

TIM

Sector: Telecoms

BUY

Price: Eu0.41 - Target: Eu0.50

Robust 2Q Expected, Execution on Track, 2H Tailwinds Ahead

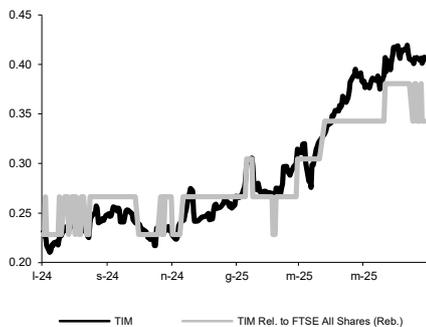
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 0.45 to 0.50		
	2025E	2026E	2027E
Chg in Adj EPS	n.m.	37.3%	62.7%

Next Events: 5 Aug (1H25 press release COB), 6 Aug (1H conference call @11:00am CEST, [webcast](#))

TIM - 12M Performance



Stock Data

Reuters code:	TLIT.MI		
Bloomberg code:	TIT IM		
Performance	1M	3M	12M
Absolute	-2.8%	18.8%	77.5%
Relative	-5.3%	9.9%	57.5%
12M (H/L)	0.42/0.21		
3M Average Volume (th):	182,005.33		

Shareholder Data

No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	6,218
Total Mkt Cap (Eu mn):	8,931
Mkt Float - Ord (Eu mn):	4,636
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:	0.9
Net Financial Position (Eu mn):	-6,349
Enterprise Value (Eu mn):	18,141

■ 2Q25 preview. We expect trends broadly in line with 1Q, with domestic EBITDAaL growth approaching mid-single-digit levels and tracking FY guidance. Assuming a further ~€350mn of WKC absorption (mainly due to phasing, with a strong release expected in 2H), cash interest of €155mn (in line with 1Q), and positive cash taxes of ~€50mn (1Q: €8mn), we estimate 2Q EFCFaL at €70mn, nearly offset by TIM Brasil dividends (€65mn), resulting in net debt remaining flat QoQ at around €7.5bn. Overall, we expect solid execution, supported by a stable Italian market, resilient fixed-line trends, and limited commercial pressure. MNP volumes should continue to decline, reducing the “washing machine” effect, with Iliad’s net balance down to ~+40k in 2Q from ~+60k in 1Q - no longer moving the high-value segment. In 1H, TIM raised prices on 4mn fixed and 1.7mn mobile lines with solid KPIs - rising ARPU and stable churn- highlighting strong customer loyalty despite four consecutive years of hikes. TIM Consumer service revenues should improve QoQ after a flat 1Q. TIM Enterprise should confirm its growing path, with double-digit cloud growth and a softer, more controlled YoY decline in connectivity. TIM Brasil should deliver mid-single-digit growth in service revenues (+5% in 2Q vs. +6% in 1Q) and adj. EBITDA (+5.1% vs. +6.7% in 1Q), maintaining best-in-class margins (~50% in 2Q).

■ Domestic EBITDAaL tailwinds expected in 2H, mostly 4Q, driven by: a) the full benefit of recent price hikes on margins, b) savings from the new solidarity agreement, and c) seasonal strength at TIM Enterprise (4Q-weighted). Notably, the uplift will be concentrated in 4Q, as 3Q25 faces a tough comparison from 3Q24.

■ Change in estimates. We are marginally raising our 2026–27 margin estimates for TIM Consumer to reflect initial synergies with Poste Italiane, translating into a ~1% increase in group adj. EBITDAaL. We are also cutting domestic one-offs to ~€100mn/year (from €300mn), driving a materially improved bottom line, now forecast back in positive ground in 2025. On FCF, updated assumptions on working capital, cash interest and taxes lift 2025 Equity FCF from €0.4bn to ~€0.5bn (in line with guidance), and from €2.1bn to €2.4bn for 2025–2027 (vs. guidance of ~€2.5bn).

■ BUY confirmed; TP increased to €0.50 for TIM Ords (from €0.45) and €0.58 for TIM Savs. (from €0.53) to reflect an improved DCF valuation of TIM Consumer (now Eu5.6bn, 4.5x EV/EBITDAaL'25E) driven by lower WACC (equity risk premium reduced from 6% to 5.5%) and better medium-term profitability trends. We remain positive on the stock given the improvement to governance following Poste’s entry into the shareholding, which could bring operational synergies (MoU), support key initiatives, such as potential market consolidation (e.g. a possible deal with Iliad, particularly if Iliad exits Italy to focus on France amid a potential SFR break-up), simplify the capital structure (conversion of saving shares), and drive a resumption of shareholder remuneration via the reconstitution of reserves (capital reduction). Further upside could come from the reimbursement of the 1998 licence fee (€1bn, still reflected at 75% in our SOP) and NetCo-related earn-outs (€2.9bn, now reflected at a probability of 25%, vs. 40% previously).

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	-0.002	0.013	0.017
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.9	3.6	4.2	3.9	3.7
EV/EBIT Adj	37.2	10.0	12.8	11.2	9.8
P/E Adj	nm	nm	nm	23.4	14.3
Div. Yield	0.0%	0.0%	3.9%	5.7%	6.9%
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 FTSEIMIB40 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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As at 29 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.81%
NEUTRAL:	28.35%
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 (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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