

TIM

Alert

3Q22 results

PLNm	3Q 2021	3Q 2022	y/y	PKO Securities 3Q 2022	Diff.
Revenue	348,2	364,4	5%	368,1	-1%
EBITDA	42,3	31,7	-25%	38,3	-17%
EBIT	36,6	26,0	-29%	32,3	-19%
Net profit	29,6	16,0	-46%	24,0	-33%
EBITDA margin	12,1%	8,7%		10,4%	
EBIT margin	10,5%	7,1%		8,8%	
Net margin	8,5%	4,4%		6,5%	

Source: PKO Securities

- The group's revenue was in line with our estimates based on monthly reports.
- Operating costs came as a positive surprise: they were lower than we had expected despite the unfavourable macro environment.
- Gross margin proved to be lower than our assumptions (20.3%, 3.6pp lower q/q, 1.4pp lower y/y, and nearly 2pp lower than our forecast). As a result, this difference significantly affected the divergence of our forecasts at the level of EBIT, EBITDA, and net profit.
- In our opinion, gross margin in 3Q was still relatively high (17% in 2018, 18% in 2019, 19% in 2020, 21% in 2021; the record gross margin of 24% was reported last quarter). The decline in margin per se, however, does not surprise us (in our 2023-2024 forecasts we assume it will stabilise at around 19%).
- The level of financial costs also turned out higher than we had expected.
- The situation was also worse with respect to working capital, which rose to PLN 197m (up by PLN 28m q/q) due to repayment of liabilities. TIM maintained its net cash position at the end of the quarter.
- **To conclude: TIM's results proved weaker than we had expected. If the group maintains the current margin level (or if that level still decreases) in 4Q22, achieving FY2022 results in line with our forecasts may prove a challenge.**

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Explanation of the specialist terminology used

min (max) 52 weeks: minimum (maximum) of the market share price during the previous 52 weeks

Capitalisation: product of the share market price and the number of shares

EV: sum of the company's capitalisation and net debt

free float (%): share of the total number of shares decreased by 5% stakes held by one shareholder and own shares held by the company in the total number of shares

Average trading/month: average trading per month calculated as total trading value over previous 12 months divided by 12

ROE: rate of return on equity

ROA: rate of return on assets

EBIT: operating profit

EBITDA: operating profit + depreciation and amortization

EPS: earnings per share

ESG: a non-financial measure used for evaluating companies on how advanced they are with sustainability. It consists of environmental, social, and governance factors. The more sustainable business, the higher the PKO Securities ranking (score scale: 1-10).

DPS: dividend per 1 share

CEPS: sum of net profit and depreciation and amortization per 1 share

P/E: quotient of share market price and EPS

P/BV: quotient of share market price and book value of one share

EV/EBITDA: quotient of capitalisation increased by the company's net debt and EBITDA

Gross sales margin: relation of gross sales profit to net sales proceeds

EBITDA margin: relation of the sum of operating profit and depreciation to net sales proceeds

EBIT margin: relation of operating profit to net sales proceeds

Net profitability: relation of net profit to net sales proceeds