

2019-2021 Strategic Plan

March, 2019



Disclaimer



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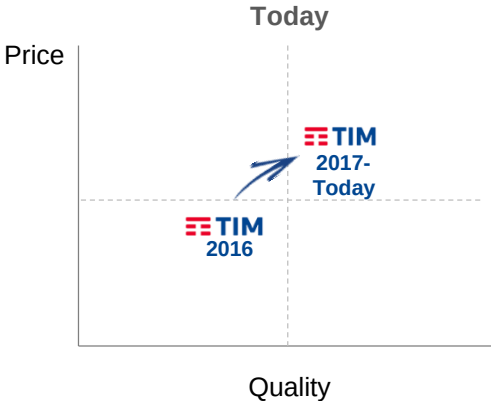
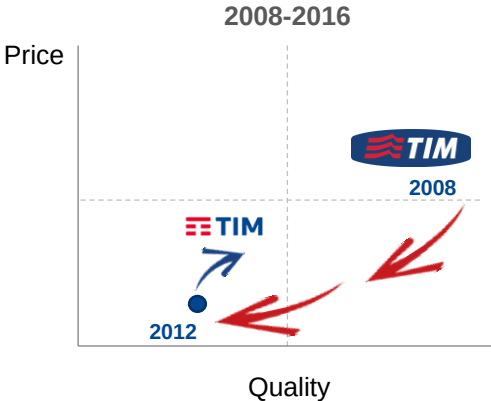
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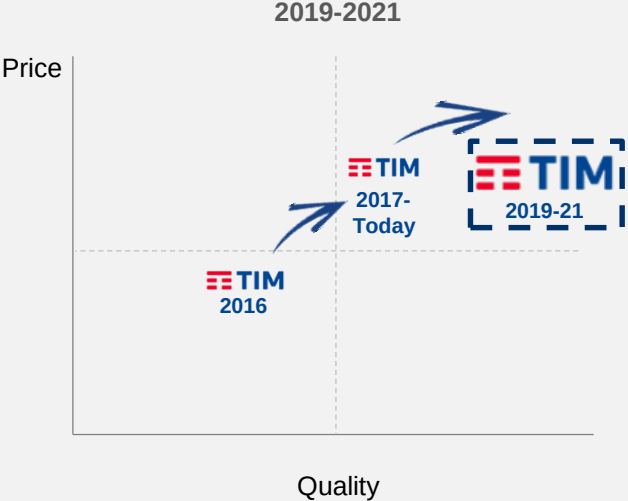
Financial results are presented on **Pro Forma basis, disconsidering impacts from new IFRS adoption.**

Evolving proposition for consistent and sustainable growth

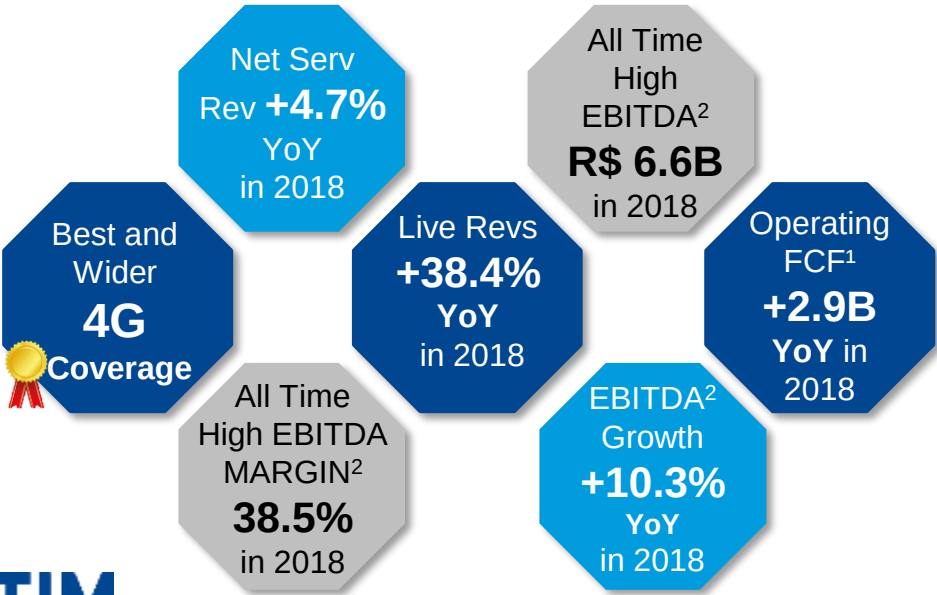
2016-2018 Turnaround Strategy



2019-21 Consolidation Strategy



2018 Solid Execution



Accelerate the **Digital Transformation** and increase **Customer Experience** with better **Quality** and **Value Proposition**, leveraging on 2nd wave of Mobile Upselling, FTTH and other sources of revenues (e.g. B2B, digital services).

(1) Ex-licenses, (2) Normalized.

Slow economic recovery and competitive uncertainties leading market to grow below inflation

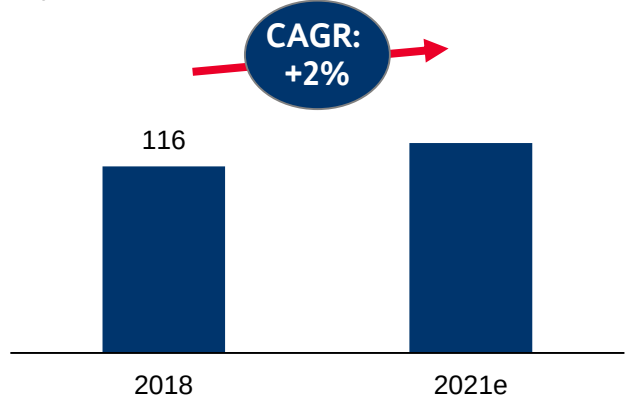
Key Market Trends

Macroeconomic scenario still tough, recovery depending heavily on structural economic reforms. High unemployment rates still holding down consumption acceleration

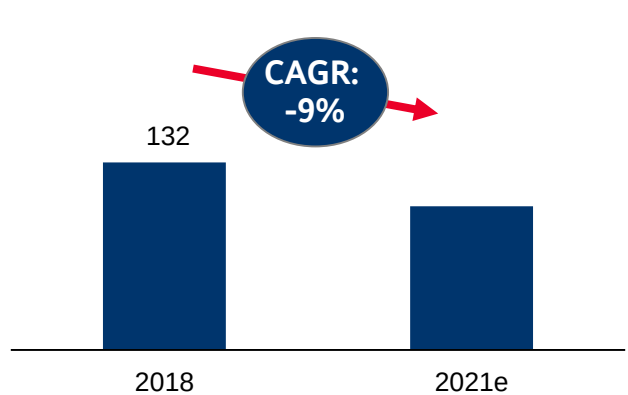
New wave of aggressiveness, especially for Prepaid segment, expected to continue in 2019

Mobile postpaid customer base growth driving **Net service revenues increase**

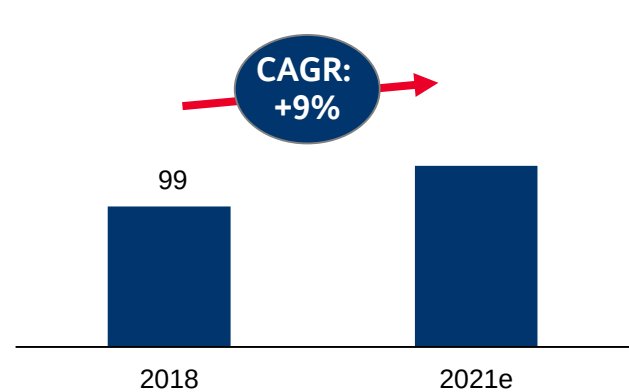
Market Net Services Revenues
R\$ bln



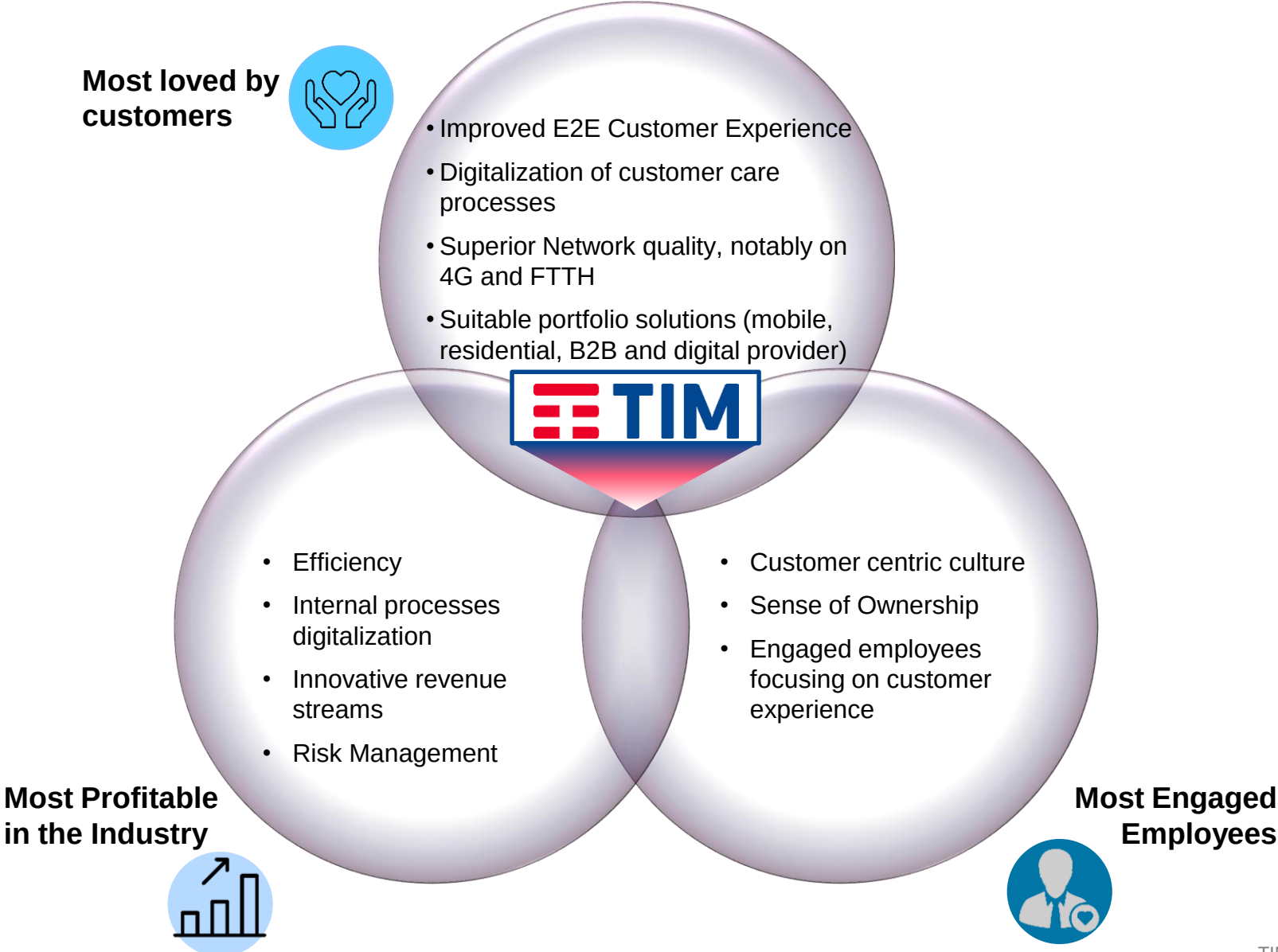
Market Mobile Prepaid Base
mln lines



Market Mobile Postpaid Base
mln lines



Consolidation of TIM Strategic framework focused on its main stakeholders



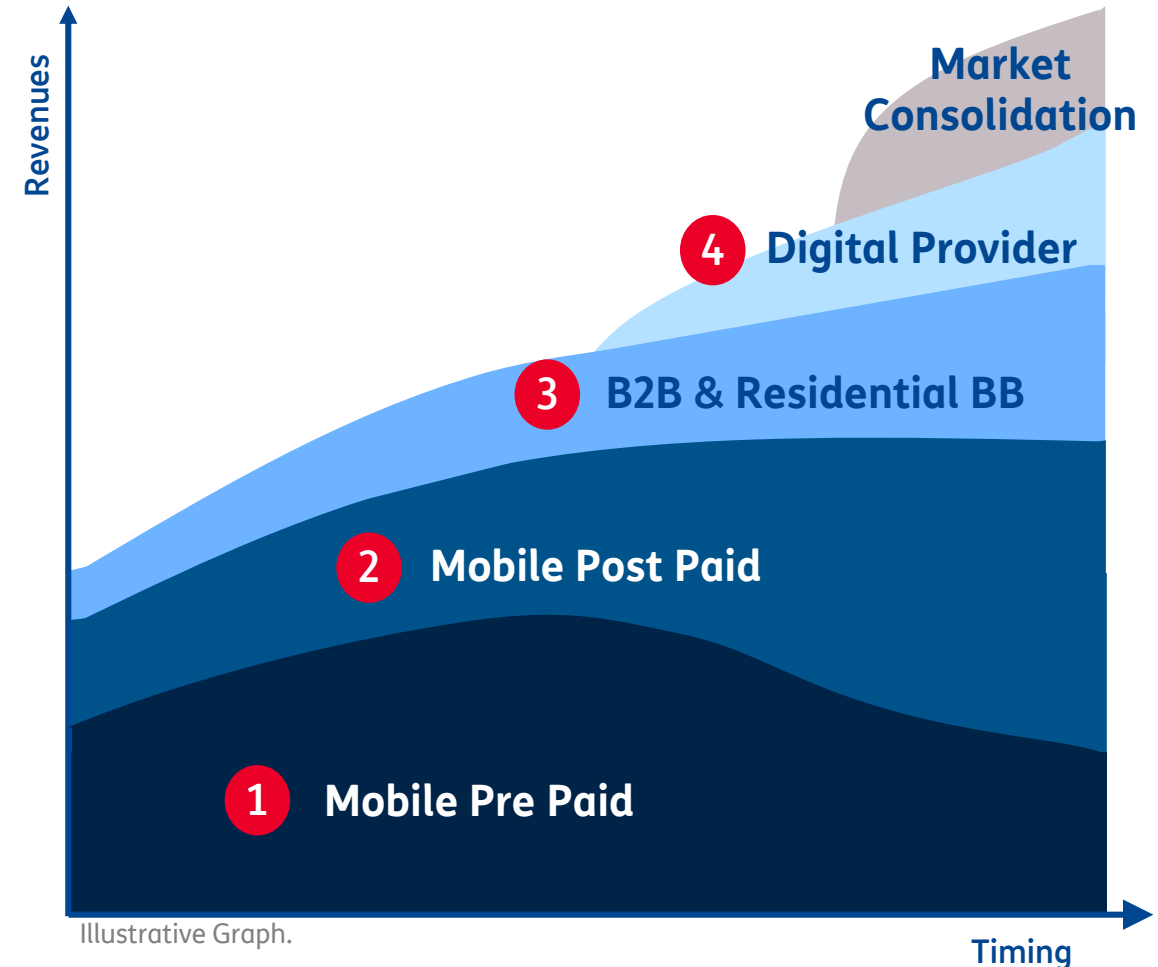
Opportunities: TIM Brasil Growth Waves

- 1 Mobile Pre Paid**
 - Offer simplification to improve customer experience with continued evolution of digital channels

- 2 Mobile Post Paid Consumer (“the Controle wave”)**
 - Growth based on a «Mobile Challenger» approach pushing migration from prepaid and upselling
 - Leverage the benefits of 4G coverage leadership
 - Customer long term relationship driven by loyalty initiatives

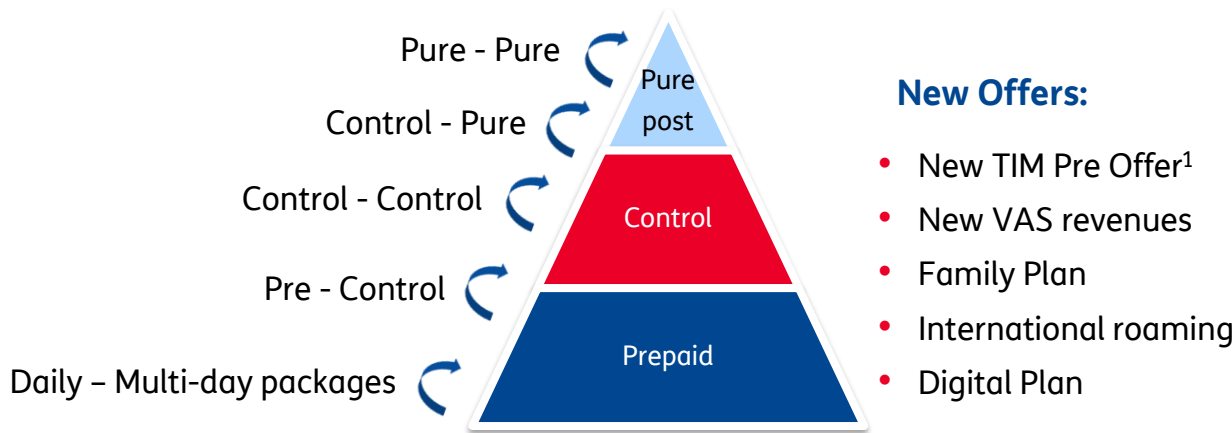
- 3 B2B & Residential BB**
 - Fiber deployment acceleration (backbone, backhaul and FTTH), with FTTH offer in selected regions
 - Opportunity to gain relevance in overall business Revenues leveraging on:
 - Revision of Value Proposition
 - More Convergent approach offering E2E solutions
 - Increase in efficiency and sales productivity

- 4 Digital Provider**
 - New revenue streams: Enable innovative services that meet customers needs
 - Customer Experience: Digitalization of customer care process
 - Time to Market: Support current business model with digital capabilities



B2C Mobile: managing client base focusing on upselling and churn dynamics

Upselling 2nd Wave: Upselling between and within segments based on profiling

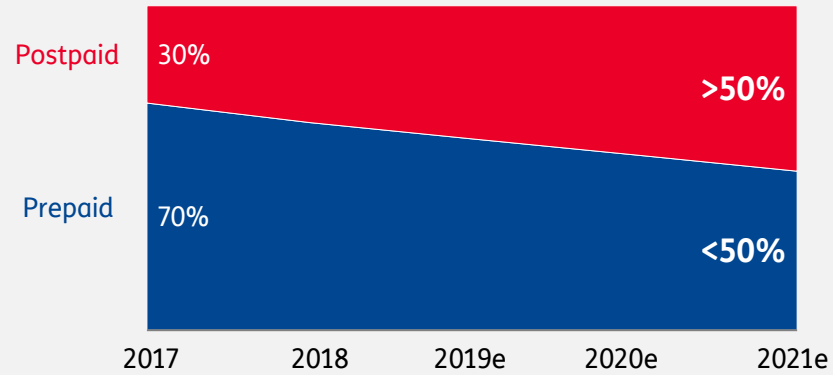


Strategic Guidelines to Reduce Churn

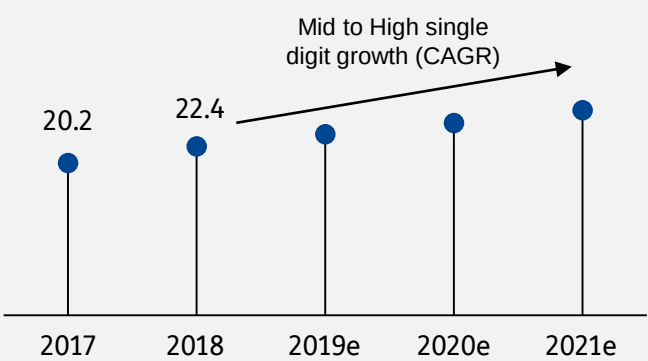
TARGET: Double digit decrease

- **More selective migration from Prepaid** will reduce early churn
- **Stimulate loyalty and digital payment** methods (credit card, digital invoice, automatic debit)
- **Proactive lock in of customer base** (churn high propensity), with Handset as a retention tool
- **Dedicated retention operation**
- **Quality War Rooms²** focused on eliminating dissatisfaction and key pain points

Mix Pre vs Total Postpaid



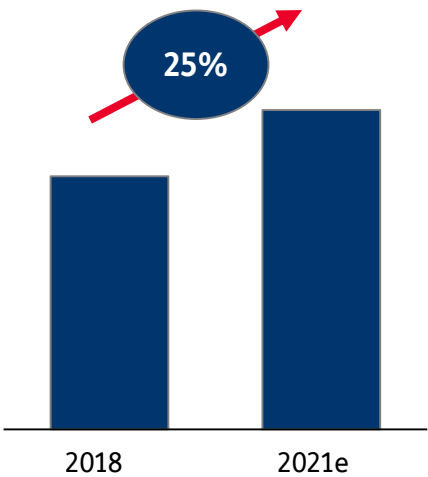
Blended ARPU (R\$/month)



B2B (mobile + fixed): penetrate clients through added value solutions, becoming a business partner

Vision for B2B segment

(Revenue Growth)



- **Increase B2B investment** to turnaround results over the next three years
- Increase efficiency/productivity
 - Revise back office and support functions processes
 - Review client caring model (digital)

Levers

Top

- **Complement** top clients **offer and portfolio**
- Increase **sales force productivity and size**
- Increase **penetration on Brazilian Top Companies**
- **Explore new opportunities to sell more aggregated value solutions (e.g: IoT/Agro)**
- **Recover growth in Fixed segment**

Enterprise

- Specify **value proposition** for Enterprise segment
- Define **go-to-market**, addressing **channel mix** (direct vs indirect) **optimization**
- **Explore convergence** opportunities
- **Optimized geographic approach** to maximize productivity

SMB

- Revise **value proposition** of SMB segment
- Focus commercial effort in **fixed products** and uplift in sales force
- **Increase digital channels** on sales mix

Implications

- Market share
- Share of wallet

- Market share
- Share of wallet

- Market share
- Share of wallet

Digital: key strategic pillars to improve customer experience and exploit new revenue streams

New revenue streams: Enable innovative services that meets customers needs

- New revenues opportunity from being a **Platform provider** (analytics, BD, mobile advertising, etc.)
- **Content offer aggregation** to support Mobile + Fixed service revenue growth
- Increased role in **IoT growing ecosystem** (beyond connectivity)



Customer Experience: Improve digital customer service, acquiring capabilities, customer attendance and internal processes and systems



CUSTOMER ORIENTED

Continuous Customer Feedback (closed loop)



DIGITAL FIRST

Works across all digital devices and all channels



DIGITAL CHANNELS

Evolve platforms and encourage usage with offer benefits



TRADITIONAL CHANNELS

Improve IVR retention with evolved platform

Time to Market: Support current business model with digital capabilities



ANALYTICS DRIVEN

Customers personalized experience, marketing, campaign, NBA



COGNITIVE

Data-driven architecture providing actionable information and automation



PARTNERSHIP ACCELERATION

Open Innovation. API based development.

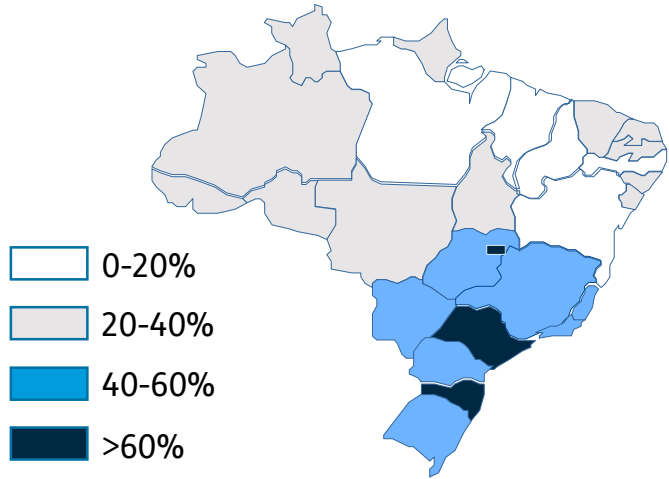


AGILE DRIVEN

Agile methods and practices integrated into the platform

Infrastructure: capitalizing on existing infrastructure and expanding FTTH

Residential Broadband Penetration - Brazil

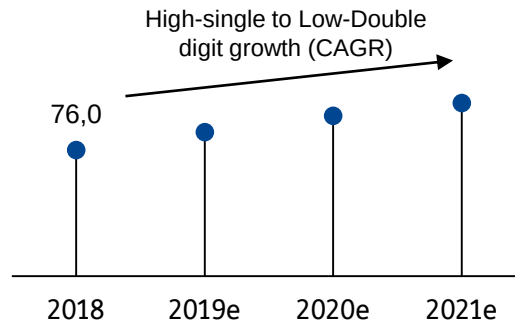


- Broadband Penetration at 45% of HH; Ultra-BB Penetration only 12% of HH
- 96% of cities (~50% pop.) have very low BB penetration (~25%)
- 16% of BB connections have speeds < 2Mbps

Relevant opportunity to capture a strong unserved demand for Residential Broadband and Ultra-BB connectivity

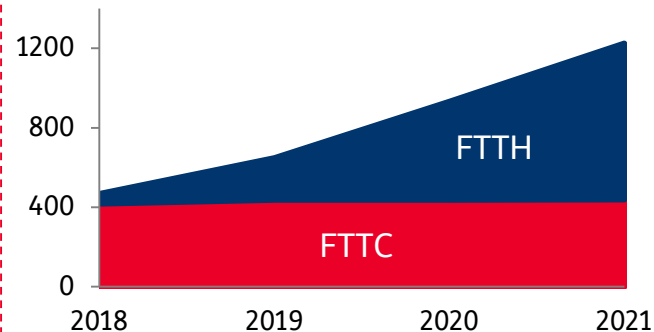
Main trends

TIM Live ARPU (R\$/month)



- ~3x participation on total revenue

FTTX Customer Base ('000)



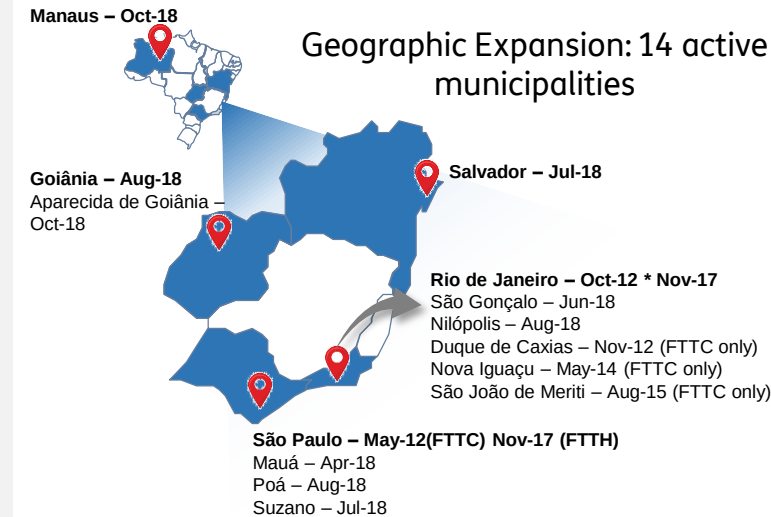
- ~2.5x customer base growth

Levers

Capitalize current assets

- Focus on **execution excellence**
- **Optimize go-to-market**, exploiting existing infrastructure
- **Leverage fiber coverage from mobile network** (FTTS – fiber to the site)
- **Shift in product mix** (growth coming from FTTH) leading to a bigger ARPU

Expansion

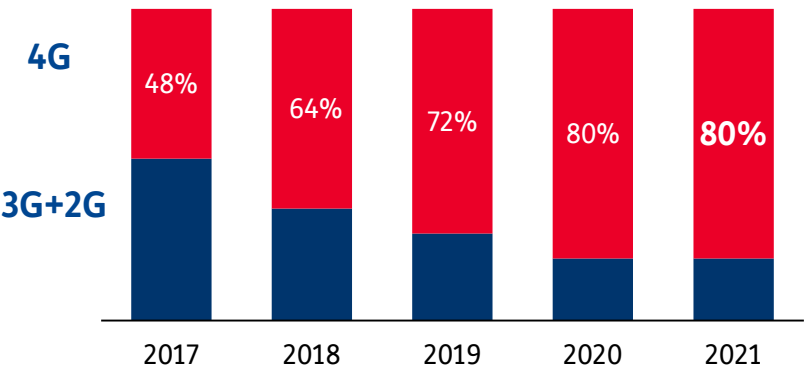


- **Expand FTTH to several new cities** in the next 3 years using cluster approach

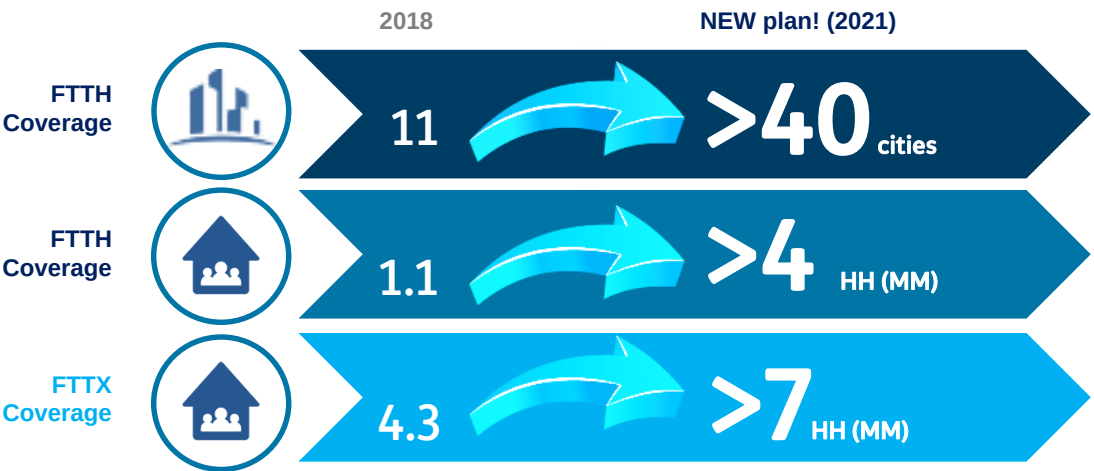
Infrastructure development focusing on mobile capacity and fiber expansion

4G EVOLUTION Spectrum Mix Usage

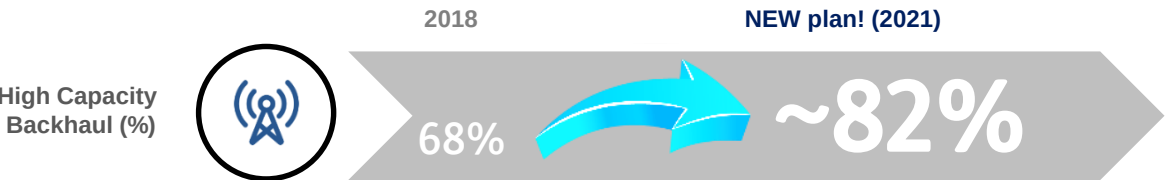
Additional capacity: 1.8/2.1 GHz refarming and 700 MHz deployment



UBB COVERAGE BOOST Focus on FTTH and FTTC



TRANSPORT INFRASTRUCTURE Capillarity to support Mobile and Fixed Services (B2C and B2B)

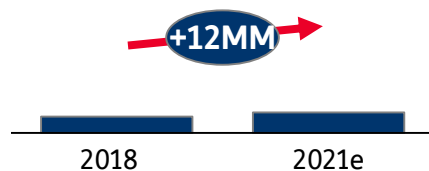


Leverage on Efficiency Plan to maintain OPEX below inflation¹ throughout the plan period

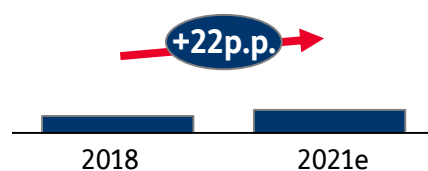
Accelerate Digital Transformation Initiatives

- **Customer facing:** digital interactions, e-billing, e-payment, customer acquisition, recharges, IVR
- **Internal process and systems:** automation of support processes, upgrade and strengthen IT Architecture
- Accelerate the adoption of **automatic debit** in stores

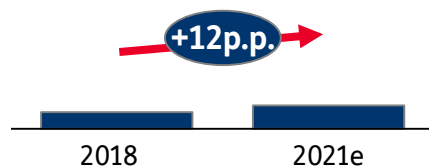
Caring (Digital Interactions)



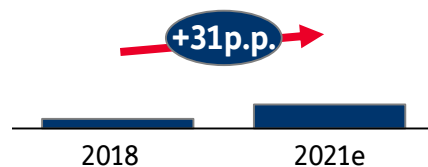
E-Billing (% on total invoice)



Digital Top Up
(% on Total Top Ups)



E-Payment
(% on total payments)



Sustain and Develop Traditional Initiatives

Description – Plan 2019-21

Purchasing

- Review purchasing practices for key categories

Legal

- **Re-structure multi-functional team** to mitigate entries of new lawsuits
- Introduce variable incentives scheme for the external offices

HR

- Assess internalization vs. outsourcing

Risk/PDD

- Create **new credit models**
- Implement new fraud model and collection channels

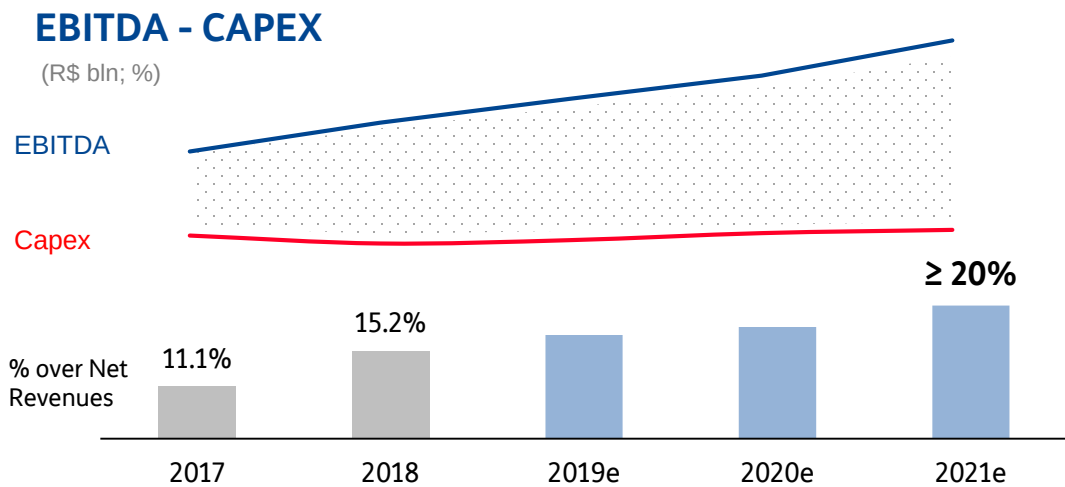
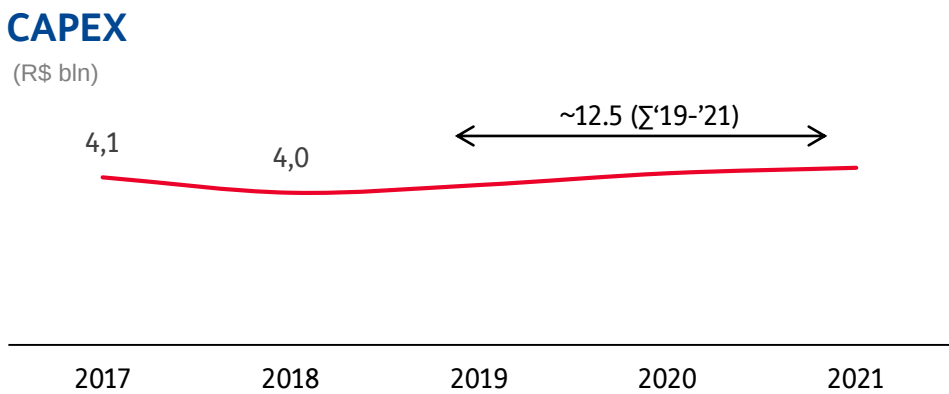
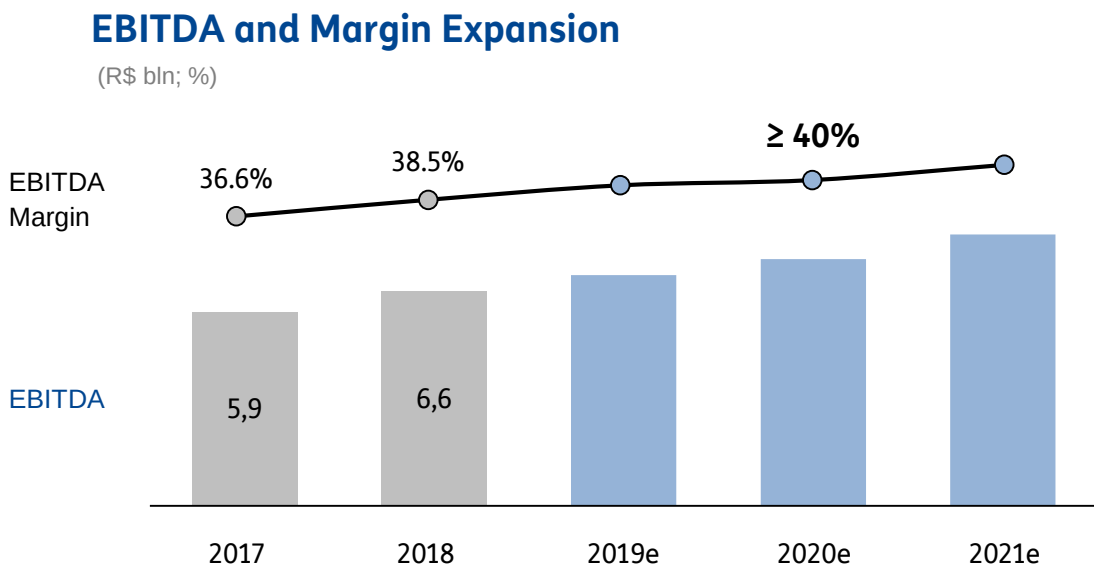
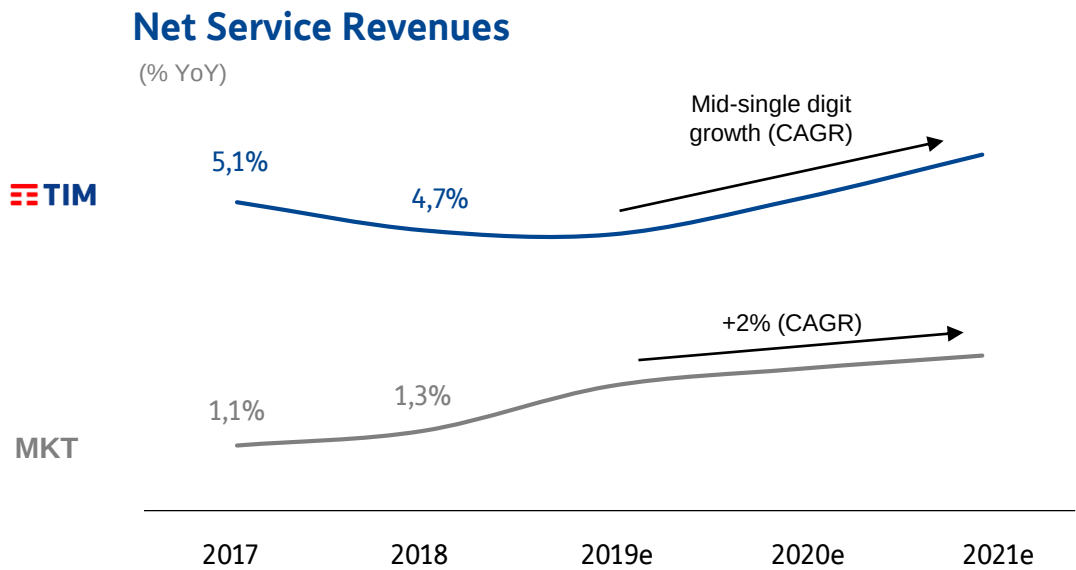
Energy

- Cleaner **electricity matrix** and less exposed to the regulated market movements and regulations
- Put in operation the first biogas power plant of solid urban residue

Efficiency Plan 2019-21: ~R\$ 1.2 bln

(Full plan 2017-21 R\$ 2.2 bln)

Increasing Profitability and Cash Generation



TIM Brasil 2019-'21 Targets

GOALS	DRIVERS	SHORT TERM (2019) TARGETS	LONG TERM TARGETS
Revenue Growth Sustainability	- Further improve mobile ARPU - Expand Residential BB Revenues contribution - Tap B2B opportunity	Service Revenues Growth: 3% – 5% (YoY)	Service Revenues Growth: Mid single digit (CAGR '18-'21)
Improve Profitability	- Accelerate digitalization efficiencies - Maintain zero-based approach and traditional initiatives - Improve risk management models	EBITDA Growth: Mid to High single digit growth (YoY)	EBITDA Margin: ≥40% in 2020
Infrastructure Development	Additional Capex to grow fiber and improve mobile capacity	Capex on Revenues: Low 20's	Capex: ~R\$ 12.5 bln (Σ'19-'21)
Expand Cash Generation	- Increase cash flow from operations - Continue with debt and tax rate optimization	EBITDA-Capex on Revenues: >15%	EBITDA-Capex on Revenues: ≥20% in 2021