51/0.22		
3M Average Volume (th):	170,381.74		

Shareholder Data

No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	7,784
Total Mkt Cap (Eu mn):	11,194
Mkt Float - Ord (Eu mn):	5,804
Mkt Float (in %):	74.6%
Main Shareholder:	
Poste Italiane	24.8%

Balance Sheet Data

Book Value (Eu mn):	9,248
BVPS (Eu):	0.43
P/BV:	1.2
Net Financial Position (Eu mn):	-6,353
Enterprise Value (Eu mn):	22,841

3Q Domestic EBITDAaL should have closed flattish YoY, in line with management hints, while a temporary NWC increase should have burdened 3Q EFCFaL (~€50mn) without affecting leverage. Meanwhile, the Budget Law approved yesterday ([art. 134](#)) confirms a €2.2bn provision for legal risks, potentially covering €1bn for the 1998 licence fee dispute. If so, this would suggest an imminent Court of Cassation ruling against the government. Recognition of the credit could bring TIM SpA into profit this year and trigger the payment of accrued dividends on savings shares (€0.085/saving share).

■ **TIM Group: profitability on track, temporary NWC increase.** As anticipated by management, 3Q Domestic EBITDAaL should have remained broadly flat YoY (our estimate: €575mn, -0.2%), with the bulk of the uplift deferred to 4Q, supported by price hikes, Enterprise seasonality, OpEx efficiencies, and lower labour costs. On EFCFaL, while in August management indicated a flattish YoY trend (€193mn), we expect a materially lower figure, at c. €50mn, reflecting a temporary increase in NWC related to supply chain management. This cash generation should be fully absorbed by dividend leakage to TIM Brasil minorities (€50mn) and the local buyback (€50mn), implying a €50mn QoQ increase in net debt (our exp €7.55bn). To meet the FY target, a stronger EFCFaL contribution is expected in 4Q, supported by higher EBITDA, CapEx phasing, and NWC.

■ **Divisions.** TIM Enterprise should post solid growth, with revenues up 4.2% (driven by +20% in Cloud Services), while TIM Consumer should show a modest slowdown in service revenues (3Q: -1% vs. 2Q: +0.7%) due to a physiological uptick in churn from recent price hikes, supporting ARPU stabilisation. TIM Brasil revenues should have grown 4.9% YoY (2Q: +4.7%), with Mobile service revenues up 5.3% (2Q: +5.6%), broadly in line with CPI (+5.2%). EBITDA should have risen 6.3% YoY on continued cost discipline, with margins expanding +50bp YoY to 50.9%, confirming best-in-class profitability.

■ **Change in estimates.** We are only making minor changes to our estimates, mainly on TIM Brasil (slower lease efficiencies, -1% Group EBITDAaL) and higher D&A (Group EBIT -4%). Group Equity EFCFaL is unchanged and remains aligned with targets (€0.5bn FY25, €0.9bn FY26, €1.1bn FY27). We still expect net debt of €6.35bn, or €7.05bn pre-Sparkle sale (consensus €7.04bn), c.1.9x EBITDAaL (FY target ex-Sparkle <1.9x).

■ **BUY confirmed; TPs still €0.65 for TIM Ords and €0.73 for TIM Savs.** We confirm our €0.65 TP on TIM Ords (27% upside), factoring in multiple potential catalysts: free renewal of spectrum licences expiring in 2039 (~€0.06/share, 66% chance), the €2.9bn NetCo earnout (~€0.03/share, 25% chance), and the €1bn 1998 licence fee cash-in expected by YE (~€0.04/share, 75% chance). The latter could bring TIM SpA into the black this year and trigger the payment of accrued dividends on TIM Savs (€0.0825/share), already included in our €0.73 TP (unchanged, 29% upside), justifying the absolute premium vs. Ords. At this stage our TPs do not factor in meaningful optionality largely unpriced by the market, namely potential synergies with Poste (~€0.08/share, our ~€1.8bn NPV currently limited to cash costs) and potential upside from in-market consolidation (~€0.18/share), the latter assuming a re-rating of TIM Consumer to a “fair” 7.5x EV/EBITDAaL (in line with Fastweb/Vodafone), which could be crystallised rapidly through market repair, consolidation or asset disposal; these offer significant upside to our valuation.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,493	13,859	14,301	14,736
EBITDA Adj (Eu mn)	6,383	4,339	4,345	4,549	4,785
Net Profit Adj (Eu mn)	-437	-756	64	338	572
EPS New Adj (Eu)	-0.020	-0.035	0.003	0.016	0.027
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	5.3	5.0	4.7
EV/EBIT Adj	37.2	10.0	16.9	14.8	12.9
P/E Adj	nm	nm	nm	32.1	19.0
Div. Yield	0.0%	0.0%	3.2%	4.5%	5.5%
Net Debt/EBITDA Adj	3.2	1.7	1.5	1.4	1.2

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TIM		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	0.65	Previous Target (Eu):	0.65
Current Price (Eu):	0.51	Previous Price (Eu):	0.48
Date of report:	23/10/2025	Date of last report:	06/10/2025