TIM (TP: PLN 62,3)

FY2021 results: the best year in the company's history

- **TIM's results for 4Q2021 indicate that the favourable trends from previous periods are sustained. The company achieved a similar margin level, and the reduction q/q operating profit was affected by higher operating expenses.**
- **The margin on goods in the retail segment fell for the second consecutive quarter, but its level recorded in Q2'2021 (23%) was difficult to maintain. Despite this, the result in the fourth quarter at the level of 21% (similar to the whole year) is still very good.**
- **The increase in operating costs in Q4 is typical for TIM's operations (including the payment of bonuses and other rewards increasing salary expenses).**
- **The negative balance from financial operations is this time mainly interest costs, with no significant impact of other items (eg exchange rate differences).**
- **The high operating CF in the last quarter is mainly the result of a reduction in working capital (PLN -25 million q/q). Inventories decreased by PLN 25 million, while the decrease in receivables (PLN -10 million) was compensated by lower trade liabilities (PLN -10 million). Throughout the year, the expenditure on working capital amounted to approx. PLN 60 million (of which approx. PLN 40 million is an increase in inventories).**
- **CAPEX in 4Q2021 increased, but was still insignificant (PLN 4 million). Throughout the year, capital expenditure amounted to less than PLN 6 million.**
- **In 4Q2021, TIM made an advance payment for the dividend for 2021 (PLN 26.6m), but high cash inflows in this period allowed to finance it with own funds.**
- **Debt was also reduced. At the end of the year, net debt dropped to PLN 73 million (mostly in the subsidiary 3LP - long-term lease; the group had no credit debt).**
- **The results of the TIM Group in 2021 were slightly better than our forecasts (a difference of a few %). TIM SA did better (approx. + 10% deviation), and 3LP a bit worse.**

Selected financial data (PLNm) - consolid.	4Q20	1Q21	2Q21	3Q21	4Q21	y/y	Cons.	2020	2021	y/y	% NS forecast
Revenues from sales	**303.5**	**274.4**	**328.0**	**348.2**	**363.8**	**20%**	**362.5**	**1 064.9**	**1 314.3**	**23%**	**102%**
Gross profit from sales	70.9	66.2	88.0	86.5	90.7	28%		239.7	331.3	38%	100%
margin	23%	24%	27%	25%	25%			23%	25%		
SG&A costs	53.1	47.2	52.6	50.5	61.6	16%		187.5	211.9	13%	98%
% sales	17%	17%	16%	15%	17%			18%	16%		
Other operating revenues and expenses	6.4	0.1	1.3	1.1	-0.2			6.1	2.2		
EBIT	**24.2**	**19.1**	**36.6**	**37.0**	**28.9**	**19%**	**0.0**	**58.3**	**121.6**	**108%**	**103%**
margin	8%	7%	11%	11%	8%			5%	9%		
EBITDA	**30.0**	**24.7**	**42.3**	**42.8**	**34.8**	**16%**	**33.4**	**80.5**	**144.6**	**80%**	**102%**
margin	10%	9%	13%	12%	10%			8%	11%		
Depreciation and amortization	5.8	5.6	5.7	5.8	5.9	1%		22.1	23.0	4%	96%
Financial income and costs	-3.9	-2.3	0.8	-3.3	-1.1			-13.8	-5.9		
Reported net profit	**17.3**	**13.5**	**29.6**	**26.6**	**22.2**	**29%**	**0.0**	**37.1**	**91.8**	147%	**102%**
margin	6%	5%	9%	8%	6%			3%	7%		
Repeatable net profit	**12.0**	**13.5**	**28.5**	**26.6**	**22.2**	**85%**		**31.9**	**90.8**	185%	**103%**
margin	4%	5%	9%	8%	6%			3%	7%		
Net debt	**81.0**	69.4	78.1	98.1	**73.2**	-10%		81.0	**73.2**	-10%	59%
Oper. CF	6.7	14.5	-4.8	0.2	57.2	752%		38.8	67.1	73%	267%
CAPEX	5.5	0.7	-0.1	1.4	3.7	-33%		12.2	5.8	-53%	96%
P/E	**27.8**	**22.4**	**16.4**	**13.9**	**12.2**			**27.8**	**10.4**		
EV/EBITDA	**13.1**	**12.0**	**10.0**	**8.9**	**7.9**			**13.1**	**7.5**		
Selected financial data (PLNm) - parent	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**y/y**	**Cons.**	**2020**	**2021**	**y/y**	**% NS forecast**
Revenues from sales	263.8	258.4	311.3	335.2	347.4	32%		935.7	1 252.3	34%	103%
EBITDA	**20.2**	**16.2**	**31.4**	**34.0**	**27.1**	**34%**		**51.5**	**108.7**	**111%**	**110%**
Reported net profit	12.7	11.9	24.1	26.3	20.2	59%		36.0	82.5	129%	111%

Source: TIM, F - Noble Securities forecast

Companies' results

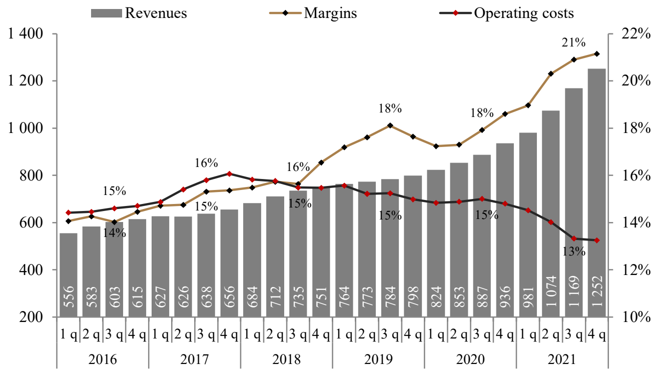
The sales of TIM SA in the fourth quarter of 2021 remained very good, as the company still benefited from the growing demand for construction materials, especially in retail and e-commerce. Revenues increased by 34% y/y, and the margin on goods amounted to 21.0% (slightly worse q / q, but still much higher y/y). General costs remain under control, their growth (+27% y/y) was lower than the sales growth rate and lower than the margin increase (+40% y/y). The balance of other activities and the balance of financial operations did not have a significant influence on the final result at TIM SA.

From 1Q2021, the results of the Rotopino company, sold in December 2020, have been discontinued.

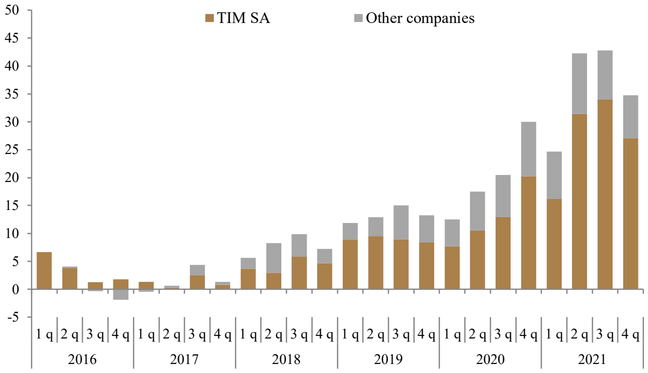
The revenues in the logistics company are systematically growing, although the high dynamics of turnover growth in TIM SA forced the redirection of a significant part of 3LP resources to servicing the parent company, limiting the potential to increase revenues from customers outside the group. In Q4 alone, external sales of the logistics company amounted to approx. PLN 16 million (+11% y/y), the EBITDA result decreased to approx. PLN 7.7 million in 4Q2021 (-13% q/q), and the net sales amounted to approx. 2 million PLN. In the whole of 2021, sales outside the group exceeded PLN 62 million (+50% y/y), with approx. PLN 142 million of total revenues (+24%), EBITDA increased to PLN 35 million (+46%), and the net profit up to approx. PLN 9 million..

Increase in revenues ana margins, costs under control

TIM: Revenues, margins and operating costs (LTM, PLNm)



TIM cons.: EBITDA by company (PLNm)



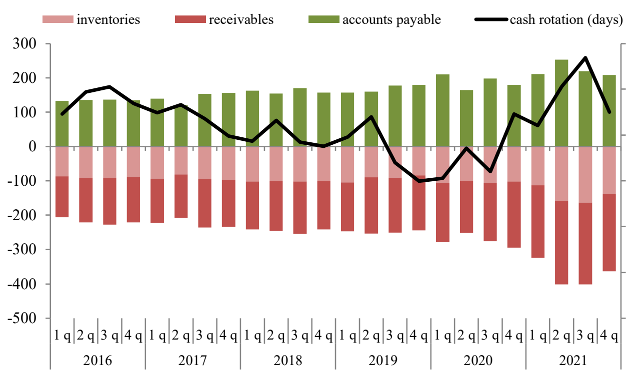
Source: TIM, Noble Securities

Decrease in net working capital allowing for debt reduction

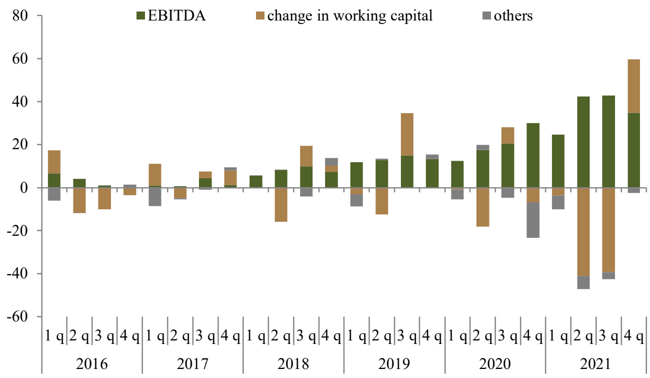
In 4Q2021, TIM slightly lowered the level of inventories (PLN -25 million q/q). Receivables decreased by PLN 10 million compared to the end of September '21, as did trade liabilities. The result of these changes was a decrease in expenditure on working capital (-25 million PLN), and the cash rotation rate decreased to 45 days (level at the turn of 2020/21).

Cash conversion cycle

TIM: Working capital and cash conversion cycle (PLNm)



TIM cons.: quarterly structure of the Operational CF (PLNm)



Source: TIM, Noble Securities

The quarterly value of the operating CF was the highest in history and it shows well the significant impact of the change in working capital on the generated cash flow from core business. High cash inflows in the fourth quarter allowed to finance a slightly higher CAPEX (PLN 4 million), advance payment of dividends in December (PLN 1.2/share, in total PLN 26.6 million) and to reduce debt (PLN -15 million q/q). Net debt decreased to PLN 73 million (DN/EBITDA = 0.5x).

IPO of the subsidiary 3LP

The public offering of 3LP will cover no more than 15.9 million of newly issued shares with the intention of obtaining approx. PLN 104 million gross, approx. PLN 100 million net). The company plans investments in the field of warehouse automation, equipment and IT equipment, development of managed warehouse space and investments in environmental protection.

Issue schedule:

publication of the maximum price	May 9th
the beginning of book building	May 10th
publication of the final issue price	May 17th
subscriptions in the tranche of individual investors	May 10-17th
subscriptions in the tranche of institutional investors	May 18-23rd

Source: TIM SA

Institutional investors will be allocated 80% of all offered shares, and individual investors the remaining 20%. After the offer, the new shares will constitute 21.2% of the company's share capital (and the same number of votes at the general meeting). Currently, the only shareholder of 3LP is TIM SA.

In TIM's balance sheet, the package of 3LP shares is valued at approx. PLN 60 million. Assuming the full success of the offer and obtaining the planned PLN 100 million from investors, the market value of this package will amount to approximately PLN 400 million. Until the possible sale of the remaining 3LP shares, these assets will be valued in the balance sheet at the purchase price (ie PLN 60 million). Therefore, you should not expect any extra profits from the revaluation of the assets.

Last valuation: PLN 62.3 / share on 14/10/2021. Price on the issue date PLN 42.6.

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Comparative method - is based on a comparison of valuation multipliers of companies in the inaustry in which the rated entity operates. This method very well reflects the current state of the market, requires fewer assumptions ana is simpler to apply (relatively high availability of inaicators for compared entities). Its disadvantages include high volatility related to price fluctuations ana stock exchange inaices (in the case of comparison to listed companies), subjectivism in the selection of a group of comparable companies ana simplification of the company image leading to the omission of some important parameters (eg growth rate, corporate governance, non-operational assets , differences in accounting stanaards).

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FINAL REMARKS

Analyst preparing the Report: Michał Sztabler
Date ana time of completion of the Report: 26/04/2022 at 15.00. Date ana time of the first dissemination of the Report: 26/04/2022 at 15.10.

NS is subject to the supervision of the Polish Financial Supervision Authority.

Last recommenaation on TIM SA						
Recommenaation / update	na	na	na	na	na	na
Publication date	16.06.2019	31.01.2020	26.06.2020	02.12.2020	05.05.2021	14.10.2021
Price at publication	9.8	11.4	10.9	16.2	28.35	42.6
Price target	14.1	17.3	17.1	27.3	39.55	62.3
WIG at publication	52 344,83	56923.36	49725.89	53983.67	59 960,14	74524.78

All recommenaation 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)
Bioton	na	7.2	4.1	4.06	76%	19.04.2022	24M	Krzysztof Radojewski
Selvita	BUY	96.2	78.5	78.70	22%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	BUY	500.9	398.0	398.50	26%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	BUY	13.2	10.1	8.68	52%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	BUY	42.2	24.8	23.80	77%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	BUY	812.0	700.0	688.00	18%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	HOLD	57.9	55.6	51.70	12%	11.03.2022	9M	Michał Sztabler
Tauron PE	BUY	3.5	2.7	3.17	12%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19.1	11.4	11.75	63%	03.03.2022	24M	Dariusz Dadej
BoomBit	BUY	22.9	18.3	14.92	53%	04.02.2022	9M	Maciej Kietliński
Krynicki Recykling	na	31.8	19.6	22.60	41%	05.01.2022	24M	Dariusz Dadej
Sonel	na	11.8	10.6	10.45	13%	22.12.2021	24M	Michał Sztabler
CD Projekt	REDUCE	176.4	193.0	130.72	35%	21.12.2021	9M	Maciej Kietliński
Dino Polska	REDUCE	295.0	338.0	315.60	-7%	03.12.2021	9M	Dariusz Dadej
Eurocash	ACCUMULATE	12.2	10.9	12.58	-3%	03.12.2021	9M	Dariusz Dadej
Apator	HOLD	19.1	18.7	18.16	5%	29.11.2021	9M	Michał Sztabler
OncoArendi	BUY	48.1	38.4	27.30	76%	16.11.2021	9M	Krzysztof Radojewski
Amica	ACCUMULATE	157.6	131.6	93.30	69%	18.10.2021	9M	Michał Sztabler
Ten Square Games	BUY	549.3	382.6	165.70	231%	18.10.2021	9M	Maciej Kietliński
TIM	na	62.3	42.6	37.55	66%	14.10.2021	24M	Michał Sztabler
Forte	HOLD	51.5	53.5	37.50	37%	11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41.2	22.5	18.85	119%	07.10.2021	24M	Krzysztof Radojewski
Wielton	HOLD	13.4	12.4	7.25	84%	28.09.2021	9M	Michał Sztabler
Ryvu Therapeutics	ACCUMULATE	71.7	51.4	41.90	71%	23.09.2021	9M	Krzysztof Radojewski
Bioton	na	7.7	5.0			09.09.2021	24M	Krzysztof Radojewski
Ailleron	na	25.2	13.7			02.09.2021	24M	Dariusz Dadej
Aplisens	na	17.8	13.1	13.30	34%	31.08.2021	24M	Michał Sztabler
11 bit studios	HOLD	455.3	460.2	529.00	-14%	27.08.2021	9M	Maciej Kietliński
Sonel	na	15.2	11.8			16.08.2021	24M	Michał Sztabler
Celon Pharma	BUY	59.4	39.3			12.08.2021	9M	Krzysztof Radojewski
LW Bogdanka	ACCUMULATE	29.3	24.9			05.08.2021	9M	Michał Sztabler
Krynicki Recykling	na	32.9	20.0			13.07.2021	24M	Dariusz Dadej
Creepy Jar	BUY	977.0	836.0			09.07.2021	9M	Maciej Kietliński
Selvita	HOLD	87.0	84.0			30.06.2021	9M	Krzysztof Radojewski
Dino Polska	REDUCE	253.7	269.0			22.06.2021	9M	Dariusz Dadej
Aplisens	na	17.5	12.8	13.30	32%	08.06.2021	9M	Michał Sztabler
Boombit	BUY	32.1	26.4			26.05.2021	9M	Maciej Kietliński
MCI Capital	na	30.9	19.2			14.05.2021	24M	Krzysztof Radojewski
Krynicki Recykling	na	25.1	19.8			10.05.2021	24M	Dariusz Dadej
Eurocash	ACCUMULATE	16.6	14.4			06.05.2021	9M	Dariusz Dadej
OncoArendi	HOLD	50.0	49.1			06.05.2021	9M	Krzysztof Radojewski
TIM	na	39.6	28.4			05.05.2021	24M	Michał Sztabler
Artifex Mundi	BUY	23.1	17.0			04.05.2021	9M	Maciej Kietliński

(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,

(3) Job position: Krzysztof Radojewski – Senior Analyst, Michał Sztabler – Equity Analyst, Dariusz Dadej - Equity Analyst, Maciej Kietliński - Equity Analyst

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