

# TIM ServCo H1 2024 Preliminary Results

01 August 2024



# Disclaimer

This presentation contains statements that constitute forward looking statements regarding the intent, belief or current expectations of future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the TIM Group. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward-looking statements as a result of various factors. Consequently, TIM makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward- looking statements. Forward- looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward- looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results.

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The H1 '24 preliminary managerial Financial Results and the information contained herein have been prepared by TIM's management for information and illustration purposes only.

Such H1 '24 preliminary managerial Financial Results are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the EU (designated as "IFRS").

Please note that the H1 '24 preliminary managerial Financial Results of the TIM Group are **unaudited**.

## Alternative Performance Measures

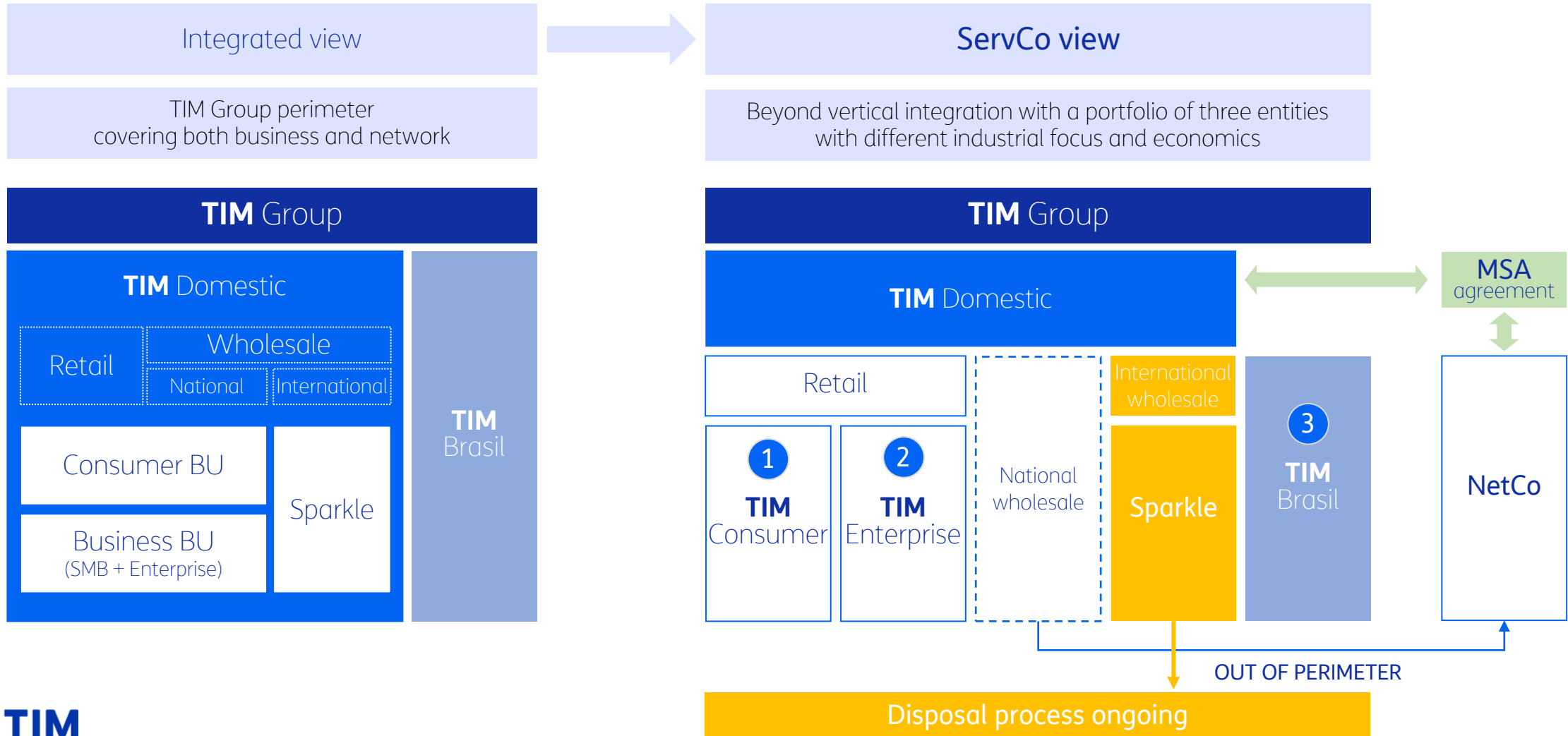
The TIM Group, in addition to the conventional financial performance measures established by IFRS, uses certain alternative performance measures for the purposes of enabling a better understanding of the performance of operations and the financial position of the TIM Group. In particular, such alternative performance measures include: EBITDA, EBIT, Organic change and impact of non-recurring items on revenue, EBITDA and EBIT; EBITDA margin and EBIT margin; net financial debt (carrying and adjusted amount), Equity Free Cash Flow, Operating Free Cash Flow (OFCF) and Operating Free Cash Flow (net of licences). Moreover, following the adoption of IFRS 16, the TIM Group uses the following additional alternative performance indicators: EBITDA After Lease ("EBITDA-AL"), Adjusted Net Financial Debt After Lease and Equity Free Cash Flow After Lease.

Such alternative performance measures are unaudited.

**ServCo** financial and operating results:

- Figures are based on **“like-for-like” estimate of revenues, OPEX and CAPEX division between TIM and NetCo** components, considering the final perimeter
- **Relationship between TIM and NetCo** (as per MSA Agreement):
  - Simulates the effect as the transactions occurred in Jan. 2023 (to guarantee a “like-for-like” comparison YoY)
- **Temporary relationship** between TIM and NetCo (as per TSA Agreement) are **not considered** in the figures
- **TI Sparkle** is currently considered **into TIM Domestic perimeter**

# TIM Group perimeter - From integrated to ServCo view



# H1 '24 Highlights

## NetCo disposal successfully completed

- ✓ **Massive deleverage achieved**, significant credit rating improvement and capital structure optimization
- ✓ **MSA with NetCo**: TIM most favored client with no value/volume commitments

## Robust H1 performance, financials in line or ahead FY guidance

- ✓ **Domestic Revenues and EBITDA AL growth on track**, H2 supported by positive drivers
- ✓ **Transformation Plan execution ongoing**: >100m EBITDA AL-CAPEX savings achieved in H1
- ✓ **TIM Consumer**: stabilization of topline ongoing and already delivering thanks to “beyond connectivity”
- ✓ **TIM Enterprise**: accelerating growth fueled by ramp up of National Strategic Hub
- ✓ **TIM Brazil**: delivering continued growth both in mobile and fixed
- ✓ **Group performance fully on track**, ≤2x Net Debt AL / EBITDA AL target by YE 2024 confirmed

## H1 '24 - TIM ServCo

### Revenues \*

€ 7.1bn

€ 4.9bn Domestic

### EBITDA After Lease \*

€ 1.8bn

€ 1.0bn Domestic

### CAPEX \*

€ 1.0bn

€ 0.5bn Domestic

### EBITDA AL - CAPEX \*

€ 0.8bn

€ 0.4bn Domestic

### Adj. Net Debt After Lease

€ 8.1bn post NetCo disposal

The background features a gradient from dark blue on the left to bright teal on the right. Overlaid on this are wavy, undulating lines that create a sense of depth and movement. A grid of small, light-colored dots is scattered across the scene, particularly concentrated in the lower half, adding a digital or data-like texture.

From ambition to reality

# From ambition to reality - NetCo disposal successfully completed...



Closing fully in line with the announced terms and deadlines...  
...just 8 months from binding offer to EU Antitrust unconditional approval to deal completion...  
...following 2.5 years of intense work...



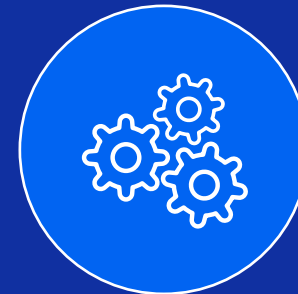
**19.8k employees**  
transferred



Largest ever European  
**liability management**



~15k real estate  
**assets** transferred



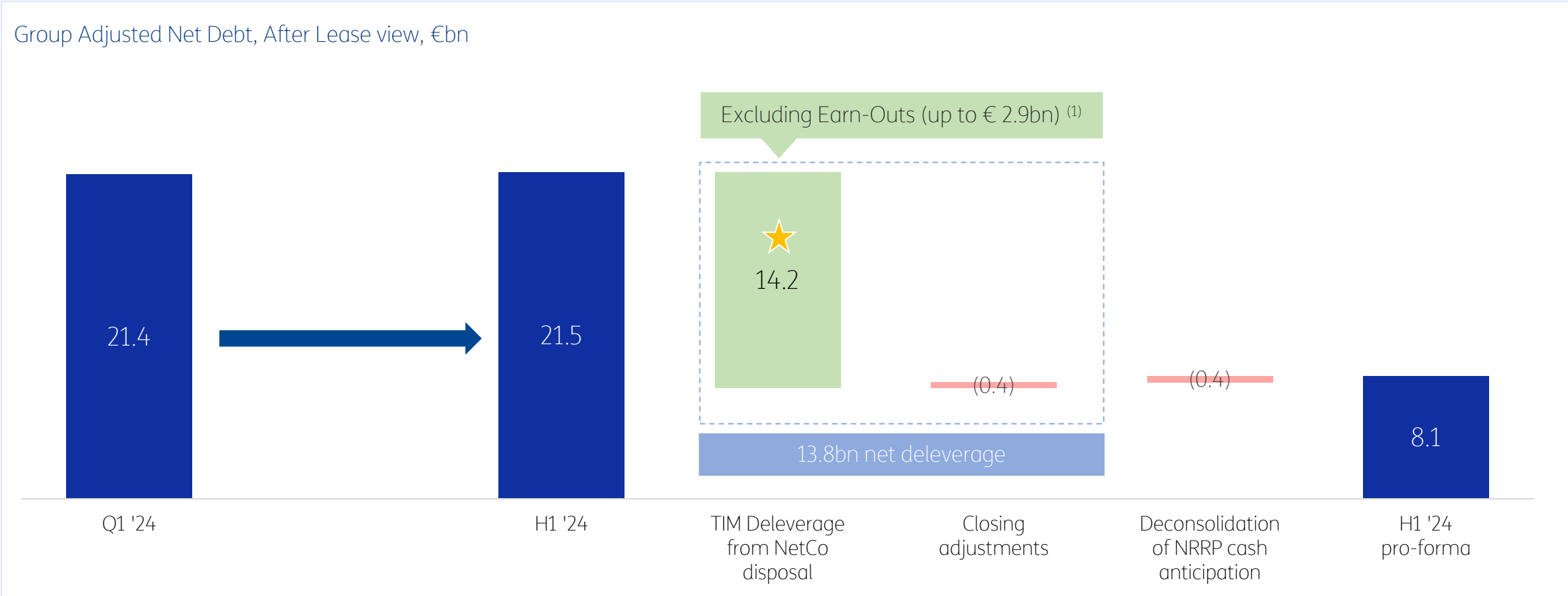
**160+ IT systems**  
evolution/cutover



~ 10k active/passive  
**contracts** allocated

...while improving the operations

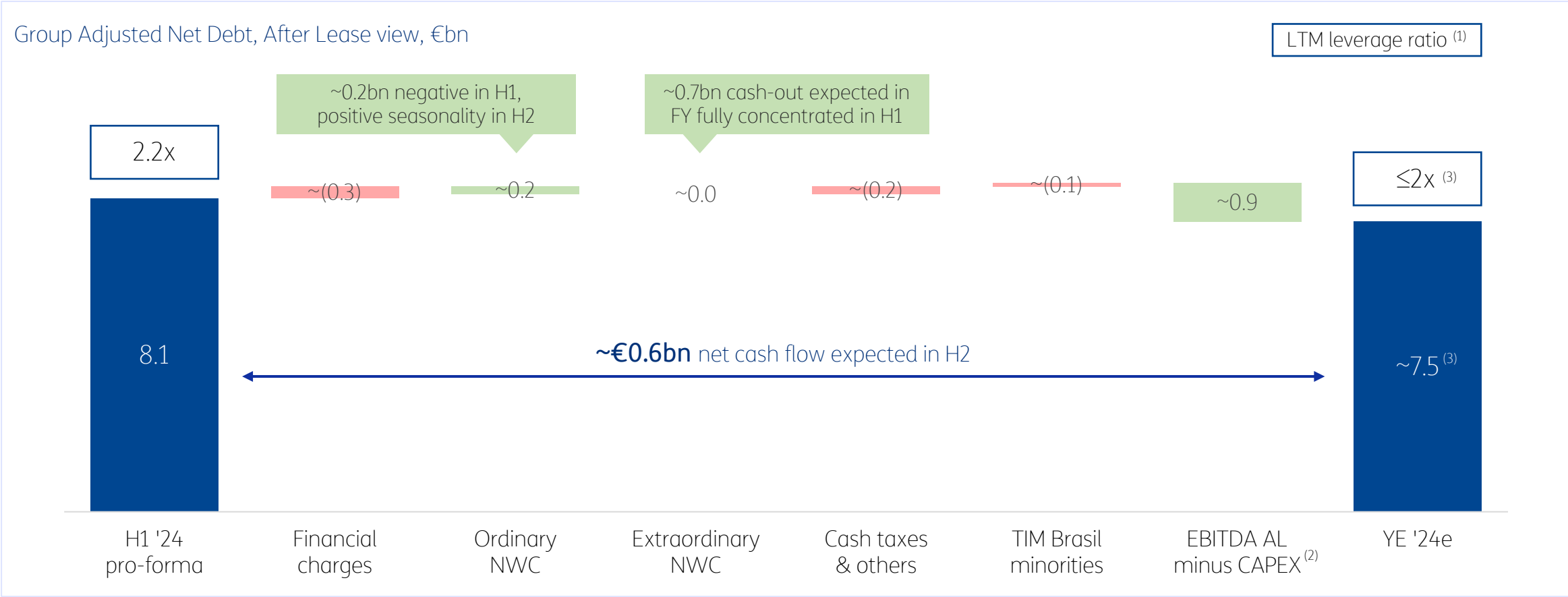
# ...leading to material Group Net Debt reduction...



★ See slide #19

(1) Up to € 2.5bn Earn-Out within 30 months from closing subject to Open Fiber transaction and/or regulatory relief on prices and up to € 0.4bn Energy Earn-out within 12 months from closing

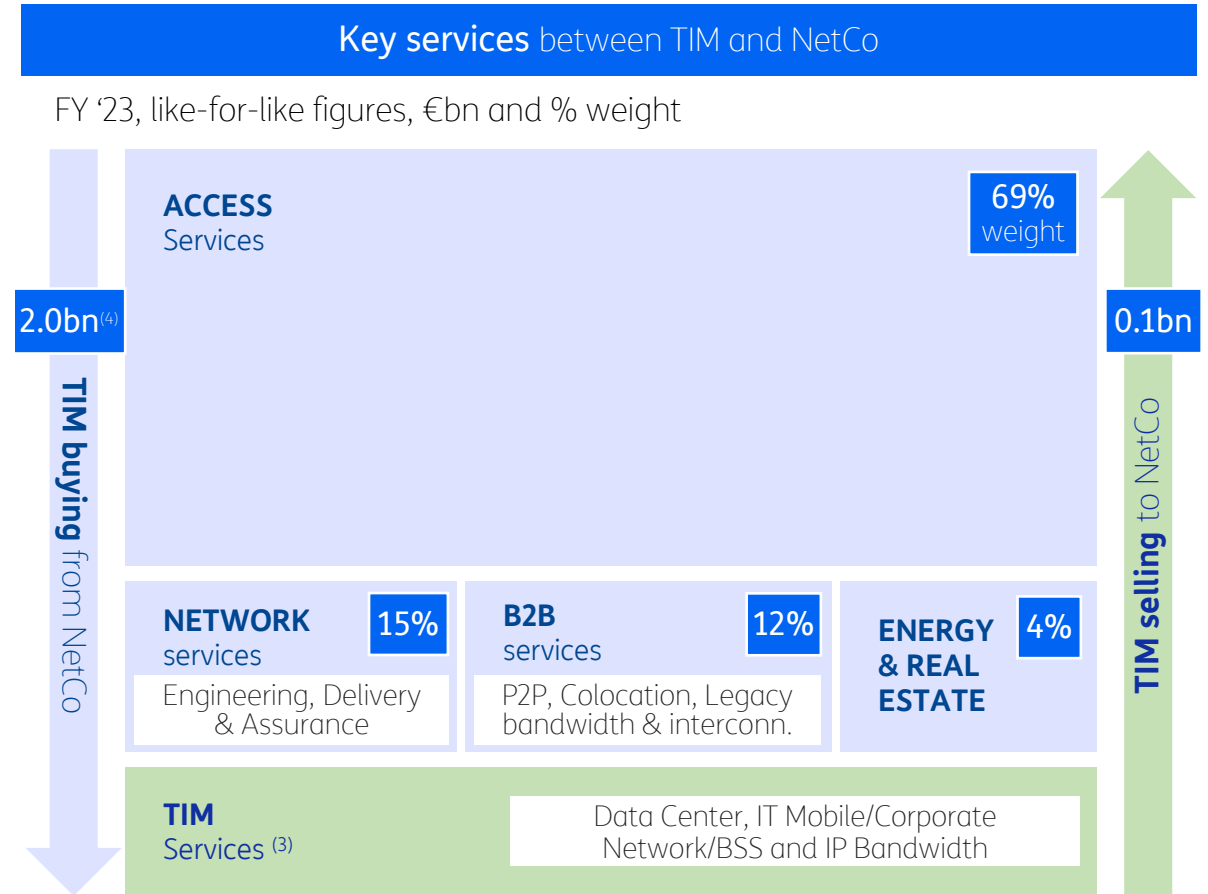
# ...and paving the way towards Net Debt FY target achievement





# MSA – TIM most favored client with no value/volume commitments

<b>Duration</b>	<b>15y+15y</b> automatic renewal at the same terms, unless otherwise provided for specific services
<b>No commitments</b>	<b>No commitments on volumes or migrations</b> from legacy services to fiber <sup>(1)</sup>
<b>Most favoured client</b>	For both <b>TIM</b> and <b>NetCo</b> , on non-discriminatory basis <sup>(2)</sup>
<b>Exclusivity</b>	<b>Different exclusivity terms and duration</b> for each service
<b>Max. geographic FTTH availability</b>	Possibility to access other players' infrastructure where NetCo's infrastructure not available
<b>Preferred supplier</b>	For <b>B2B services</b> , instead of exclusivity
<b>Guarantee on performance</b>	<b>SLAs/KPIs</b> and relative penalties <sup>(3)</sup> aligned with regulatory and/or market conditions





Back to business

# TIM, a new starting point beyond vertical integration

**A portfolio of three entities** with different industrial focus and economics

## TIM CONSUMER

Ongoing turnaround of core business  
Evolution from "Pure Telco" towards a  
"Customer Platform" strategy

## TIM ENTERPRISE

Sustainable growth fueled by ICT  
Operating model evolution  
with a shift from buy vs. make

## TIM BRASIL

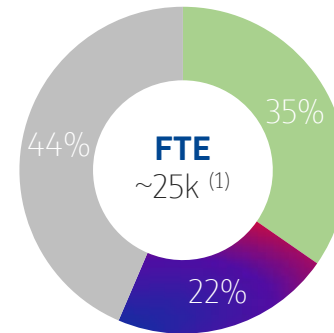
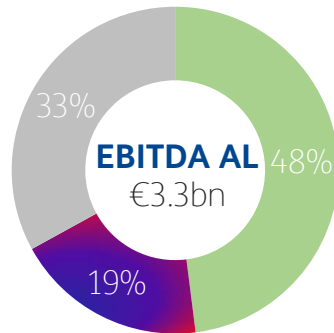
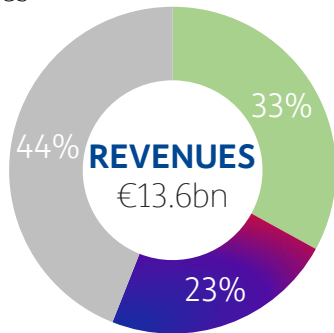
Capturing upsides from beyond connectivity  
Core business growth  
leveraging leading network positioning

Turnaround

Attack

Grow

FY '23 Organic like-for-like figures  
excluding Sparkle



**~70% of Group EBITDA After Lease generated by TIM Brasil and TIM Enterprise which operate in two growing markets**

TIM Sparkle Disposal process ongoing

# H1 '24 on track with FY guidance

Organic like-for-like figures, YoY trend <sup>(1)</sup>

	H1 '24	2024 Guidance
Revenues o/w Domestic	+3.5% +1.6%	+3-4% +2-3%
EBITDA After Lease o/w Domestic	+13.0% +8.8%	+8-9% +9-10%
CAPEX on rev. o/w Domestic	13.5% 11.2%	~15% ~14%
EBITDA AL minus CAPEX o/w Domestic	+36.6% +35.4%	+15-17% +11-12%

- ✓ Group Revenues and EBITDA AL in line or above FY guidance, Domestic growing as expected
- ✓ H1 light on CAPEX due to phasing, acceleration in H2 to meet FY target

✓ **H2 growth supported by positive drivers, FY guidance confirmed**

TIM Domestic	H1	H2e
FTTH offering in white areas	+	+
Selective repricing	+	+
Geo marketing offers		+
New DAZN deal		+
NSH ramp up <sup>(2)</sup>	+	+++
Upselling / Vendor consolidation		++

**TIM Brasil** continued strong performance



(1) Excluding exchange rate fluctuations (average exchange-rate YTD 5.49 R\$/€) and non-recurring items

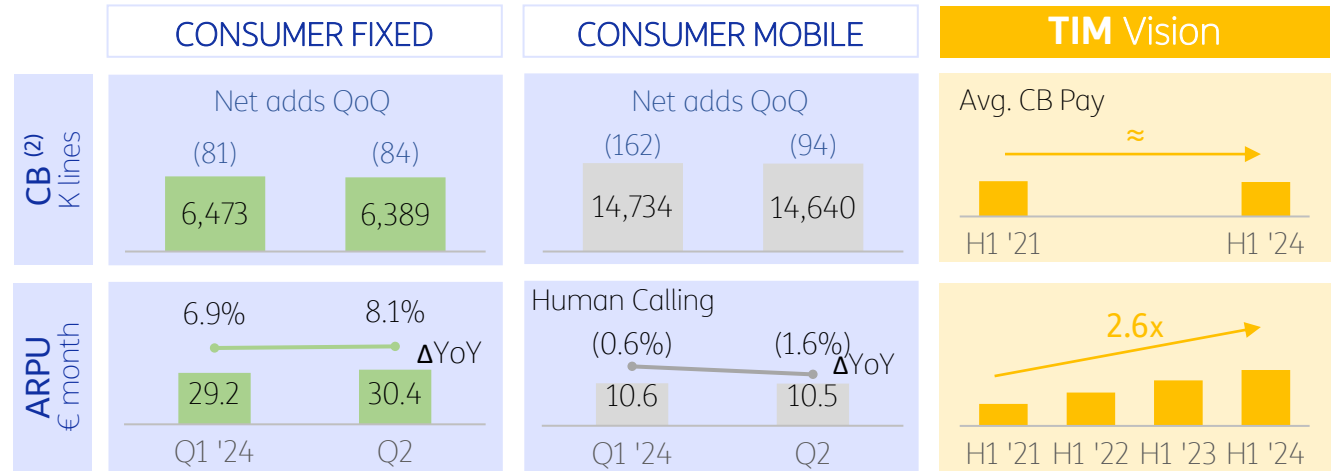
(2) National Strategic Hub

# TIM Consumer – Top line stabilization ongoing

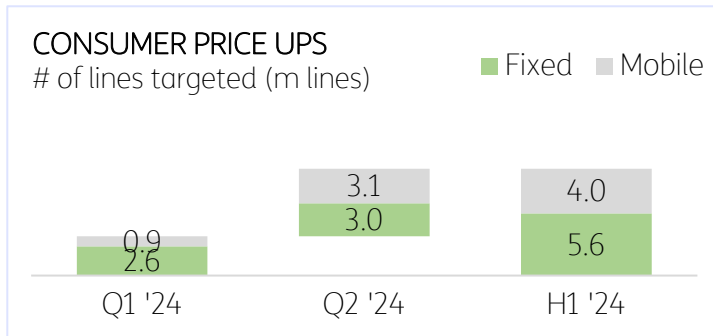
Organic like-for-like figures, YoY trend

	H1 '24	
Revenues	<b>flat</b> -0.2% in Q2	<b>In line</b> with guidance  Service revenues broadly stable YoY
Service revenues <sup>(1)</sup>	<b>+0.5%</b> +0.3% in Q2	
o/w Retail (CO+SMB)	<b>-0.2%</b> -0.1% in Q2	
o/w Wholesale & other	<b>+8.6%</b> +3.7% in Q2	

## ARPU increase in fixed, stabilization in mobile, multimedia growth

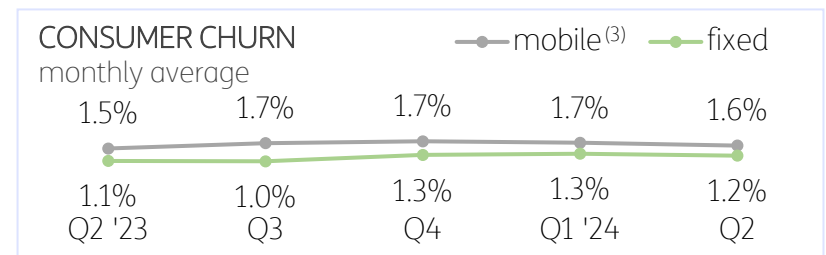


### 2024 SUCCESSFUL REPRICING CAMPAIGN



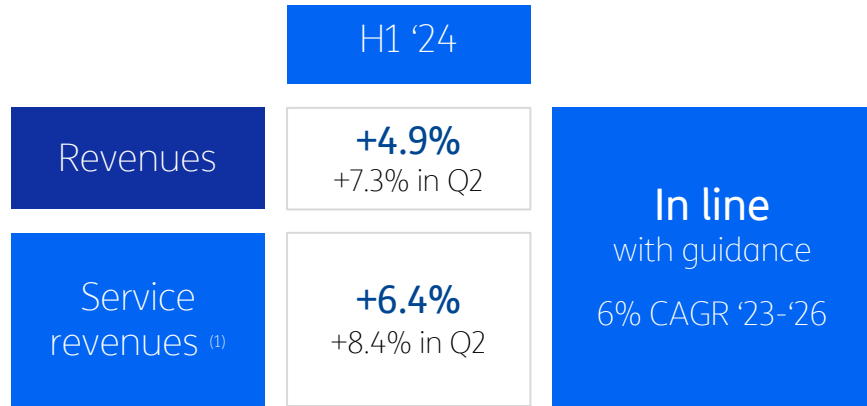
**~€91m**  
incremental revenues  
in FY '24

### Impact on churn contained

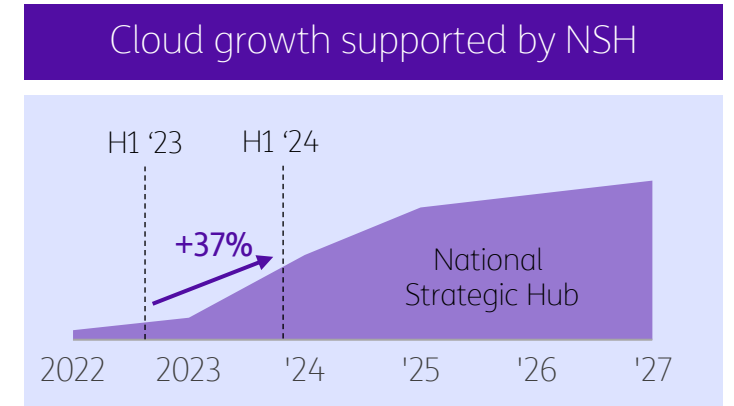
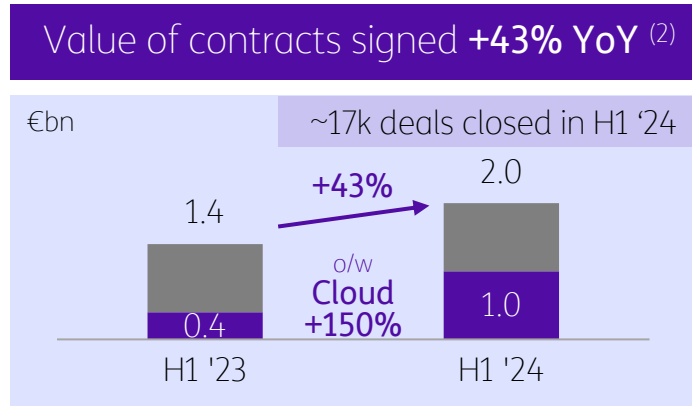
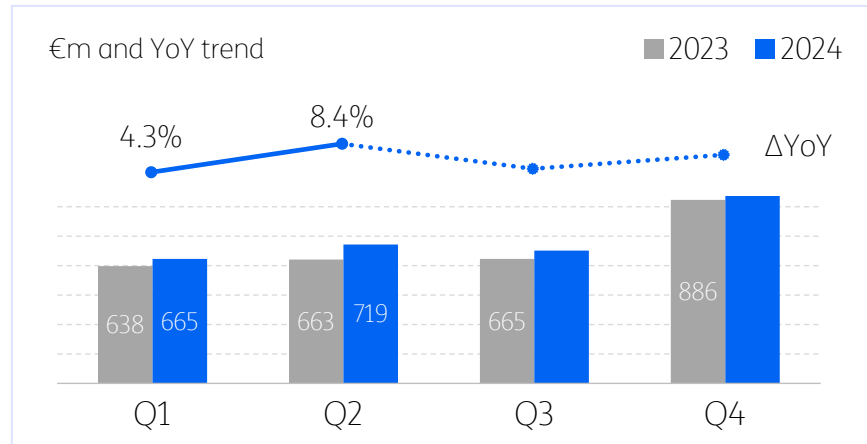


# TIM Enterprise – Strong growth fueled by ICT

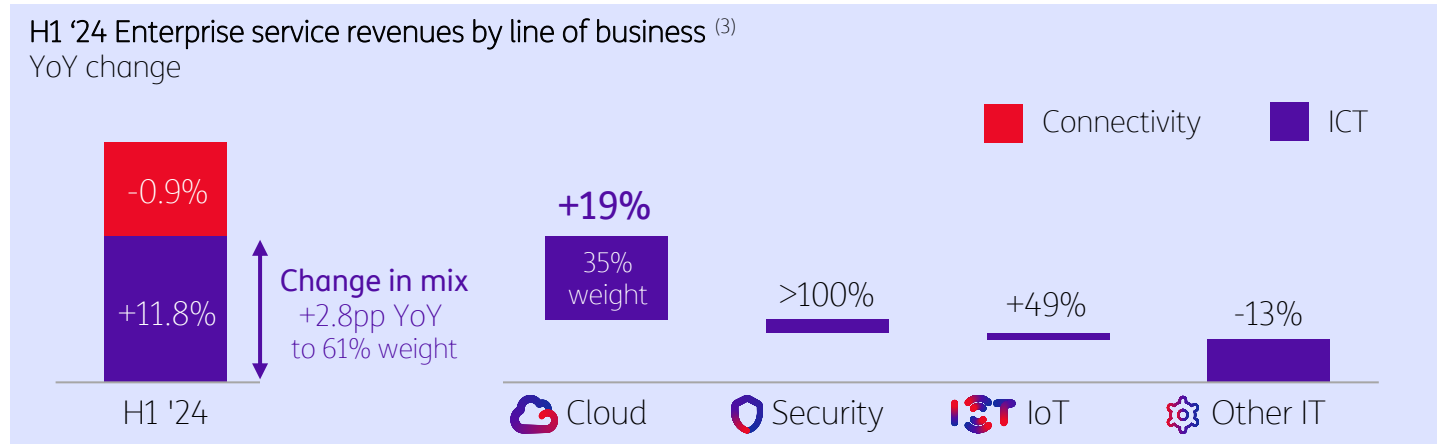
Organic like-for-like figures, YoY trend



## Service revenues trend to remain strong




## Change in mix ongoing with double-digit ICT growth and Connectivity broadly stable



# TIM Brasil – First half at high note all around

Organic YoY trend

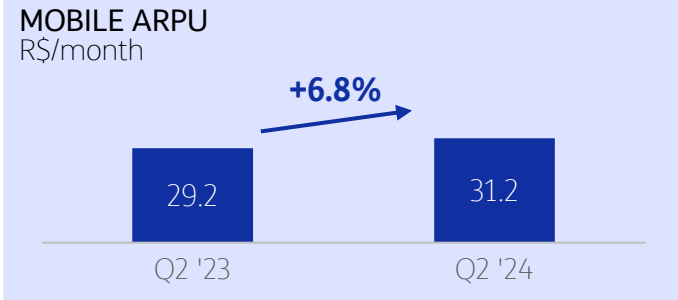
	H1 '24
Service Revenues	<b>+7.6%</b> +7.2% in Q2
Mobile	<b>+7.8%</b> +7.3% in Q2
Fixed	<b>+5.3%</b> +4.9% in Q2
EBITDA	<b>+9.9%</b> +8.3% in Q2
EBITDA After Lease	<b>+17.8%</b> +13.7% in Q2
CAPEX <sup>(1)</sup>	<b>+3.0%</b> to R\$ 2.3bn
EBITDA AL minus CAPEX	<b>+36.9%</b> +24.1% in Q2



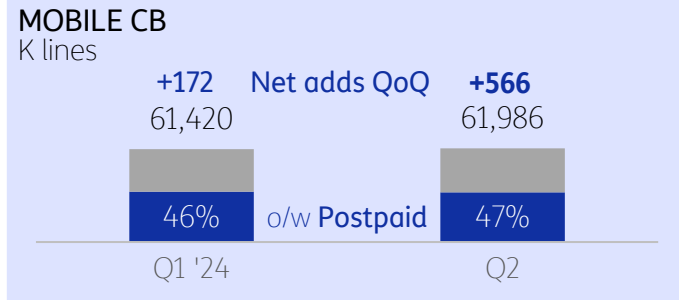
**On track**

## Robust mobile performance

Value strategy supporting ARPU growth



CB increase due to Postpaid benefitting from higher customer satisfaction



## TIM Ultrafibra: sustaining the pace

Highest ARPU ever **R\$ 98.6**  
**+3.9%** YoY in Q2 '24

**737k** FTTH Customers  
**+14.7%** YoY in Q2 '24

## B2B: IoT solutions keeps evolving

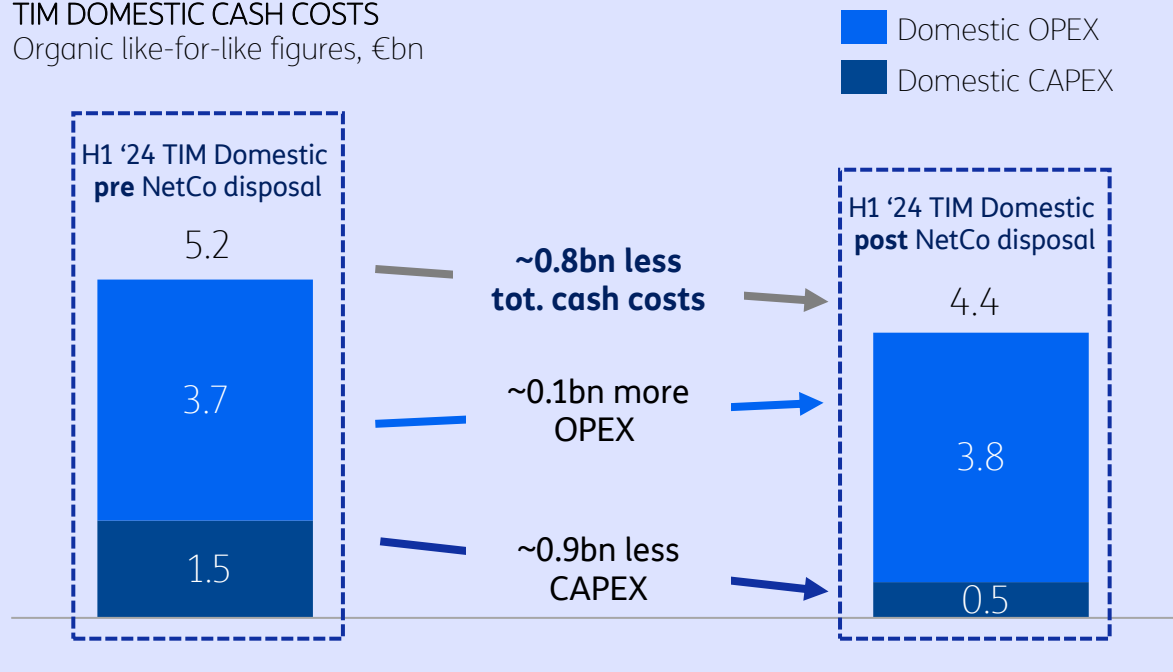
Contracted Revenues  
**10x growth** in 2 years

# A more sustainable cash cost structure

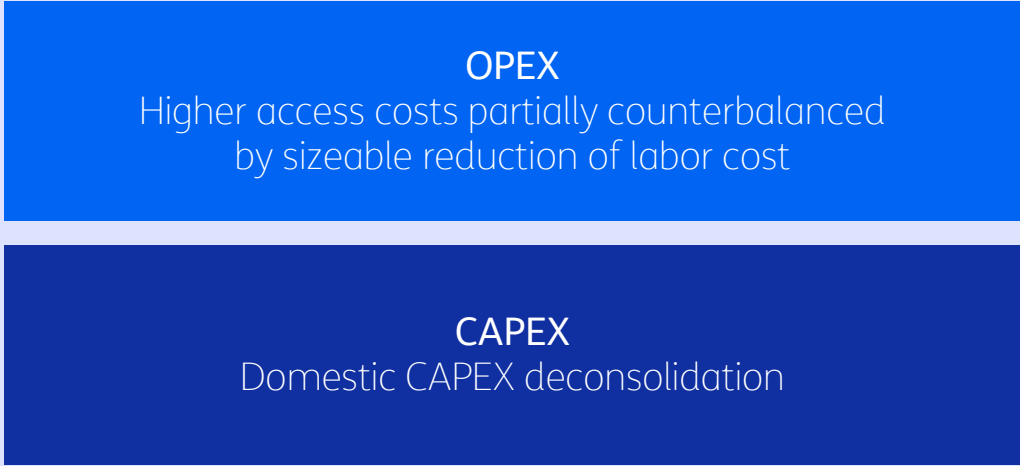
Cash view

## TIM Domestic with less cash costs and a more success-driven model vs. the integrated view

TIM DOMESTIC CASH COSTS  
Organic like-for-like figures, €bn



### Different OPEX/CAPEX mix



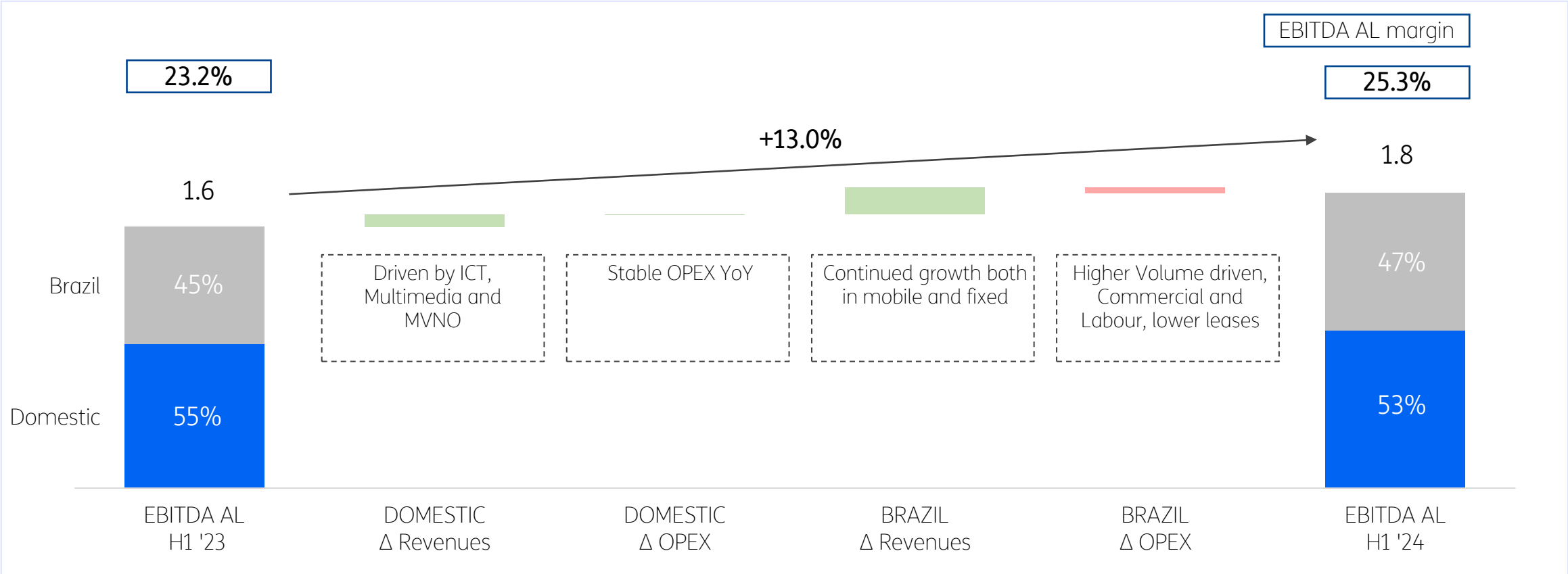
## TIM Domestic with approximately ~0.2bn more EBITDA AL – CAPEX in H1, combined with massive deleverage



# Steadfast EBITDA AL growth and margin improvement

Organic like-for-like figures, After Lease view, €bn

**Both Domestic and Brazil contributing to Group EBITDA AL growth**



The background features a gradient from dark blue on the left to light teal on the right. Overlaid on this are wavy, undulating lines that create a sense of depth and movement. A grid of small, light-colored dots is scattered across the scene, particularly concentrated in the lower half, adding a digital or data-like texture.

# Capital structure update

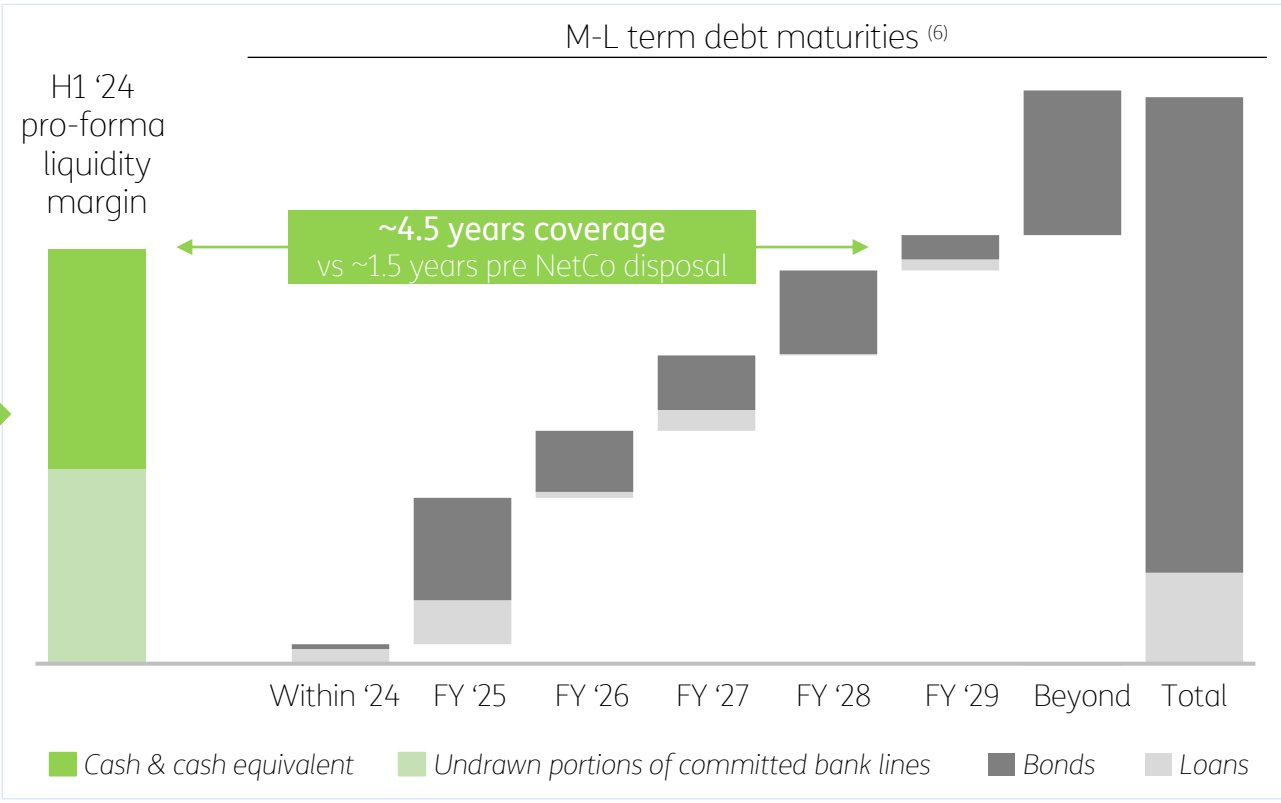


# ...enabling capital structure optimization

After Lease view, €bn

	H1 '24	NetCo disposal	H1 '24 pro-forma
<b>Gross Debt AL <sup>(1)</sup></b>	24.5	(11.3)	13.3
Bonds <sup>(2)</sup>	15.5	(5.5)	9.9
Banks & EIB	8.6	(5.7) <sup>(3)</sup>	2.8
Other	0.5		0.5
<b>Financial assets <sup>(1)</sup></b>	3.0	+2.1	5.1
Liquidity position <sup>(4)</sup>	2.2	+2.4	4.6
Other	0.8	(0.3) <sup>(3)</sup>	0.5
<b>Net Debt AL</b>	21.5	(13.4) <sup>(5)</sup>	8.1
<b>Avg. cost of debt</b>	~5.8%	→	~0.4pp lower post NetCo transaction
<b>Avg. bond yield</b>	<b>EUR 4.7%</b> 29 Jul. 2024 vs. <b>6.4%</b> 13 Oct. 2023 <b>USD 7.1%</b> 29 Jul. 2024 vs. <b>8.6%</b> 13 Oct. 2023		

## Pro-forma liquidity margin covering debt maturities until 2028



# Closing remarks

- 01 NetCo disposal successfully completed within the announced deadlines and terms
- 02 Back to business, delivering robust performance in H1
- 03 More sustainable cost structure
- 04 Higher financial flexibility
- 05 Full year guidance reiterated



Q&A



Annex

# Guidance 2024-'26

Organic data <sup>(1)</sup>, € bn, including Sparkle <sup>(2)</sup>

		TIM Group			o/w TIM Domestic		
		2023 pro-forma <sup>(3)</sup>	2024	2026	2023 pro-forma <sup>(3)</sup>	2024	2026
	<b>Revenues</b>	14.4	3-4% growth	~3% '23-'26 CAGR	10.0	2-3% growth	~2% '23-'26 CAGR
	<b>EBITDA</b> After Lease	3.5	8-9% growth	~8% '23-'26 CAGR	1.9	9-10% growth	9-10% '23-'26 CAGR
	<b>CAPEX</b> net of licences	2.1	~15% on revenues	~14% on revenues	1.3	~14% on revenues	~13% on revenues
	<b>EBITDA AL</b> minus Capex	1.3	15-17% growth	~2.2	0.6	11-12% growth	~1.1
	<b>Leverage</b>	3.8x <sup>(4)</sup> as is		1.6-1.7x <sup>(5)</sup> @ target	excl. shareholders remuneration		



# Further questions

please contact the IR team



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