

TIM (TP: PLN 54.3)

3Q2022 results: weaker than the two previous quarters, lower y/y

- The dynamics of revenue growth clearly weakened (+5% in the TIM cons. and 4% in TIM SA), although it was not a surprise considering the current reports informing about monthly results.
- The gross margin on goods in TIM SA decreased (to 20%, compared to 21.7% in 3Q2021 and 24.7% in 2Q2022), which resulted in a decrease in gross profit on goods to approx. PLN 70 million (-4% y/y, -18% q/q).
- General costs amounted to PLN 60 million in the entire Group (+19% y/y, -4% q/q), which means that they showed a higher dynamics than gross profit, which resulted in a decrease in both EBIT and EBITDA.
- We would like to draw attention to the large increase in financial costs (balance in Q3 at the level of PLN -6.3 million), which was due to higher interest, but above all higher exchange rate differences resulting from the valuation of the financed currency liabilities (leasing in 3LP).
- The net debt at the end of the period was higher (mainly the valuation of leasing liabilities at a higher EUR/PLN).
- Inventories (PLN -61.5 million) and receivables (PLN -5 million) decreased significantly, but at the same time the level of trade liabilities was reduced (PLN -73 million). As a result, the net working capital (NWC) increased again, this time by approx. PLN 7 million.
- In Q3, TIM paid a dividend (PLN 26.6 million), which additionally contributed to an increase in net debt.
- At TIM SA, the realization of our forecasts at the level of 75-88% allows us to hope that the plan will be implemented. The situation is worse on a consolidated basis, which is due to the weaker results of the 3LP (lower than expected margin, higher financial costs). Achieving PLN 105 million of consolidated net profit will be a big challenge, currently PLN 90 million seems more realistic.

Selected financial data (PLNm) - consolid.	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	348.2	363.8	410.0	362.5	364.4	5%	1 314.3	1 479.4	13%	77%
Gross profit from sales	86.5	90.7	100.5	101.6	86.1	0%	331.3	408.9	23%	70%
margin	25%	25%	25%	28%	24%		25%	28%		
SG&A costs	50.5	61.6	59.0	62.3	60.0	19%	211.9	274.1	29%	66%
% sales	15%	17%	14%	17%	16%		16%	19%		
Other operating revenues and expenses	1.1	-0.2	0.0	0.0	0.0		2.2	0.0		
EBIT	37.0	28.9	41.4	39.3	26.0	-30%	121.6	134.8	11%	79%
margin	11%	8%	10%	11%	7%		9%	9%		
EBITDA	42.8	34.8	47.3	45.2	31.7	-26%	144.6	166.5	15%	75%
margin	12%	10%	12%	12%	9%		11%	11%		
Depreciation and amortization	5.8	5.9	5.8	5.9	5.7	-2%	23.0	31.7	38%	55%
Financial income and costs	-3.3	-1.1	-2.3	-2.7	-6.3		-5.9	-5.7		
Reported net profit	26.6	22.2	31.2	29.1	16.0	-40%	91.8	104.6	14%	73%
margin	8%	6%	8%	8%	4%		7%	7%		
Repeatable net profit	26.6	22.2	31.2	29.1	16.0	-40%	90.8	104.6	15%	73%
margin	8%	6%	8%	8%	4%		7%	7%		
Net debt	98.1	73.2	45.0	85.2	114.6	17%	73.2	86.0	18%	133%
Oper. CF	0.2	57.2	37.2	-3.4	22.4	10077%	67.1	88.2	31%	64%
CAPEX	1.4	3.7	1.2	2.2	3.4	150%	5.8	70.0	1113%	10%
P/E	9.4	8.2	6.3	5.9	6.2		6.6	6.1		
EV/EBITDA	6.3	5.6	4.3	4.3	4.6		4.7	4.5		
Selected financial data (PLNm) - parent	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	335.2	347.4	393.2	344.7	349.5	4%	1 252.3	1 479.4	34%	74%
EBITDA	34.0	27.1	39.6	38.8	25.9	-24%	108.7	119.7	111%	87%
Reported net profit	26.3	20.2	30.7	30.0	19.8	-25%	82.5	91.1	129%	88%

Source: TIM, F - Noble Securities forecast

Companies' results

The sales of TIM SA in the third quarter of 2022 maintained an upward trend, although the dynamics decreased significantly (+5% vs +50% in Q1 and +11% in Q2), reflecting the downturn in the market. The marked drop in the margin on goods should be assessed negatively (to approx. 20%, after 5 quarters of a much higher profitability), which, in our opinion, may mean the end of the favourable situation on goods lasting for over a year, resulting, among others, from rising raw material prices (e.g. copper). The increase in general costs accelerated (+19% y/y), clearly above the margin change rate (-4% y/y). The balance of other activities and the balance of "cash" did not have a significant impact on the final result at TIM SA.

There is a regression in the 3LP logistics company. Although this entity showed 11% an increase in sales to customers from outside the Group (to approx. PLN 15 million), but this is a rather disappointing result for us, our full-year forecasts assume +25%. The EBITDA profit decreased to approx. PLN 5.8 million (-25% y/y), and the net loss increased to approx. PLN 4 million (high financial costs).

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FINAL REMARKS

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Last recommendation on TIM SA						
Recommendation / update	na	na	na	na	na	na
Publication date	31.01.2020	26.06.2020	02.12.2020	05.05.2021	14.10.2021	06.06.2022
Price at publication	11.4	10.9	16.2	28.4	42.6	33.5
Price target	17.3	17.1	27.3	39.6	62.3	54.3
WIG at publication	56 923.36	49 725.89	53 983.67	59 960.14	74 524.78	57 588.03

All recommendation distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
MO-BRUK	Buy	371.7	293.0	281.00	32%	26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30.5	30.6	37.74	-19%	20.10.2022	9M	Michał Sztabler
Selvita	Accumulate	97.5	86.0	82.60	18%	20.10.2022	9M	Krzysztof Radojewski
Ailleron	n/a	17.5	12.0	12.80	37%	17.10.2022	24M	Dariusz Dadej
MCI Capital	n/a	29.6	16.1	16.25	82%	07.10.2022	24M	Krzysztof Radojewski
Bioton	n/a	4.7	3.8	3.34	40%	06.09.2022	24M	Krzysztof Radojewski
Dino Polska	Reduce	286.8	351.5	368.00	-22%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13.0	12.1	12.31	6%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69.7	71.4	75.00	-7%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4.9	5.5	6.75	-27%	12.07.2022	9M	Michał Sztabler
Krynicky Recykling (4)	n/a	20.9	22.6	22.70	-8%	04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163.0	116.0	188.00	-13%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29.3	14.9	14.90	97%	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21.7	13.2	14.68	48%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51.8	23.5	41.50	25%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Suspended	nd				24.06.2022	9M	Maciej Kietliński
Ten Square Games	Suspended	nd	117.0			24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12.2	14.8	15.30	-20%	06.06.2022	9M	Michał Sztabler
Aplisens	n/a	16.0	14.1	13.30	20%	06.06.2022	24M	Michał Sztabler
Sonel	n/a	10.2	9.8	9.60	6%	06.06.2022	24M	Michał Sztabler
TIM	n/a	54.3	31.4	29.00	87%	06.06.2022	24M	Michał Sztabler
11 bit studios	Suspended	nd	502.0			18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38.9	33.0	22.90	70%	13.05.2022	9M	Dariusz Dadej
MCI Capital	n/a	33.1	19.0			02.05.2022	24M	Krzysztof Radojewski
Bioton	n/a	7.2	4.1			19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96.2	78.5			08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500.9	398.0			07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Suspended	nd	10.1			28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42.2	24.8			16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Suspended	812.0	700.0			15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57.9	55.6			11.03.2022	9M	Michał Sztabler
Tauron PE	In update	3.5	2.7	2.04	73%	10.03.2022	9M	Michał Sztabler
Ailleron	n/a	19.1	11.4			03.03.2022	24M	Dariusz Dadej
BoomBit	Suspended	nd	18.3			04.02.2022	9M	Maciej Kietliński
Krynicky Recykling (4)	n/a	31.8	19.6			05.01.2022	24M	Dariusz Dadej
Sonel	n/a	11.8	10.6			22.12.2021	24M	Michał Sztabler
CD Projekt	Suspended	nd	193.0			21.12.2021	9M	Maciej Kietliński
Dino Polska	Reduce	295.0	338.0			03.12.2021	9M	Dariusz Dadej
Eurocash	Accumulate	12.2	10.9			03.12.2021	9M	Dariusz Dadej
Apator	Hold	19.1	18.7			29.11.2021	9M	Michał Sztabler

(1) Date of publication is simultaneously date of first publication,

(2) recommendation is valid for a period of 9 months, unless it is previously updated,

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