Milan, 22 December 2025

Italian Equity Research – Company Update

TIM

BUY

Sector: Telecoms

Price: Eu0.50 - **Target: Eu0.68**

Concession Fee Win & TITR Conversion Under the Xmas Tree

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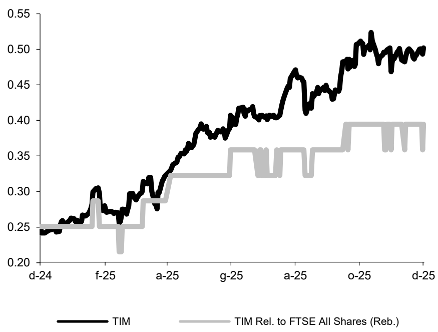
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.65 to 0.68
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

TIT & TITR EGMs 28 January 2026

TIM - 12M Performance



Stock Data			
Reuters code:			TLIT.MI
Bloomberg code:			TIT IM
Performance	**1M**	**3M**	**12M**
Absolute	4.4%	13.5%	100.0%
Relative	-0.6%	7.9%	68.0%
12M (H/L)			0.52/0.24
3M Average Volume (th):			180,758.52

Shareholder Data	
No. of Ord shares (mn):	15,329
Total no. of shares (mn):	21,357
Mkt Cap Ord (Eu mn):	7,695
Total Mkt Cap (Eu mn):	11,158
Mkt Float - Ord (Eu mn):	5,545
Mkt Float (in %):	72.1%
Main Shareholder:	
Poste Italiane	27.3%

Balance Sheet Data	
Book Value (Eu mn):	9,247
BVPS (Eu):	0.43
P/BV:	1.2
Net Financial Position (Eu mn):	-6,363
Enterprise Value (Eu mn):	23,551

- **Favourable ruling on 1998 License Fee.** TIM has finally been notified of the Court of Cassation's ruling confirming the refund of the 1998 concession fee, rejecting the appeal by the Presidency of the Council of Ministers and closing a 20+ year dispute. The decision upholds the April 2024 Rome Court of Appeal ruling, with a refund of just over €1bn including revaluation and interest, versus an original fee of slightly over €500mn. The €1bn cash-in was already incorporated in our TP at a 75% probability and, despite uncertainty around the exact timing of the final ruling, a cash-in was expected to bring the parent company (TIM SpA) back into profit, thereby triggering the payment of 3 accrued dividends on TITR shares (c. €0.5bn, or €0.0825/share).
- **A timely and market-friendly Savings Share conversion.** The Board has called the EGMs for TIT and TITR shareholders on January 28th to submit a proposal for the voluntary and mandatory conversion of TITR shares into TIT shares. The voluntary conversion (requiring a two-thirds majority at the TIT EGM) foresees a 1:1 ratio with a €0.12 cash payment per TITR share, while the mandatory conversion (requiring a simple majority at the TITR EGM, with at least 20% of favourable votes) foresees a 1:1 ratio with a €0.04 cash adjustment per TITR share. The withdrawal price has been set at €0.5117 per TITR share, with total cash outflows for withdrawn shares capped at €100m, unless waived by the Company. The conversion aims to simplify and rationalise the capital structure, reducing governance and management costs, while increasing liquidity and massively expanding the free float of ordinary shares with 6bn new shares. Assuming an acceptance rate of 80% for voluntary and 20% for mandatory conversion, we estimate a c.€630mn cash-out for TIM. We estimate a value creation of €1bn (NPV) from the cancellation of the €66mn annual dividend leakage to TITR shareholders (assuming a return to ordinary dividend payment from next year).
- **Voluntary reduction of the share capital.** The proposed voluntary reduction of share capital to €6bn (from €11.7bn) allocates up to one fifth to the legal reserve and the remainder to available equity reserves, with the aim of rebalancing shareholders' equity post-FiberCop disposal and funding the TITR conversion and related cash premiums.
- **BUY confirmed, new Ord TP at €0.68 (from €0.65).** We increase the target price for ordinary shares to €0.68 to fully incorporate: the €1bn concession fee cash-in (c. €0.05/share), a cash outflow of c. €630mn for TITR shareholders (c. €0.03/share; prev. €498mn for accrued dividends), and value creation of over €1bn (c. €0.05/share) from the elimination of dividend leakage to minority savings shareholders. These benefits are further supported by a single share class and a significantly larger free float, enabling inclusion in new equity indices. With the closing of the Sparkle deal in 1Q26, we expect that once the conversion is completed and thanks to the release of reserves following the capital reduction, the company will distribute c. €350mn to shareholders (50% of proceeds), equivalent to €0.0165 per share for the single remaining share class.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	16,296	14,493	13,791	14,229	14,662
EBITDA Adj (Eu mn)	6,383	4,339	4,340	4,525	4,747
Net Profit Adj (Eu mn)	-437	-756	64	338	561
EPS New Adj (Eu)	-0.020	-0.035	0.003	0.016	0.026
EPS Old Adj (Eu)	-0.020	-0.035	0.003	0.016	0.026
DPS (Eu)	0.000	0.000	0.016	0.023	0.028
EV/EBITDA Adj	4.9	3.6	5.4	5.2	4.9
EV/EBIT Adj	37.2	10.0	16.9	15.4	13.5
P/E Adj	nm	nm	nm	31.8	19.1
Div. Yield	0.0%	0.0%	3.2%	4.6%	5.6%
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 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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OUTPERFORM:	38.35%
NEUTRAL:	28.57%
UNDERPERFORM:	00.75%
SELL:	00.00%

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OUTPERFORM:	30.26%
NEUTRAL:	17.10%
UNDERPERFORM:	01.32%
SELL:	00.00%

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