

## TIM (TP: PLN 62,3)

### 1Q2022 results: positive trends maintained

- TIM's results for Q1'2022 indicate that positive trends from previous periods are sustained. The company obtained a similar margin level, and the increase in profit was influenced by higher revenues and control of operating costs.
- The margin on goods in the retail segment was lower than in the previous quarters, which was affected by a slightly worse product mix (high share of low-profit cables and wires - the effect of increased demand for this assortment group in March due to concerns about the availability of goods after the outbreak of the conflict in Ukraine). However, it still remained at a very good level of >20%.
- The positive effect of financial leverage is visible. The increase in general costs (+25% y/y) was lower than the increase in revenues and the increase in the trade margin.
- The high operating CF in Q1 is primarily the result of the generated profits. The negative impact of the net working capital was insignificant (approx. PLN -5 million).
- Net debt at the end of March '22 decreased to PLN 45 million (the debt was mostly related to the subsidiary 3LP - long-term lease; the group had no credit obligations).
- After Q1, TIM realized approx. 26% of our revised upward revenue forecast, less than 30% of the EBITDA forecast (higher performance in TIM SA, slightly lower in 3LP) and approx. 30% of net profit (again better in TIM SA).

Selected financial data (PLNm) - consolid.	1Q21	2Q21	3Q21	4Q21	1Q22	y/y	2021	2022F	y/y	% NS forecast
<b>Revenues from sales</b>	<b>274.4</b>	<b>328.0</b>	<b>348.2</b>	<b>363.8</b>	<b>410.0</b>	<b>49%</b>	<b>1 314.3</b>	<b>1 591.8</b>	<b>21%</b>	<b>26%</b>
Gross profit from sales	66.2	88.0	86.5	90.7	100.5	52%	331.3	412.5	25%	24%
margin	24%	27%	25%	25%	25%		25%	26%		
SG&A costs	47.2	52.6	50.5	61.6	59.0	25%	211.9	276.2	30%	21%
% sales	17%	16%	15%	17%	14%		16%	17%		
Other operating revenues and expenses	0.1	1.3	1.1	-0.2	0.0		2.2	0.0		
<b>EBIT</b>	<b>19.1</b>	<b>36.6</b>	<b>37.0</b>	<b>28.9</b>	<b>41.4</b>	<b>117%</b>	<b>121.6</b>	<b>136.3</b>	<b>12%</b>	<b>30%</b>
margin	7%	11%	11%	8%	10%		9%	9%		
<b>EBITDA</b>	<b>24.7</b>	<b>42.3</b>	<b>42.8</b>	<b>34.8</b>	<b>47.3</b>	<b>92%</b>	<b>144.6</b>	<b>168.0</b>	<b>16%</b>	<b>28%</b>
margin	9%	13%	12%	10%	12%		11%	11%		
Depreciation and amortization	5.6	5.7	5.8	5.9	5.8	5%	23.0	31.7	38%	18%
Financial income and costs	-2.3	0.8	-3.3	-1.1	-2.3		-5.9	-5.7		
<b>Reported net profit</b>	<b>13.5</b>	<b>29.6</b>	<b>26.6</b>	<b>22.2</b>	<b>31.2</b>	<b>132%</b>	<b>91.8</b>	<b>105.8</b>	<b>15%</b>	<b>30%</b>
margin	5%	9%	8%	6%	8%		7%	7%		
<b>Repeatable net profit</b>	<b>13.5</b>	<b>28.5</b>	<b>26.6</b>	<b>22.2</b>	<b>31.2</b>	<b>132%</b>	<b>90.8</b>	<b>105.8</b>	<b>17%</b>	<b>30%</b>
margin	5%	9%	8%	6%	8%		7%	7%		
<b>Net debt</b>	<b>69.4</b>	<b>78.1</b>	<b>98.1</b>	<b>73.2</b>	<b>45.0</b>	<b>-35%</b>	<b>73.2</b>	<b>87.2</b>	<b>19%</b>	<b>52%</b>
Oper. CF	14.5	-4.8	0.2	57.2	37.2	156%	67.1	87.0	30%	43%
CAPEX	0.7	-0.1	1.4	3.7	1.2	63%	5.8	70.0	1113%	2%
<b>P/E</b>	<b>18.8</b>	<b>13.8</b>	<b>11.6</b>	<b>10.2</b>	<b>7.8</b>		<b>8.2</b>	<b>7.0</b>		
<b>EV/EBITDA</b>	<b>10.2</b>	<b>8.5</b>	<b>7.6</b>	<b>6.7</b>	<b>5.3</b>		<b>5.7</b>	<b>4.9</b>		
Selected financial data (PLNm) - parent	1Q21	2Q21	3Q21	4Q21	1Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	258.4	311.3	335.2	347.4	393.2	52%	1 252.3	1 498.2	34%	26%
<b>EBITDA</b>	<b>16.2</b>	<b>31.4</b>	<b>34.0</b>	<b>27.1</b>	<b>39.6</b>	<b>145%</b>	<b>108.7</b>	<b>121.2</b>	<b>111%</b>	<b>33%</b>
Reported net profit	11.9	24.1	26.3	20.2	30.7	158%	82.5	92.3	129%	33%

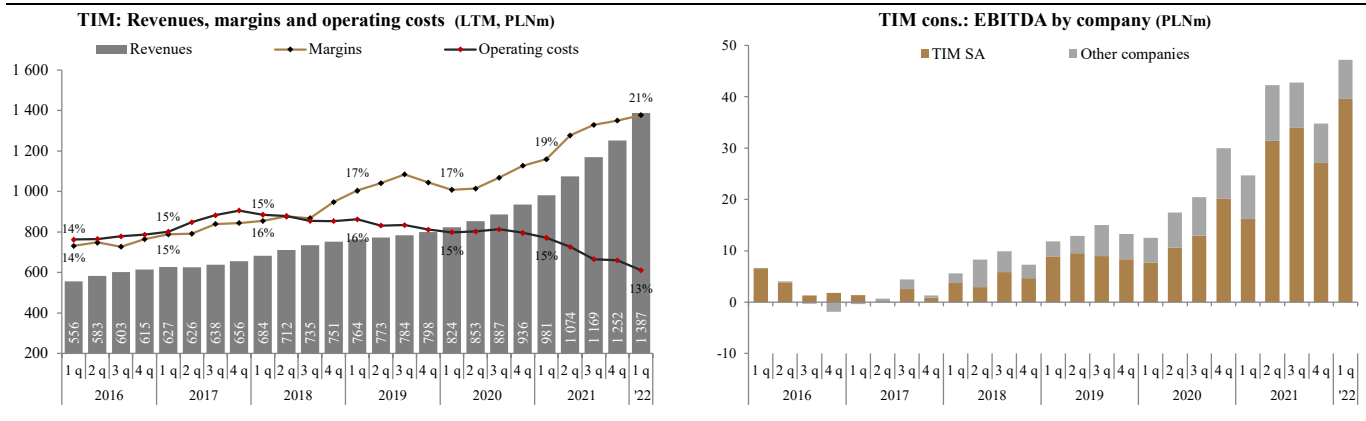
Source: TIM, F - Noble Securities forecast

### Companies' results

The sales of TIM SA in the first quarter of 2022 maintained the high dynamics of growth from previous periods, and the company continued to benefit from the increase in demand for construction materials, especially in the retail trade and e-commerce channel; additionally, there was a demand in the cable and wire segment, as customers built up their inventories fearing disruptions in supplies as a result of the conflict in the East. Revenues increased by 52% y/y, and the margin on goods amounted to 20.6% (slightly worse q / q, but still higher y/y). General costs remain under control, their growth (+25% y/y) was lower than the sales growth and lower than the margin increase. The balance of other activities and the balance of "financials" did not have a significant influence on the final result at TIM SA.

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 Q1/22 external sales of the logistics company amounted to approx. PLN 17 million (+7% y/y, quite disappointing result; our full-year forecasts assume +25%), EBITDA profit decreased to approx. PLN 7.7 million (-8% y/y), and the net value amounted to approx. PLN 0.5 million.

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

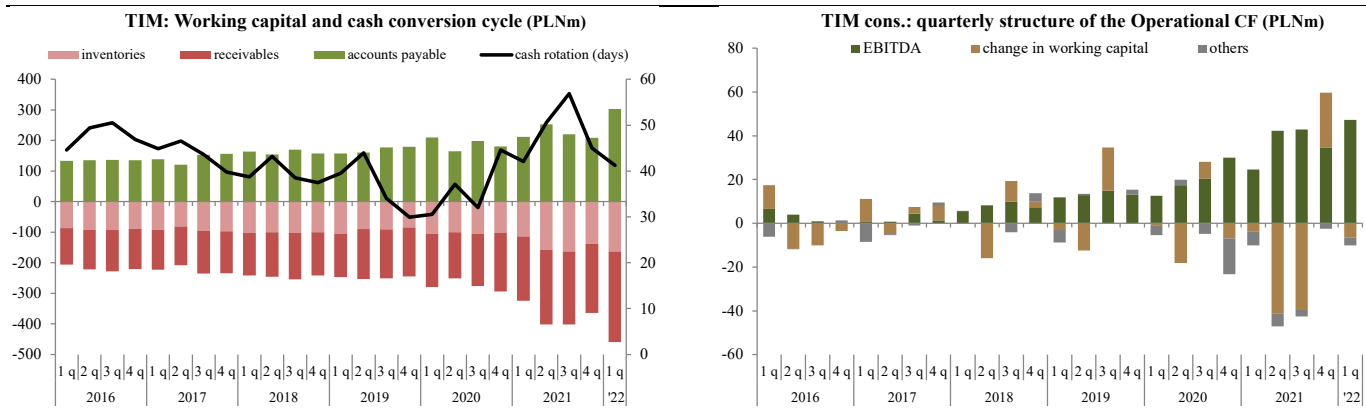


Source: TIM, Noble Securities

**A slight increase in working capital**

In 1Q2022, TIM increased the level of inventories again (PLN +25 million q/q), and receivables increased by PLN 75 million compared to the end of 2021. At the same time, trade liabilities increased by PLN 95 million, financing mostly the increase in current assets. The result of these changes was a slight increase in expenditure on working capital (PLN +5 million), and the cash rotation rate decreased to 41 days (level at the turn of 2020/21).

**Cash conversion cycle**



Source: TIM, Noble Securities

The quarterly value of the operating CF is still very high (PLN 37 million) and shows well the significant impact of the change in working capital on the generated cash flows from the core business. High revenues in the first quarter allowed to rebuild cash resources strained by the payment of advance payments for dividends in December '21. Net debt decreased to PLN 45 million (PLN -30 million q/q, DN / EBITDA = 0.3x). 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 62.3 / share on 14/10/2021. Price on the issue date PLN 42.6.

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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	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 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)
11 bit studios	Buy	626.0	502.0	489.00	28%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38.9	33.0	37.00	5%	13.05.2022	9M	Dariusz Dadej
Bioton	na	7.2	4.1	3.94	81%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96.2	78.5	75.90	27%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500.9	398.0	310.00	62%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13.2	10.1	7.10	86%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42.2	24.8	16.48	156%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812.0	700.0	592.00	37%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57.9	55.6	54.60	6%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3.5	2.7	3.46	2%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19.1	11.4	10.85	76%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22.9	18.3	14.30	60%	04.02.2022	9M	Maciej Kietliński
Krynicky Recykling	na	31.8	19.6	22.40	42%	05.01.2022	24M	Dariusz Dadej
Sonel	na	11.8	10.6	10.00	18%	22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176.4	193.0	112.28	57%	21.12.2021	9M	Maciej Kietliński
Dino Polska	Reduce	295.0	338.0	290.70	1%	03.12.2021	9M	Dariusz Dadej
Eurocash	Accumulate	12.2	10.9	11.39	7%	03.12.2021	9M	Dariusz Dadej
Apator	Hold	19.1	18.7	14.30	34%	29.11.2021	9M	Michał Sztabler
OncoArendi	Buy	48.1	38.4	26.50	82%	16.11.2021	9M	Krzysztof Radojewski
Amica	Accumulate	157.6	131.6	84.00	88%	18.10.2021	9M	Michał Sztabler
Ten Square Games	Buy	549.3	382.6	128.00	329%	18.10.2021	9M	Maciej Kietliński
TIM	na	62.3	42.6	33.70	85%	14.10.2021	24M	Michał Sztabler
Forte	Hold	51.5	53.5	37.00	39%	11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41.2	22.5	17.00	142%	07.10.2021	24M	Krzysztof Radojewski
Wielton	Hold	13.4	12.4	6.51	105%	28.09.2021	9M	Michał Sztabler
Ryvu Therapeutics	Accumulate	71.7	51.4	30.00	139%	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	14.20	25%	31.08.2021	24M	Michał Sztabler
11 bit studios	Hold	455.3	460.2	489.00	-7%	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
Krynicky 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	14.20	23%	08.06.2021	9M	Michał Sztabler
Boombit	Buy	32.1	26.4			26.05.2021	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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