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CORPORATE PARTICIPANTS

Adrian Calaza *TIM Participações S.A. - CFO, Investor Relation Officer & Member of Board of Statutory Officers*

Alberto Griselli *TIM Participações S.A. - Chief Revenue Officer & Member of Board of Statutory Officers*

Mario Girasole *TIM Participações S.A. - Regulatory & Institutional Affairs Officer and Member of Board of Statutory Officers*

Pietro Labriola *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Vicente Ferreira *TIM Participações S.A. - IR Officer*

CONFERENCE CALL PARTICIPANTS

Frederico P. Mendes *Banco Bradesco BBI S.A., Research Division - Research Analyst*

Luis Fernando Azevedo *J. Safra Corretora de Valores e Cambio Ltda, Research Division - Research Analyst*

Marcelo Peev dos Santos *JPMorgan Chase & Co, Research Division - Senior Analyst*

Rodrigo Villanueva *BofA Merrill Lynch, Research Division - VP*

Susana Salaru *Itaú Corretora de Valores S.A., Research Division - Sector Head, Telecommunications, Media & Technology*

PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to TIM Participações 2020 Third Quarter Results Conference Call. We would like to inform you that this event is being recorded. (Operator Instructions) There will be a replay for this call on the company's website. (Operator Instructions)

We highlight that statements that be made regarding the prospects, projections and goals of TIM Participações constitute the beliefs and assumptions of the company's Board of executive officers. Future considerations are not performance warranties. They involve risks, uncertainties and assumptions as they refer to events that may or may not occur. Investors should understand that internal and external factors to TIM Participações may affect the performance and lead to different result than those planned. (Operator Instructions)

Now I will turn the conference over to the CEO, Mr. Pietro Labriola, so he can present the main message for the third quarter of 2020. Please, Mr. Pietro, you may proceed.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Good morning, everyone, and thanks for attending our third quarter conference call. This quarter was full of positive developments for the company. Despite a recovering economic environment and the still very serious situation in terms of the pandemic in Brazil, the gradual reopening of the country is positively affecting our business. I know it might sound a bit repetitive, but I believe we, once again, showed our capacity to be resilient and to adapt ourself when facing external challenges. So we are delivering very solid results for all our stakeholders.

The third quarter was marked by a recovery in revenue dynamics while we maintained a solid execution on cost and accelerated cash flow expansion. Our approach to managing the emergency of the present is working. Net service revenue were back to positive, up 1.3% versus last year, without growing in all segments. Bad debt was down sequentially and year-on-year, falling by more than 46%. EBITDA minus CapEx saw an increase of 8.5% versus the 9 months of last year.

Building a bridge between the present and the future, we also had remarkable achievements during the quarter. After 13 years, we are back to the top of mind of online newspaper. We were listed in a new ESG index from B3 and S&P. TAC commitments are already being delivered, signing of FCA partnership and launched new offers with C6 Bank.

Going into more details of our revenue recovery. We saw a positive contribution coming from mobile and fixed services, with all major lines posting better performances. Mobile service revenue, back to positive, growing 0.4% year-over-year, with solid sequential recoveries both in prepaid and postpaid. TIM Live services, up by 29%, contributing to double-digit growth in fixed services revenues.

Product revenue grew 20% quarter-over-quarter, reducing significantly its yearly loss. We love that top line is back to positive, increasing 1.2% year-on-year.

It's also important to highlight that our strategy to move away from a volume approach to a value one is paying off. All automatics grew mid- to single digit, showing the ability of the company to extract value from all segment of its customer base, specifically in prepaid that this quarter confirmed the recovery trajectory of recharge indicators. Both the number of recharges and the amount being recharged are back or even better than pre-COVID levels.

Also our prepaid gross addition are growing double-digit, with a better channel mix and always maintaining an efficient approach when it comes to managing the customer base. It's worth noting the important launch done during the quarter called TIM Pré + Vantagens. We introduced a new manner of giving benefit to prepaid clients with an advantage program that rewards commitment and recurrence.

In the postpaid segment, we are also seeing significant improvements. Postpaid net addition are back to positive, and we expect them to continuously evolve but always respecting our focus on value rather than volume. Churn reduction is a key driver for that improvement. We posted the lowest churn of the last 2 years after key action being taken to improve acquisition quality, churn prediction and customer experience. Besides churn, penetration of lock-in offers and data usage among postpaid customer continue to grow, once again confirming the direction set to look for value instead of volume.

On a quick remark, TIM always lacked additional commercial presence in São Paulo state. This year, we are taking the step to close that gap and to expand our presence in the countryside region.

Still in the mobile segment. This quarter, we started to launch the offering under the C6 partnership. We concentrated the new proposition in postpaid, both Control and pure postpaid. But we also brought benefit to the prepaid. Just beyond 3 months after the signing, we are accelerating the opening of new accounts at the bank. Now we have reached more than 800,000 accounts, while the share of recharges in the C6 app went above 55%. The partnership is presenting better-than-expected results and proving to be an excellent way to enter new segment such as financial services.

But this is not all. Now in November, we will evolve our portfolio, introducing a marketplace of services to our TIM Black plans customers, a disruption moment that will take the entertainment tab concept to the next level. Clients will be able to choose and change the content they want in their packages and also add new ones, paying as an add-on.

Shifting gears to the fixed segment. TIM Live's consistency is again delivering a solid performance. We closed the quarter with this unit growing 29% year-over-year. TIM Live's ARPU grew more than 9%, and we added 90,000 new clients in the last 12 months. Now 44% of our customer base is under FTTH technology. Our fiber coverage grew 60% in the last 12 months, reaching 3.1 million homes and 30 cities.

In October, we added Guarulhos in São Paulo metro area. The process of our FiberCo project is going according to plan, having received several nonbinding offers. Discussion will continue in the coming month with the different interested parties, and we expect a signing in the first month of next year.

As a final element in our revenue discussion, I will comment on the important achievements we had during the quarter concerning our new ventures. We closed a partnership with Fiat Chrysler to develop a customized solution for a connected car service. Under this agreement, TIM will provide connectivity for cars onboard telemetry and entertainment system as well as WiFi. In another front of IoT, we developed a marketplace for agribusiness solution, reinforcing our leadership in this vertical.

In the third quarter, we managed to turn into reality 2 initiatives related to monetizing our customer base knowledge. Under the mobile advertising initiative, we are enhancing our ability to promote video campaigns after solid first number, 160 million customer session and 45 million views of ad clips. The second project is an antifraud solution to improve our customer identification using a score-based scale and has application in different areas of financial services.

Moving to the infrastructure. We continue to develop our network, both for mobile and fixed services. The main highlight for the quarter was the initial rollout of massive MIMO technology in 4G. Close to 130 cities had this solution implemented to address capacity necessities.

Another point worth mentioning is the first delivery of our commitment with Anatel under the TAC agreement. We are confident we will reach the targets within the agreed time line.

To develop the future of our network, we started the rollout of 5G solution based on dynamic spectrum sharing, which is an early stage of the technology. We are testing fixed wireless access over 5G in 3 cities, inviting customer that really use our WTTx in 4G to test the new solution. We are building a road map to future supplier freedom with Open RAN. We are planning trials with this software-based solution to be ready to implement it once the technology becomes more mature.

Still on the network front. The network sharing agreement with Vivo is going according to plan, and we should reach close to 190 cities with 4G-expanded coverage until the end of the year. Another project that is being developed quite fast is the Unplugged Sites that shows some 1,500 new sites in remote areas to expand coverage and improve capacity using a solar-based solution for energy.

Shifting to information technology. We are implementing important projects that, should that pass, deliver scale, flexibility, reliability and efficiency. The plan is to have all IT assets running from the cloud in 2 to 3 years, with potential savings of double-digit magnitude in less than 5 years.

While we are just starting our journey to cloud in IT, we have already successfully implemented the new cognitive IVR and the TIM.X project. In the first, Taís, our artificial intelligence assistant, is helping to answer 9 million calls with improved experience and accessible retention upside against the previous IVR system. TIM.X, a simplified dashboard from Google, is helping human attendants to improve their efficiency and quality of caring. The capabilities we are building with our digital system are helping to accelerate our digital transformation process, which is driving significant cost efficiency and customer satisfaction improvements. We are improving all our digitalization metrics from e-billing to e-payment, passing through e-sales and digital caring, so much so that we are delivering what was promised in 2018 as a target for 2020 in this third quarter. As a consequence, our NPS for all segments has improved strongly.

Early in my comment, I highlighted the rebound of our revenues as a consequence of increased commercial activity and economic recovery. So it's natural that alongside will come some additional cost. Despite this, we are maintaining a solid OpEx performance, below inflation in the third quarter and down 5.6% year-to-date. Bad debt, as I said previously, is the main highlight of the quarter, falling more than 46% year-on-year, with collection curves maintaining improvement.

Revenues up and OpEx under control meant EBITDA growth. We maintained the pace of the last quarter and again posted the best margin of the industry in Brazil. In 9 months, EBITDA grew 3.2% with a margin of 47.6%. It's worth noting, we are above our guidance for 2022, once again delivering our promises, but in this case, much earlier than predicted.

Operating free cash flow showed a very solid performance, summing in the 9 months of the year more than BRL 2.5 billion, with positive contribution from EBITDA, CapEx and working capital. The latter was positively impacted by the improvement in the collection curves and also the postponement of Anatel fees.

With that and excluding the effects of financial leasing contracts, TIM's become net cash in the quarter by almost BRL 1.7 billion. Including the leasing, net debt declined by more than 20%. BRL 500 million will be distributed this month in interest of capital, and we expected additional decision before the end of this year. So all the distribution will be concentrated in the fourth quarter, thus benefiting from the merger of TIM Parti into TIM S.A.

Considering that, last year, we declared interest on capital in the third quarter. Year-to-date, net income shows a reduction compared with 2019 but will be present a significant growth in the fourth quarter.

Despite unprecedented challenges faced during the year, much has been accomplished, and we are optimistic about the fourth quarter and about the speed we can enter in 2021. A quick recap. We concluded the last step of a long process of corporate simplification with important tax, financial and operational efficiency. By the way, we are now TIMS3 in B3 Stock Exchange and TIMB in NYSE.

Our commercial machine was reactivated. New offers, new campaign and finally, stores reopened.

Our ESG mentality is growing strong with initiative in all pillars. As you probably noticed, we are being attentive to our energy consumption and generation. That is why we have 19 power plants from renewable sources, saving gas. This year, we start to look more towards diversity and inclusion, and we are implementing a program to promote equality.

Last but not least, governance. Novo Mercado remains always a key differentiator versus our peers.

Looking ahead, we are expecting the public auction of the mobile assets of Oi to occur in the mid-December, but it's important to realize, we do not control this time line. We should have more novelties under the beyond the core initiative shortly, including news on the equity stake in C6.

As I finish my comments, I'd like to point out the resilience of the company that managed to recover at a solid pace as soon as the condition become less constrained. We will maintain our focus on the sustainability of the business with a rational approach and solid execution.

Thank you. We will now open the floor for question. Please, operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Mr. Rodrigo Villanueva from Bank of America.

Rodrigo Villanueva - *BofA Merrill Lynch, Research Division - VP*

So my first question is related to the IoT ecosystem. I think you've been very active with new initiatives to develop the Internet of Things. So apart from what you already announced in agribusiness, connected vehicles and other initiatives, are there other alternatives that you have been analyzing? And if so, how relevant do you think the whole Internet of Things could be as a revenue growth driver for TIM?

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Rodrigo, first of all, I think that we are delivering what we promised because I think that it's really important to stress that when -- last year, we started to discuss our strategic plan that was discussing about strengthen the core business and go beyond connectivity. Sometimes, it could appears like PowerPoint. So I want to stress that all the items we took as a commitment, we are starting to deliver one by one: on IoT, on financial services, on mobile advertising and customer base monetization, jointly with our capacity to deliver and improve our numbers on mobile.

Now let's move to your question that is related to the IoT ecosystem. Now we have focused our attention on these 2 industry: the agro business, where we took a competitive advantage compared to the other player because we have the widest coverage in narrowband IoT. We have signed a contract with 4 among the first 6 main company in this field. And we are enlarging our portfolio because the launch of the marketplace with ecosystem application and product is something that we are look to further improve also the marginality of this kind of services.

Then the result with Fiat Chrysler Auto is not something that come from nothing. It's an activity that we looked through for 2 years because we are think that this is a big opportunity, not only in the IoT but also as an upselling opportunity on our consumer customer base. Once a customer that buy a Fiat Chrysler car have a TIM SIM in the car, it's quite easy that we can try to upsell them something to have in-car connectivity with our TIM Black Família.

So we are looking also for other industries. But we want, first of all, to better develop and monetize what we have in place. Because sometimes, the risk is that we can reduce the level of focus, while in this 2 area, we can gain a competitive advantage. So in synthesis, we are looking by opportunity for other industry, but we want to further accelerate in these 2 industries where we are gaining a competitive advantage compared to the other.

Rodrigo Villanueva - *BofA Merrill Lynch, Research Division - VP*

Understood, Pietro. Very clear. And secondly, several wireless carriers across Lat Am experienced strong prepaid net adds after the COVID lockdowns were lifted. I was wondering if you could please share with us why this was not the case for TIM and if there is a plan to accelerate prepaid net adds over the coming quarters.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Rodrigo, really, thank you for this question because allow me to better clarify. Not necessarily increasing net debt means increasing revenue. The real KPI to generate value is the increase of recharges and increase of the average recharge per customer. As you can see in the presentation, we are achieving both, but it's clear that it's fair to give you some more colors related to the result of the net adds.

We have negative net adds on the prepaid, mainly for tourism. The first one, during the COVID period, we leveraged the opportunity to do a kind of improvement of our sales channel. So we reduced the contribution of sales channel on the prepaid with, let me say, a worse trade-off in terms of cost versus benefit. It doesn't mean that we will not be back to the level of gross addition that we had in the past because as we stated in the presentation, we are back to grow in the gross addition but with channel that guarantee to us a lower cost and a better quality.

In the meantime, what's happened is that usually our rules is that we guarantee to the customer to continue to be a live if he does a recharge in the last 105 days. If he doesn't do any kind of recharge in this period, then we proceed to cancel because due to the fee stack cost, it makes no sense to keep it in our base.

If you do the calculation, 105 days is 3.5 months. And if you be back from September of 3.5 months, you are back to April and May. That were the 3 months -- the 2, 3 months where we were hitted by the COVID situation. In that period, we had several customers that were using the SIM and mailed number to be connected in WiFi or just to use the number with WhatsApp that stopped to recharge, but these are not heavy user or high spender. So what's happening is that -- if you calculate 105 days, what's happened is that in the third quarter, we have the cancellation of all these customer.

Now to do a synthesis. What is -- what you can expect for the next quarter. In October, we are going to post minus 100,000 net adds on the prepaid. That is one of the best number of the last 12 months. Why? Because the change of the mix channel is starting to give result, and we are able, with the existing channel, to compensate the reduction in channel with higher cost and lower quality.

Second, out of the COVID, in some way, the customer that were using the SIM just to use the number on WhatsApp was clean. So our expectation is that in November and December, we will further improve our number of net adds. But again, I think that it's important to stress that recharges and recharge are growing, and this is a proxy of value generation in our business model.

Operator

Our next question comes from Mr. Marcelo Santos from JPMorgan.

Marcelo Peev dos Santos - JPMorgan Chase & Co, Research Division - Senior Analyst

I have 2. The one is on the infrastructure company and fiber deployment. Could you please provide some information on the outlook of deployment for the next couple of years? What sort of room do you see in Brazil? We have been hearing a farther deployment from all the players. So what is the potential that you see in the country and if there are risks overviewed?

And the second question is regarding price increases. Do you still have some price increases left to be done in this year? Or are you done with what you intended to do on both fixed and mobile?

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

Infrastructure, you said -- got clearly your question because the line was a little disturbed. Sorry.

So (inaudible) the first one is related to the fiber development and the risk of overbuild in the country for that and which are the opportunity in this country. I'm a foreigner here in Brazil. And sometimes we forget that Brazil is a country that is more a continent than a single country. So when we say that there is a risk of overbuilding Brazil that is big like Europe, I think that it's relatively a low risk, having in mind also the level of infrastructure of the country as is today.

So I don't think that this is a risk. But in any case, it's important to state that we don't imagine that. The future of this country would be only based on fiber, but it will be a mix of solution between FTTH and fixed wireless access. In this -- at this moment, we don't see that. But in any case, we see huge opportunity to further accelerate and increase the fiber coverage. And this is the reason for which we are working on this infraco, newco that could allow us to increase the level of investment to further accelerate the coverage without any kind of impact on our numbers.

Keep in mind that it will be also an opportunity for us because increasing the coverage, we can also increase our capacity to sell in other areas of the country. But again, for sure, the name of this game is speed. So we have to accelerate the process as we promised on the creation of the infraco to be able to exploit this window of opportunity over the next 12, 24 month. And for sure, one of the main characteristic in this field is that.

There are a lot of player that are telling that they would like to invest on fiber. But the solution that we are putting in place with our infraco is one of the few that associate to the capacity to invest a noncore customer that can guarantee a minimum return on investment.

In the other cases, when you start an investment activity without a noncore customer, you increase the level of risk. This is the reason for which we think that our solution, it's quite clever, and we are trying to further accelerate the project.

If I catch in the right way, the second question is related to the capability to the price increase. Is it so?

Marcelo Peev dos Santos - JPMorgan Chase & Co, Research Division - Senior Analyst

Actually was if you were done with the price increases that you intended for this year? Or will you still have some more price increases to execute?

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

Okay. What we did, it was just at the end of September, for a part of our customer base, a small price increase. But I think that it's important to highlight that going ahead, what we are building that -- we started to have a lot of customers that sign with us, contract with a commitment of 12 months. So when they got this kind of commitment, they have a lower level of price.

Every time that the contract ends, we do a small adjustment of the price. And we are putting in place a [war room] that is able to manage this situation and negotiate with the customer, the price increase, reducing the level of claim and the level of churn that you can see also in some of our KPI that we showed to you with ARPU increase and churn reduction.

For the next year, I think that we will proceed with the price (inaudible). Today, it's too early. But in any case, if we will do that, we will do that with our traditional approach that is more for more. What I mean? The customer need and we will -- and they will continue to need more data because also during the COVID, they understood that connectivity is key and that they need more data.

So do a price increase with this approach -- with a more for more approach reduce the level of risk in terms of claims and churn? But this is something that we will better define in the following weeks, having a better understanding of the environment and the economic recovery.

Marcelo Peev dos Santos - JPMorgan Chase & Co, Research Division - Senior Analyst

Just to follow up on the first question. You were deploying home passed at a rate of 300,000 more or less, right, per quarter. So given your comments, do you assume that it's going to see a relevant acceleration in next 12- to 24-months window?

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

What is happening is that we will continue with the speed of our existing plan. It's clear that we are working on the creation of this infraco that could be an accelerator of that. But it will happen once we will close this deal because this is a way to deconsolidate the CapEx and will allow us to further accelerate. But as is today, with our existing plan, we confirm the actual speed.

Operator

Our next question comes from Mr. Freddie Mendes from Bradesco.

Frederico P. Mendes - Banco Bradesco BBI S.A., Research Division - Research Analyst

I have 2 questions here as well. I mean the first one, Pietro, I mean, it seems to us that -- it seems once again, in terms of the strategy, it's starting to focus more on the prepaid segment, right? I mean I think -- so I just want to understand this reading, it is correct? And if we look, let's say, over the next 2, 3 years, the prepaid segment is the one that you see the highest opportunity for growth. So that would be my first question.

And then my second question, I think the level of bad debt computation, it was significant reduction, almost 50% year-over-year. So just wondering if we still see more room to further decrease this bad debt.

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

Okay. Thank you, Fred. It's important, your first question because allow me to better explain what we have told until today. We don't think that we don't have further room to improve our postpaid trends. What we told is that we see a future in which we have to act both on postpaid and prepaid. And due to the fact that prepaid, until a few months ago, was just considered as a swimming pool to get new fish and move to the postpaid is something that was not completely explored in the right way.

So what we're doing? We are continue on the postpaid. And as we mentioned also in the other call, we are looking from -- for value and not necessarily for volume. We posted positive net adds in the third quarter. I can tell you that the October will be the best month of the last 4 months but in a sustainable and rational way, betting on the ARPU and the quality of the service for the customer.

It doesn't mean that we cannot grow on postpaid. It means that we can grow on the postpaid with sustainable and rational approach, as you can see also with the recovery of the ARPU.

When we move on the prepaid, we think that we have opportunity on the prepaid because it was a segment that, in some way, was not matched by the focus of all the different player. It's clear that the prepaid has its own dynamics to be addressed. This is the reason for which we started to launch a new offer, a new application that is called TIM Pré + Vantagens, whose aim is to increase the level of loyalty of prepaid customer, allowing them to gain some price if they are continuously recharging on prepaid, if they move from a BRL 10 recharge to BRL 30 recharge, giving us also the opportunity to build a relationship with this customer base that we can leverage also on the advertising.

So I see the prepaid as an opportunity, but it doesn't mean that postpaid is not an opportunity. We think that the growth for the next year come from the growth of both area. And to be clear, we have to start to think that prepaid and postpaid are 2 method of payment.

So if you want, I can increase the number of net adds, adding a lot of postpaid customer with an ARPU of BRL 20, but this destroy value and do not create value. This is the reason for which I will stress that on prepaid, the KPI are increase of recharge, increase of ARPU, increase of recharge; on the postpaid, is ARPU jointly with net adds. Just 1 of these 2, only net adds and no ARPU, makes no sense.

You can also double the number of net adds. But if you reduce by 1/2 the ARPU, you are not generating value. So these are the way in which we are working, and we want to further increase the quality of service. The fact that we posted the best level of churn of ever, more or less, reinforce our thought that we are on the right path, and we have to continue like that.

And also giving a look to the first KPI of the fourth quarter, we are looking for further improvement. As I mentioned, that we have net adds positive on postpaid in October. We have the lowest level of negative net adds in prepaid. And we think that November and December, we will confirm that, giving us a good exit speed for 2021, where we think that we start to further recovery.

Going to the bad debt. It's clear that you have always room to improve, but I cannot exaggerate. I want to stress that in the third quarter, we already reached our target of EBITDA of 2022. So now our efforts should be to continue to keep this level of EBITDA in all the lines.

Then to conclude. For us, the result of our bad debt in the third quarter wasn't a surprise. And the result that we are foreseeing for the last quarter slightly better than the third one is not a surprise because it is the result of an activity that we started several quarters ago that we always commented here to everybody. We never hide that we had some problem at the operational level. We never hide that we were looking for a sign of improvement. And if you look to the curves of collection, it's quite understandable, the improvement.

Then on the bad debt. When you start with a problem on the curve, you see the impact some month later as when you start to see improvement on the collection curves, the result come later -- some month later. Again, fourth quarter, we will post a number that will be slightly better than the third one and that demonstrate that it wasn't a result out of the blue sky, but it was a consistent activity that we did throughout the previous quarters.

Frederico P. Mendes - Banco Bradesco BBI S.A., Research Division - Research Analyst

Perfect. Perfect. Pietro, very clear. And I don't want this [conference to extend,] but if I may [remark] (inaudible) do you already have an update for the final [stature] related to Oi's mobile operations or not yet?

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

If I catch your question, it's related to the date for Oi? Is it right?

Frederico P. Mendes - Banco Bradesco BBI S.A., Research Division - Research Analyst

Yes, yes, yes.

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

As I told during my -- at the beginning of my presentation, unfortunately, the time line is not defined by us because if it was the case, we could further accelerate. But in any case, we are quite optimistic that the date of the middle of December that was announced is something feasible. So we continue to be optimistic on that.

Operator

Our next question comes from Ms. Susana Salaru from Itau.

Susana Salaru - Itaú Corretora de Valores S.A., Research Division - Sector Head, Telecommunications, Media & Technology

The first question we have is related to the restructuring. You conclude the restructuring this quarter, and you mentioned that should yield some cost savings and also tax savings. If you could elaborate a bit more what would be those savings and if you could quantify somehow the savings. That would be our first question.

And the second question is related to the C6 partnership. What will be the next steps? And when should we expect it to make -- to actually -- to be a relevant revenue line to the company going forward?

Adrian Calaza - TIM Participações S.A. - CFO, Investor Relation Officer & Member of Board of Statutory Officers

Susana, I'm Adrian. I'm going to answer the first question regarding the restructuring. As you know, this is probably the last step of our restructuring plan that started many years ago. Remember, even -- we are talking about the 2000s. This last step of this restructuring plan was basically the reverse merge of TIM Participações into TIM S.A. because it was -- the only asset that TIM Participações had until the closing was 100% of TIM S.A. So it will -- naturally, it was the step that we needed to take. Then it clearly has significant benefits in terms of interest on capital distribution.

You know very well that at each step of the structure, you need to pay (inaudible) for every distribution of IOC. Since we restarted the distribution of IOC in 2017, this was the natural movement. So you can make the calculation considering the levels of IOC that we are distributing.

Then it has obviously some other cost savings. You're always having different companies have -- inter-companies' OpEx that you can cancel. So it's interesting because you have significant levels of savings. We are talking of a large amount of money. So -- but the calculations are pretty easy, considering the levels of IOC going forward. Since we always said that we will try to maintain these levels of IOC, it's -- the math sits -- it's over there.

Then I'm going to leave to Pietro for the second question regarding C6.

Pietro Labriola - TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director

About C6. In this first phase, we have worked mainly on Control, and it was efficient, which -- that was very useful for both side to better understand the organization, the process. And so now we are doing some fine tuning because we continue to see real good opportunity from this kind of partnership that have to be enlarged to the postpaid. Because until today, as I was mentioning, we have been working mainly on the Control.

On the postpaid, there are huge opportunity. And we'll try to launch something by the end of this year for TIM Black Família. But also on the pre because also on the pre, there are important opportunity that we can catch.

But what is also real important and in this case, I cannot say that we plan for that. Sometimes, it's also important to be lucky. We found to create this partnership in the right time because due to the COVID, but also due to the revolution of the open bank, we are in the window of opportunity of this market. I think that you are experiencing the amount of advertising that everybody are doing on picks on the TV. That is something that until 3 months ago, no one know.

So this is the time on which all the customer have to evaluate or it's -- or better, who don't have yet an Internet banking app, this is the time to do that. And this is the time to switch. And for this reason, this is the right time that could allow us to further improve our partnership and our positioning. Because it's important that this is a way also, from the marketing point of view, to avoid competition just based on gig and price but on level of services.

Then about the impact of this partnership. It's clear that when we will show the number of the plan for the next year, we will be able to sure give some more colors about the impact on the revenues and the possibility of valorization of the free stake -- minority stake in the C6 that will happen in the following months.

But again, it's an opportunity. And perhaps, we were clever to perceive that financial services was an important area of evolution, but we were a little lucky to get the right time. For sure, we didn't plan the COVID. That was an accelerator for the digitalization also in the financial environment of all the customer base.

Operator

(Operator Instructions) Our next question comes from Mr. Rodrigo Villanueva from Bank of America.

Rodrigo Villanueva - BofA Merrill Lynch, Research Division - VP

With CapEx-to-sales at around 19% so far this year, I mean, I was wondering if you expect to see a significant increase in 2020, particularly to develop the wireless projects that have been delayed at this point and also particularly considering that we'll have 5G spectrum auctions potentially in the first half of the year. That will be my first question.

Adrian Calaza - TIM Participações S.A. - CFO, Investor Relation Officer & Member of Board of Statutory Officers

Rodrigo, Adrian again. Regarding the CapEx levels on revenues, maybe we will be closing probably this year something around 20%. And at the end, we will be very near the level that we defined in our plan for 2020. We are having a good performance also in terms of EBITDA so this helped a lot. Remember that we always made a lot of emphasis about our main target being the EBITDA minus CapEx. So we will be very near what we defined at the beginning of this year.

Talking about 2021. I won't say it's completely different from the situation of this year. You could see some additional effort, considering that we need to continue to increase infrastructure, that we need some additional effort also, considering the arrival of the 5G probably, but nothing different of what you've been seeing in these levels of '20 or '21 or probably '22. But we are not expecting any spike on CapEx next year.

At the same time, we think that we can maintain this -- as Pietro has mentioned, this actual level of EBITDA. So we always try to look the company considering the level of cash flow. If these levels of cash flows allow us to make the additional efforts of CapEx, we will be doing it as we did in the last 4 or 5 years.

Rodrigo Villanueva - BofA Merrill Lynch, Research Division - VP

Adrian, very clear. And then secondly, regarding the infrastructure sharing agreement with Vivo, I mean, I know you already provided some update, but I was wondering if it's possible to share with us potential savings related to this.

Adrian Calaza - *TIM Participações S.A. - CFO, Investor Relation Officer & Member of Board of Statutory Officers*

Yes. For us, it was a huge step, the network sharing agreement, not only for the possible savings that this will bring. Probably more CapEx and OpEx avoidance rather than save -- than actual savings. But the thing is that probably (inaudible) over here that -- about the cooperation between the operators.

This being said, we are expecting to end this year already with almost 200 sites, each site on the 4G cooperation. We already started the trials with the 2G single network. This is also important, considering the spaces that we are using in the sites. We were discussing internally this morning about what we need to do in terms of additional antennas, in terms of additional electronics on each site. So the commissioning part of our network is extremely important.

But again, yes, there is some OpEx savings, but this agreement is more looking forward in order to OpEx and CapEx avoidances. We are pretty happy with -- on how the project is going. We think that we can also enter in the third -- into the third phase next year, as it was projected.

Rodrigo Villanueva - *BofA Merrill Lynch, Research Division - VP*

Understood. And finally, if I may, regarding the potential to see Huawei banned from 5G in Brazil. I mean it would be very interesting to hear your thoughts on this respect, also considering that you have been doing some pilot testing with Open RAN. So any color on this would be very helpful.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Thank you, Rodrigo. I think that you mentioned some important element, but I want to share with you, to be very clear, the experience that comes from what's happened throughout the world. To be clear, we didn't see any kind of retroactivity in this banning. So we are discussing on something that could have impact on the 5G if it will happen. But in the meantime, the fact that we are acting as a leader in this moment for the Open RAN could solve a good part of the possible and potential problem that can come from the necessity to have just one single RAN technology. But again, I leave the stage to Mario to add some more color on that.

Mario Girasole - *TIM Participações S.A. - Regulatory & Institutional Affairs Officer and Member of Board of Statutory Officers*

(inaudible)

Operator

Our next question comes from...

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

No. Hello? Just a second. That's Mario...

Mario Girasole - *TIM Participações S.A. - Regulatory & Institutional Affairs Officer and Member of Board of Statutory Officers*

You have Mario speaking, sorry. Thank you for the question. Just to complement, we -- of course, we are following the debate here in Brazil. So there is an international debate. But 2 things -- 2 facts are relevant. First of all, no decision have been taken. And so of course, we are in contact with all the institution regulators to have the best fit solution for Brazil. That should be an industrial solution, of course.

And on the other side, exactly, we are talking only of 5G. And in our opinion, this reinforce even more the idea to have a 5G architecture in an Open RAN and stand-alone that this create a sort of decoupling between the 4G layer and the 5G layer. This give, I think, the assurance that we are talking only to organize the future and not to reorganize the past.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

(technical difficulty)

Rodrigo, or do you have some more gaps? Because I think that this is an important element and I prefer to discuss and clarify all the element because we don't see [threats] from that. Because as I mentioned, throughout the world, no one asked for a retroactivity because there's no country that can take the risk to this month or what was installed to be changed because the amount of money that it could request should be repassed to the customer base in terms of price. And in a moment that telecommunication is becoming -- not telecommunications, connectivity is becoming something that is a must for your professional and personal life, no one can risk to repass to the customer this kind of cost.

I think that the way out could be to move from the stand-alone solution to the Open RAN. That will reduce all the different discussion. This is the reason for which we were the first one to move in this direction, trying to accelerate that. And they see that as an opportunity for the country to be...

(technical difficulty)

Operator

Ladies and gentlemen, please stay connected. TIM's conference call will return in some minutes.

Our next question comes from Mr. Luis Fernando Azevedo from Safra.

Luis Fernando Azevedo - *J. Safra Corretora de Valores e Cambio Ltda, Research Division - Research Analyst*

Just a quick follow-up on Susana's questions on the partnership with C6. So I would like to know if you could elaborate a little on what would be the thresholds in order to receive a participation on the bank? And if it's possible, what could be the size of that?

Hello, can you hear me?

Operator

(Operator Instructions) Ladies and gentlemen, please stay connected. TIM's conference call will return in some minutes.

(technical difficulty)

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

We are back. Let's start again with the question. Sorry for the issue.

Operator

We can proceed with the press questions, please.

Vicente Ferreira - *TIM Participações S.A. - IR Officer*

The first question from press comes from Rodrigo Carro from Valor newspaper. He asked about a possible delay in the process of choosing a partner for the fiber enterprise. And what is the new prediction compared to the first one made? Also, Bruno Amaral from TELETIME also asking about the first binding offers related to the same FiberCo business.

So please, Adrian, if you can address those 2 points. Thank you.

Adrian Calaza - *TIM Participações S.A. - CFO, Investor Relation Officer & Member of Board of Statutory Officers*

Yes. Regarding the timing of the project, we're pretty in line with what we announced at the beginning of this year, that this should happen by the end of this -- of 2020, beginning of 2021. We are full on track. We already received nonbinding offers. We are already discussing with the different companies that are interested.

So again, if there is some delay, we are discussing of a month or couple of months. It's normal that this can happen. It's nothing that we are worried about, considering also that we will probably have the signing, hopefully, of Oi by the end of this year.

So again, it's -- we are on track. And hopefully, we can arrive to a decision by the end of this year or the beginning of next year.

Yes. On -- regarding the first nonbinding that we received, they are probably above -- even above some of our expectations. This means that there is a lot of interest in these kinds of vehicles. The infrastructure will be key in the future. And this also answers the previous question considering -- or regarding the possibility of have too many project of this kind.

So it's interesting because we even received not only different nonbinding offers for a specific design of the project, but we also received some others with different designs for this infrastructure vehicle. So this is what makes this interesting. There will be a lot of work to do, but we are pretty happy with what we already have.

Vicente Ferreira - *TIM Participações S.A. - IR Officer*

This is Vicente again with the next question from Bruno Amaral again from TELETIME [Porto.] He asked, is -- if -- is there any negotiation to offer Disney+ or any other OTT platform in the near future?

Alberto Griselli - *TIM Participações S.A. - Chief Revenue Officer & Member of Board of Statutory Officers*

Bruno, this is Alberto speaking. Yes, we are always negotiating with the main OTT providers in the marketplace. We were the first one to bundle Netflix in June last year. And we are engaging -- as a matter of fact, we got some news coming up. So next week, we are going to announce a new set of a high-profile partnership in the market for our value-add, value-high customers. And equally important, we are allowing our customer to choose among the different content providers. So the answer is yes, and we're going to have more news coming up for next week.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Bruno, Pietro speaking. Without giving away too many details about who we are talking with, I think what is important is that we have defined a platform, what we call the entertainment hub or marketplace, that allows all the content provider to have the possibility to offer their content to customers that not necessarily are customers with a credit card. Because as are -- we state better in our next year plan is that we want to act as a customer platform with a customer base with the capacity to bill -- be -- I'm sorry, I would like have billion of customer. Opportunity is still with million -- million of customers with a sales channel. We have now a call center that allow -- in an automatic way to answer.

So we are more than open to deal with a content provider that want to enlarge their customer base. Really, they start to want to offer package, mainly mobile, as happened, for example, in India. But we will not stop our development in just the content. We want to work also on the bigger segment, adding in our TIM Black Família that will become TIM Black Família and [Pré Top,] also elements that are important for the biggest customer. So I think that it's important to state this concept of this customer platform strategy that will be one of the key elements of the next year plan.

Vicente Ferreira - *TIM Participações S.A. - IR Officer*

Vicente again speaking with the last question from press from Gabriela Mello with Bloomberg. So she's (inaudible) to Pietro. Pietro, could you elaborate a bit further on the prospects for 4Q profit in 2021? Does the company sees revenue growth accelerating in the coming months while operating costs continue to be under control?

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

Yes. What we expect, also looking at the speed of the third quarter and the continuous improvement of our commercial KPI and the revenues KPI is giving us the sense that the fourth quarter will be better than the third one. Cost will be under control. Our target is to continue to perform with something above 47% in terms of EBITDA.

But again, I want to stress, we are delivering in the year of the COVID the target that in our plan was for the '22. It's clear that we best fit the image, a further improvement for the 2021. But this is something that we will discuss more in details in the following months when we'll present our new 3-year plan.

Operator

Ladies and gentlemen, without any more questions, I'm returning to Mr. Pietro Labriola for his final remarks. Please, Mr. Pietro, you may proceed.

Pietro Labriola - *TIM Participações S.A. - CEO, Member of Board of Statutory Officers & Director*

TIM Brasil, once again, showed it has a very solid fundamentals. We deliver on the promises we make, and we have solid plans beyond our action. As I always say, being focused and agile are key to reaching our goals. Additionally, I invite you to pay more attention to our strategic initiatives that go beyond the core as they are starting to materialize and will become very important in our growth engine. I'd also like to thank the dedication and commitment of our team who is delivering great results and took our employee engagement level to 85%, among the 10% best company in Brazil.

Thank you for participating in our conference call. Stay safe and healthy. I hope we can virtually meet soon, and I hope also personally, in the upcoming events we will be doing with the financial market. Thank you.

Operator

This will conclude the third quarter of 2020 conference call of TIM Participações. Your lines can be disconnected from now on. For further information and details of the company, please access our website, ri.tim.com.br. Thank you.

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