

INNOVATION NEVER STOPS.

2020-2022 Strategic Plan

March 16, 2020

tim.com.br



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.



Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. TIM Part undertakes no obligation to release publicly the results of any revisions to these forward looking statements.



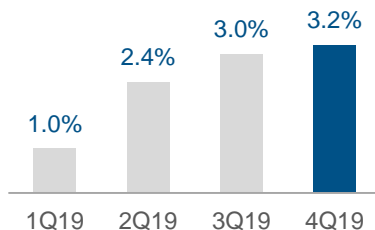
Financial results are presented **considering impacts from IFRS 9 & IFRS 15 adoption, disconsidering impacts from IFRS 16 adoption**, except otherwise indicated.

Solid Achievements Delivered Despite Challenges

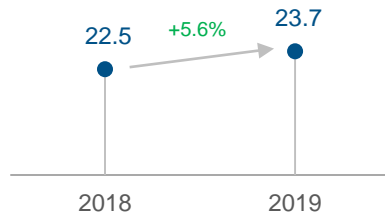
Net Service Revenues^{1,2}
R\$ 16.6 bln
(+2.4% YoY)

TIM Live^{1,2}
R\$ 491 mln
(+30.6% YoY)

Net Service Revenues Growth² (%YoY)



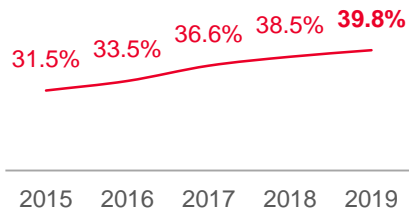
Mobile ARPU² (R\$)



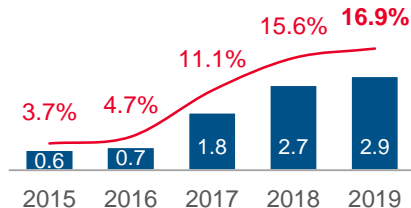
EBITDA^{1,2}
R\$ 6.8 bln
(+6.7% YoY)

6 consecutive years of EBITDA growth (CAGR 15-19: 6,5%)

EBITDA Margin³



EBITDA – CAPEX³
(% on Revenues ; R\$ bln)



The year 2019 confirms the company's transformation in the last 5 years.



Network evolution supported by innovation: 5G trials, massive-MIMO, refarming, MOU with Vivo



Improved network customer experience recognized by independent measures



Assertive adjustment in offers' portfolio, back to the right pace of go-to-market

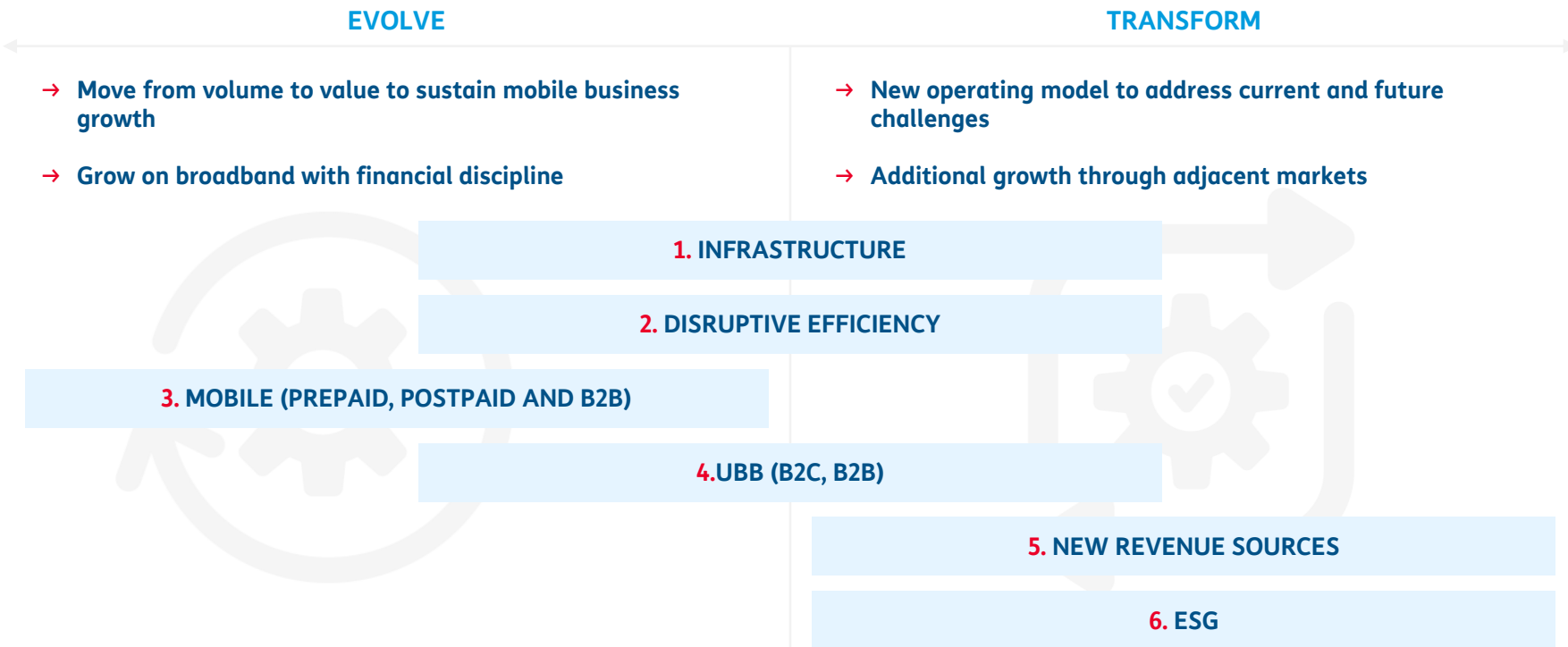


Image recovery in all segments



Record high organization climate results

It is Time to Move Forward: Evolution Plan to Further Develop Initiatives Already in Place. Transformation Plan to Reshape Company's Skills Over the Next 3 Years



Act Today to Be Ready for the Future

IT to the next level in 18-24 months



**Big data
evolution**



**NBA
roll-out**



**Cognitive
systems**



**Application and
architecture review**



**Catalogue
creation**

Network 5 key pillars



**Data
Growth**



**5G
ready**



IoT



**New
initiatives**



**Fixed
Broadband**

Benefits:



**Customers'
Integrated view**



**Time-to-
market**



**New
capabilities**



**Automation of
processes and
efficiency increase**



**Fixed
Wireless
Access**



**Decommissioning
Savings**



**Densification and
innovative solutions**



**New IoT
businesses
opportunities**



**Convergent
architecture**

Back to the Basics with Short-Term Initiatives



Operation stabilization

Improve IT operations, increase level of reliability, assess main weaknesses, monitoring E2E business processes



IT costs control

Speed up system decommissioning and architecture simplification, complete existing projects



Tuning service creation process

Streamline the service creation process on the current architecture in order to decrease the time to market, waiting the boost offered by the future digital architecture



New sourcing model

Align the sourcing model with the business strategy, with an improved vendor accountability and an E2E management of the perimeter



Delivery process monitoring

Put under control through metrics the delivery process, including budget spending, quality assurance, vendor rating, restore the internal competence center for the productivity monitoring



IT functions consolidation

Align the internal organization with the business strategy, increasing the accountability for each area and preparing for future organization

IT Long-Term: New Capabilities and Services, Reducing Complexity and Increasing Customer Satisfaction

Transformational Projects to Build the Future



Cognitive solution

Enable new use cases integrated with NBA and Big Data



Transformation programs harmonization

Harmonize the transformation programs already launched and align them with the TI architecture



5G generation habilitation

Prepare IT to support new business models enabled by 5G technology



Journey to cloud

Create a journey to cloud strategy and a roadmap aligned with the TI architecture



New process and delivery

Enable the practice of managing two separate but coherent styles of work, one focused on digital/systems of engagement evolution and the other on the system of record evolution



Mobile payments

Introduction of IT capabilities to support new way of payment



Legacy vs Digital

Create a “digital twin”, able to attend the best Time2Market expectations strongly decoupled with the legacy architecture. Align with TI architecture



Market Place

Plug-in industrial consolidation, making possible new selling capabilities

Transformation Initiatives to Thrive Efficiency and New Business Opportunities



Data Growth



5G ready



Fixed Broadband



IoT



New initiatives

New services requirements: increasing efficiency to cope with data demand

- Deep infra sharing
- 80% of new sites will be Biosites
- Indoor sites densification
- Massive MIMO
- IP/Optical convergence

Innovate with 5G, evaluating spectrum limitation vs new services to technology development

- 5G spectrum Auction
- Launch of main cities
- Cluster approach (MAN) at 5G cities
- Core evolution

Support fixed BB growth with agnostic approach and consistent convergent architecture

- Content distribution
- Resilience improvement
- FTTH vs FWA
- Virtualization through SD-WAN

New opportunities becoming reality: "Network slices" for service optimization

- Multi access edge computing
- New IoT services
- NB-IoT expansion

Decommissioning and convergence of network to boost savings

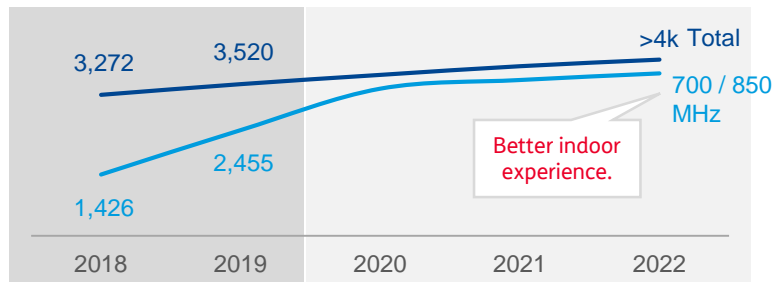
- E2E legacy decommissioning
- Sky coverage
- Partnerships (MOU Vivo)
- 2G/3G consolidation

Network Efficiency

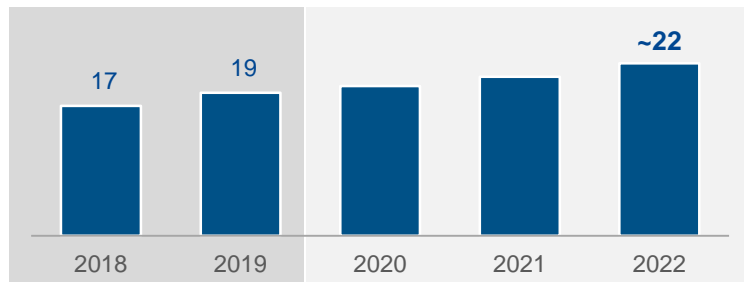
Mobile Shift to 4G Network Still in Progress as a Way to Improve Quality and Reduce Cost to Serve



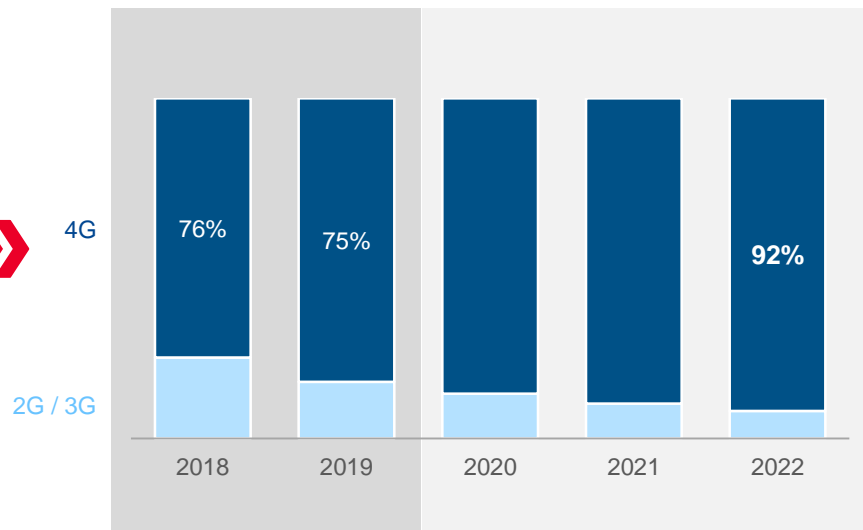
4G COVERAGE (# cities)



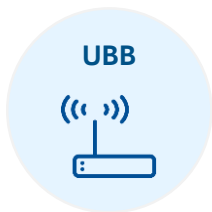
ACCESS NETWORK ('000 SITES)



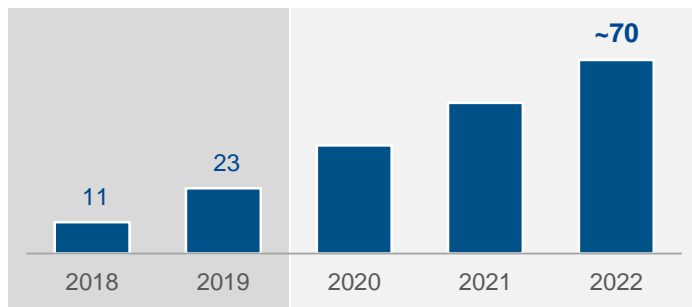
TRAFFIC MIX EVOLUTION



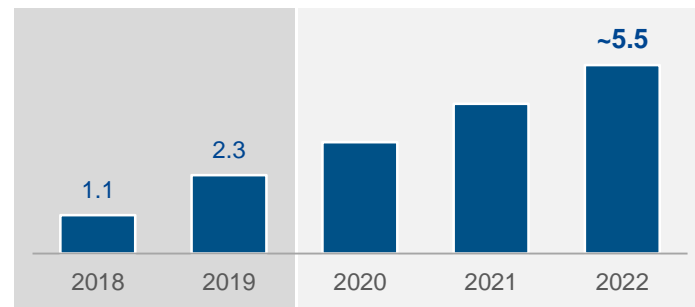
Fiber Expansion to Support Business Continuity and Ultrabroadband Acceleration



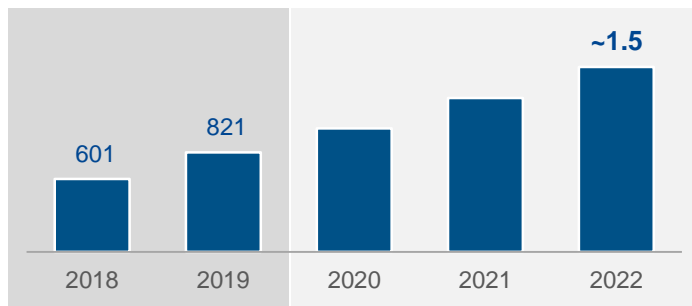
FTTH (# cities)



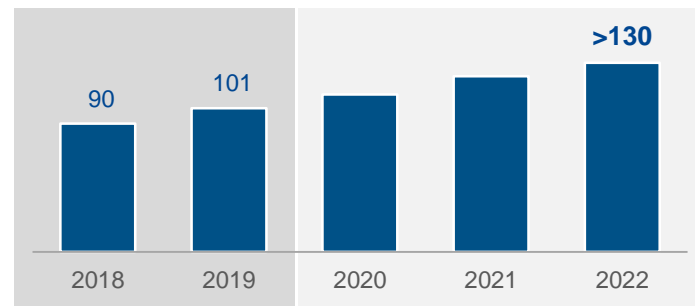
HOME PASSED (mln)



FTTCity (# cities)



BACKBONE + BACKHAUL ('000 km)



Disruptive Efficiency to Address Industry Challenges



Process efficiency

Gaps as opportunities:

Close gaps and surpass the benchmark.

- **Bad Debt** (e.g. new credit models, collections systems improvement)
- **Legal processes** (e.g. predictive models to reduce JEC expenses - special court for small cases)



Digital & Automation

Brazilians are already

digital: unique environment opportunity.

- **Self-Provisioning** (e.g., Naked SIM)
- **Self-caring:** Cognitive IVR and WhatsApp services (e.g., second invoice, balance check and etc.)
- **Self-healing** (e.g., technical resolution for broadband services)



Make vs buy

Productivity: focus on the core.

- **Administrative processes** (e.g. ground leasing)
- **Pay-roll management IT Planning & Development**



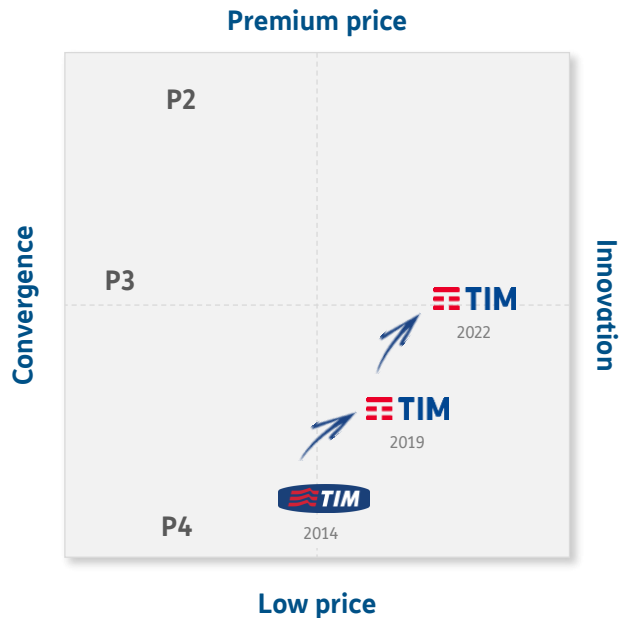
Smart CAPEX

Being competitive: increase return on investment by focusing it where we can apply differentiation.

- **Industrial agreements** (e.g. VIVO MoU)
- **Innovative Technologies** (Massive MIMO)
- **TIM Live's Transformation** with partnership
- **Cloudification** (storage as commodity)

Mobile: From Volume to Value

Innovation Positioning with Unique Assets to Leverage



“Ensuring **execution** and **customer satisfaction** to succeed.”

4G: Widest Coverage and Availability.

Regional Leadership: Solid presence in **North-East** and **Paraná/Santa Catarina**.

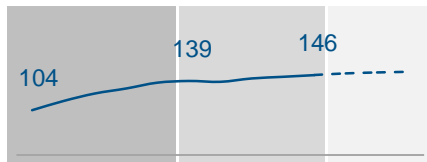
Financial Discipline: Positive performance over the last years, leanest Opex structure, capability of cash flow generation.

Mobile: From Volume to Value

Move from volume to value to sustain mobile business growth, leveraging CEX

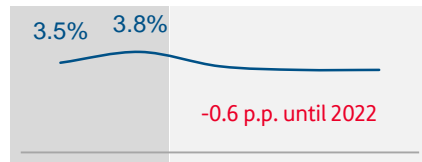
Residual growth: churn management becomes more important

MOBILE UNIQUE USERS (mln)



» **Reduce churn**

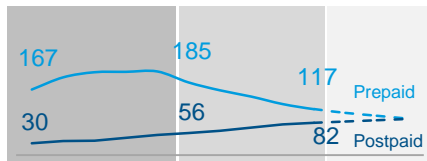
POSTPAID CHURN RATE (% p.m.)



- **Eliminate pain points:** discount management
- **Lock in** high propensity customers
- Improve **service level**

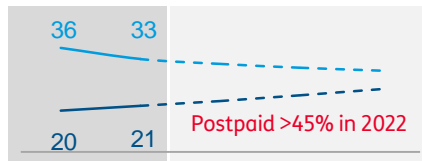
Playing by opportunity, meeting clients true needs

CUSTOMER BASE MIX (mln)



» **Attack all segments**

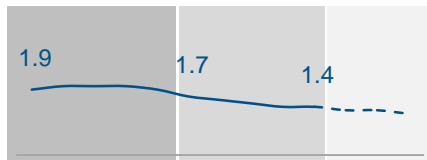
TIM MOBILE CUSTOMER BASE BY SEGMENT (mln)



- Prepaid: acceleration w/ regional + smart promo, channel management
- Postpaid: brand positioning, and outstanding customer service level
- SMB: consumerization

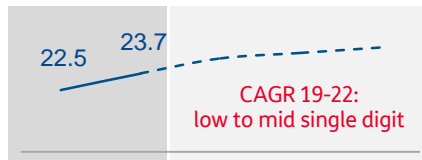
Increasing “share of wallet”

SIM PER UNIQUE USERS¹ (mln)



» **ARPU increase**

TIM MOBILE ARPU (R\$/month)

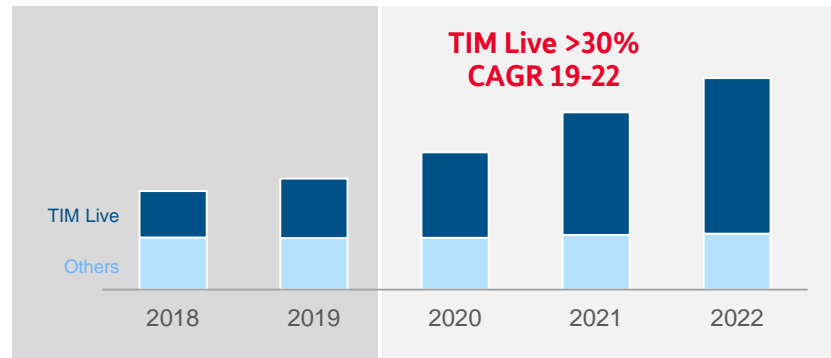


- Unlock **upselling** opportunities
- Price with “**more for more**” approach
- Boost **big data, data analytics, NBA** capabilities

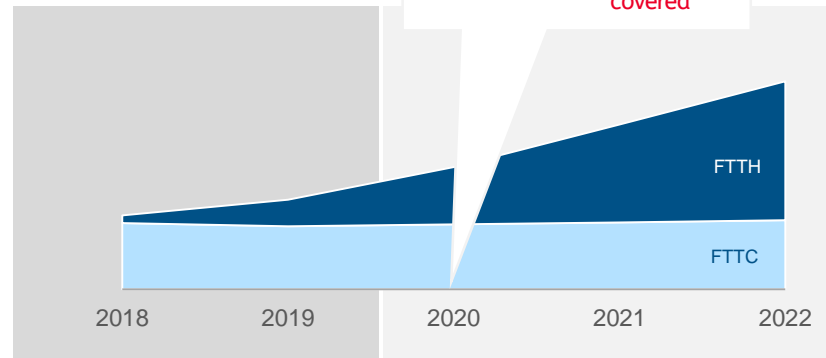
Broadband Revenues will be the Lever for Fixed Business Growth

FROM EVOLUTION...

FIXED NET REVENUES (R\$)



FTTx CUSTOMER BASE (mln)



Footprint expansion and operational improvement

Cherry picking deployment, Reduce early churn, Improve care and self-care, Reliable bill to cash processes

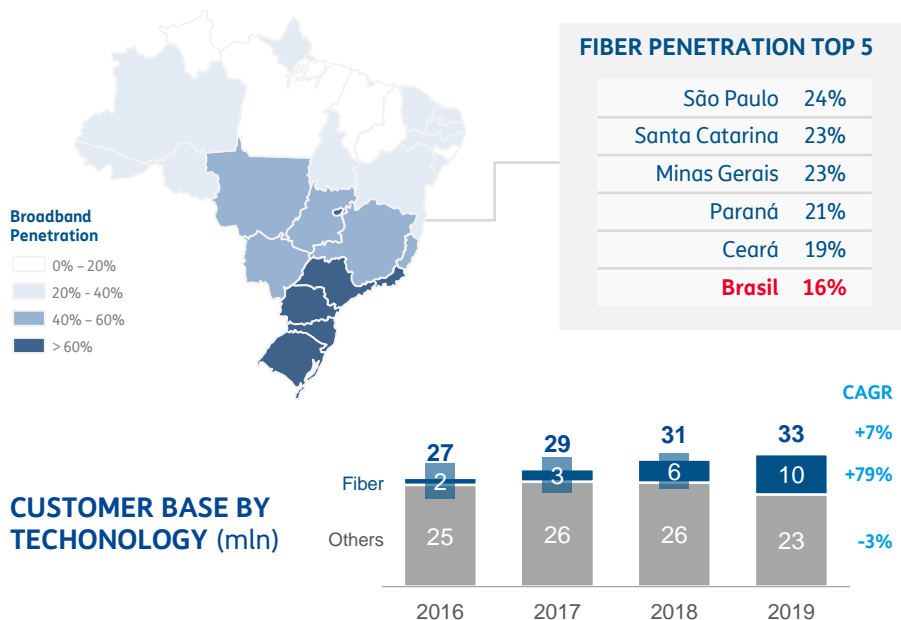
Differentiation: UBB + Content

OTT content friendly approach, Wi-Fi experience

Smart Capex to Ensure Acceleration

BRAZIL'S BROADBAND MARKET

BROADBAND AND FIBER PENETRATION (on HH)



...TO TRANSFORMATION

Strategic Partnership



Expanding TIM Live's services with the right balance between Sales and Capex, unlocking additional value of this asset



Create in partnership a neutral fiber infrastructure asset in Brazil

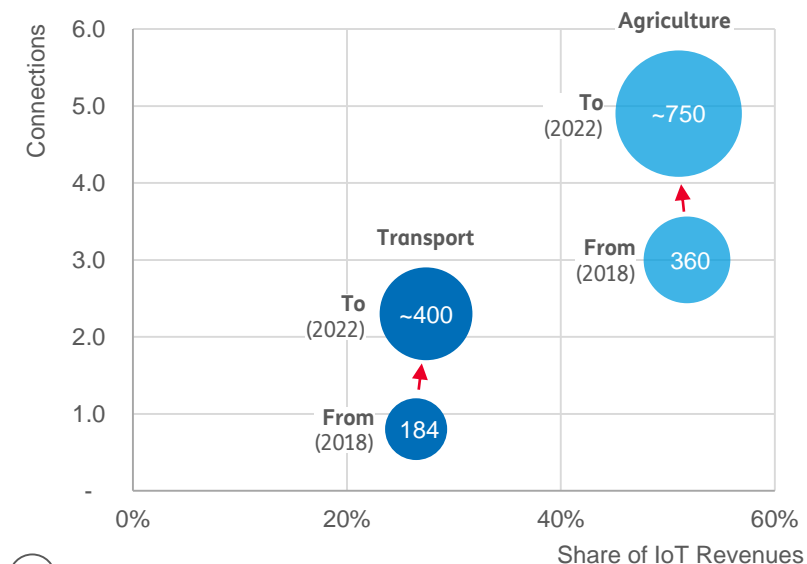


Market sound process with an advisor to find the right partner out of the telecom space

To be completed by the end of 2020.

Exploring B2B New Services

IoT IN LATIN AMERICA

IoT MARKET SIZE¹

DEVELOP AT SCALE AND MONETIZE IOT VERTICALS

4G TIM no Campo

Sole operator in the initiative developing agribusiness solutions based on IoT.

conectarAGRO

Connected Car

First mover: agreement with car manufacturer to provide in-car connectivity and automation.

~5 mln acres with 4G

>3 k cities with NB-IoT

major partners in agro



citrosuco

AMAGG



adecoagro

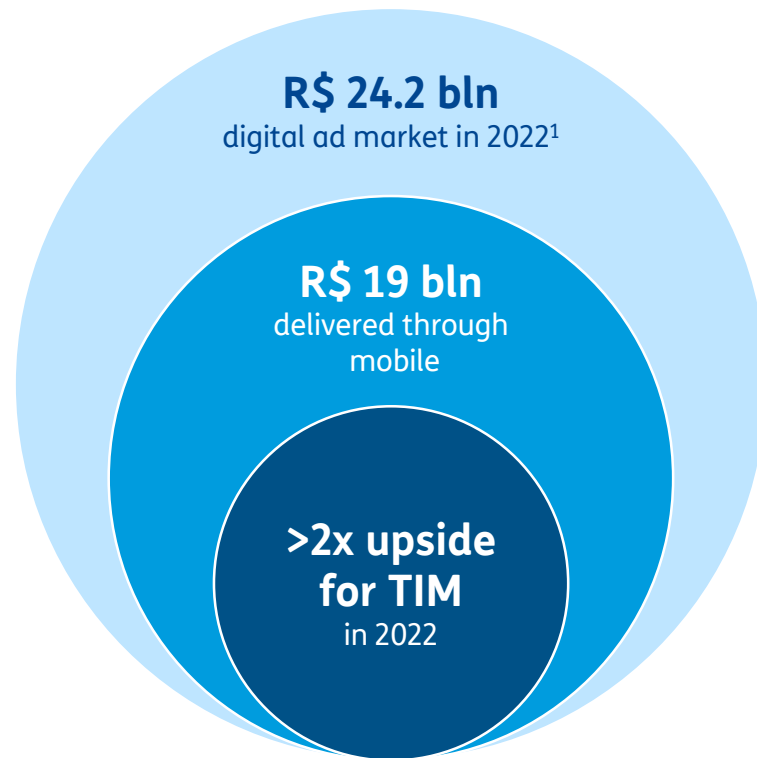
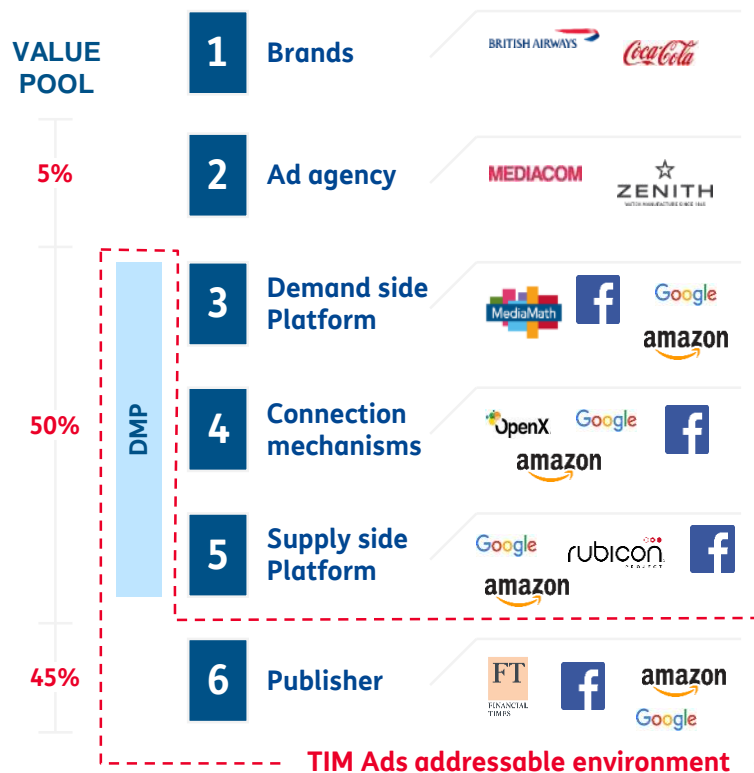
SLC Agrícola

JALLES MACHADO

1st place in 4G coverage in Brazil

Beyond Core: Leveraging our Assets with Strategic Partnerships

The Mobile Advertising Opportunity



TIM's Positioning as Publisher and Ad-Tech Player

As is

To be

TIM AS PUBLISHER

Exploring owned touch-points (digital and physical) to advertise 3rd parties.

Opportunistic approach

- SMS to any 3rd parties
- ~R\$ 190 mln already generated in mobile ads products

Close the gap

- Exploring Captive Portal interactions to display 3rd parties ads
- New trial contracts signed in the past 2 months
- Fine-tuning and new products development

TIM AS AD TECH PLAYER

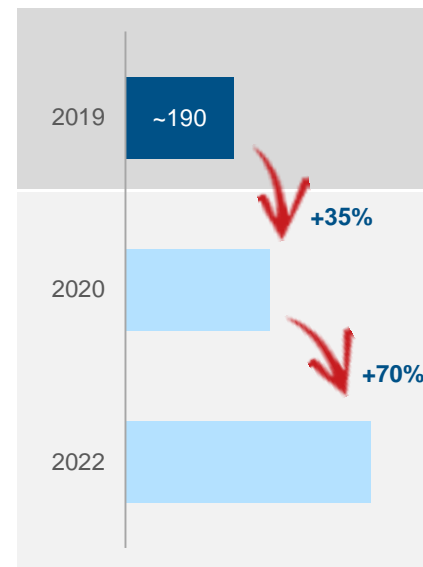
Leveraging on customer data and ownership to enhance advertisers knowledge.



Becoming a front runner

- Data monetization: enhancing 3rd parties campaigns assertiveness with customer knowledge
- Operators cooperation
- Aligned with LGPD for scoring and new economy

MOBILE ADS REVENUE (R\$ mln)

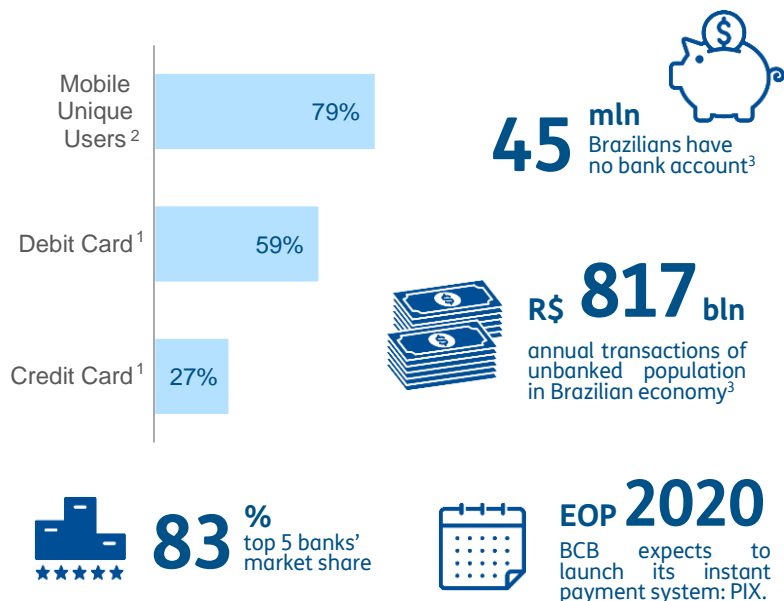


Beyond Core: Leveraging our Assets with Strategic Partnerships

FinTech's Playing Field is Moving Fast and We Have a Unique Window of Opportunity

FINANCIAL SERVICES IN BRAZIL

OWNERSHIP PENETRATION OF... (% population)



EXPLORING PARTNERSHIP OPPORTUNITIES

1

HIGH-END

Convenience and simplicity.

- Full bank offer
- Commercial partnership
- Value generated by commissions in fees + equity

2

LOW-END

Access to banking services.

- Symbiotic partnership (JV like)
- Value generated by profit sharing

Telecom + digital banking services.

Agreement with a digital bank to be announced in the coming weeks.

Partners short list under analysis.

TIM Brasil plans to improve its ESG practices based on its materiality matrix

ESG: TIM's commitment with a positive transformation to all stakeholders

Environmental

We want to be green.

- Increasing **efficiency** and taking advantage of **green energy** cost reduction
- Developing **infrastructure** and **data center** to give more to our customer with less impact from operations

Eco-efficiency in traffic transmitted

+75%

Indirect emissions

-70%

2025

Social

New capabilities are a key factor to maintain leadership.

- Improving internal **workforce valorization** and **talent management**
- Accessing Brazilian **Top Employer ranking** based on diversity issues
- Promote **digital capabilities and ESG Culture** among the employees
- Developing the **digital education** to support demand for connectivity

Carbon neutral by 2030

Employees engagement

>MQ3

Employees trained on ESG culture

>95%

Digital capability development

1k people

2022

Governance

Efficient mechanisms to fairly balance the interests of all stakeholders, while improving transparency and controls.

- TIM recognized as a company with **highest level of commitment** to sustainability and corporate governance
- Reinforcing and disseminating the **ESG principles to the high risk suppliers**
- Adopting best practices regarding **compliance, information security and privacy protection** ("LGPD")

Novo Mercado and ISE

Maintain

ISO 27001 and ISO 37001

Obtain

United Nations Agenda: 10 relevant goals for TIM Brasil

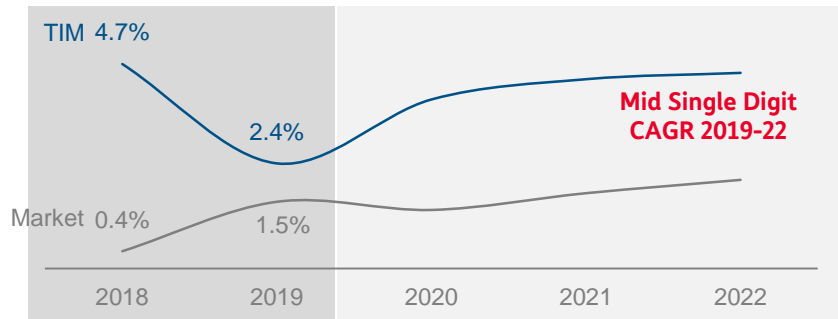


ISEB3

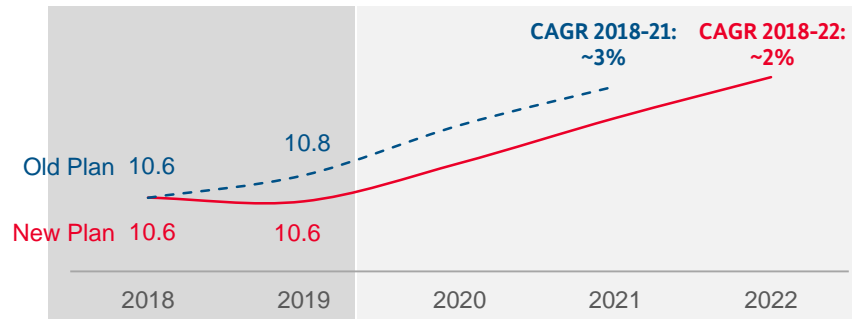


Key Performance Indicators (IFRS 15/9)

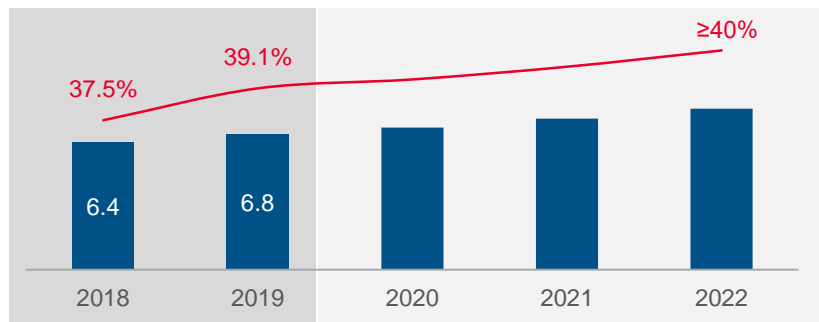
NET SERVICE REVENUES (% YoY)



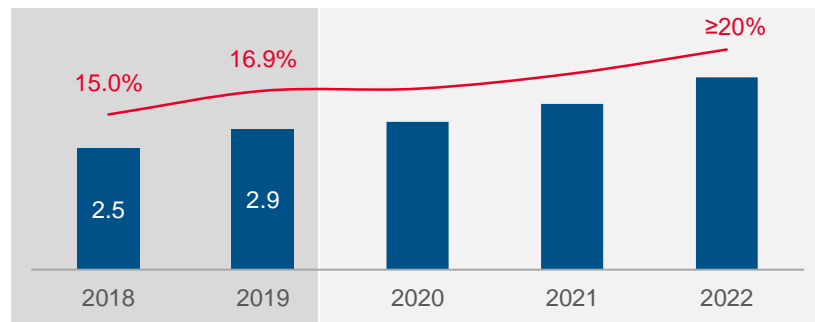
OPEX (R\$ bln)



EBITDA AND MARGIN EXPANSION (R\$ bln; %)



EBITDA - CAPEX (R\$ bln; %)



Guidance

GOALS	DRIVERS	SHORT TERM TARGETS (2020)	LONG TERM TARGETS
Revenue Growth Sustainability	<ul style="list-style-type: none"> → Leverage mobile ARPU improve → Expand Residential UBB operations → Tap B2B opportunity 	Service Revenues Growth: Mid single digit (YoY)	Service Revenues Growth: Mid single digit (CAGR '19-'22)
Improve Profitability	<ul style="list-style-type: none"> → Accelerate digital transformation → Maintain zero-based budget approach → Reliable bill to cash process 	EBITDA Growth: Mid single digit (YoY)	EBITDA Margin: ≥40% in 2022 (≥47% w/ IFRS 16)
Infrastructure Development	<ul style="list-style-type: none"> → Smart and selective Capex approach 	Capex on Net Revenues: Low 20's	Capex: R\$ 12.0 - 12.5 bln (Σ'20-'22)
Expand Cash Generation	<ul style="list-style-type: none"> → Strict financial discipline → Continue debt and tax rate optimization 	EBITDA-Capex on Net Revenues: >16% (>20% w/ IFRS 16)	EBITDA-Capex on Net Revenues: ≥20% in 2022 (≥25% w/ IFRS 16)

