



Press Release

TIM: THE BOARD OF DIRECTORS HAS APPROVED THE 2020-2022 STRATEGIC PLAN

- ▶ **2019-2021 plan guidelines confirmed. Financial and sustainability targets raised**
- ▶ **Cash generation 2020-2022 forecast at 4.5-5 billion euros, equivalent to 5-5.5 billion euros like-for-like (i.e. IFRS 9/15 including INWIT), well above 3.5 billion euros in the previous plan**
- ▶ **Even more marked debt reduction: <20 billion euros by end of 2021 compared to 20.5 billion euros**
- ▶ **Relaunch of the domestic business started in 2019 continues**
- ▶ **Review of revenue generation model and operating model continues, leading to the development of adjacent services and a new organisational structure**
- ▶ **Further acceleration in Italy of the cost reduction successfully started in 2019**
- ▶ **New Sustainability Plan launched in line with the United Nations' SDG targets**

Additional value creation from non-organic strategic operations thanks to agreements with globally important partners:

- ▶ **Sharing of the Mobile passive network infrastructure through the agreement with Vodafone to create the largest towerco in Italy and speed up 5G roll out**
- ▶ **KKR Infrastructure fund is reserved a period of exclusivity as financial partner for the deployment of the fibre network in Italy following the presentation of a non-binding offer to acquire approx. 40% of TIM's fibre/copper secondary network and in view of the advocated integration with Open Fiber**

TIM S.p.A.

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- ▶ **Accelerated development of the Data Centre and Cloud segment through a partnership with Google Cloud and the establishment of a NewCo to manage the relative infrastructure and act as a services factory**
- ▶ **TIM Vision continues its strategy of alliances with major international content players. Agreement just signed for the exclusive distribution of Disney+ in Italy**
- ▶ **Implementation of the agreement with Santander Consumer Bank to manage TIM customers' consumer credit implemented**

Rome, 10 March 2020

TIM's Board of Directors, which met today chaired by Salvatore Rossi, has approved the 2020-2022 Strategic Plan presented by the Chief Executive Officer Luigi Gubitosi.

The strategy outlined, in keeping with the previous plan, raises some targets in view of the results achieved in 2019 which exceeded expectations, in particular increasing the cash generation and debt reduction targets.

All of TIM's business units will play a key role in achieving the main financial and sustainability objectives of the 2020-2022 Plan.

- **Consumer:** drive a decisive push towards a convergence model between core and innovative "adjacent" services (e.g. TV, smart home, security, gaming). Fixed and mobile ARPU are therefore forecast to increase as well as the use of digital and automatic payment methods, which will generate clear cost savings and churn reduction. Fixed lines are expected to stabilise by 2022 with the penetration of ultrabroadband lines reaching 70% of total broadband customers. In the mobile segment, an improved trend in Mobile Number Portability is expected.
- **TIM Vision:** in less than one year, TIM Vision has become the most complete TV platform on the Italian market, bringing together the best entertainment and sports content of the main global players (Disney, Netflix, SKY, Dazn, Amazon). As a result of this, Disney has chosen TIM Vision as the exclusive Disney+ distribution platform in Italy. This positioning will foster the further development of convergence and of content + fibre bundle offers, customer loyalty to the brand and TIM services, and will be supported by communication initiatives and service improvement.
- **Business:** consolidate TIM's position as a reference provider and top partner of quality integrated solutions for SMEs and large companies. Further expansion of the offer has been planned also through important partnership agreements with leading companies, first and foremost the one with Google Cloud, in addition to others that will open up innovative business opportunities for TIM and Group companies such as Olivetti in IoT and Telsy in cyber services.
- **Wholesale:** defend the access market share and confirm leadership in ultrabroadband coverage, seizing opportunities deriving from unregulated services, in line with the previous plan. Fibre accesses are expected to reach around 5.1 in 2022, with a growth of 1.5x.

More ambitious targets have been set on **costs** compared to the previous plan. The new target is to reduce the addressable cost base by 10% over the three years (8% previously).

The plan further strengthens TIM's **technological leadership** in terms of quality and innovation. The target has been confirmed to evolve FTTC coverage, currently at 81%, into FTTH for 40% of the population by 2023, as well as the target of national 5G population coverage by 2025/26.

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The commitment to make TIM a “**sustainable**” group has been further accentuated. Sustainability indicators such as customer satisfaction, employee engagement, reduction of CO2 emissions and an increase in the proportion of renewable energy out of the total of energy consumption will become part of the company management remuneration scheme, with indicators that measure the effects of TIM’s activities on the environment, personnel and community in general.

Financial targets of the 2020-2022 plan (IFRS 16/After Lease):

- The Group is expected to reach 4.5-5 billion euros Equity Free Cash Flow cumulative over the period, reflecting the deconsolidation of INWIT and the new accounting standards (IFRS 16 After Lease), to be enhanced further through non-organic actions presently not included. On a like-for-like (i.e. IFRS 9/15 including INWIT) the target would have been 5-5.5 billion euros
- Group Net Debt After Lease is targeted to fall below 20 billion euros in 2021 before considering the proceeds from the sale of 12.4% of INWIT (approx. 1 billion euros). 2022 expected to be stable YoY due to the payment of the last tranche of the 5G licence
- Group Organic Services Revenues are expected to be slightly lower (low single-digit) in 2020 and slightly higher (low single-digit) in 2021-2022
- Group Organic After Lease EBITDA is expected to be slightly lower (low single-digit) in 2020 and slightly higher (low to mid single-digit) in 2021-2022
- Revenues from Domestic services are expected to be slightly lower (low to mid single-digit) in 2020 and stable or slightly higher (stable to low single-digit growth) in 2021-2022
- Domestic Organic After Lease EBITDA is expected to be slightly lower (low to mid single-digit) in 2020 and slightly higher (low to mid single-digit growth) in 2021-2022
- Domestic Capex are expected at around 2.9 billion euros per annum

The world is living an unprecedented period of extraordinary sanitary emergency. The impact on GDP worldwide and in Italy, hence on TIM’s plan, is difficult to quantify at the moment and will be a function of the duration, intensity and effectiveness of containment action.

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