Milan, 25 February 2026

Italian Equity Research – FY25 Prelim. Results

TIM

BUY

Sector: Telecoms

Price: Eu0.65 - **Target: Eu0.75**

2026 Outlook: Underlying Upgrade on EFCF & Higher Returns

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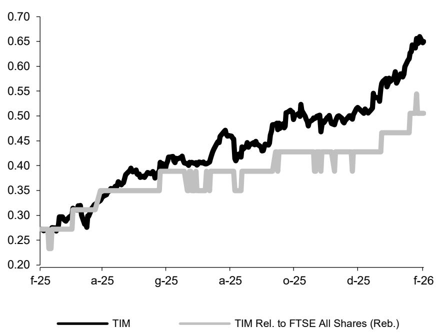
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.74 to 0.75
	2026E	**2027E**	**2028E**
Chg in Adj EPS	15.4%	0.4%	-0.4%

Next Event: FY25 conf. call today @11am CET
Final FY25 Results Out 11 March

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	14.2%	30.9%	138.9%
Relative	10.7%	21.1%	117.8%
12M (H/L)			0.66/0.26
3M Average Volume (th):			207,081.37

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	9,964
Total Mkt Cap (Eu mn):	14,525
Mkt Float - Ord (Eu mn):	7,179
Mkt Float (in %):	72.1%
Main Shareholder:	
Poste Italiane	27.3%

Balance Sheet Data	
Book Value (Eu mn):	9,300
BVPS (Eu):	0.44
P/BV:	1.5
Net Financial Position (Eu mn):	-5,779
Enterprise Value (Eu mn):	25,895

FY25 preliminary results were broadly in line at P&L level, while EFCF and net debt beat our/street expectations (by €0.2bn), mainly thanks to a stronger NWC release, driven by non-repeatable items with partial reversal this year. FY26 EFCFaL target was confirmed at ~€1.8bn (incl.~€0.9bn concession fee) implying an underlying upgrade despite tougher FX assumptions and NWC reversal. The new remuneration framework includes ~€0.5bn ordinary dividends (paid in FY27), up to €0.4bn SBB in 2H26 linked to Sparkle proceeds, and a proposed 1:10 reverse stock split, reducing volatility and attracting a new class of investors. Beyond remuneration, spectrum renewal, and in-market consolidation, we expect today's call to focus on additional synergies with Poste (c.€50m/year run-rate savings already identified, with no impact on FY26), on top of the upside from the MVNO contract (~€100m/year run-rate, already embedded in our estimates).

- **4Q/FY results.** TIM met guidance for the 4th year in a row, showing solid delivery in the domestic market (FY: +1.9% top line and +5.1% EBITDAaL) thanks to an impressive acceleration in 4Q (top line +3.7%, EBITDAaL +7.8%). TIM Consumer (service revs -2.3% in 4Q) saw a resilient top line on retail (+0.3%), while wholesale was down (-24%), also due to MVNO phasing. ARPU supported by repricing since early 2025 (~4.1m fixed and ~4.2m mobile lines affected), with churn lower than expected and MNP net balance remaining neutral. TIM Enterprise delivered 8.6% growth of services revenue in 4Q fuelled by Cloud (+24% YoY, 42% of total), order book exceeds €4bn. EBITDAaL split between Consumer and Enterprise was not disclosed at this stage. Reported figures include a €0.6bn non-recurring, non-cash charge resulting from the halving of the amortization period of deferred contract costs (from 8 to 4 years) on fixed-line contracts. This enhances EBITDA–FCF alignment and ensures that any future efficiencies in acquisition and provisioning costs are reflected more rapidly in the P&L.
- **FY26 outlook.** Targets were consistent with our/consensus expectations, although the €1.8bn EFCFaL target (including the concession fee) was confirmed despite more conservative ForEx headwinds (EURBRL at 6.54 vs current spot 6.07) and the reversal of the NWC release that had supported FY25 net debt.
- **Change in estimates.** We update our FY26 estimates to reflect updated FX assumptions in Brazil, partly offset by an improvement in local-currency forecasts to incorporate stronger outlook on profitability. In light of the €1.8bn EFCF, FY26 net debt increases only marginally vs. our previous estimates, from €5.7bn to €5.8bn (1.5x EBITDAaL), as the c.€350m buyback cash-out is largely offset by a c.€0.2bn lower starting base as at YE25.
- **BUY confirmed, new TP €0.75 (from €0.74).** 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 saving shares conversion is completed. We raise our TP from €0.74 to €0.75, mainly to embody a higher mark-to-market valuation of the TIM Brasil stake. 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; ~€1.6bn NPV currently limited to cash costs); iii) MSA renegotiation with INWIT (~€0.03/share).

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	14,493	13,734	13,979	14,406	14,858
EBITDA Adj (Eu mn)	4,339	4,353	4,507	4,695	4,916
Net Profit Adj (Eu mn)	-756	201	339	556	768
EPS New Adj (Eu)	-0.035	0.009	0.016	0.026	0.036
EPS Old Adj (Eu)	-0.035	0.022	0.014	0.026	0.036
DPS (Eu)	0.000	0.000	0.023	0.025	0.028
EV/EBITDA Adj	3.6	5.0	5.7	5.4	5.1
EV/EBIT Adj	10.0	12.4	16.6	14.9	12.5
P/E Adj	nm	69.2	41.0	25.0	18.1
Div. Yield	0.0%	0.0%	3.5%	3.9%	4.3%
Net Debt/EBITDA Adj	1.7	1.6	1.3	1.2	1.0

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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:	31.58%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
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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