

TIM

Sector: Telecoms

BUY

Price: Eu0.36 - Target: Eu0.45

FCF Evolution on Track, S/T Catalysts from Poste and '98 Fee

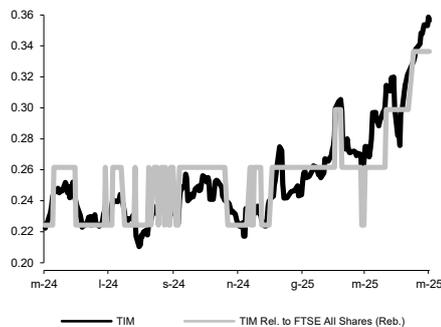
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 0.44 to 0.45		
	2025E	2026E	2027E
Chg in Adj EPS	n.m.	n.m.	n.m.

Next Events: Today (call, 11am CET), 27 May (Court hearing on '98 fee), 24 Jun (AGM), 5 Aug (1H results)

TIM - 12M Performance



Stock Data

Reuters code: TLIT.MI
 Bloomberg code: TIT IM

Performance	1M	3M	12M
Absolute	26.4%	18.9%	59.0%
Relative	9.8%	15.4%	47.5%
12M (H/L)	0.36/0.21		
3M Average Volume (th):	333,849.96		

Shareholder Data

No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	5,463
Total Mkt Cap (Eu mn):	7,855
Mkt Float - Ord (Eu mn):	4,074
Mkt Float (in %):	74.6%
Main Shareholder:	
Poste Italiane	24.8%

Balance Sheet Data

Book Value (Eu mn):	12,471
BVPS (Eu):	0.58
P/BV:	0.6
Net Financial Position (Eu mn):	-7,668
Enterprise Value (Eu mn):	20,846

■ **1Q25 results:** TIM reported solid 1Q results, in line with expectations, with FY25 guidance confirmed. Net debt stood at €7.5bn (2.05x leverage), falling below 1.9x post-Sparkle disposal (c.€0.7bn cash-in expected in 4Q25). Only OpFCF (EBITDAaL – CapEx), notably beat estimates, mainly driven by lower-than-expected CapEx, down 6% YoY (-9% in Italy). However, EFCFaL was €-0.2bn, as expected, affected by €0.4bn absorption from working capital, mostly due to seasonality (€0.3bn) and payments for early retirements and DAZN (€0.1bn). TIM Consumer revenues (45% of total) were flat, supported by improving KPIs: lower net losses (on both fixed and mobile), better ARPU, stable churn despite a repricing campaign on ~1.1m fixed and ~0.7m mobile lines, the impact of which will be reflected from 2Q. For the first time in several years, 1Q saw a substantially neutral MNP balance. The customer platform expanded with the launch of “TIM Energia” for SMEs. TIM Enterprise (23% of total) posted robust growth, with service revenues up 6.6% YoY, led by cloud (+24% YoY), now 40% of segment sales and a major business line, due partly to the services offered by PSN, whose contribution doubled YoY. TIM Brasil delivered resilient results, with service revenues +5.6% YoY and a 0.6pp increase in EBITDAaL margin (36.4%) with OpEx (+3.3%) still running below inflation (5.5%). The Transformation Plan contributed ~€40mn to OpFCF, highlighting progress on efficiency.

■ **Outlook remains positive across all units:** consumer stabilising, Enterprise expanding, Brazil disciplined. Poste: From Jan 2026, PostePay MVNO will migrate to TIM’s network (c.€0.2bn contribution already embodied in TIM plan), paving the way for wider cooperation with TIM Enterprise across services and ICT. Management also sees Poste as a long-term industrial partner supporting Italian telco market consolidation. 1998 Fee: The Court of Cassation hearing is scheduled for 27 May, with a long-awaited resolution in sight. RCF extended until 2030, down to €3.0bn from €4.0bn, optimising the related charges. The liquidity margin covers financial maturities until 2028.

■ **Change in estimates.** We are leaving our estimates virtually unchanged, while trimming the FY25 bottom line to reflect fine-tuning of the impact of reclassifying Sparkle among discontinued operations; no major change on EFCF and net debt.

■ **BUY confirmed; TP increased to €0.45 for TIM Ords (from €0.44) and €0.53 for TIM Savs. (from €0.52) reflecting an improved market valuation for TIM Brasil (+6% vs. last week’s preview).** We remain positive on the stock given the improvement to governance 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 reconstitution of reserves (capital reduction). Further upside could come from the reimbursement of the 1998 licence fee (€1bn, reflected at 75% in our SOP) and NetCo-related earn-outs (€2.9bn, included at 40%).

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	-36	270	372
EPS New Adj (Eu)	-0.020	-0.035	-0.002	0.013	0.017
EPS Old Adj (Eu)	-0.020	-0.035	0.006	0.003	0.017
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.1	4.3	4.8	4.7	4.5
EV/EBIT Adj	30.9	12.0	17.2	15.4	13.7
P/E Adj	nm	nm	nm	28.2	20.5
Div. Yield	0.0%	0.0%	4.5%	6.5%	7.9%
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&P500 Index, most of those on the MIBEX 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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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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Emittente	%	Long/Short
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