Intermonte

Milan, 30 April 2025

Italian Equity Research – 1Q25 Preview

TIM

BUY

Sector: Telecoms

Price: Eu0.35 - **Target: Eu0.44**

Resilient Start to the Year Despite Seasonal WKC Absorption

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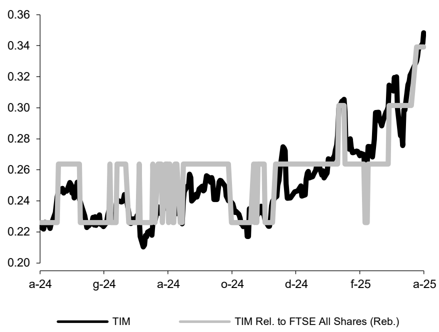
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.38 to 0.44
	2025E	**2026E**	**2027E**
Chg in Adj EPS	n.m.	n.m.	n.m.

Next Event: 7 May (1Q25 results)

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	11.4%	31.2%	54.0%
Relative	13.4%	27.1%	44.0%
12M (H/L)			0.35/0.21
3M Average Volume (th):			344,386.67

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	5,339
Total Mkt Cap (Eu mn):	7,729
Mkt Float - Ord (Eu mn):	3,981
Mkt Float (in %):	74.6%
Main Shareholder:	
Poste Italiane	24.8%

Balance Sheet Data	
Book Value (Eu mn):	12,630
BVPS (Eu):	0.59
P/BV:	0.6
Net Financial Position (Eu mn):	-7,666
Enterprise Value (Eu mn):	20,585

- **1Q25 preview: growing OpFCF, while EFCF hit by seasonal WKC absorption.** We expect a solid start to the year, with 1Q performance broadly in line with full-year guidance at the top line and slightly below on EBITDA but overall offset at the OpFCF level thanks to lower CapEx. We estimate revenues of €3.28bn, up 2.8% organically (excluding FX and Sparkle), compared to the FY target range of 2–3%. Domestic revenues should reach €2.25bn, growing +1.6% YoY (FY target: +1-2%), supported by TIM Enterprise (+3% YoY) and a resilient performance by TIM Consumer (+1% YoY). TIM Brasil revenues should be €1.04bn, up +5.4% YoY (FY target: +5%). In terms of profitability, we assume seasonally softer 1Q Group EBITDAaL at €3.83bn, up +4.9% YoY (FY target: +6-7%), with domestic EBITDAaL up +3.5% (FY target: +5-6%) and TIM Brasil expected to grow organically by +6.3%. Assuming CapEx down by 4–5% in both Italy and Brazil, we estimate Group OpFCF at €348mn (11% of revenues), up over 20% YoY. On an after-lease basis, incorporating €360mn working capital absorption (due to 4Q CapEx payments and €75mn one-off for personnel), no tax outflows, and €120mn in financial charges, we estimate negative EFCFaL of €208mn. Including dividends/buybacks in Brazil, this translates into a €0.2bn increase in net debt to ~€7.5bn (vs €7.3bn at FY24), with leverage remaining stable in the ~2x area.
- **Decent set of KPIs in an improving market environment for the Consumer division.** In the wireline segment, we expect lower line losses, with ARPU trending up and churn remaining stable, despite this being the fourth consecutive year of price increases. This confirms both customer stickiness despite tariff adjustments and the effectiveness of the company's shift from volume to value. In mobile consumer, we expect negative net adds, with a near-neutral MNP balance. Line losses should be limited to low-spending or inactive SIMs, while ARPU is set to remain broadly flat. Meanwhile, following the integration with Vodafone, Fastweb has raised its mobile entry-level prices by €1/month (now starting at €8.95) and Vodafone has mirrored this with €2–3/month increases for some fixed-line customers.
- **Change in estimates.** At revenue level, we are revising our estimates upwards to better reflect the new ex-Sparkle comparison base (removal of intercompany revenue eliminations), with no impact on EBITDA. For TIM Brasil, we are adjusting for the progressive weakening of the Euro/Real exchange rate towards 6.2 (from 5.8), leading to a 3% cut in Group EBITDAaL estimates (6% at TIM Brasil level). Conversely, we are factoring in the earlier-than-expected closing of the Sparkle sale in 4Q25 (instead of 1Q26), which take our estimated net debt to €6.5bn (or €7.2bn pre-Sparkle).
- **BUY confirmed; target increased to €0.44 for TIM Ords (€0.52 for TIM Savs).** We have raised our target price from €0.38 to €0.44, reflecting improved valuations across key business segments. We remain positive on the stock given the governance improvement following Poste's entry into the shareholding, which could bring operational synergies and support key initiatives—such as potential market consolidation (e.g., a rumoured Iliad deal with a stake swap involving TIM Group and TIM Brasil), capital structure simplification (conversion of saving shares), and the resumption of shareholder remuneration via reserve reconstitution (capital reduction). Further upside could come from the 1998 license fee cash-in and NetCo-related earn-outs.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,493	13,865	14,306	14,739
EBITDA Adj (Eu mn)	6,383	4,339	4,335	4,533	4,755
Net Profit Adj (Eu mn)	-437	-756	123	70	372
EPS New Adj (Eu)	-0.020	-0.035	0.006	0.003	0.017
EPS Old Adj (Eu)	-0.020	-0.035	0.008	0.005	0.019
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.1	4.2	4.7	4.6	4.5
EV/EBIT Adj	30.9	11.9	16.9	15.2	13.6
P/E Adj	nm	nm	60.4	nm	20.0
Div. Yield	0.0%	0.0%	4.6%	6.6%	8.0%
Net Debt/EBITDA Adj	3.2	1.8	1.8	1.8	1.8

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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 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.

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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank

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Emittente	%	Long/Short

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Further information is available