Milan, 30 January 2025

Italian Equity Research – 4Q24 Preview

TIM

BUY

Sector: Telecoms

Price: Eu0.27 - **Target: Eu0.38**

FY24 Results Set to Match Guidance; All Eyes on New BP

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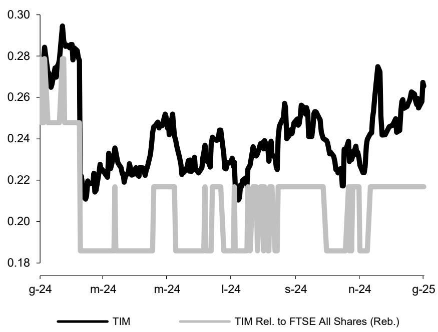
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	n.m.	n.m.	n.m.

Next Event: FY24 Prelim. Results out 12 Feb
2025-27 BP out 13 Feb (11:00am CET, link)

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	8.0%	11.5%	-4.8%
Relative	1.8%	7.3%	-23.9%
12M (H/L)			0.29/0.21
3M Average Volume (th):			219,125.88

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	4,070
Total Mkt Cap (Eu mn):	5,922
Mkt Float - Ord (Eu mn):	2,649
Mkt Float (in %):	65.1%
Main Shareholder:	
Vivendi SA	23.9%

Balance Sheet Data	
Book Value (Eu mn):	13,181
BVPS (Eu):	0.62
P/BV:	0.4
Net Financial Position (Eu mn):	-6,479
Enterprise Value (Eu mn):	17,337

- **FY24 results preview.** We expect the company to have met its full-year guidance, with a slight deviation on domestic revenue due to another quarter of underperformance from Sparkle—an asset up for sale and set to be deconsolidated in early 2025. This is primarily driven by phasing issues linked to delays on a long-distance route in the Middle East, which had already affected 3Q equipment sales. As a result, we forecast FY revenue growth of 2.9% at Group level (at the lower end of the 3-4% guidance range) and 1.4% domestically (guidance: 2-3%), while service revenues should have risen by 3.4% at Group level and 2.0% in the domestic market. Adj. EBITDA should have grown by over 8% both at Group and domestic levels. Excluding Sparkle (€89mn, -30% YoY), domestic EBITDA should have grown at a low-teens rate, with TIM Consumer up 6% and TIM Enterprise up 19%. TIM Brasil should report solid full-year trends, with high single-digit top line and adj. EBITDA growth, alongside double-digit growth in OpFCF. With Group CapEx at ~€2.1bn (€1.35bn domestic), slightly below guidance (~15% of Group sales, ~14% domestic), solid OpFCF should have brought net debt to €7.55bn (target: €7.5-7.6bn, ~2x EBITDAaL) before factoring in €250mn from the INWIT stake sale.
- **Business Plan update:** on 13th February the company is set to release updated targets to 2027, factoring in the deconsolidation of Sparkle with a neutral to positive FCF impact. Trends should remain in line with previous targets (3% revenue CAGR, 8% EBITDA CAGR), while potential upside on CapEx and financial charges (previous plan: €0.8bn/year in FY25-26) could improve visibility on cash flow. Excluding the €0.7bn cash-in from Sparkle and shareholder remuneration, we estimate net cash flow at ~€0.1bn in FY25 (previous plan: zero), €0.5bn in FY26 (unchanged), and €0.8bn in FY27. YE27 net debt is foreseen at €6.6bn (1.5x leverage) or €5.9bn (1.4x leverage) post-Sparkle sale.
- **Change in estimates:** we are trimming Group revenue by 5%, EBITDA by 2%, and CapEx by 5% over the three-year period to account for the deconsolidation of Sparkle (expected cash-in FY25), partially offset by a slight ForEx improvement in Brazil (from 6.0 to 5.83, the FY24 average to be used for 2025-27 target setting), with a limited impact on OpFCF.
- **BUY confirmed; target still €0.38 for TIM Ords (€0.46 for TIM Savs).** We expect the new plan to focus entirely on organic execution, ensuring continuity in revenue and EBITDA trends while factoring in some upside on financial charges and CapEx. This could accelerate ServCo's cash generation ahead of the schedule outlined in the previous *Free-to-Run* plan, further strengthening interest in the equity story. That said, we do not expect any updates on capital allocation or a dividend return in FY25 at this stage. Despite the recent Court refusal to suspend the government's immediate payment to TIM for the 1998 fee, the company may well need to wait for the 2026 Cassation ruling before having free use of the €1bn (75% booked in SOP) for shareholder returns or capital structure simplification (partial tender offer on savings shares). Our TPs (both unchanged at €0.38 for Ords and €0.46 for Savs) do not factor in c.€0.22 of additional upside from a potential re-rating of TIM Consumer to a "fair" multiple of 6x EV/EBITDAaL (or 7.6x for the entire domestic ServCo, in line with the 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	14,465	14,019	14,476	14,925
EBITDA Adj (Eu mn)	6,383	4,331	4,447	4,663	4,901
Net Profit Adj (Eu mn)	-437	-234	133	288	400
EPS New Adj (Eu)	-0.020	-0.011	0.006	0.013	0.019
EPS Old Adj (Eu)	-0.020	-0.010	-0.001	0.019	0.035
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.1	4.1	3.9	3.7	3.4
EV/EBIT Adj	30.9	9.9	13.9	12.2	10.2
P/E Adj	nm	nm	42.6	19.7	14.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.2	1.7	1.5	1.4	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.
Reports on all companies listed on the S&PMIB40 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.
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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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OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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