



TIM Brasil
TIM Day in NYC
Stefano De Angelis (CEO)
November, 2016



3Q Main Messages

An encouraging macro environment...

Inflation relief (12M IPCA)



Source: IBGE and Central Bank estimate (Focus)

A Better confidence (points)

Consumer confidence



Industry confidence

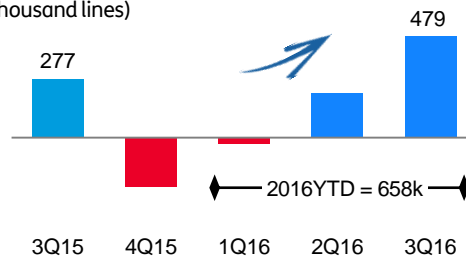


Source: FGV

- GDP growth for 2017 at ~2%
- Interest rate started dropping
- Fiscal measure to control indebtedness

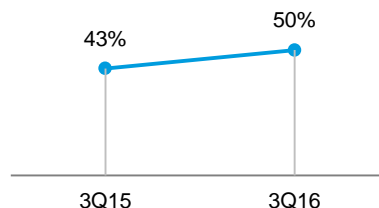
...with operational improvement...

Postpaid quarterly net adds (thousand lines)



Source: Anatel

Data user penetration over total base (%)



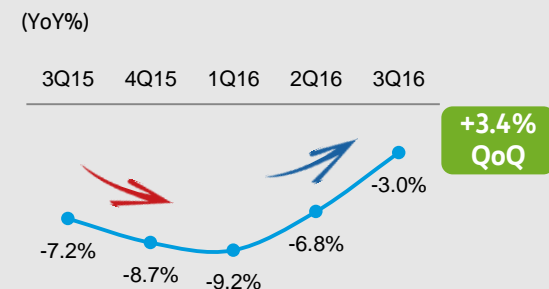
VAS over Mobile Service Revs. (%)



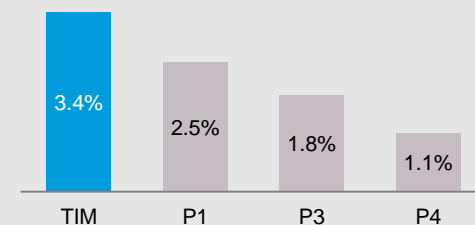
- Defending prepaid leadership while pushing on postpaid rebound, backed by the largest 4G network

and consistent rebound on financials.

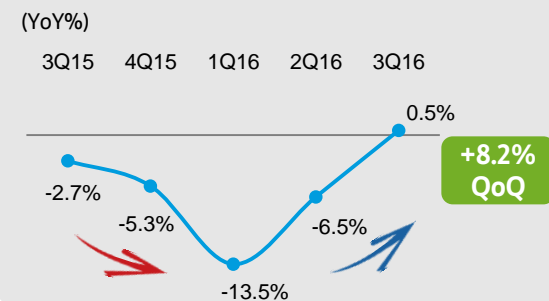
Mobile Serv. Net Revenues (YoY%)



Mobile Serv. Net Revenues Benchmark (QoQ% in 3Q16)

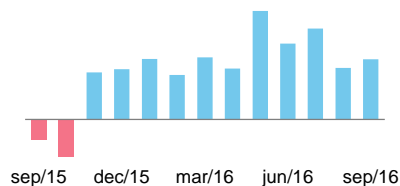


Normalized¹ EBITDA (YoY%)

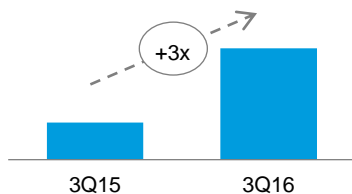


Better customer base mix and its quality

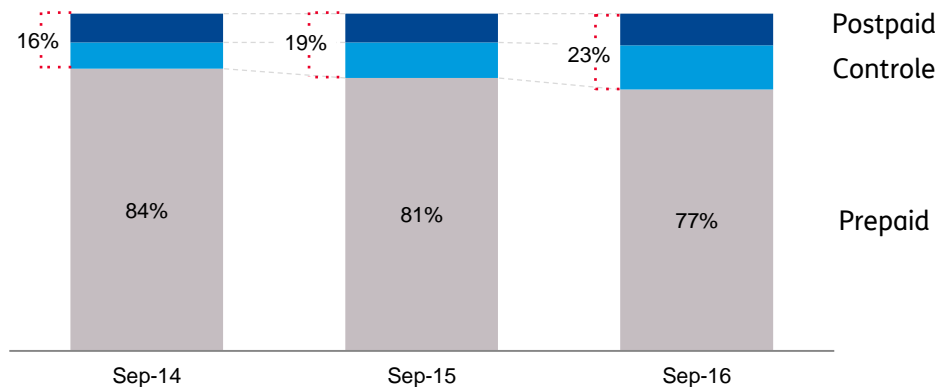
Postpaid mobile number portability
(thousand lines)



Net migrations from prepaid to postpaid
(lines; YoY)



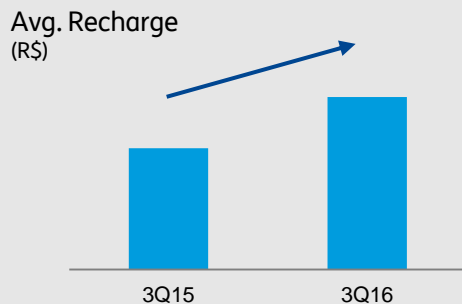
Customer base dynamic
(% of customer base)



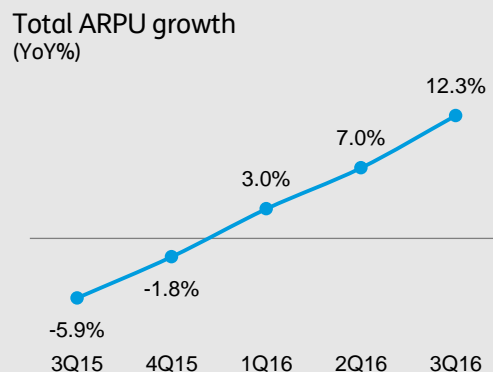
Source: Anatel and Company

Postpaid mix at 23% of total base

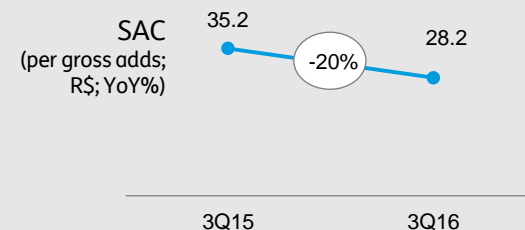
**Prepaid transformation
defending leadership**



ARPU continuous improvement



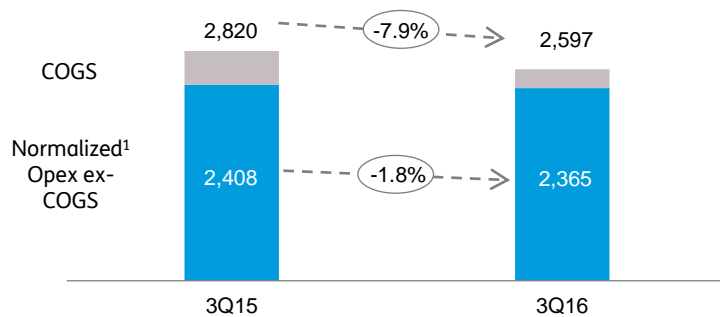
Bad debt & SAC under control



Opex under strict control

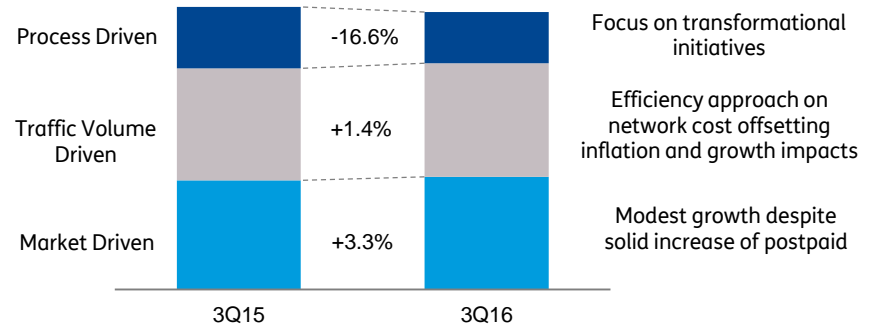
Normalized¹ OPEX Evolution

(R\$ mln; YoY%)



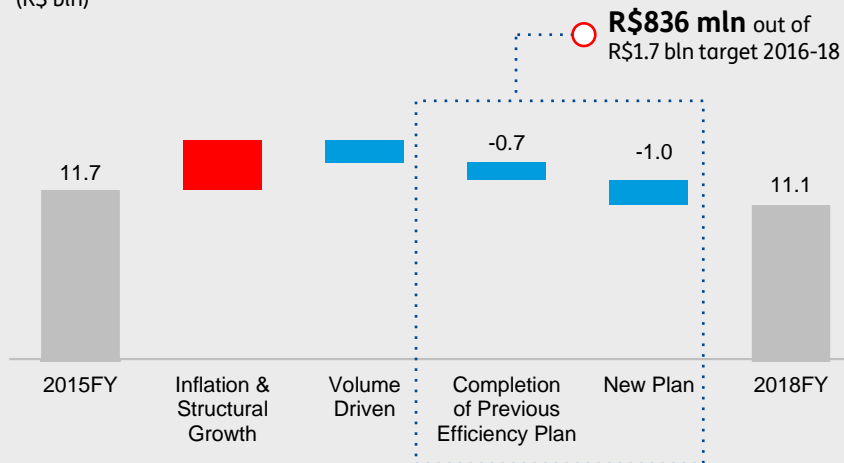
Normalized¹ OPEX Ex-COGS Breakdown

(R\$; YoY%)



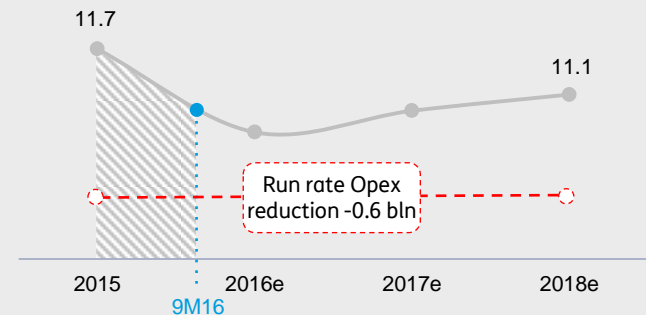
Industrial Plan OPEX Breakdown (2015-18)

(R\$ bln)



OPEX Evolution (2015-18)

(R\$ bln)



Normalized¹
Opex
(R\$)

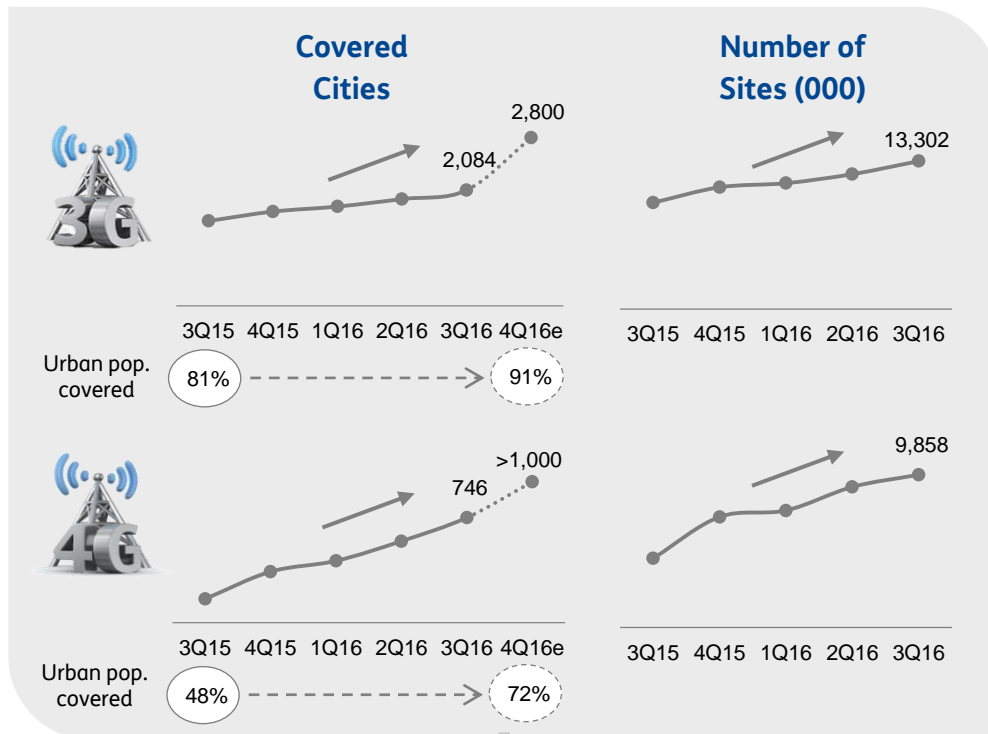
9.1 bln
(9M15)

-1.2 bln

7.9 bln
(9M16)



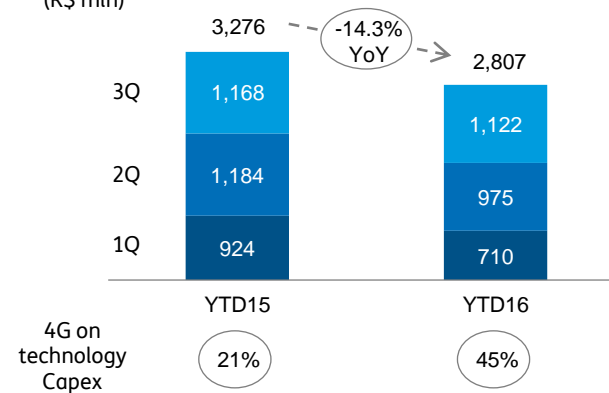
Further advancing on infrastructure



Doing More With Less

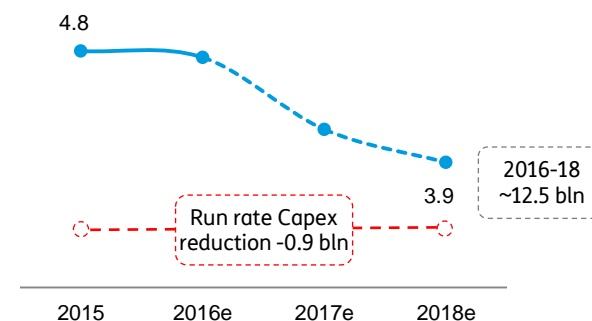
Total Capex evolution

(R\$ mln)



A lighter Capex path

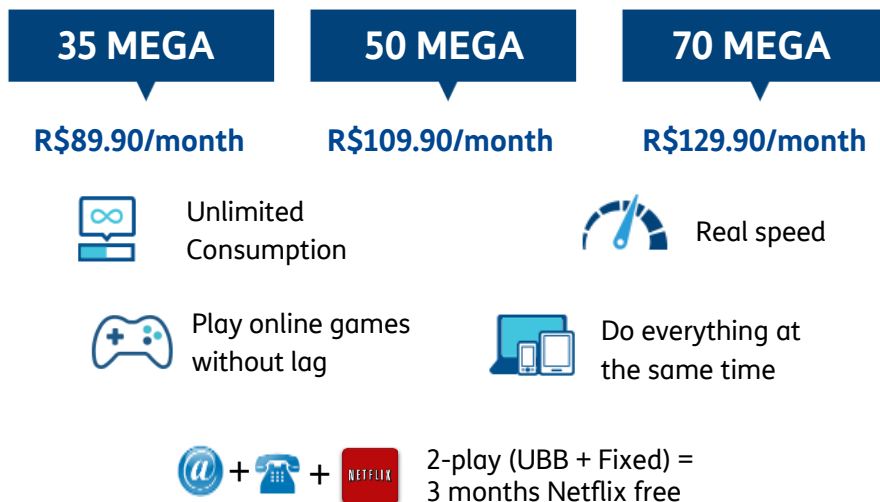
(R\$ bln)



- 1st wave: leading 4G coverage through refarming of 1.8Ghz until...
- 2nd wave: arrival of the 700MHz
- Focus on high capacity backhaul in main cities
- Focus on customer experience using Big Data to control Performance indicators (versus technical ones) and Customer Profile (predict rather than react)

TIM Live: standing out in the ultra broadband market

Best value proposition

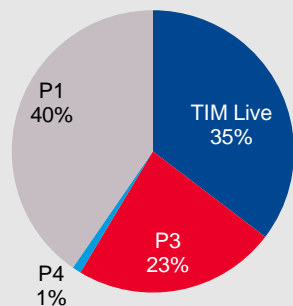


TIM Live is recognized as the best broadband service in the country



Ultra broadband market share

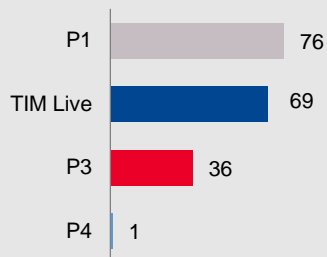
(connections above 34 Mbps)



Source: Anatel

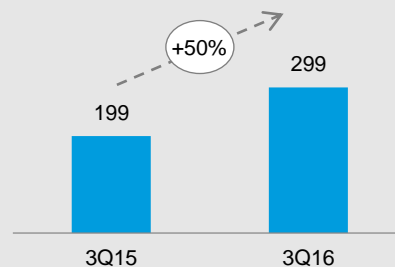
YTD Net additions

(thousand lines as of august/16)



Customer base

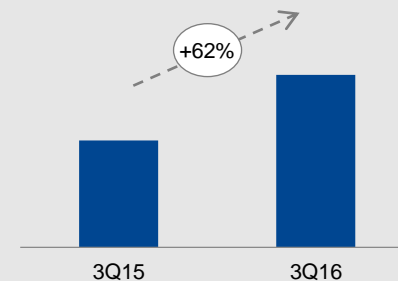
(thousand customers; YoY%)



Source: Anatel

Net Revenues

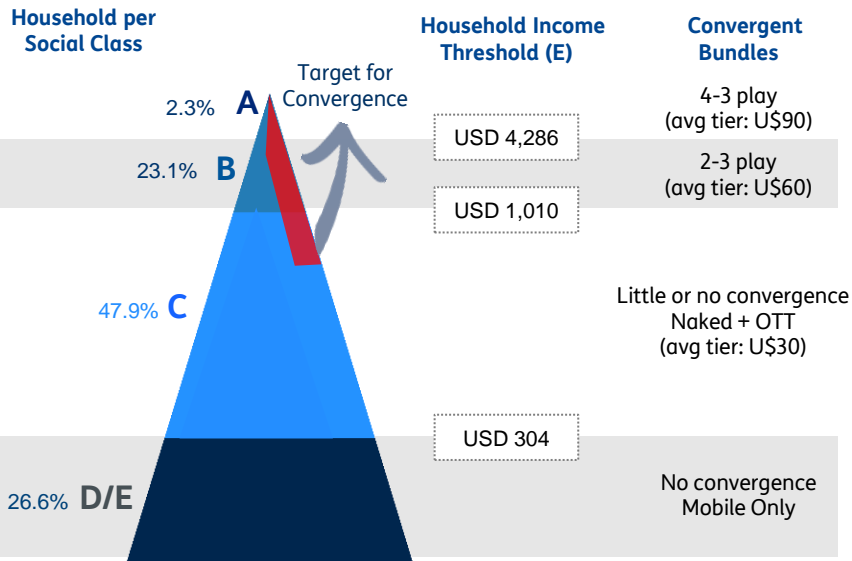
(R\$; YoY%)



Source: Company

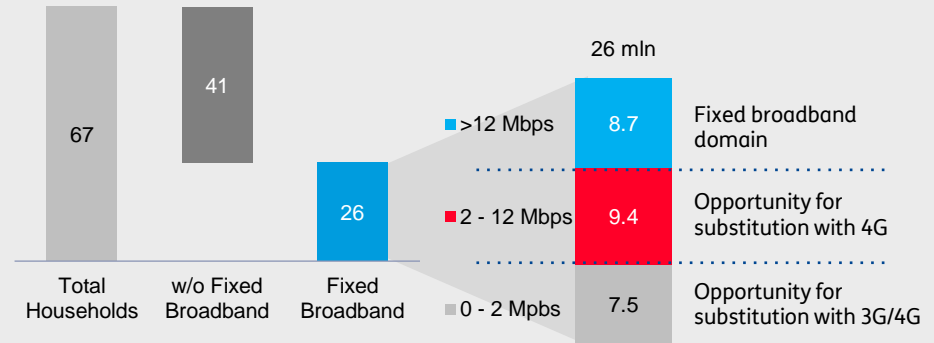
Convergence in Brazil: myths and truths

<5% of Brazilians have enough HH income to buy a 4P bundle



Brazilian Households with internet connection

(mln households)



TIM Live Market

(mln households)



Strategic Review

TIM Brasil re-loaded: our commercial turnaround

Key facts



Historical “one fits all” approach built-up on pay per use prepaid offer, reduced focus in postpaid with significant lost of segment market share

- Prepaid market strongly impacted by economic crisis
- TIM perceived as the “cheap” player
- Handset strategy driven by a “distribution model”

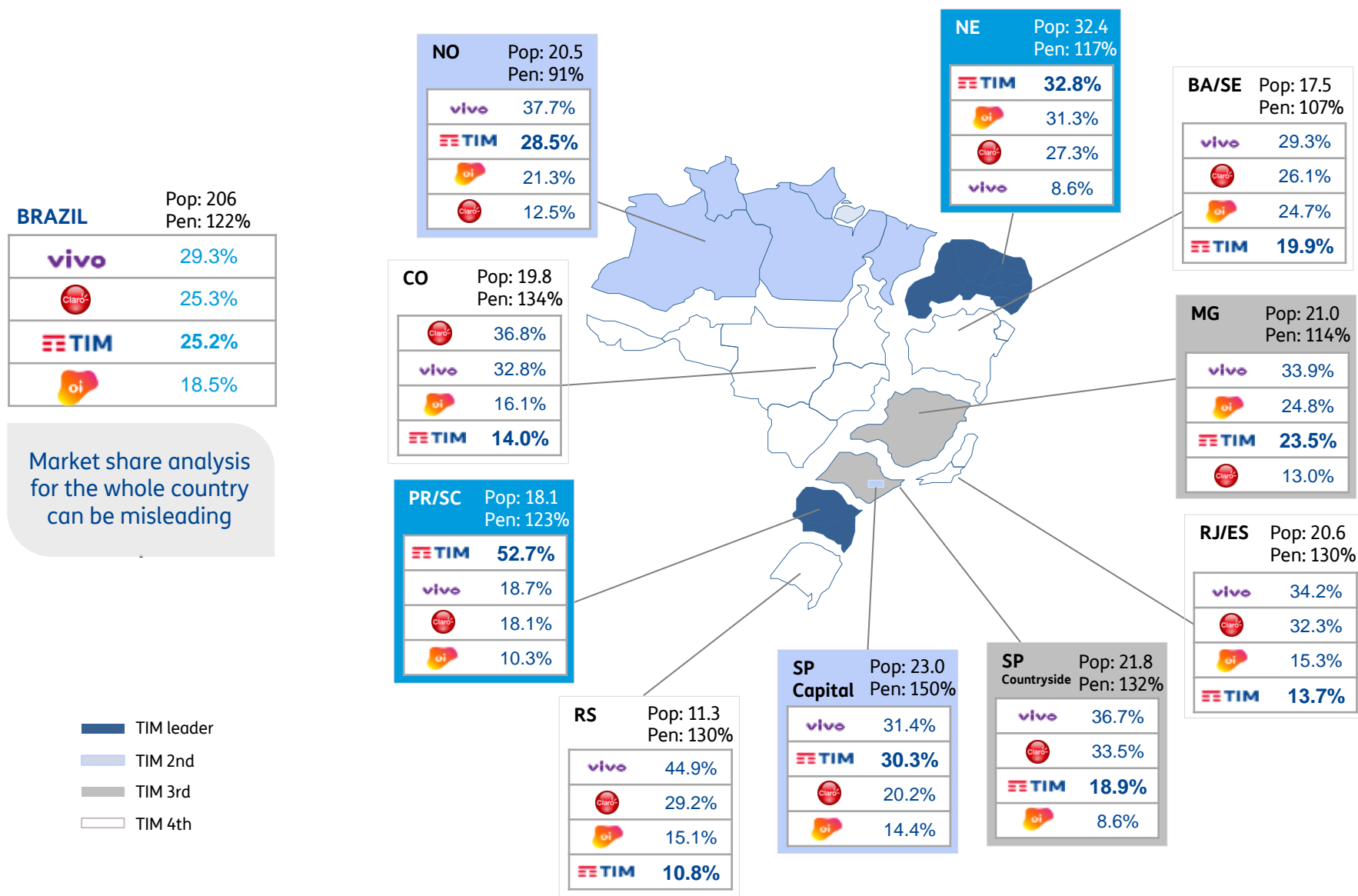
Our vision



Become the best “value for money” choice for mobile services

- Re-activation of positive loop investments→quality→revenues
- Mass segmentation on prepaid (increase usage/penetration and uplift ARPU)
- Focus on postpaid and SME segments leveraging on 4G leadership, selective approach on broadband (residential) and best CEX approach
- Redesign the sales channels strategy
- Regional focus

Mobile market share analysis: significant differences by geographic area



Strategy path: delivering a 180° turnaround

Evolving from a “cheap” brand to a total quality operator, capable to successfully compete also in the high-end segment:

Brazilian TLC Market
Positioning Map (Mobile)



- Premium brand approach for Postpaid
- 4G Coverage Leadership
- Improved CEX



Efficiency:

a lean company approach to gain **efficiency** and **effectiveness**. Accountable and Results oriented people and organization

Infrastructure:

4G leadership to support quality and service delivery; adopt Pay-as-You-Grow capex approach to increase FTTx coverage in RJ and San Paolo

Offer: defend Prepaid leadership while recovering on Postpaid segment, also leveraging on 4P (FTTx and WTTx), Contents, Smartphone adoption as reason-to-buy and loyalty drivers

Customer Experience:

implement the **best E2E, omni-channel customer experience model** leveraging on new digital capabilities (new Billing, Big Data, Digital Hub for third Parties)

Final Recap

TIM's Roadmap

2017

2018-onwards



4G

- Maintain and leverage 4G coverage leadership
- Start 700MHz 4G roll-out



- Wide deployments of 700MHz
- 4G coverage: >90% of urban population



Offer

- New prepaid portfolio based on "massive segmentation"
- New postpaid bundle proposition (Device+TLC Service+MME)



- Offering customization supported by improved systems
- Bundle offers in selected regions (TIM Live or WTTx)



Go2Market

- Digital (sales & care): complete build-up and first results
- Compensation: value based



- Full migration from multi to integrated channel sales and caring
- Digital taking-off



Financial Results

- Back to a consistent growth path taking benefits from commercial turnaround and efficiency actions



- Solid financials results with low leverage: flexible player to capture market opportunities

Thank you!

