

# 2019-2021 Strategic Plan

March, 2019



# Disclaimer



This presentation **contains declarations that constitute forward looking statements** regarding the intent, belief or current expectations of the customer base, estimates regarding future financial results and other aspects of the activities.



Such **forward looking statements are not guarantees of future performance** and involve risks and uncertainties, and **actual results may differ materially from those projected** as a result of various factors.



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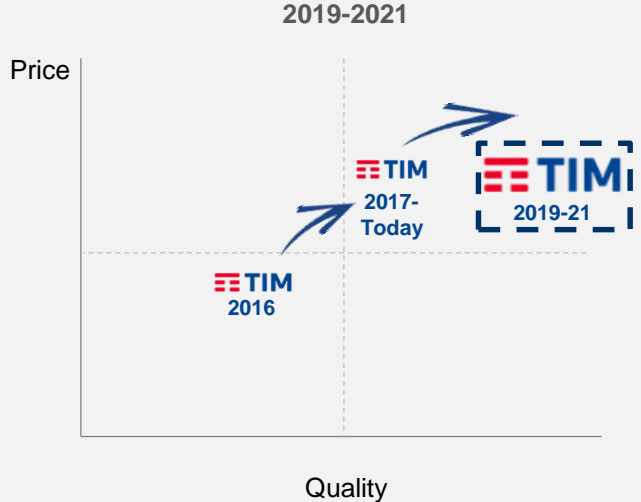
Financial results are presented on **Pro Forma basis, disconsidering impacts from new IFRS adoption.**

# Evolving proposition for consistent and sustainable growth

## 2016-2018 Turnaround Strategy

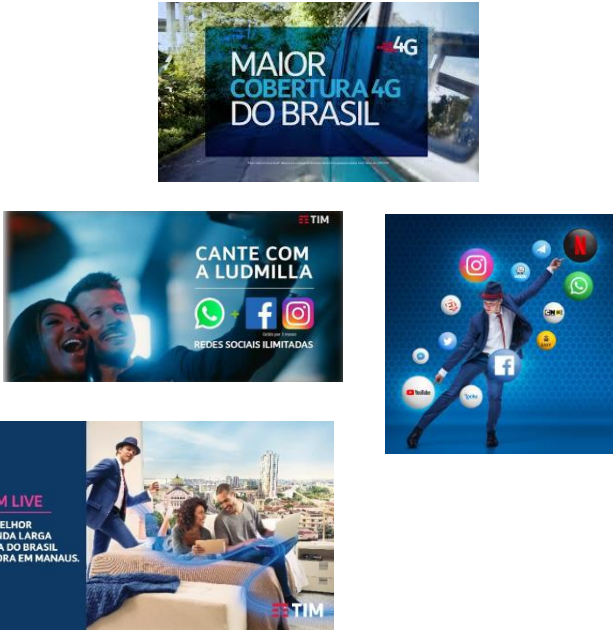


## 2019-21 Consolidation Strategy



## 2018 Solid Execution

- Net Serv Rev **+4.7%** YoY in 2018
- All Time High EBITDA<sup>2</sup> **R\$ 6.6B** in 2018
- Operating FCF<sup>1</sup> **+2.9B** YoY in 2018
- Best and Wider **4G** Coverage
- Live Revs **+38.4%** YoY in 2018
- All Time High EBITDA MARGIN<sup>2</sup> **38.5%** in 2018
- EBITDA<sup>2</sup> Growth **+10.3%** YoY in 2018



Accelerate the **Digital Transformation** and increase **Customer Experience** with better **Quality** and **Value Proposition**, leveraging on 2<sup>nd</sup> 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

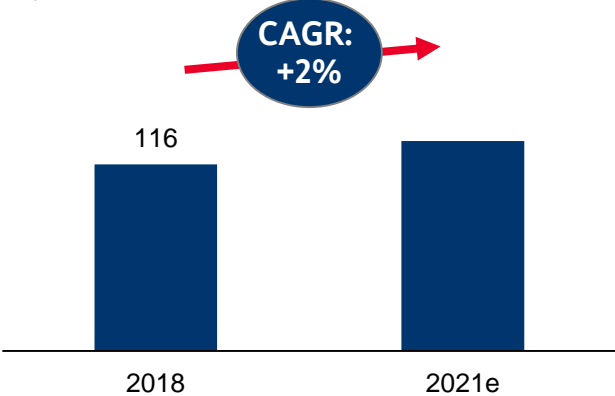
## Key Market Trends

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

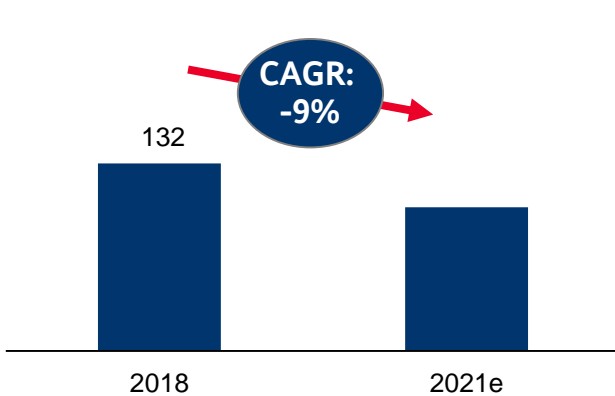
**New wave of aggressiveness, especially for Prepaid segment**, expected to continue in 2019

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

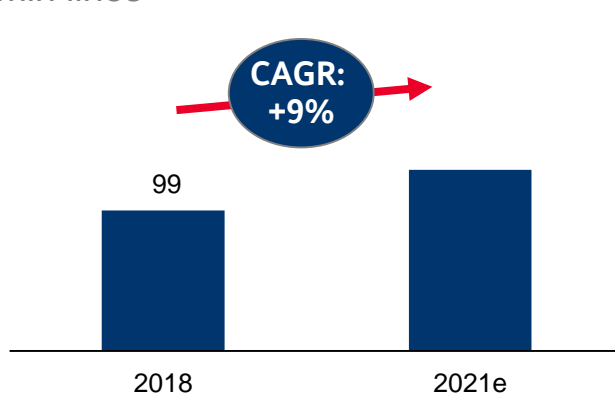
Market Net Services Revenues  
R\$ bln



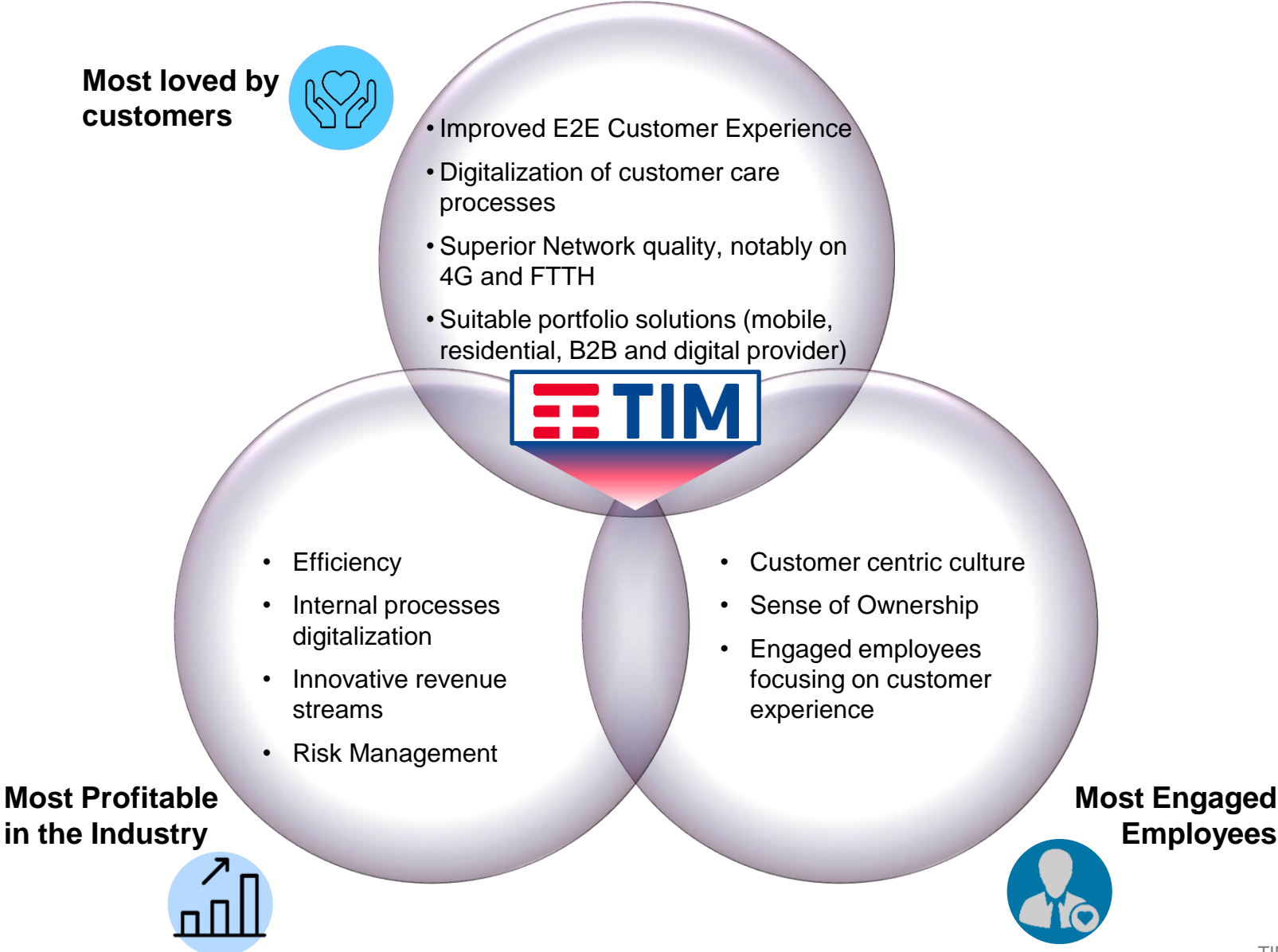
Market Mobile Prepaid Base  
mln lines



Market Mobile Postpaid Base  
mln lines

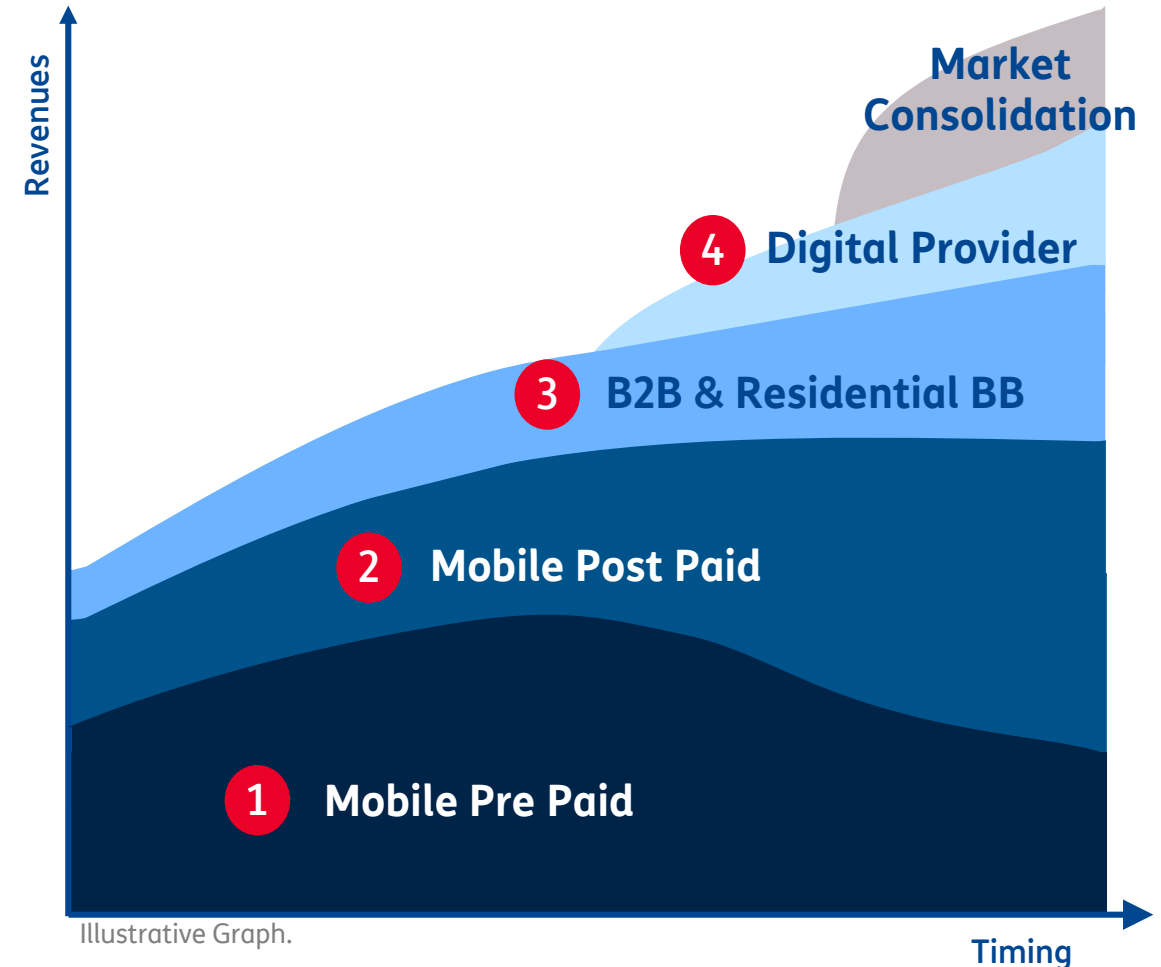


# Consolidation of TIM Strategic framework focused on its main stakeholders



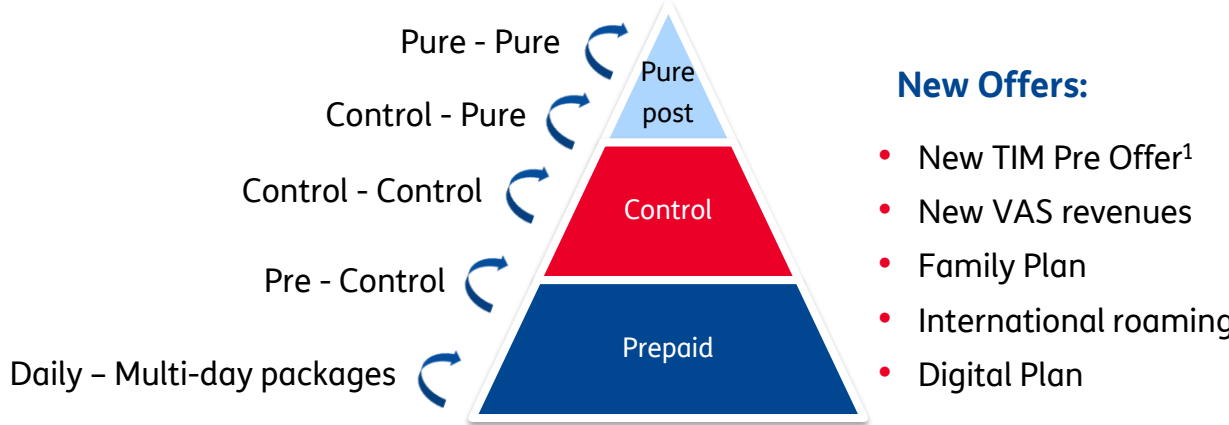
# Opportunities: TIM Brasil Growth Waves

- 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

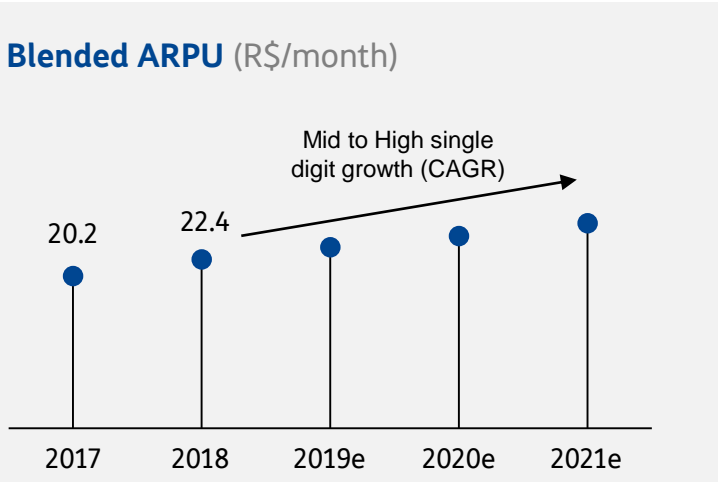
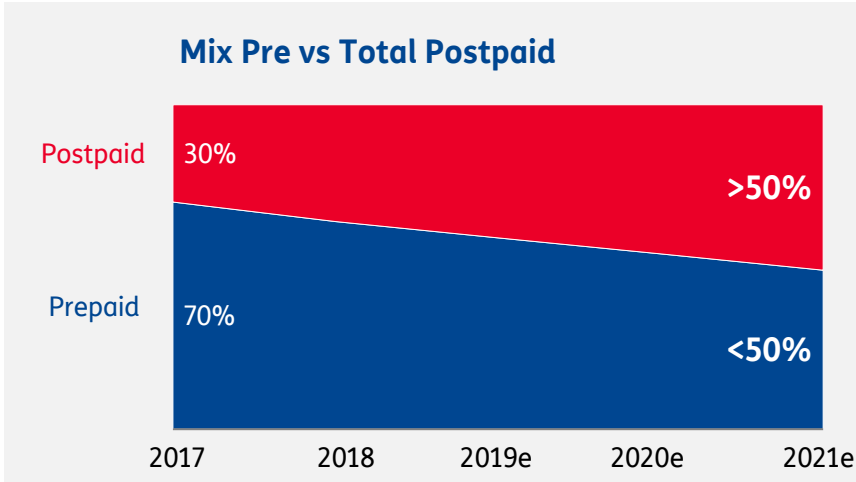
## Upselling 2nd Wave: Upselling between and within segments based on profiling



## 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 Rooms<sup>2</sup>** focused on eliminating dissatisfaction and key pain points

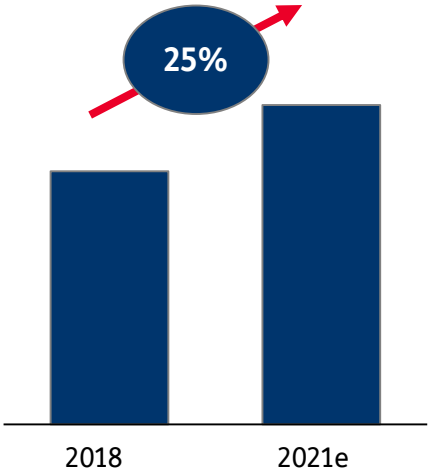


<sup>1</sup> TIM Pré Top and TIM Pré Top Mais  
<sup>2</sup> Collection; Consumer Customer Care; Plans and Offers Information; Voice and Data Service; Billing and Allowance Complaints

# 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)



Addressable market by 2021

~1 bln Reais

>30 mln lines

**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



### ANALYTICS DRIVEN

Customers personalized experience, marketing, campaign, NBA



### COGNITIVE

Data-driven architecture providing actionable information and automation



### DIGITAL CHANNELS

Evolve platforms and encourage usage with offer benefits



### TRADITIONAL CHANNELS

Improve IVR retention with evolved platform



### PARTNERSHIP ACCELERATION

Open Innovation. API based development.

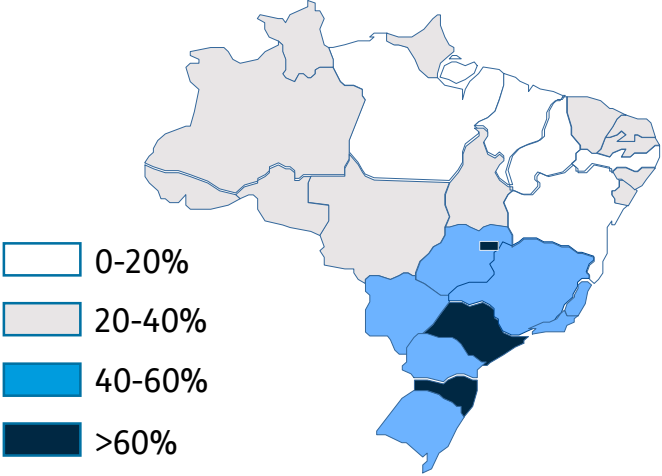


### AGILE DRIVEN

Agile methods and practices integrated into the platform

# Infrastructure: capitalizing on existing infrastructure and expanding FTTH

## Residential Broadband Penetration - Brazil

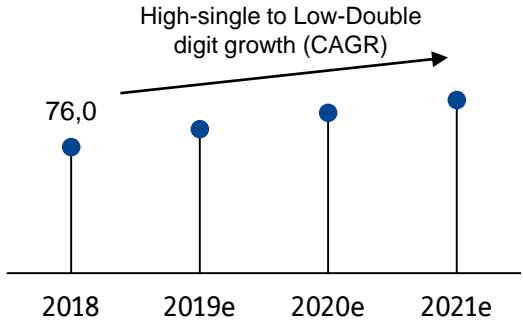


- Broadband Penetration at 45% of HH; Ultra-BB Penetration only 12% of HH
- 96% of cities (~50% pop.) have very low BB penetration (~25%)
- 16% of BB connections have speeds < 2Mbps

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

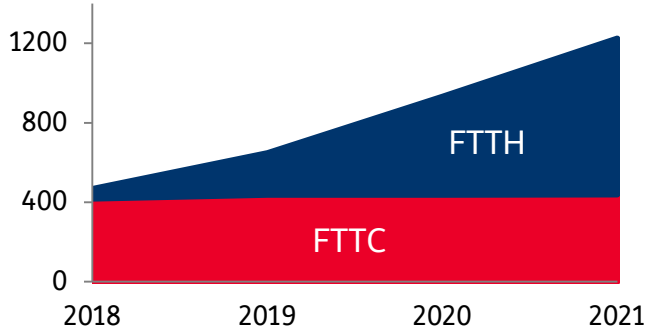
## Main trends

TIM Live ARPU (R\$/month)



- ~3x participation on total revenue

FTTX Customer Base ('000)



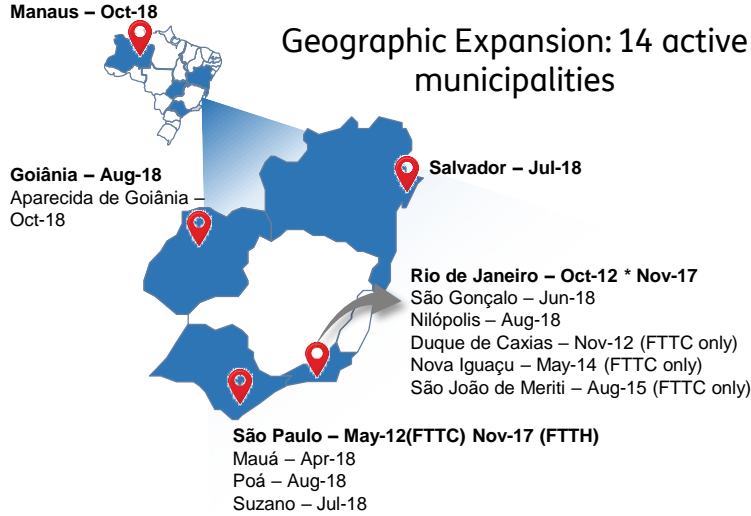
- ~2.5x customer base growth

## 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**

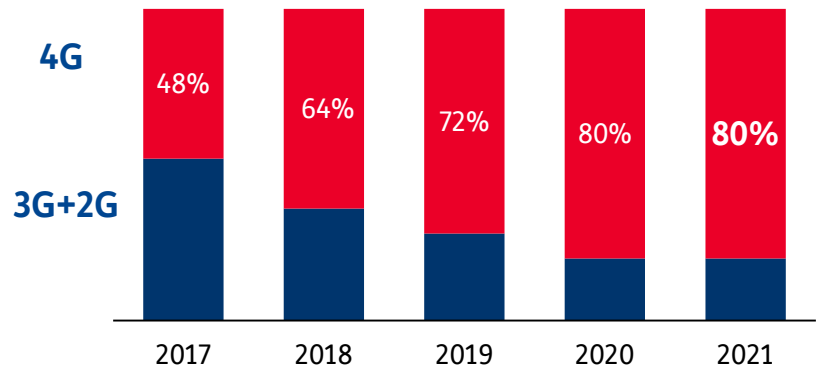


- **Expand FTTH to several new cities** in the next 3 years using cluster approach

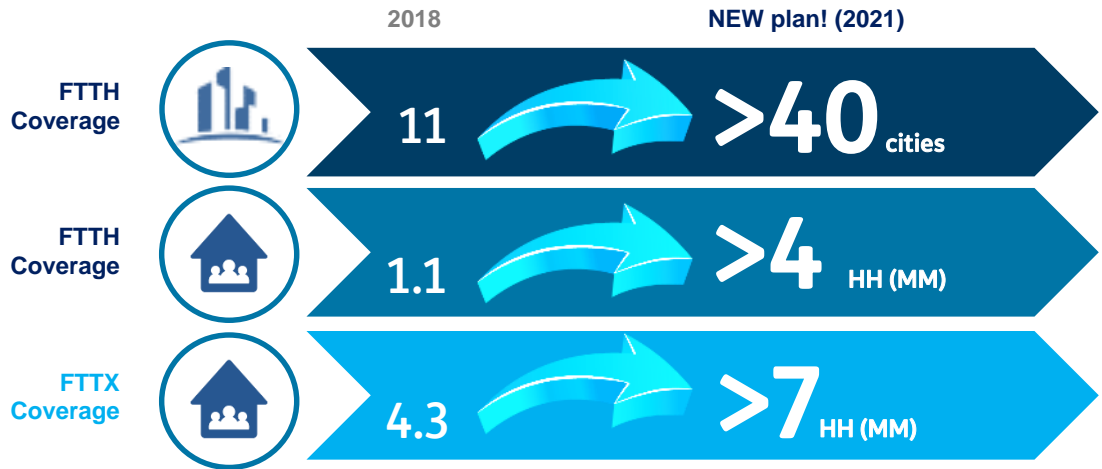
# Infrastructure development focusing on mobile capacity and fiber expansion

## 4G EVOLUTION Spectrum Mix Usage

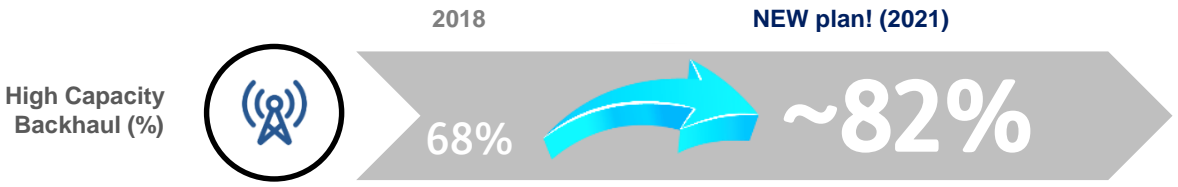
**Additional capacity:** 1.8/2.1 GHz refarming and 700 MHz deployment



## UBB COVERAGE BOOST Focus on FTTH and FTTC



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

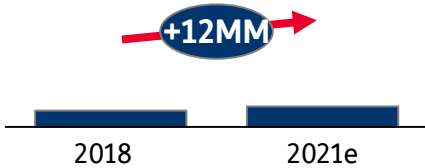


# Leverage on Efficiency Plan to maintain OPEX below inflation<sup>1</sup> throughout the plan period

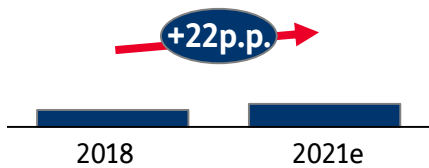
## Accelerate Digital Transformation Initiatives

- **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

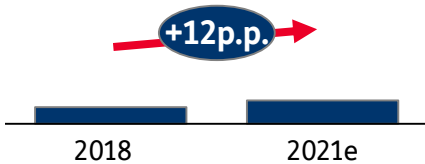
Caring (Digital Interactions)



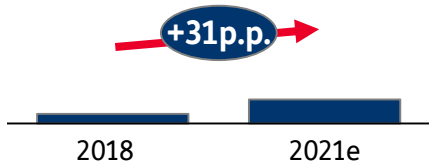
E-Billing (% on total invoice)



Digital Top Up (% on Total Top Ups)



E-Payment (% on total payments)



## Sustain and Develop Traditional Initiatives

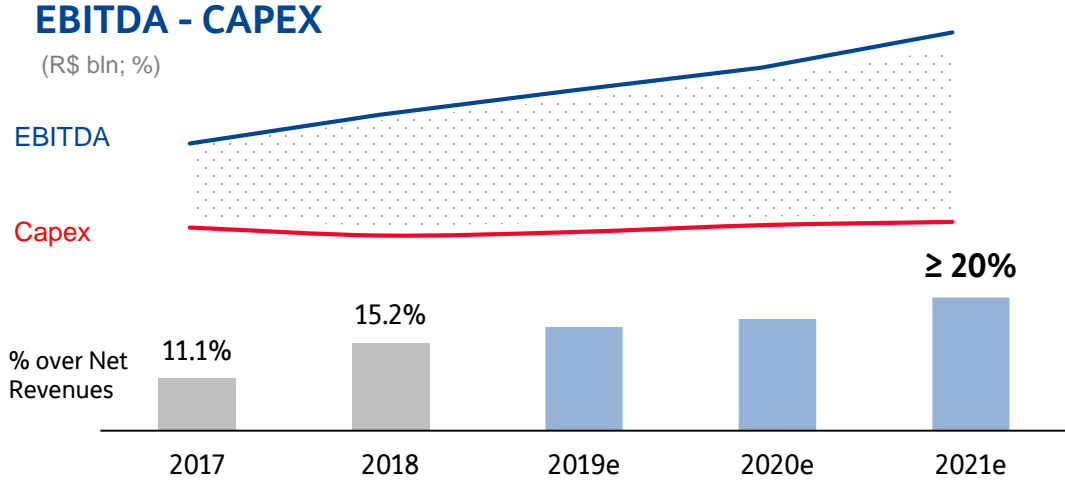
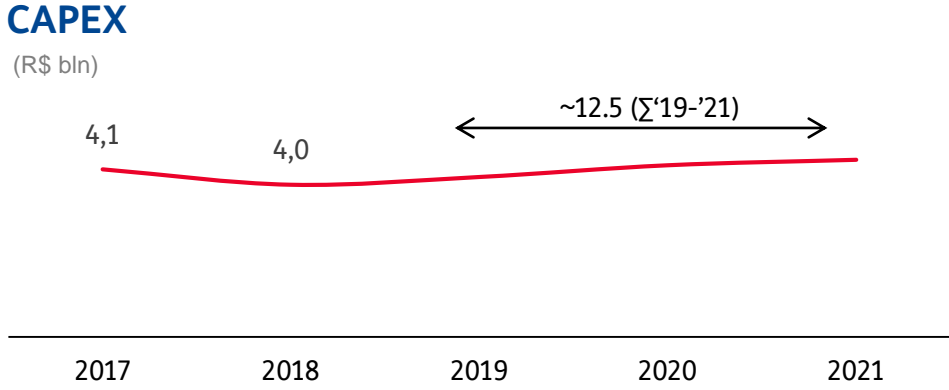
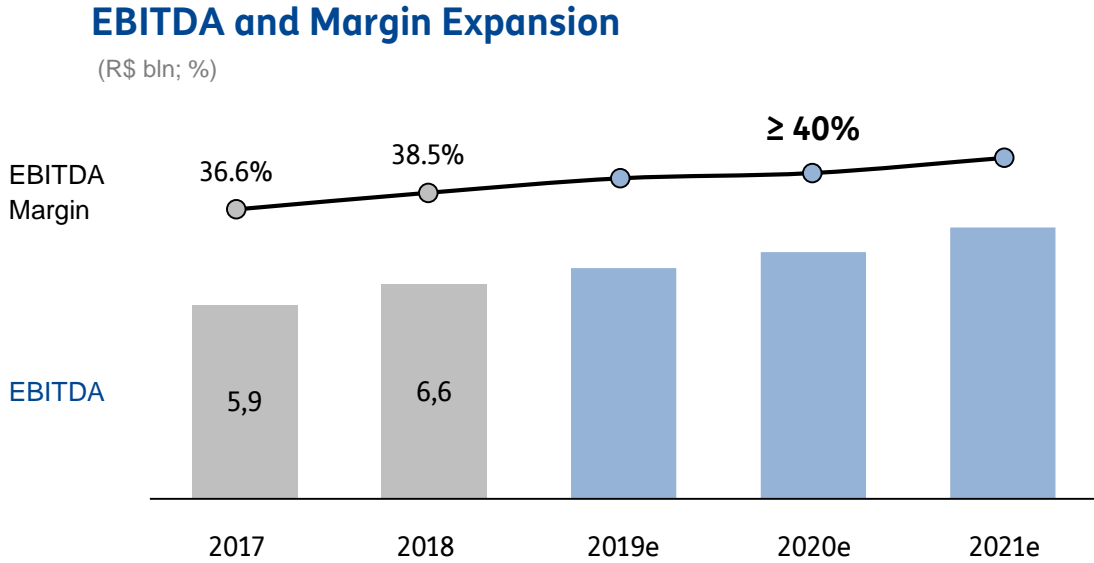
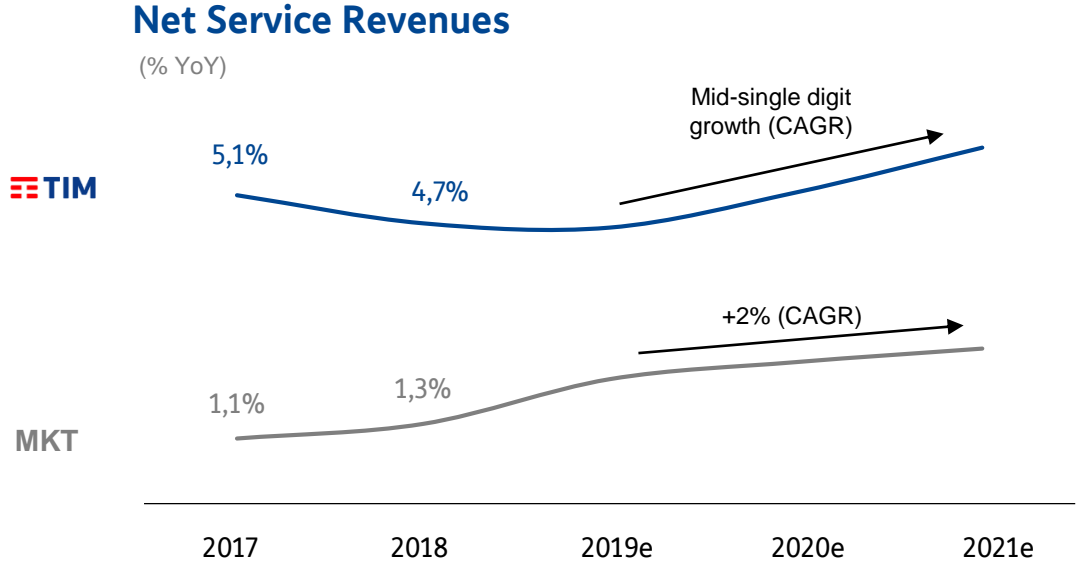
### Description – Plan 2019-21

<b>Purchasing</b>	<ul style="list-style-type: none"> <li>• Review purchasing practices for key categories</li> </ul>
<b>Legal</b>	<ul style="list-style-type: none"> <li>• <b>Re-structure multi-functional team</b> to mitigate entries of new lawsuits</li> <li>• Introduce variable incentives scheme for the external offices</li> </ul>
<b>HR</b>	<ul style="list-style-type: none"> <li>• Assess internalization vs. outsourcing</li> </ul>
<b>Risk/PDD</b>	<ul style="list-style-type: none"> <li>• Create <b>new credit models</b></li> <li>• Implement new fraud model and collection channels</li> </ul>
<b>Energy</b>	<ul style="list-style-type: none"> <li>• Cleaner <b>electricity matrix</b> and less exposed to the regulated market movements and regulations</li> <li>• Put in operation the first biogas power plant of solid urban residue</li> </ul>

**Efficiency Plan 2019-21: ~R\$ 1.2 bln**  
(Full plan 2017-21 R\$ 2.2 bln)

<sup>1</sup>Inflation from BACEN Focus 18th January 2019

# Increasing Profitability and Cash Generation



# TIM Brasil 2019-'21 Targets

GOALS	DRIVERS	SHORT TERM (2019) TARGETS	LONG TERM TARGETS
Revenue Growth Sustainability	<ul style="list-style-type: none"> <li>Further improve mobile ARPU</li> <li>Expand Residential BB Revenues contribution</li> <li>Tap B2B opportunity</li> </ul>	Service Revenues Growth: <b>3% – 5% (YoY)</b>	Service Revenues Growth: <b>Mid single digit (CAGR '18-'21)</b>
Improve Profitability	<ul style="list-style-type: none"> <li>Accelerate digitalization efficiencies</li> <li>Maintain zero-based approach and traditional initiatives</li> <li>Improve risk management models</li> </ul>	EBITDA Growth: <b>Mid to High single digit growth (YoY)</b>	EBITDA Margin: <b>≥40% in 2020</b>
Infrastructure Development	<ul style="list-style-type: none"> <li>Additional Capex to grow fiber and improve mobile capacity</li> </ul>	Capex on Revenues: <b>Low 20's</b>	Capex: <b>~R\$ 12.5 bln (Σ'19-'21)</b>
Expand Cash Generation	<ul style="list-style-type: none"> <li>Increase cash flow from operations</li> <li>Continue with debt and tax rate optimization</li> </ul>	EBITDA-Capex on Revenues: <b>&gt;15%</b>	EBITDA-Capex on Revenues: <b>≥20% in 2021</b>