

## TIM (TP: PLN 54.3)

### 2Q2022 results: positive trends maintained

- Sales dynamics higher in TIM SA (+11% y/y, according to the company's monthly sales reports) than in 3LP (only +5% y/y).
- Very high margin on goods at TIM SA (nearly 25%, a level not recorded since 2007) - the effect of the policy of building inventories at lower prices.
- Overhead costs under control (in relation to revenues at a similar level y/y).
- No extraordinary gains from the sale of assets (vs. ca. PLN 1.3m in 2Q2021).
- Increase in financial costs (mainly interest); a year ago, the company showed over PLN 2 million of positive exchange rate differences.
- Weak quarter for 3LP: EBITDA drop by 33% y/y (including no one-off), loss of PLN 1 million at the net level (weaker "financials").
- Further increase in working capital in the Group (PLN +42 million in Q2, PLN +50 million YTD), mainly due to an increase in inventories (PLN +35 million). Operating CF negative. Net debt increase.
- Performance of NS forecasts higher on an individual level than on a consolidated basis. After six months, TIM realized almost 60% of the expected consolidated profit and 67% of standalone profit (at the EBITDA level, 56% and 66% respectively). It is realistic to meet our full-year forecasts despite the expected slowdown in the second half of the year (a repeat of 2H2021 results would exceed our forecasts). Possible write-offs on inventories may pose a threat.

Selected financial data (PLNm) - consolid.	2Q21	3Q21	4Q21	1Q22	2Q22	y/y	2021	2022F	y/y	% NS forecast
<b>Revenues from sales</b>	<b>328.0</b>	<b>348.2</b>	<b>363.8</b>	<b>410.0</b>	<b>362.5</b>	<b>11%</b>	<b>1 314.3</b>	<b>1 573.4</b>	<b>20%</b>	<b>49%</b>
Gross profit from sales margin	88.0 27%	86.5 25%	90.7 25%	100.5 25%	101.6 28%	15%	331.3 25%	408.9 26%	23%	49%
SG&A costs	52.6	50.5	61.6	59.0	62.3	18%	211.9	274.1	29%	44%
% sales	16%	15%	17%	14%	17%		16%	17%		
Other operating revenues and expenses	1.3	1.1	-0.2	0.0	0.0		2.2	0.0		
<b>EBIT</b>	<b>36.6</b>	<b>37.0</b>	<b>28.9</b>	<b>41.4</b>	<b>39.3</b>	<b>7%</b>	<b>121.6</b>	<b>134.8</b>	<b>11%</b>	<b>60%</b>
margin	11%	11%	8%	10%	11%		9%	9%		
<b>EBITDA</b>	<b>42.3</b>	<b>42.8</b>	<b>34.8</b>	<b>47.3</b>	<b>45.2</b>	<b>7%</b>	<b>144.6</b>	<b>166.5</b>	<b>15%</b>	<b>56%</b>
margin	13%	12%	10%	12%	12%		11%	11%		
Depreciation and amortization	5.7	5.8	5.9	5.8	5.9	4%	23.0	31.7	38%	37%
Financial income and costs	0.8	-3.3	-1.1	-2.3	-2.7		-5.9	-5.7		
<b>Reported net profit</b>	<b>29.6</b>	<b>26.6</b>	<b>22.2</b>	<b>31.2</b>	<b>29.1</b>	<b>-1%</b>	<b>91.8</b>	<b>104.6</b>	<b>14%</b>	<b>58%</b>
margin	9%	8%	6%	8%	8%		7%	7%		
<b>Repeatable net profit</b>	<b>28.5</b>	<b>26.6</b>	<b>22.2</b>	<b>31.2</b>	<b>29.1</b>	<b>2%</b>	<b>90.8</b>	<b>104.6</b>	<b>15%</b>	<b>58%</b>
margin	9%	8%	6%	8%	8%		7%	7%		
<b>Net debt</b>	<b>78.1</b>	<b>98.1</b>	<b>73.2</b>	<b>45.0</b>	<b>85.2</b>	<b>9%</b>	<b>73.2</b>	<b>86.0</b>	<b>18%</b>	<b>151%</b>
Oper. CF	-4.8	0.2	57.2	37.2	-3.4	-29%	67.1	88.2	31%	38%
CAPEX	-0.1	1.4	3.7	1.2	2.2	-4209%	5.8	70.0	1113%	5%
<b>P/E</b>	<b>11.1</b>	<b>9.4</b>	<b>8.2</b>	<b>6.3</b>	<b>5.9</b>		<b>6.6</b>	<b>5.7</b>		
<b>EV/EBITDA</b>	<b>7.0</b>	<b>6.3</b>	<b>5.6</b>	<b>4.3</b>	<b>4.3</b>		<b>4.7</b>	<b>4.1</b>		
Selected financial data (PLNm) - parent	2Q21	3Q21	4Q21	1Q22	2Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	311.3	335.2	347.4	393.2	344.7	11%	1 252.3	1 479.4	34%	50%
<b>EBITDA</b>	<b>31.4</b>	<b>34.0</b>	<b>27.1</b>	<b>39.6</b>	<b>38.8</b>	<b>24%</b>	<b>108.7</b>	<b>119.7</b>	<b>111%</b>	<b>66%</b>
Reported net profit	24.1	26.3	20.2	30.7	30.0	25%	82.5	91.1	129%	67%

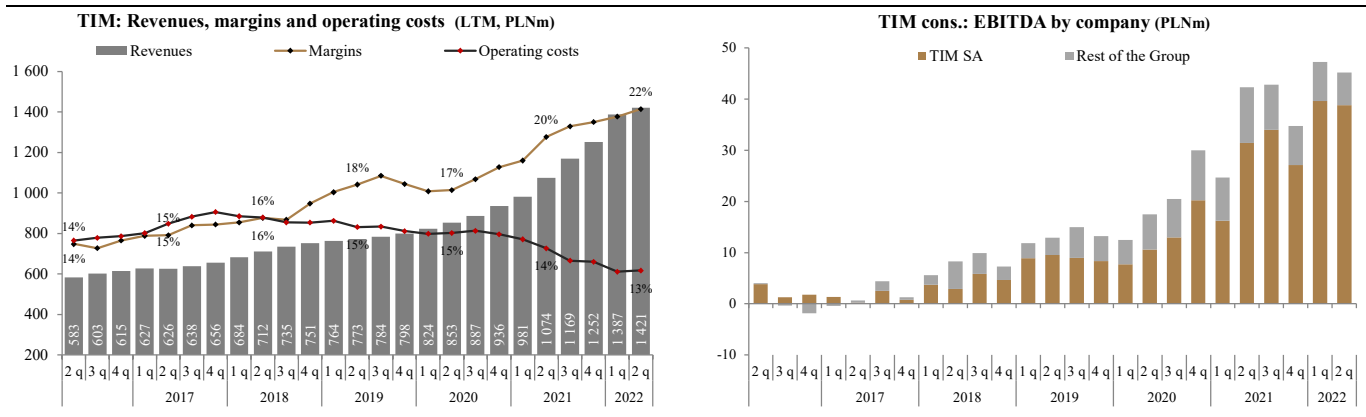
Source: TIM, F - Noble Securities forecast

### Companies' results

The sales of TIM SA in the second quarter of 2022 maintained an upward trend, although the dynamics decreased significantly (+11% y/y vs +50% in Q1), reflecting the deterioration of the market conditions. The strong increase in the margin on goods (to almost 25%, a level not recorded since 2007), resulting from an effectively implemented policy of building inventories at lower prices, should be assessed positively. General costs remain under control, their increase (+13% y/y) was similar to the sales growth rate and clearly lower than the margin increase (+18% 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.

The logistics company 3LP performed less well in the reporting period. The estimated increase in sales to customers from outside the Group amounted to only 5% (to approx. PLN 18 million) - the result is quite disappointing, our full-year forecasts assume +25%. The EBITDA profit decreased to approx. PLN 6.5 million (-33% y/y, a year ago the company had an additional profit on the sale of assets of approx. PLN 1.2 million), there was also a loss of approx. PLN 1 million (high financial costs).

**Increase in revenues and margins, costs under control**

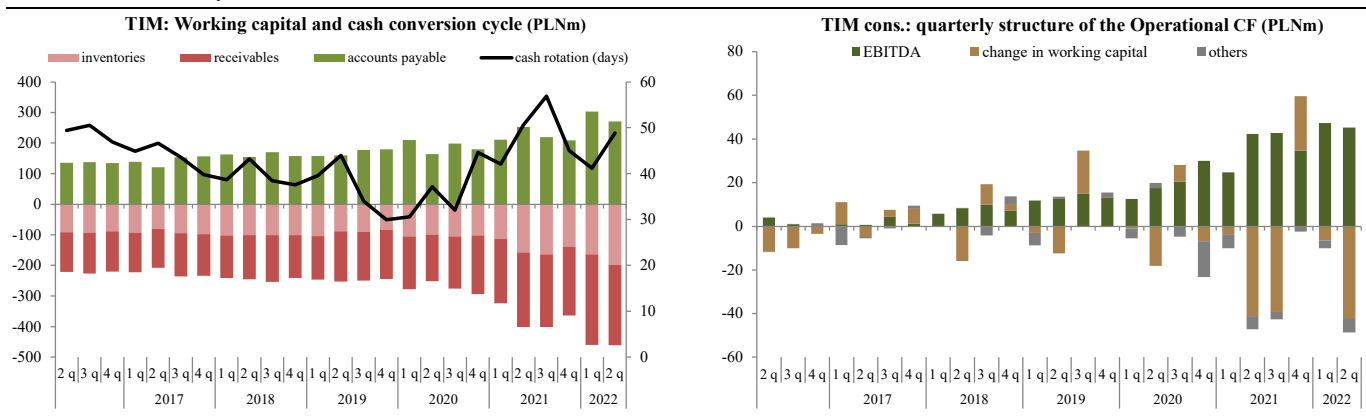


Source: TIM, Noble Securities

**Stock increases further**

In 2Q2022, TIM increased the level of inventories again (PLN +35 million q/q), and the decrease in receivables (approx. PLN 22 million) corresponded approximately to the decrease in trade liabilities (PLN 29 million). The result of these changes was an increase in expenditure on working capital (PLN +42 million), and the cash rotation cycle increased to 51 days. From the beginning of the year, the involvement in WC amounted to approx. PLN 50 million, mainly by financing the increase in inventories (PLN 60 million).

**Cash conversion cycle**



Source: TIM, Noble Securities

The quarterly value of the operating CF this time was negative (PLN -3 million), mainly due to the increase in working capital, which was higher than the profits generated from business. The debt increased significantly (PLN +40 million), which, with a similar level of cash, increased the level of net debt. This change concerns mainly the 3LP logistics company, the development of which, after postponing the issue of shares, is financed with external capital. There is net cash in TIM SA itself. The Group's DN/EBITDA ratio increased to 0.5x, but still remains at a very safe level. In our opinion, TIM is well prepared to implement the development program announced in the strategy, both in the parent company (CAPEX PLN 25-30 million in 2022-23) and in the subsidiary 3LP (approx. PLN 90 million in 2022-23) even despite the lack of proceeds from the 3LP issue.

Last valuation: PLN 54.3 / share on 06/06/2022. Price on the issue date PLN 31.4.

**Michał Sztabler**  
**Equity Analyst**  
 +48 (22) 213 22 36  
[michal.sztabler@noblesecurities.pl](mailto:michal.sztabler@noblesecurities.pl)

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**FINAL REMARKS**

Analyst preparing the Report: Michał Sztabler

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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)
Dino Polska	Reduce	286.8	351.5	346.60	-17%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13.0	12.1	12.28	6%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69.7	71.4	67.00	4%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4.9	5.5	6.10	-20%	12.07.2022	9M	Michał Sztabler
Krynicki Recykling	na	20.9	22.6	22.70	-8%	04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163.0	116.0	146.00	12%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29.3	14.9	13.82	112%	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21.7	13.2	14.56	49%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51.8	23.5	32.90	57%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Sell	74.1	94.4	87.92	-16%	24.06.2022	9M	Maciej Kietliński
Ten Square Games	Sell	98.6	117.0	108.50	-9%	24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12.2	14.8	13.78	-11%	06.06.2022	9M	Michał Sztabler
Aplisens	na	16.0	14.1	13.70	17%	06.06.2022	24M	Michał Sztabler
Sonel	na	10.2	9.8	9.22	11%	06.06.2022	24M	Michał Sztabler
TIM	na	54.3	31.4	26.70	103%	06.06.2022	24M	Michał Sztabler
11 bit studios	Buy	626.0	502.0	514.00	22%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38.9	33.0	26.60	46%	13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33.1	19.0	16.55	100%	02.05.2022	24M	Krzysztof Radojewski
Bioton	na	7.2	4.1	3.70	94%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96.2	78.5	85.30	13%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500.9	398.0	309.00	62%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13.2	10.1	6.90	91%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42.2	24.8	13.82	205%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812.0	700.0	600.00	35%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57.9	55.6	38.00	52%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3.5	2.7	2.32	53%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19.1	11.4	12.40	54%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22.9	18.3	10.86	111%	04.02.2022	9M	Maciej Kietliński
Krynicki Recykling	na	31.8	19.6			05.01.2022	24M	Dariusz Dadej
Sonel	na	11.8	10.6	9.22	28%	22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176.4	193.0	87.92	101%	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
OncoArendi	Buy	48.1	38.4			16.11.2021	9M	Krzysztof Radojewski
Amica	Accumulate	157.6	131.6			18.10.2021	9M	Michał Sztabler
Ten Square Games	Buy	549.3	382.6			18.10.2021	9M	Maciej Kietliński
TIM	na	62.3	42.6			14.10.2021	24M	Michał Sztabler
Forte	Hold	51.5	53.5			11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41.2	22.5			07.10.2021	24M	Krzysztof Radojewski
Wielton	Hold	13.4	12.4			28.09.2021	9M	Michał Sztabler
Ryvu Therapeutics	Accumulate	71.7	51.4			23.09.2021	9M	Krzysztof Radojewski

(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 – Deputy Head of Research and Advisory Department, Michał Sztabler – Equity Analyst, Dariusz Dadej - Equity Analyst, Maciej Kietliński - ended his work in NS on 06/30/2022

**MARKET RESEARCH DEPARTMENT****Sobiesław Kozłowski**[sobieslaw.kozlowski@noblesecurities.pl](mailto:sobieslaw.kozlowski@noblesecurities.pl)

tel: +48 22 213 22 39

model portfolios

**Krzysztof Radojewski**[krzysztof.radojewski@noblesecurities.pl](mailto:krzysztof.radojewski@noblesecurities.pl)

Biotechnology

**Michał Sztabler**[michal.sztabler@noblesecurities.pl](mailto:michal.sztabler@noblesecurities.pl)

tel: +48 22 213 22 36

industrials, utilities, mining

**Dariusz Dądej**[dariusz.dadej@noblesecurities.pl](mailto:dariusz.dadej@noblesecurities.pl)

tel: +48 22 660 24 83

retail, industrials

**Krzysztof Ojczyk**[krzysztof.ojczyk@noblesecurities.pl](mailto:krzysztof.ojczyk@noblesecurities.pl)

tel: +48 12 422 31 00

technical analysis

**Mateusz Chrzanowski**[mateusz.chrzanowski@noblesecurities.pl](mailto:mateusz.chrzanowski@noblesecurities.pl)