



## **CONVEGNO ASATI – Roma 2 dicembre 2014**

***“Telecom Italia: Investimenti, Occupazione e  
Crescita nel percorso verso una Public Company”***



**Stefano Lustig**

# Telecom Italia

ITALY / Telecom

## 3Q14 Results

**BUY** ord. (Unchanged)

**Target: € 1.05** (1.02)

Risk: Medium

**BUY** sav. (Unchanged)

**Target: € 0.84** (0.80)

Risk: Medium



## ONE STEP AHEAD

*Domestic mobile has significantly reduced its rate of decline and seems to be even closer to a stabilisation trend. This is the most important message of 3Q, prevailing over the still unsatisfactory development of domestic EBITDA. The deleverage turned out to be in line with estimates. Mr Patuano has hinted at the possibility to increase capex both in Italy and Brazil. Short term news-flow likely to be dominated by Brazilian consolidation options.*

November 10, 2014

Valuation (€ mn)		Sum of the part valuation		Assumptions	
NPV of Free Cash Flows	13.03	Domestic Op. - DCF or 2014 EBITDA 5.8x	41.17	g	-1.0%
NPV of Terminal Value	28.14	TIM Brazil - Mkt Value	6.20	WACC	7.47%
<b>Enterprise Value Domestic Business</b>	<b>41.17</b>	Telecom Italia Media - Mkt value -	0.10		
		Others	0.50		
		Capitalized Holding Costs	-1.59		
		Adj. Net Debt	-25.51		
		<b>Total equity Value</b>	<b>20.9</b>		
		<b>value per ordinary shares (€)</b>	<b>1.05</b>		
		<b>value per saving shares (€)</b>	<b>0.84</b>		
Assumptions					
g	-1.0%				
WACC	7.47%				

# FUSIONI E ACQUISIZIONI MILIARDARIE

<b>Target Name</b>	<b>Acquirer Name</b>	<b>Announced Total Value (\$ mil.)</b>
Verizon Wireless	Verizon Communications Inc	130,040
Time Warner Cable Inc	Comcast Corp	68,405
DIRECTV	AT&T Inc	66,044
Time Warner Cable Inc	Charter Communications Inc	61,256
T-Mobile US Inc	Iliad SA	34,739
Koninklijke KPN NV	America Movil SAB de CV	22,695
SFR	Bouygues SA	22,174
SFR	Altice SA	18,765
Portugal Telecom SGPS SA	Oi SA	12,221
E-Plus	Telefonica	11,296
Kabel Deutschland	Vodafone Group	11,186
Ziggo	Liberty Global	11,081
GVT	Telefonica	10,285
ONO	Vodafone	10,026



The image is a screenshot of a BBC News Business article. At the top, the BBC logo is on the left, and navigation links for News, Sport, Weather, Earth, Future, and Sh are on the right. Below this is a large red banner with the words 'NEWS BUSINESS' in white. Underneath the banner is a dark navigation bar with links for Home, UK, Africa, Asia, Australia, Europe, Latin America, Mid-East, US & Canada, Business, and Health. Below that is a light grey bar with links for Market Data, Economy, Entrepreneurship, Business of Sport, Companies, and Technology of Business. The article's date and time are '24 November 2014 Last updated at 17:09 GMT'. To the right of this is a 'Share' button and social media icons for Facebook, Twitter, and LinkedIn. The main headline of the article is 'BT and Telefonica in 'preliminary' talks over O2 deal'.

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## NEWS BUSINESS

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24 November 2014 Last updated at 17:09 GMT [Share](#)   

### BT and Telefonica in 'preliminary' talks over O2 deal

THE WALL STREET JOURNAL. ≡ BUSINESS

EUROPEAN BUSINESS NEWS

## Europe Awaits Wave of Telecom Consolidation

Companies, Bankers Eye Takeover Targets; Telefónica-KPN Deal a Litmus Test for

**Across the EU, well over a hundred mobile and fixed operators** in 28 countries are owned by over 40 major groups. That compares **with just four big mobile operators**, and an increasingly consolidated cable business **in the U.S**

# VALUTAZIONE DEL SETTORE IN FORTE ASCESA

Evoluzione di Consensus sul rapporto tra capitalizzazione di borsa e utile aggregato del settore TLC Europeo

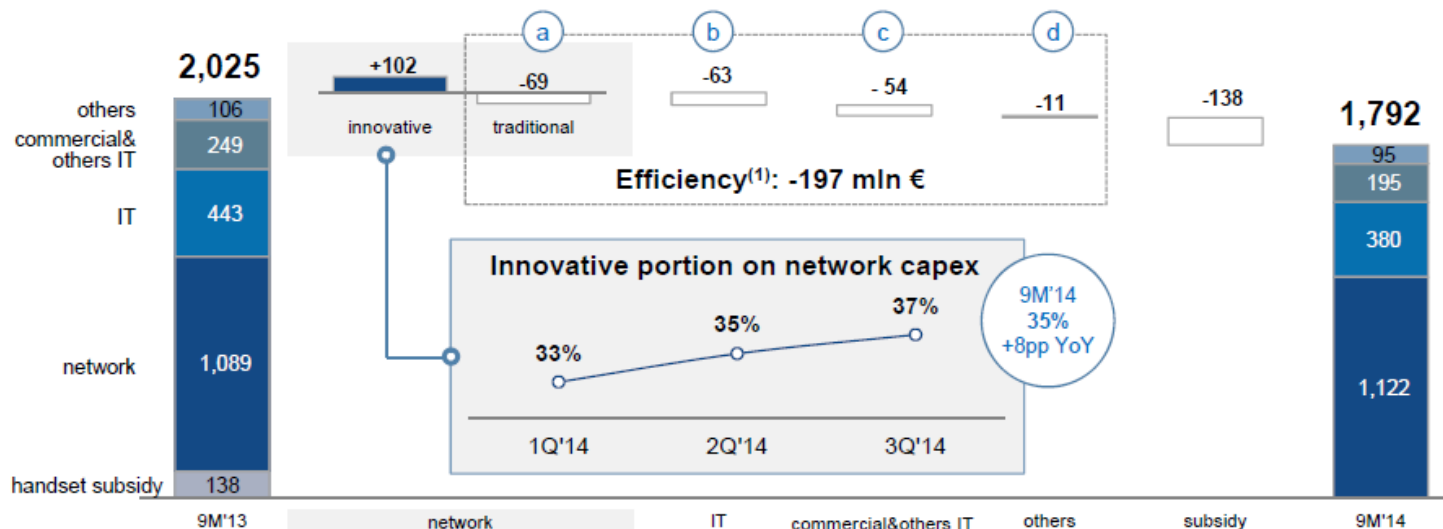


# TELECOM ITALIA SHAREHOLDER STRUCTURE - POST

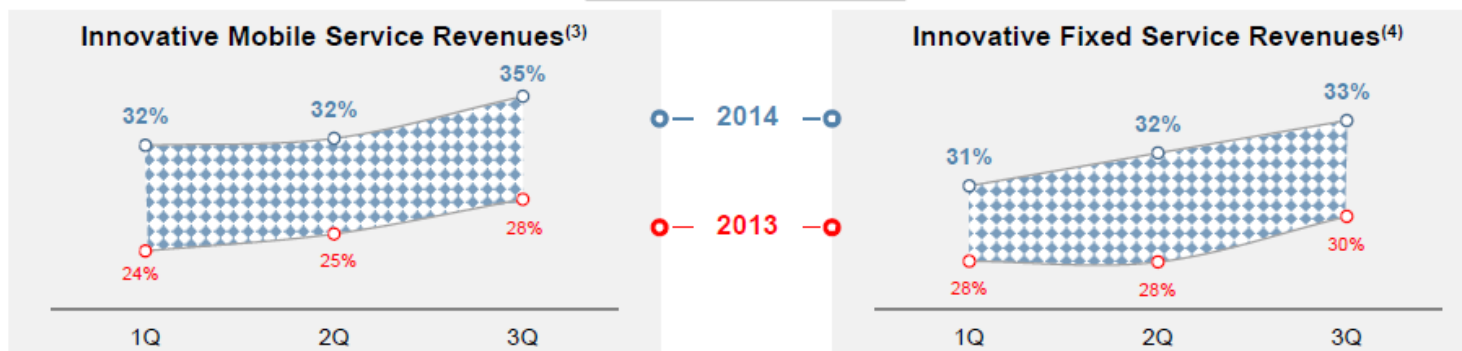
~~TELCO~~



## Translating Domestic Innovative Capex into Revenues



## Growing penetration of Innovative Revenues on total<sup>(2)</sup>



(1) total domestic capex efficiency= (a)+(b)+(c)+(d)  
(2) net of wholesale

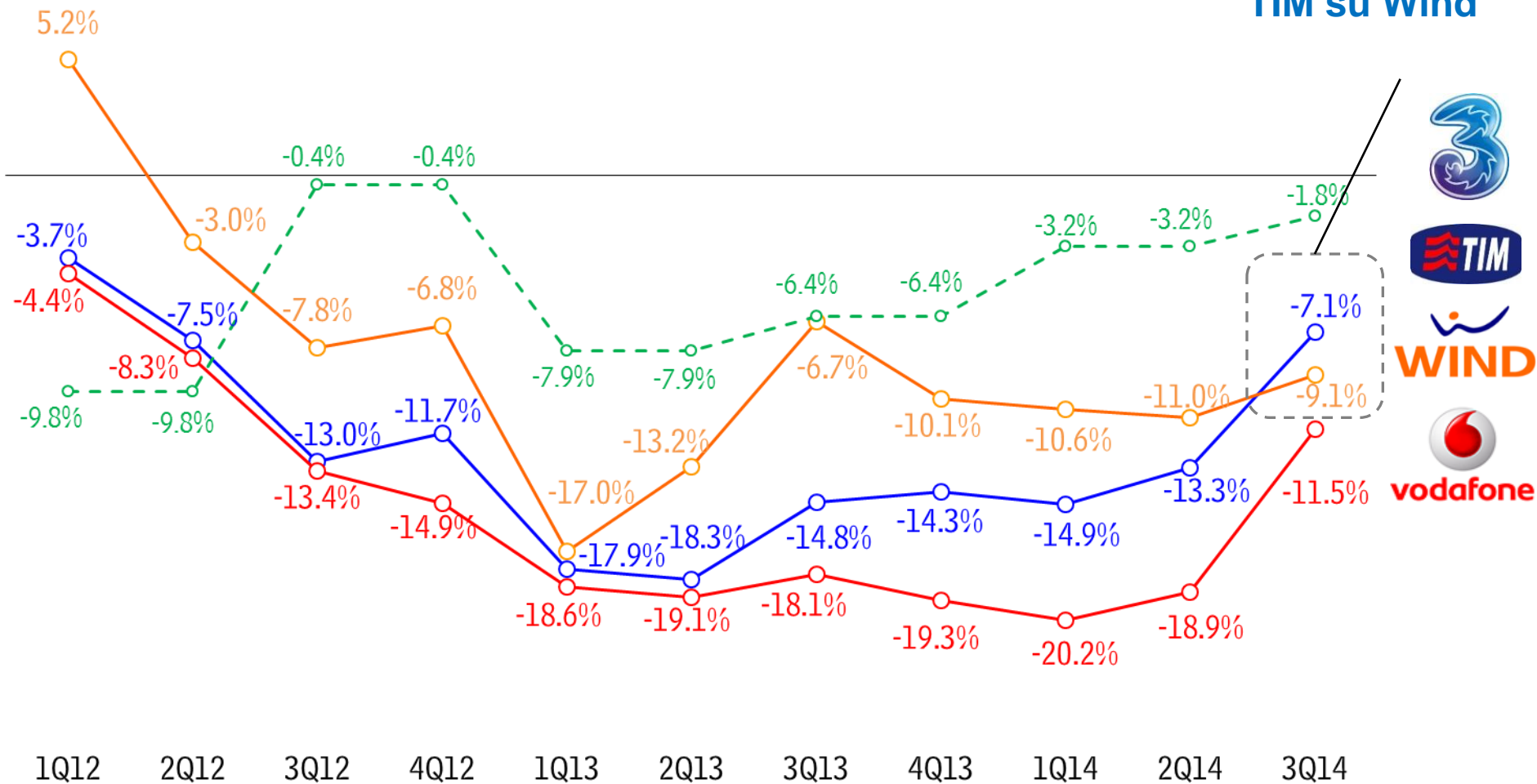
(3) Broadband & VAS Content  
(4) Broadband, VAS Content & ICT



# CHIARI SEGNALI DI STABILIZZAZIONE NEL MOBILE

Evoluzione Crescita YoY dei Ricavi da Servizi Mobili

Sorpasso di  
TIM su Wind



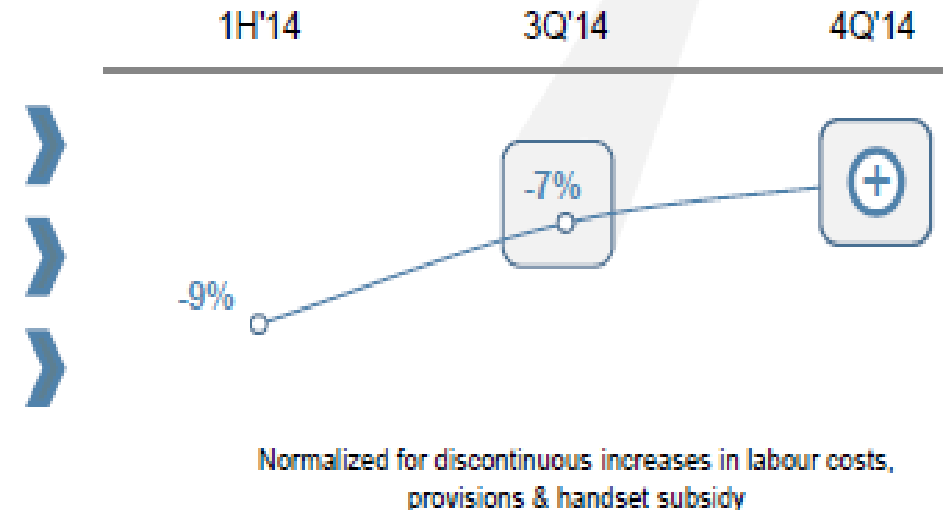
Fonte: Dati pubblicati per TIM, Vodafone, Wind; stime per 3 Italia.

# MIGLIORA IL TREND DI EBITDA DOMESTICO

## Ebitda Discontinuities

- Effects on Year-on Year performance for this quarter are:
  - ~ 30 mln euro for
    - incentive plans for employees & management and
    - salary discontinuous increases enabling insourcing
  - ~ 30 mln euro for regulatory termination disputes and other provisions
  - 40 mln euro for new handset subsidy approach

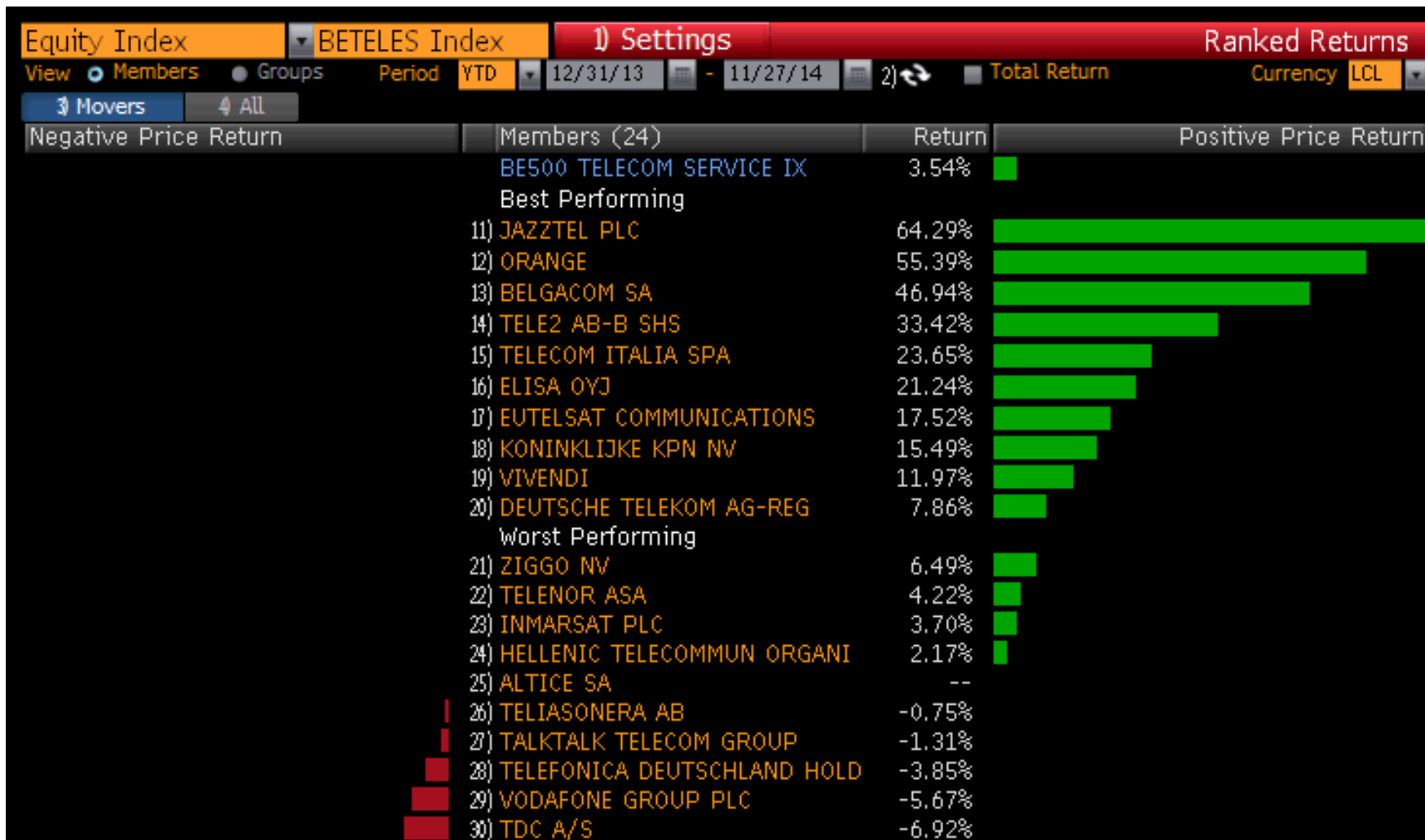
## Underlying Ebitda trend



# LA STABILIZZAZIONE DEL BUSINESS DOMESTICO E' IN ARRIVO

	2013	Var. %	2014	Var. %	2015	Var. %	2016	Var. %
<b>Total Group Revenues</b>	<b>23,407</b>	<b>-8.0%</b>	<b>21,710</b>	<b>-7.2%</b>	<b>21,725</b>	<b>0.1%</b>	<b>21,870</b>	<b>0.7%</b>
- Domestic Wireline	11,794	-7.4%	10,940	-7.2%	10,362	-5.3%	10,068	-2.8%
- Domestic Mobile	5,578	-13.8%	5,149	-7.7%	5,152	0.0%	5,170	0.4%
<b>Total Domestic</b>	<b>16,388</b>	<b>-9.7%</b>	<b>15,360</b>	<b>-6.3%</b>	<b>15,083</b>	<b>-1.8%</b>	<b>14,836</b>	<b>-1.6%</b>
Tim Brazil	6,945	-6.0%	6,323	-9.0%	6,619	4.7%	7,012	5.9%
	<b>2013</b>	<b>Var. %</b>	<b>2014</b>	<b>Var. %</b>	<b>2015</b>	<b>Var. %</b>	<b>2016</b>	<b>Var. %</b>
<b>Total Group EBITDA</b>	<b>9,746</b>	<b>-8.3%</b>	<b>8,902</b>	<b>-8.7%</b>	<b>8,618</b>	<b>-3.2%</b>	<b>8,671</b>	<b>0.6%</b>
<b>Domestic EBITDA</b>	<b>7,741</b>	<b>-9.0%</b>	<b>7,111</b>	<b>-8.1%</b>	<b>6,812</b>	<b>-4.2%</b>	<b>6,766</b>	<b>-0.7%</b>
Tim Brazil	1,812	-7.8%	1,776	-2.0%	1,790	0.8%	1,889	5.5%

# BUONA PERFORMANCE DA INIZIO ANNO

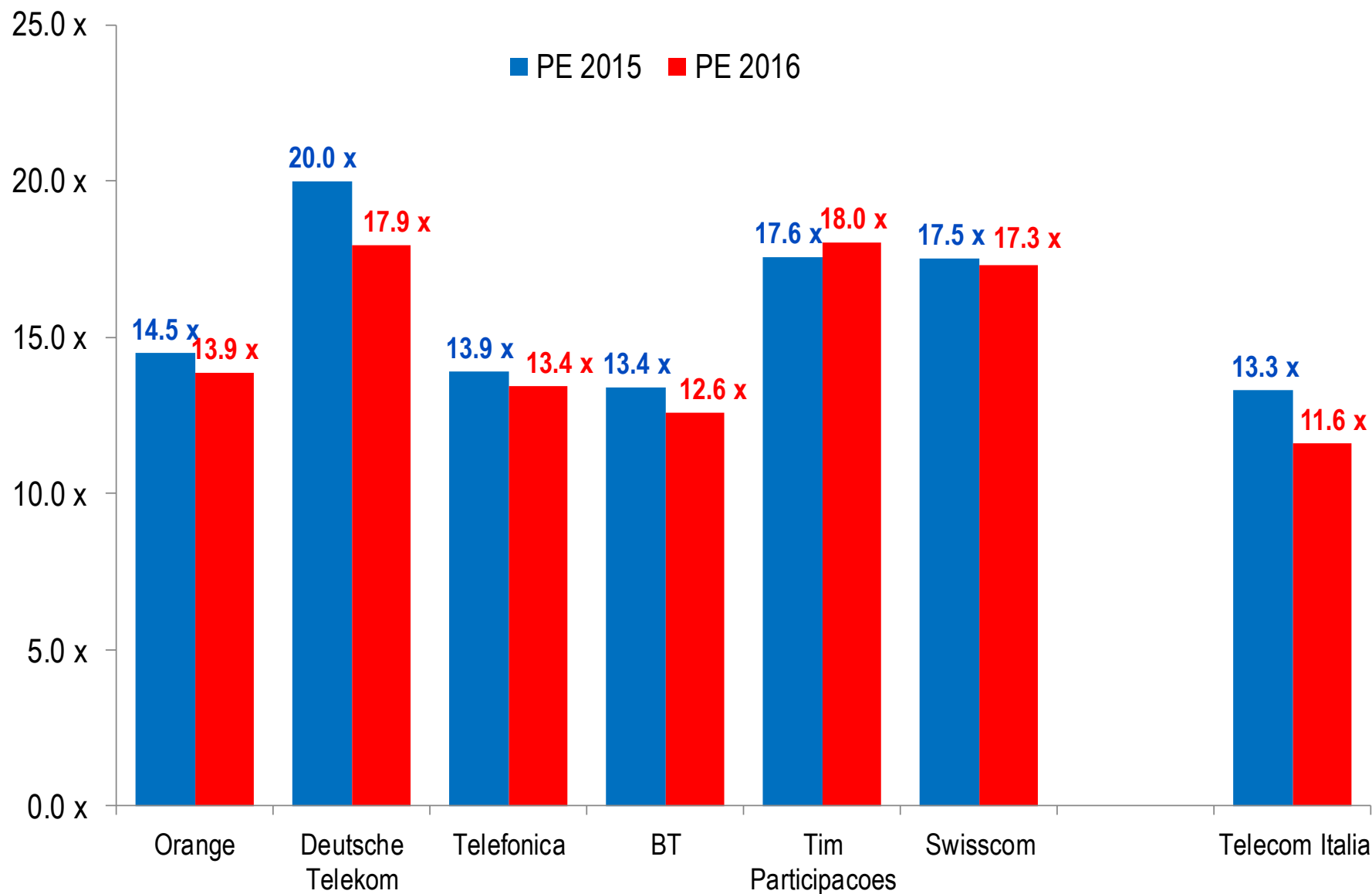


# ANCHE SE LA CRESCITA DEL FATTURATO E' LIEVEMENTE INFERIORE ALLA MEDIA...

Company	Sales CAGR	EBITDA CAGR
	2014-2016	2014-2016
<b>Integrated Players</b>		
ORANGE	-1.2%	-0.7%
DEUTSCHE TELEKOM	1.6%	2.8%
TELEFONICA	2.5%	2.7%
KPN	-2.3%	-2.7%
BT GROUP PLC	1.3%	1.8%
SWISSCOM AG-REG	0.8%	1.0%
TELE2 AB	3.2%	4.8%
TELEKOM AUSTRIA	0.7%	2.3%
BELGACOM SA	-1.7%	-1.9%
<b>Average</b>	<b>0.6%</b>	<b>1.1%</b>
<b>Median</b>	<b>0.8%</b>	<b>1.8%</b>
<b>Max</b>	<b>3.2%</b>	<b>4.8%</b>
<b>Min</b>	<b>-2.3%</b>	<b>-2.7%</b>
<b>TELECOM ITALIA</b>	<b>0.4%</b>	<b>-0.9%</b>
<b>Brazilian Operators</b>		
TELEFONICA BRASIL	5.2%	9.1%
TIM PARTICIPACOES	3.2%	4.6%
<b>Average</b>	<b>4.2%</b>	<b>6.9%</b>

Attese in linea con i Target ufficiali di Piano 2014-16 sul Gruppo: **CAGR 14-16 stabile sia per fatturato che per EBITDA**

# ...LE PROSPETTIVE DELLA EXECUTION STORY DI TI SONO ANCORA SOTTOVALUTATE





## Italian Incumbent Telecom Italia SpA Outlook Revised To Stable On Expected Debt Containment; 'BB+/B' Ratings Affirmed

28 Novembre 2014

*“We think that recent softening of the decline in mobile revenues will continue in the coming quarters, thanks to both diminishing price aggressiveness in the market and to some beneficial impact of rapidly increasing data usage, which should in turn increasingly favor higher quality networks. More generally, Telecom Italia's strong push in fiber and 4G/LTE deployment should contribute to its maintaining leading competitive positions in the future, and help to mitigate very high pressures experienced in more traditional voice products.”*

# ANCHE UN (ALLORA) GIOVANE ANALISTA....

## SIP

**Prezzo: Lit. 981**

La nostra valutazione basata sui flussi di cassa attualizzati è di 1.135 Lire per azione, nonostante gli utili in calo nel 1992.

### ACCUMULARE

Italy/Telecomunicazioni  
Reuter: MIRU

30 Settembre, 1992  
Analista: Stefano Lustig

Anno	Fatturato Lmd.	Utile netto Lmd.	EPS Adj.Lire ord.	P/E Adj.Lire ord.	CFPS Adj.Lire ord.	P/CF ord.	ROE	BV PS	Dividendo ord.	Gross Yield ord.
1990	16.732	401	55	22,1	1.215	0,9	2,3	2.689	70	5,8
1991	19.458	486	130	10,1	1.313	0,9	5,2	2.731	75	5,7
1992	21.694	431	32	29,9	1.365	0,7	1,5	2.514	75	7,6
1993	24.055	418	54	17,9	1.537	0,6	2,3	2.508	75	7,6

Capitalizzazione 52 wk range	Lit. 5.364 mld (US\$ 4.2 mld) 969	Indice Comit N° di azioni (ml)	360,4 5.465
Q. medie scambiate (1 mese) ord. risp.	4.1 ml 0.7 ml	Free float (E)	40%

● Sip è l'unica concessionaria per il servizio telefonico urbano in Italia. Realizza però buona parte dei suoi proventi anche dal traffico interurbano e internazionale; nei prossimi mesi potrebbe realizzare l'incorporazione delle attività domestiche dell' ASST, venendo così a controllare direttamente l'intero traffico nazionale. Ciò si tradurrà nella razionalizzazione degli investimenti ed in una migliore struttura tariffaria per il sistema Italiano.

● L'esercizio in corso dovrebbe segnare un calo degli utili dell' 11% a circa 431 mld o 79 lire per azione (-18% Y.O.Y.). L'utile rettificato da componenti straordinarie, esenzioni fiscali e dalle politiche di accantonamento, segnerà una riduzione del 70% a 203 mld o 32 lire per azione (-75%). La debole performance è influenzata oltre che dalla mancata revisione del sistema



**CORRIERE DELLA SERA**

A A    

L' ACQUISTO DELLA SOCIETA' SPECIALIZZATA NEL SOFTWARE SOLLEVA FORTI CRITICHE. LE ACCUSE DEL PRI

## **scoppia la bufera sul caso STET FINSIEL**

*il titolo della finanziaria telefonica perde il 23,3 per cento. forti vendite specialmente dagli investitori esteri. Agnes: " un incomprensibile attacco speculativo ". i sindacati hanno chiesto un incontro al governo*

(6 ottobre 1992) - Corriere della Sera