HSBC Global Research

6 August 2020

Telecom Italia (TIT IM)

Hold: The government steps in

Equities
Diversified Telecommunications

Italy

- Eleventh-hour government intervention makes proposed FiberCop deal with KKR/Fastweb more uncertain
- Board reconvenes on 31 August: we think it is unlikely that sufficient progress will be made with Open Fiber
- Italian market structure and macro environment remain challenging. Reiterate our Hold, EUR0.40 target price

Government intervention: We expected TI's board to examine the KKR binding offer for a significant minority stake in FiberCop (the newly created corporate vehicle to which TI plans to transfer its secondary network) during the meeting on 4 August and take a decision. However, the Board opted to postpone any decision to the next meeting on 31 August due to an unprecedented, eleventh-hour intervention from the government requesting by letter that TI should negotiate first with Open Fiber (the state-sponsored FTTH wholesale company controlled 50/50 by state lender CDP and ENEL) on the creation of a single fixed-line network company.

What can we expect on 31 August? We would argue that even agreeing a preliminary memorandum of understanding would be a big challenge in just a few weeks. The risk is therefore that, when TI's Board reconvenes on 31 August, there may have been sufficient progress on the Open Fiber negotiations front to make the current structure of the FiberCop deal obsolete (see next paragraph) – but not enough progress to make a potential agreement with Open Fiber likely in the short term. We therefore see scope for disappointment for those investors expecting a short-term value accretive solution to a very political situation.

FiberCop current deal structure more at risk: On the Q2 2020 earnings conference call, TI's CEO Luigi Gubitosi said that TI would stick to its decision to sell a minority stake in the last-mile network, but also admitted that talks with Open Fiber would involve the whole fixed-line network, effectively leaving the door open for a significant revision of the terms of KKR's potential involvement.

Reiterate our Hold rating: TI continues to operate in one of the most fragmented and inefficient market structures in Europe. The macro outlook is challenging, with Italy being one of the worst-affected European economies. With the Q2 2020 release, TI disclosed the COVID-19 impact on its domestic business: during Q2 domestic revenue was impacted by 1.7pp and domestic EBITDA by 3.7pp. TI's CEO commented during the Q2 2020 earnings conference call that so far there is no evidence of bad debt deterioration; however, given Italy's significant exposure to SMEs, we would argue that this may occur with a certain lag. Our EUR0.40 target price implies upside of c8% from current levels, and we retain our Hold rating as we expect competition and macro pressures in the Italian market to remain intense.

MAINTAIN HOLD

TARGET PRICE (EUR)	PREVIOUS TARGET (EUR)
0.40	**0.40**

SHARE PRICE (EUR)	UPSIDE/DOWNSIDE
0.37	**+7.9%**

(as of 04 Aug 2020)

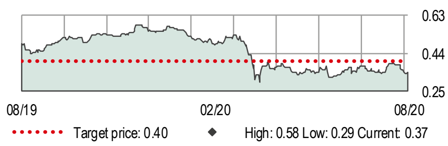
MARKET DATA

Market cap (EURm)	7,780	Free float	75%
Market cap (USDm)	9,147	BBG	TIT IM
3M ADTV (USDm)	68	RIC	TLIT.MI

FINANCIALS AND RATIOS (EUR)

Year to	12/2019a	12/2020e	12/2021e	12/2022e
HSBC EPS	0.04	0.03	0.07	0.07
HSBC EPS (prev)	0.03	0.04	0.06	0.05
Change (%)	25.4	-18.8	14.0	35.3
Consensus EPS	0.06	0.04	0.04	0.05
PE (x)	8.5	10.6	5.7	5.2
Dividend yield (%)	2.7	2.8	3.0	3.1
EV/EBITDA (x)	4.8	5.4	5.0	4.9
ROE (%)	4.6	3.6	4.9	5.1

52-WEEK PRICE (EUR)



Source: Refinitiv IBES, HSBC estimates

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Financials & valuation: Telecom Italia

Hold

Financial statements

Year to	12/2019a	12/2020e	12/2021e	12/2022e
Profit & loss summary (EURm)				
Revenue	17,974	15,445	15,548	15,577
EBITDA	8,151	6,672	6,907	7,028
Depreciation & amortisation	-4,144	-3,962	-3,809	-3,790
Operating profit/EBIT	3,958	2,703	3,098	3,239
Net interest	-1,080	-964	-861	-761
PBT	2,878	2,175	2,234	2,476
HSBC PBT	1,784	1,184	1,538	1,694
Taxation	-513	-348	-462	-509
Net profit	2,039	1,732	1,677	1,847
HSBC net profit	923	733	981	1,065
Cash flow summary (EURm)				
Cash flow from operations	5,828	5,620	5,352	5,565
Capex	-3,631	-3,726	-2,933	-2,979
Cash flow from investment	-3,255	-1,878	-2,988	-4,717
Dividends	-173	-316	-327	-332
Change in net debt	2,398	-2,786	-1,480	43
FCF equity	2,211	2,296	2,419	2,586
Balance sheet summary (EURm)				
Intangible fixed assets	36,244	34,662	33,975	34,892
Tangible fixed assets	14,011	13,034	12,900	12,910
Current assets	14,108	10,722	12,218	12,179
Cash & others	3,138	4,692	6,172	6,129
Total assets	70,104	66,005	66,642	67,494
Operating liabilities	8,107	6,502	6,638	6,795
Gross debt	34,002	33,569	33,569	33,569
Net debt	27,668	24,882	23,402	23,445
Shareholders' funds	20,280	19,921	20,404	21,045
Invested capital	53,118	47,223	46,282	47,056

Ratio, growth and per share analysis

Year to	12/2019a	12/2020e	12/2021e	12/2022e
Y-o-y % change				
Revenue	-5.1	-14.1	0.7	0.2
EBITDA	10.1	-18.1	3.5	1.8
Operating profit	605.5	-31.7	14.6	4.5
PBT	–	-24.4	2.7	10.8
HSBC EPS	-28.8	-20.6	87.5	8.6
Ratios (%)				
Revenue/IC (x)	0.3	0.3	0.3	0.3
ROIC	7.6	6.2	7.2	7.5
ROE	4.6	3.6	4.9	5.1
ROA	4.6	3.9	3.9	4.2
EBITDA margin	45.3	43.2	44.4	45.1
Operating profit margin	22.0	17.5	19.9	20.8
EBITDA/net interest (x)	7.5	6.9	8.0	9.2
Net debt/equity	122.3	117.0	107.4	104.2
Net debt/EBITDA (x)	3.4	3.7	3.4	3.3
CF from operations/net debt	21.1	22.6	22.9	23.7
Per share data (EUR)				
EPS Rep (diluted)	0.10	0.08	0.11	0.12
HSBC EPS (diluted)	0.04	0.03	0.07	0.07
DPS	0.01	0.01	0.01	0.01
Book value	0.96	0.95	1.36	1.40

Source: Company data, HSBC estimates

Key forecast drivers

Year to	12/2019a	12/2020e	12/2021e	12/2022e
Domestic business	14,019	12,685	12,821	12,695
Brazilian mobile	3,937	2,831	2,761	2,917
Others/Elimination	-41	-35	-35	-35
Group revenue	17,915	15,482	15,548	15,577

Valuation data

Year to	12/2019a	12/2020e	12/2021e	12/2022e
EV/sales	2.2	2.3	2.2	2.2
EV/EBITDA	4.8	5.4	5.0	4.9
EV/IC	0.7	0.8	0.7	0.7
PE*	8.5	10.6	5.7	5.2
PB	0.4	0.4	0.3	0.3
FCF yield (%)	28.4	29.5	31.1	33.2
Dividend yield (%)	2.7	2.8	3.0	3.1

*Based on HSBC EPS (diluted)

Source: Company data, HSBC estimates

ESG metrics

Environmental indicators	12/2019a
GHG emission intensity*	38.1
Energy intensity*	128.6
CO_2 reduction policy	Yes
Social indicators	**12/2019a**
Employee costs as % of revenue	16.3
Employee turnover (%)	8
Diversity policy	Yes

Governance indicators	12/2019a
Number of board members	15
Average board tenure (years)	n/a
Female board members (%)	40
Board members' independence (%)	73.3

*GHG intensity and energy intensity are measured in kg and kWh, respectively, against revenue in USD'000

Source: Company data, HSBC

Issuer information

Share price (EUR)	0.37
Target price (EUR)	0.40
RIC (Equity)	TLIT.MI
Bloomberg (Equity)	TIT IM
Market cap (USDm)	9,147

Free float	75%
Sector	Diversified Telecoms
Country/Region	Italy
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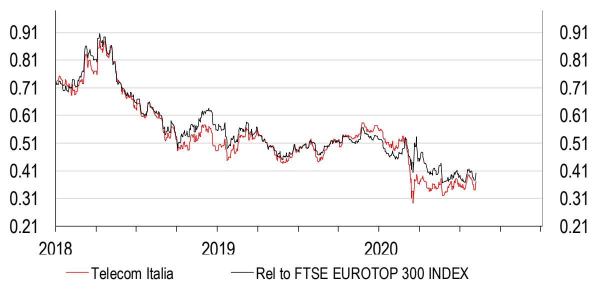
Price relative



Note: Priced at close of 4 August 2020

Source: HSBC

Government steps in

- Eleventh-hour government intervention makes proposed FiberCop deal with KKR/Fastweb more uncertain
- Board to reconvene on 31 August but we think unlikely that sufficient progress will be made with Open Fiber in just a few weeks
- Italian market structure and macro environment remain challenged. We reiterate our Hold with a EUR0.40 target price

Government intervention makes KKR's current deal more uncertain

On 30 July Telecom Italia confirmed it had received a binding offer from KKR Infrastructure to acquire a minority stake in FiberCop, the newly created corporate vehicle to which TI plans to transfer its secondary network, i.e. the portion of the network connecting the street cabinets to the homes.

We expected TI's board to examine the offer on 4 August and take a decision. However, an intervention from the Italian government effectively led the Board to postpone any decision to a new Board meeting to be held on 31 August. KKR has agreed to extend the validity of its binding offer to 31 August.

Our view is that the government intervention makes the current FiberCop deal between TI and KKR Infrastructure less likely, at least in its current shape.

Terms of the proposed FiberCop deal

The key terms of the binding offer can be summarised as follows:

- The perimeter of FiberCop would include all of TI's passive secondary network infrastructure, both copper and fibre, from the cabinet to the home (ducts, secondary network, and sockets – street cabinets are excluded).
- TI and Fastweb would contribute the FTTH secondary network (currently part of their co-investment vehicle Flash Fiber) into FiberCop. Flash Fiber connects about 20% of premises with FTTH. Fastweb holds 20% of Flash Fiber, with TI holding the remaining 80%.
- The shareholding structure of FiberCop would give TI a controlling stake of 58%, Fastweb would swap its 20% in Flash Fiber with 4.5% in FiberCop and KKR would acquire 37.5% in FiberCop
- The terms of the proposed offer can be summarised as follows:

FiberCop: Key terms of proposed deal

	FiberCop	Notes
EV	EUR7.7bn	
Debt allocated	EUR3.0bn	TI's intercompany loan
Equity value	EUR4.7bn	
Stake to be acquired by KKR	37.50%	
Potential cash-in for TI	EUR1.8bn	37.5% of the Equity value

Source: Company data

Under the proposed terms, TI would maintain control of FiberCop and consolidate it. It would raise EUR1.8bn from selling 37.5% stake in the company to KKR: such funds would be used largely to support the future network deployment (aiming to expand FTTH coverage from the current 20% of premises to 56% by 2025, largely an FTTC to FTTH network upgrade).

Government intervention

The Board took no decision on the FiberCop proposed deal because of an unprecedented, eleventh-hour intervention form the government requesting by letter (according to the local press – see *La Repubblica,* 5 August 2020 – the Italian Prime Minister may have telephoned during the Board meeting) that TI should negotiate first with Open Fiber (the state-sponsored FTTH wholesale company controlled 50/50 by state lender CDP and ENEL) on the creation of a single fixed-line network company.

Consequently, TI stated in its press release (4 August 2020) that "the Board of Directors looked very favourably upon the idea to speed up the single network project and will be enthusiastically taking part in the works the government intends to launch over the next few hours, consequently duly appointing the Chief Executive Officer to discuss all the relevant aspects with the government authorities".

While the Italian government is only an indirect shareholder in TI (through the state lender CDP, which has no Board representation), we would argue that TI's Board had no choice but to accept the government request: in fact, the proposed FiberCop deal would, according to the Golden Powers legislation, in any case require the government approval given it involves a non-EU counterpart on an asset classified as of strategic national interest.

TI stated that "the Board of Directors has been re-convened for 31 August to pass its conclusive resolutions on the FiberCop Project, potentially updated according to the outcome of the above initiatives". During the Q2 2020 earnings conference call TI's CEO Luigi Gubitosi said that TI would stick to its decision to sell a minority stake in the last mile network, but also admitted that talks with Open Fiber would involve the whole fixed-line network, effectively leaving the door open for a significant revision of the terms of KKR's potential involvement.

What can we expect on 31 August?

TI has been in talks with Open Fiber for months (see Reuters, 5 August 2020), but issues regarding control of the network, governance and regulation have so far stood in the way of a potential agreement.

As instructed by the government, it is likely that talks will continue during the month of August but we would argue that even agreeing a preliminary Memorandum of Understanding would be a big challenge in just a few weeks.

The risk is therefore that when TI's Board will reconvene on 31 August, there may have been sufficient progress on the Open Fiber negotiations front to make the current structure of the FiberCop deal obsolete. But not enough progress to make a potential agreement with Open Fiber likely in the short term.

So, while it is good news that the government is ready to continue to facilitate a dialogue between the parties involved – we have long held the view that the risk of disintermediation from Open Fiber is one of the key structural issues of TI's investment case, see for instance *Three possible steps to a unified fixed-network* (27 February 2020) and *Countdown to checkmate* (13 April 2018) – we also see scope for disappointment for those investors expecting a short-term value accretive solution to what looks like a very political situation.

Market structure and outlook remain challenged

TI continues to operate in one of the most fragmented and inefficient market structures in Europe:

- New entrant Iliad continues to make good progress gaining market shares in mobile, with plans to launch fixed-line as early as 2021.
- PayTV player Sky has officially launched its broadband offer in June (see *Italian Telecoms*, 17 June 2020), initially targeting its own customers, but we expect it to expand the offer to new customer from September-October,
- Leading MVNO Poste has recently switched MVNO counterpart to Vodafone and is also preparing a launch of its fixed-line services,
- Wholesale fibre operator Open Fiber has recruited pretty much all alternative operators as clients. By offering wholesale FTTH access on more convenient terms than TI's, it leaves altnets with increasingly more room to pass through wholesale access savings to more aggressive retail prices,

The macro outlook continues to be challenging, with Italy being one of the worst affected European economies. With the Q2 2020 release TI disclosed the COVID-19 impact on the domestic business: during Q2 domestic revenue have been impacted by 1.7pp and domestic EBITDA by 3.7pp. TI's CEO commented during the Q2 2020 earnings conference call that so far there is no evidence of bad debt deterioration; however, given Italy's significant exposure to SMEs, we would argue that this may occur with a certain lag, especially as the government support is gradually withdrawn.

Consequently, TI has now formally downgraded its 2020 revenue and EBITDA guidance, incorporating the COVID-19 effect, while sticking to its 2020-22 EFCF outlook of cumulated EUR4.5-5.0bn, which is helped by lower capex (for instance -17% y/y in Q2, with some catch up expected in the coming quarters) and assets disposal (reduction of economic interest in Inwit).

TI: 2020 guidance

	Group		Domestic	
	Current	Previous	Current	Previous
Organic service revenues	Mid-single digit decrease	Low single-digit decrease	Mid to high single digit decline	Low to mid single digit decrease
Organic EBITDA AL	Mid-single digit decrease	Low single-digit decrease	Mid to high single digit decline	Low to mid single digit decrease

Source: Company data

Some Q2 2020 key highlights:

- Domestic fixed service revenues fell by -8.4%% y/y (vs -1.7% in Q2 19). Broadband net adds were weak at -44k (vs +60k in Q2 19), but the fibre/copper mix continued to improve. Broadband ARPU fell by -13.4% y/y to EUR 25.4/month. Because of the lockdown and less fixed-to-mobile substitution, fixed line losses much improved to -60k, -6.4% y/y (vs -185k, -9.6% in Q1 20). We would expect the line loss trend to normalise in the coming quarters
- Domestic mobile service revenue growth remained weak at -10.7% y/y (vs -9.7% in Q2 2019). The customer base showed signs of stabilization, only declining by 20k q/q
- Management commented during the conference call that it expects service revenue to perform better in H2 compared to H1, and that even in the current challenged macro environment, more-for-more price adjustments could be introduced.

Brazilian consolidation update

The process for the disposal of Oi Mobile continues. The highest bidder Highline (an investment vehicle backed by infrastructure fund Digital Colony) entered exclusive talks with the sellers. However, the exclusivity period ended on 3 August and TI's CEO confirmed on the Q2 2020 earnings call that the period of exclusive negotiations with Highline had not been extended beyond the deadline. Separately, the Brazilian paper *O Globo* reported on 31 July that Highline was likely to drop out from the competitive bid process.

This would leave the consortium made of the three Brazilian operators TIM (controlled by TI), Vivo (controlled by Telefonica) and Claro (controlled by America Movil) back as the front-runner bidders with a confirmed offer valuing Oi at BRL16.5bn (above the EUR15bn reserve price established by the sellers).

We discuss at length the Oi situation and the theoretical synergies from potential in-market mobile consolidation in the Brazilian market in our report *Brazil TMT: Consolidation (mobile) and separation (fixed)*, 22 June 2020. As we discuss in the report, our standalone valuation of Oi is BRL11bn.

Estimate changes and valuation

We incorporate H1 2020 results into our forecasts, reflecting the impact of COVID-19 on TI's business, and refresh our BRL/EUR assumptions using the spot rate as of 4 August 2020.

The following table summarises our estimate changes:

TI: Changes to our estimates

EURm	New estimate			Old estimate			Change		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Domestic fixed	9,243	9,278	9,208	9,736	9,451	9,209	-5.1%	-1.8%	0.0%
Domestic mobile	3,976	4,083	4,021	4,361	4,356	4,360	-8.8%	-6.3%	-7.8%
Domestic Revenue	12,685	12,821	12,695	13,525	13,247	13,018	-6.2%	-3.2%	-2.5%
Brazil	2,831	2,761	2,917	3,999	4,108	4,211	-29.2%	-32.8%	-30.7%
Total adjusted revenue	**15,482**	**15,548**	**15,577**	**17,486**	**17,319**	**17,194**	**-11.5%**	**-10.2%**	**-9.4%**
Domestic	5,688	5,764	5,721	6,255	6,207	6,090	-9.1%	-7.1%	-6.1%
Brazil	1,327	1,319	1,401	1,862	1,926	2,022	-28.8%	-31.5%	-30.7%
Total adjusted EBITDA	**7,005**	**7,073**	**7,111**	**8,102**	**8,117**	**8,097**	**-13.5%**	**-12.9%**	**-12.2%**
Adjusted EPS	0.03	0.05	0.05	0.04	0.04	0.04	-21.1%	10.7%	31.1%
DPS	0.01	0.01	0.01	0.00	0.04	0.04	-	-72.4%	-71.1%

Source: HSBC Global research estimates

We use a DCF methodology to value Telecom Italia's domestic business. We use a WACC of 7.3% (from 6.9% previously), based on a risk-free rate of 2.5% (unchanged), a market risk premium of 4.5% (unchanged), and a levered beta of 2.0 (from 1.6, assuming a higher debt-to-capital ratio of 50%, from 40% previously). We bring in TI's Brazilian asset, TIM Participações (TIMP3 BZ, BRL15.0, Hold), at the current market price. We use a terminal value growth rate of 0% in view of the macro and competitive pressures.

Our EUR0.40 target price implies upside of c8% from current levels, and we retain our Hold rating as we expect competition and macro pressures in the Italian market to remain intense. Our target price is unchanged as the negative impact of lower forecasts and higher WACC is offset by TI's deleveraging progress, reducing net debt.

TI: Valuation summary

Business	EV (100%)	%of EV	Implied EV/EBITDA (20e)
Domestic business	24,383	78%	4.3
Brazil	6,820	22%	5.1
Total EV	**31,203**		**4.5**
Group net debt (IFRS16 excl. leases) - 2020e	-19,982		
INWIT stake	1,560		
Minorities (TIM Part)	-1,926		
TIM Brazil Tax assets	384		
Contingent liabilities	-2,969		
Equity value	**8,270**		
Shares (fully diluted)	21,067		
Value per share	0.41	at Dec-20	
Target price/share	**0.40**	at Aug-20	

Source: HSBC Global Research estimates

Upside risks: (1) a (partial) disposal of the fixed-line network at an attractive valuation; (2) a merger with Open Fiber on attractive terms; (3) slow progress from Open Fiber in its parallel fibre access network deployment; and (4) an improvement in the competitive environment in the Italian market.

Downside risks: (1) slower-than-expected progress in the 2020-22 cost-cutting programme; (2) more substantial network disintermediation as a result of OF’s parallel fibre deployment; and (3) a severe recession causing further loss of business and increase in bad debt.

Stocks mentioned in this report

Company	Ticker	Share price	Rating
ENEL	ENEL IM	EUR7.87	Hold
Iliad	ILD FP	EUR168.3	Hold
Telefonica	TEF SM	EUR3.68	Hold
America Movil	AMXL MN	MXN14.06	Hold
Oi	OIBR3 BZ	BRL1.55	Buy

Source: HSBC Global Research (priced as 4 August 2020)

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Luigi Minerva, Nicolas Cote-Colisson and Christopher Recouso

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC and its affiliates, including the issuer of this report ("HSBC") believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations and that investors utilise various disciplines and investment horizons when making investment decisions. Ratings should not be used or relied on in isolation as investment advice. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations and therefore investors should carefully read the definitions of the ratings used in each research report. Further, investors should carefully read the entire research report and not infer its contents from the rating because research reports contain more complete information concerning the analysts' views and the basis for the rating.

From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 06 August 2020, the distribution of all independent ratings published by HSBC is as follows:

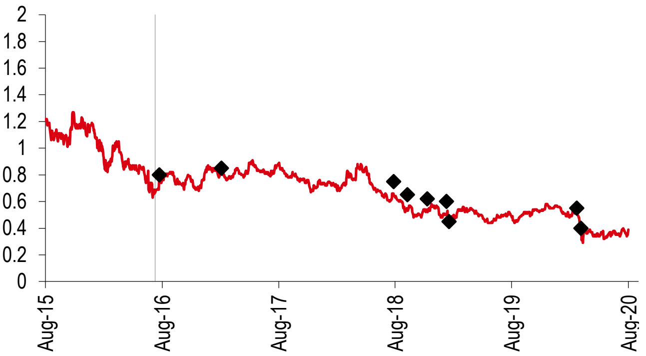
Buy	55%	(31% of these provided with Investment Banking Services)
Hold	36%	(32% of these provided with Investment Banking Services)
Sell	9%	(24% of these provided with Investment Banking Services)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

For the distribution of non-independent ratings published by HSBC, please see the disclosure page available at http://www.hsbcnet.com/gbm/financial-regulation/investment-recommendations-disclosures.

Share price and rating changes for long-term investment opportunities

Telecom Italia (TLIT.MI) share price performance EUR Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	Hold	14 Jul 2016	Luigi Minerva
Target price	**Value**	**Date**	**Analyst**
Price 1	.80	28 Jul 2016	Luigi Minerva
Price 2	.85	07 Feb 2017	Luigi Minerva
Price 3	.75	01 Aug 2018	Luigi Minerva
Price 4	.65	13 Sep 2018	Luigi Minerva
Price 5	.62	14 Nov 2018	Luigi Minerva
Price 6	.60	14 Jan 2019	Luigi Minerva
Price 7	.45	22 Jan 2019	Luigi Minerva
Price 8	.55	26 Feb 2020	Luigi Minerva
Price 9	.40	10 Mar 2020	Luigi Minerva

Source: HSBC

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HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
TELECOM ITALIA	TLIT.MI	.39	05 Aug 2020	4, 5, 6, 7

Source: HSBC

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2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.

3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.

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