Dividend companies: Apator, Aplisens, Sonel, TIM
Prospects for maintaining the dividend policy

NOBLE SECURITIES
DOM MAKLERSKI

Entities from the I&C industry (Apator, Aplisens, Sonel) as well as TIM belong to the group of companies that systematically pay dividends. Pressure on margins, loss of part of export revenues, an ambitious investment program or the need to finance increased working capital may have a negative impact on the ability to maintain the dividend policy at the current level in the coming years. Therefore, a strong balance sheet and stable operating flows are very important in the context of the demanding economic environment. In the case of Aplisens, Sonel or TIM, the already visible deterioration of the economic situation and, consequently, a possible reduction in profits will not require the verification of development plans and the introduction of drastic savings measures. On the other hand, Apator may be forced to choose between limiting the payments to shareholders and reducing development expenses.

Apator SA

In the last report, we accurately predicted the difficulties that Apator will have to face, but we underestimated the scale of the problem. The company still has problems with maintaining the sales volume, strong competition, growing costs of components and their shortages (which requires a higher involvement of working capital), with a limited possibility of transferring the increase in costs to recipients. In addition, the growing costs of servicing higher and higher indebtedness reduce the effects of work on the defense of margins. We are lowering the target price to PLN 12.2 and changing our recommendation to REDUCE.

Aplisens SA

Aplisens, due to its high involvement in the eastern markets, will suffer the most from the loss of export revenues in that direction. There is also a high risk of write-downs on fixed assets. We see opportunities in the increase in investments in the gas segment (expansion of gas infrastructure in Europe). Ultra conservative financial policy and a very strong balance sheet (high net cash) give hope for a "dry foot" through the economic turmoil, continued stable development of the company and sustained transfers to shareholders. We lowered the value of the shares to PLN 16.0.

Sonel SA

Sonel, like other I&C manufacturers, experienced an increase in production costs and problems with the availability of components. In 2022, the company will also face the challenges related to the implementation of long-term contracts in the energy sector (delivery of meters). Sonel's strengths are its safe balance sheet (net cash), high core business margins and stable operating flows. In our opinion, the company is well prepared for more difficult times. We lowered the share valuation to PLN 10.2.

TIM SA

Investing in TIM shares gives a very good exposure to the e-commerce market, both directly (TIM SA) and indirectly (through the 3LP logistics company). The company consistently builds its market position in both areas, using its competitive advantages and improving the margins. In addition, TIM skilfully uses the available market opportunities to increase the profitability of the commercial segment. Bearing in mind the very good beginning of the year, we raised our forecasts for 2022 and, consequently, also for the following years. We set the value of the shares at PLN 54.3.

	P/E			EV/EBITDA		
	2022F	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**
Apator	17.5	11.8	10.1	6.1	4.9	4.1
Aplisens	10.3	9.6	9.2	5.0	4.2	3.5
Sonel	11.9	10.4	8.4	6.2	5.0	4.2
TIM	6.7	7.2	6.6	4.7	4.5	3.7

Source: Apator, Aplisens, Sonel, TIM, Noble Securities, ratios for Apator calculated for the number of shares reduced by own shares

Indicators calculated on the basis of results adjusted for one-offs

APATOR SA
(Update)

Current price	14.8 PLN
Target price (9M)	12.2 PLN
Upside/downside	-18%
Market cap.	484 PLNm

APLISENS SA
(Update)

Current price	14.1 PLN
Valuation	16.0 PLN
Upside/downside	14%
Market cap.	167 PLNm

SONEL SA
(Update)

Current price	9.8 PLN
Valuation	10.2 PLN
Upside/downside	4%
Market cap.	137 PLNm

TIM SA
(Update)

Current price	31.4 PLN
Valuation	54.3 PLN
Upside/downside	73%
Market cap.	696 PLNm

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SUMMARY OF CHANGES IN THE VALUATIONS

	Current price	Valuation / Target price	Upside / Downside	Previous valuation	Change
Apator	14.8	12.2	-18%	19.1	-36%
Aplisens	14.1	16.0	14%	17.8	-10%
Sonel	9.8	10.2	4%	11.8	-14%
TIM	31.4	54.3	73%	62.3	-13%

Source: Apator, Aplisens, Sonel, TIM, Noble Securities, ratios for Apator calculated for the number of shares reduced by own shares

SUMMARY OF FORECAST OF FINANCIAL RESULTS (reported results)

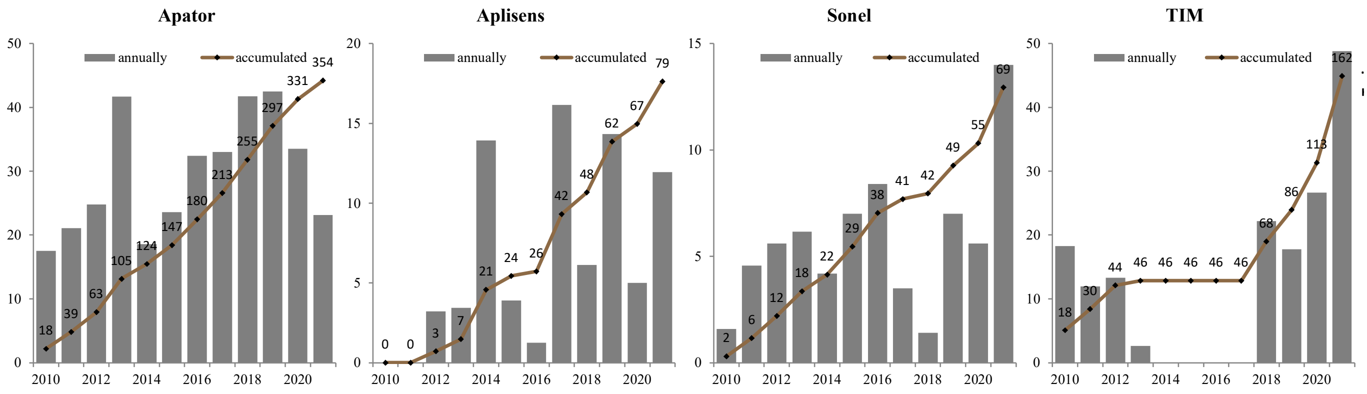
	Net profit			EBITDA		
	2022F	2023F	2024F	2022F	2023F	2024F
Apator	24.6	36.3	42.7	101.1	119.1	129.4
Aplisens	15.9	16.0	16.7	26.1	27.3	30.4
Sonel	11.5	13.2	16.3	21.0	25.4	29.8
TIM	104.6	96.6	105.7	166.5	171.0	192.7

Źródło: Noble Securities

PROSPECTS FOR MAINTAINING THE DIVIDEND POLICY

Entities from the I&C industry (Apator, Aplisens, Sonel) as well as TIM belong to the group of companies that systematically pay dividends.

Consistent dividend policy (dividend paid in 2010-2021, PLNm)



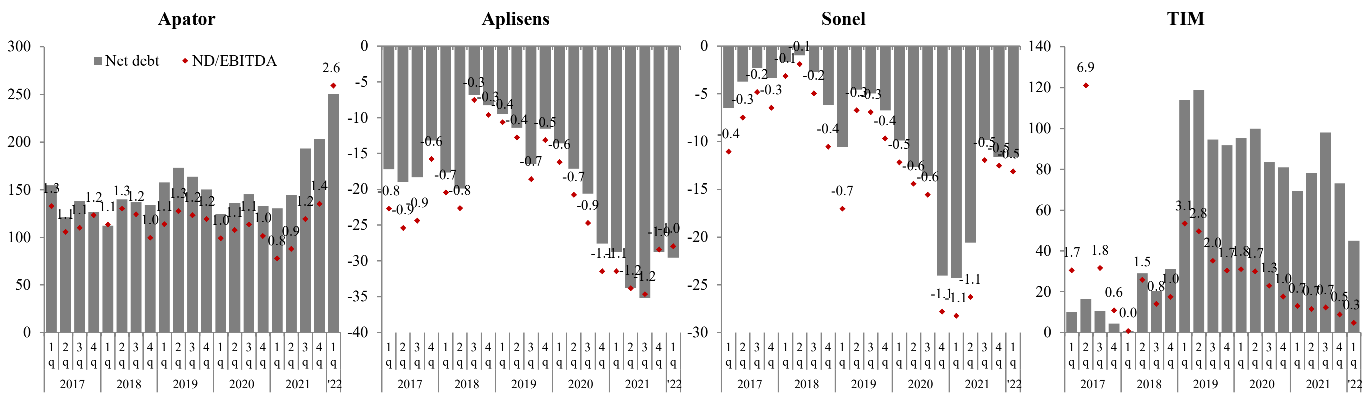
Source: Apator, Aplisens, Sonel, TIM, Noble Securities

Pressure on margins (I&C), loss of part of export revenues as a result of the conflict in the East (I&C), an ambitious investment program (Apator, TIM) or the need to finance increased working capital (all entities) may have a negative impact on the possibilities of maintaining the dividend policy at the current level in the coming years. Therefore, a strong balance sheet and stable operating flows are very important in the context of a demanding economic environment (economic downturn, rising interest rates).

In such a situation, entities that have so far run a more conservative development model, financed primarily from their own funds and having an appropriate "financial cushion" in the form of net cash or relatively low debt (Sonel, Aplisens, TIM) will do much better. In their case, the already visible economic downturn and consequently the decline (Sonel) or the risk of a decline in the future (Aplisens, TIM) of results will not give rise to the need to verify development plans and introduce drastic austerity measures.

We are dealing with a different situation in Apator, whose expansionary policy in recent years (maintaining dividend policy, buyback, implementation of an ambitious development strategy and CAPEX growth) has led to an increase in debt. In an environment of high interest rates, this will mean a sharp increase in borrowing costs. We are afraid that the Management Board of Apator will be forced to choose between limiting payments to shareholders or reducing development expenses. Slowing down development in such a competitive industry may mean a further decline in margins.

Strong balance in Aplisens, Sonel and TIM



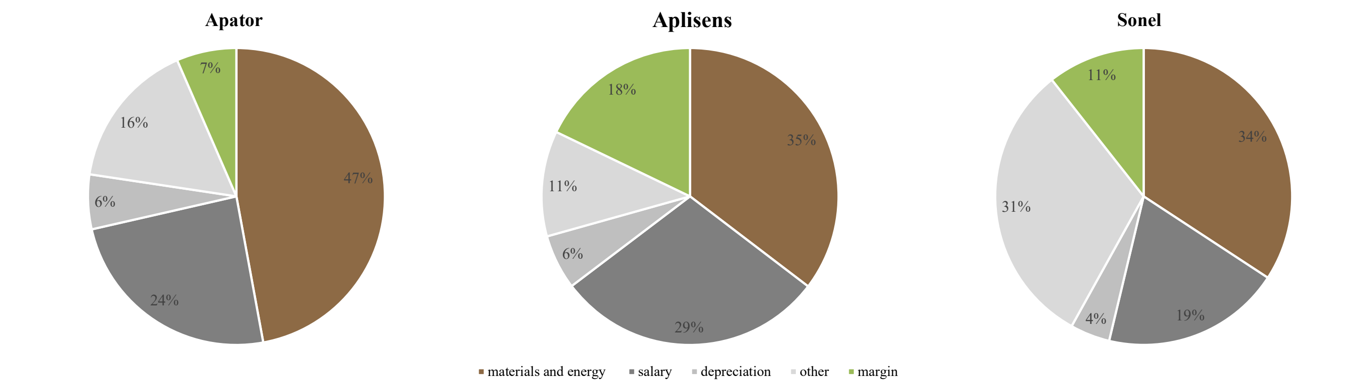
Source: Apator, Aplisens, Sonel, TIM, Noble Securities

I&C INDUSTRY: APATOR, APLISENS, SONEL

Increase in manufacturing costs and pressure on margins

Signals coming from companies from the I&C segment (control and measurement equipment and automation) indicate growing cost pressure negatively affecting the margins achieved. In addition to the hassle of the availability and prices of components for production (FY2021) are accompanied by rising electricity prices and again higher wage expectations (FY2022). Given that material costs (including energy costs) account for about 50% of operating costs (about 35-45% of revenues) in I&C companies, and salary costs another 30-40% (20-30% of revenues), their dynamic growth may have a negative impact on generated margins in a short time.

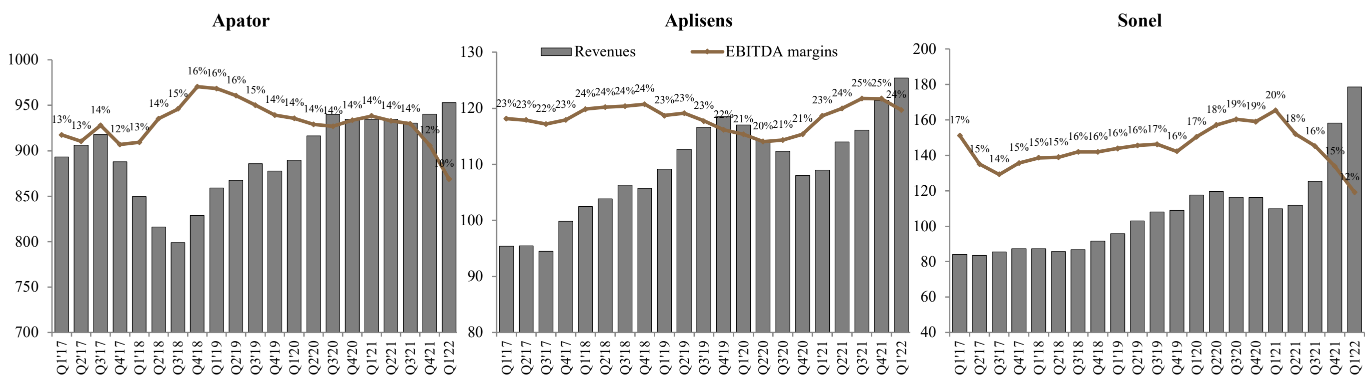
Structure of operating costs (data for 2021, consolidated results)



Source: Apator, Aplisens, Sonel, Noble Securities

The higher the profitability of companies (at the EBITDA level: Aplisens 23%, Apator 14%, Sonel 19%), the easier it will be for them to absorb the increase in production costs.

Revenue value and EBITDA margin (LTM, PLN million)



Source: Apator, Aplisens, Sonel, Noble Securities

In a difficult environment and increasing cost pressure, sales flexibility and contract execution deadlines are gaining in importance. The longer the average lead time, the higher the risk to maintain the expected level of profitability. Aplisens and Sonel mostly carry out short-term orders (a horizon of several months, in Sonel only contracts for the supply of meters are associated with a longer delivery period – approx. 25% of sales). The situation is different in Apator, where both the Electricity Segment (approx. 40% of revenues) and the Gas Segment (approx. 30% of revenues) are mostly characterized by long-term contracts (and in addition obtained in the tender system), and the clients are large entities with high negotiating power.

The results of the first quarter of 2022 were a confirmation of the difficulties that the I&C industry will have to face this year.

High interest rate environment unfavorable for companies with high debt

Companies from the I&C industry were characterized by stable and high cash flow allowing them to conduct a stable dividend policy. In addition, Aplisens and Sonel have cash surpluses resulting from the conservative financing model of the company's development. Apator adopted a more aggressive strategy, increasing debt in order to accelerate the company's development.

We believe that in an environment of high interest rates and additional pressure on margins (which will result in a decrease in profits and deteriorating cash flows), a safe balance sheet will be an advantage for Aplisens and Sonel. The "financial cushion" built over the past years will strengthen their competitiveness on the market (more flexible trade policy, higher level of inventory, wholesale purchases of components, better relations with banks) and thus support the results of these companies. On the other hand, companies with high debt (such as Apator) will feel an increase in financial costs that will additionally burden their results.

Loss of eastern markets

The I&C industry was active in eastern markets. Exports in that direction accounted for 5-20% of the revenues of these companies. Domestic companies have stopped or severely reduced sales to Russian markets and Belarus; sales to Ukraine are slowly growing. We are afraid that the possible restoration of sales to Russia and Belarus after the end of the conflict will be very difficult, because the place after Polish companies has already been taken by competition: local and Far Eastern. We see opportunities in the announced programme of Ukraine's reconstruction (in terms of energy, gas or water supply infrastructure), although the I&C industry did not have such a strong position in Ukraine as in Russia.

The biggest loss of revenue will concern Aplisensa, which has subsidiaries in both Russia and Belarus, where Aplisensa products were assembled and sold on the CIS markets (Russia, Belarus, Kazakhstan). It should be remembered, however, that part of the consolidated revenues reported in the "Eastern Markets" segment was sales to an intermediary, which artificially increased the level of revenues. In the case of Aplisens, we expect a loss of approx. PLN 20 million (after excluding the intermediary): approx. PLN 15 million in Russia and approx. PLN 5 million in Belarus. These figures should be partially offset by an increase in domestic sales and exports to other markets. The risk to this assumption is the global economic slowdown and the increase in competition. In the case of Apator, sales to Russia accounted for about 5% of revenues in 2021 (the share has been steadily declining in recent years). Sonel directed about 3.5% of its sales to those markets.

In addition to the loss of revenues and profits associated with the lack of exports to sanctioned markets, there is a risk of losing the assets involved there, both fixed assets (real estate, machinery) and current assets (inventories, receivables). So far (as of 31.03.2022) only Apator has made a write-off on receivables from Ukrainian customers (PLN 2.2 million, in the burden of the results of 1Q2022; however, it counts on the repayment of receivables and the possibility of reversing the write-off), other companies have not decided to make such a move, explaining the lack of grounds. Stocks accumulated in those markets are sold off and receivables are repaid. In our opinion, it is very likely that all working capital involved in the eastern markets will be withdrawn, which will avoid the creation of write-downs.

As at 31.03.2022 (thousand PLN)	Apator	Aplisens	Sonel
TOTAL	**4 467**	**8 717**	**1 395**
Current assets	3 750	2 000	1 395
- Russia	3 542		1 395
- Belarus	0	2 000	0
- Ukraine	208		0
Shares	717	6 717	0
- Russia	717*	6 637	0
- Belarus	0	80	0

* Apator sold shares in a Russian company in May '22

Source: Apator, Aplisens, Sonel, Noble Securities

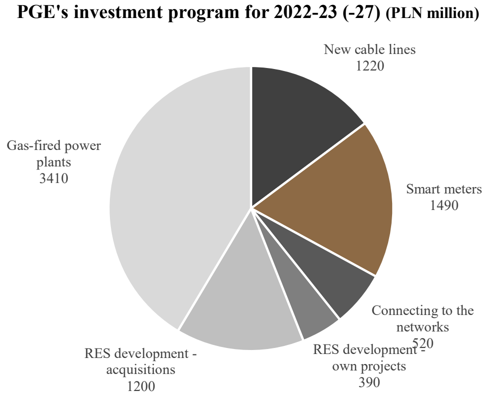
A bigger problem may be the fixed assets left there, which is especially true of Aplisensa. If there was a forced nationalisation of the ownership of companies from countries opposed to the regimes in Russia and Belarus, Aplisens would lose a total of approx. PLN 6.7 million (almost entirely it concerns a subsidiary in Russia – this company owns an office property located near Moscow). A write-off of this amount should be taken into account, although we do not take it into account in our forecasts. In turn, Apator withdrew its capital involvement by selling shares in the Russian entity in May this year (a loss of approx. PLN 0.35 million will be shown in the report for 2Q2022). Sonel has no shares in entities in the above-mentioned countries.

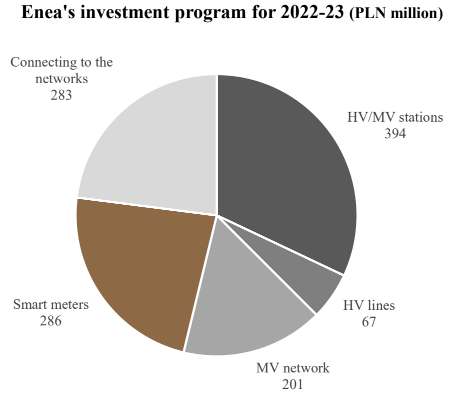
Growth prospects

Smart energy meter market

The announced increase in capital expenditures of energy companies is to finance the development in the distribution segment in large part. An important element of these investments is to be the purchase and installation of so-called smart electricity meters (also referred to as smart meters or meters with remote reading).

Investment plans of selected energy companies (PLN million)



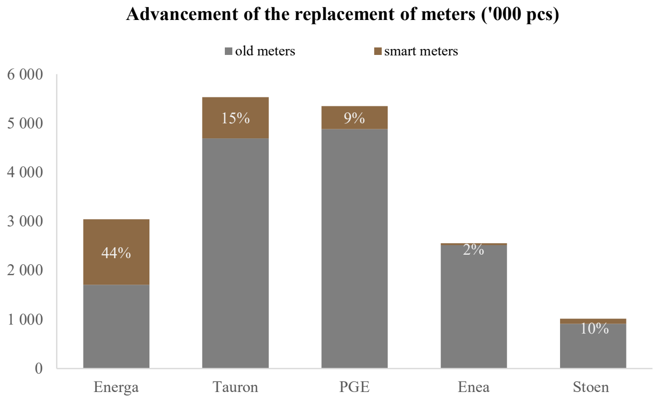


PGE: investment program for 2022-23 (with part of the investment having a longer horizon – until 2025 in meters or until 2027 in gas units), Enea: investment program for 2022-23.

Source: PGE, Enea, Noble Securities

The replacement of electricity meters with devices with remote reading is obliged by national DSOs (distribution system operators), amended in July '21 by the Energy Law. According to the new regulations, DSOs are to replace at least 80% of all meters by the end of 2028, with the following milestones: 15% by 31.12.2023, 35% by 31.12.2025, 65% by 31.12.2027 and 80% by 31.12.2028.

Diversified advancement of the meter replacement process

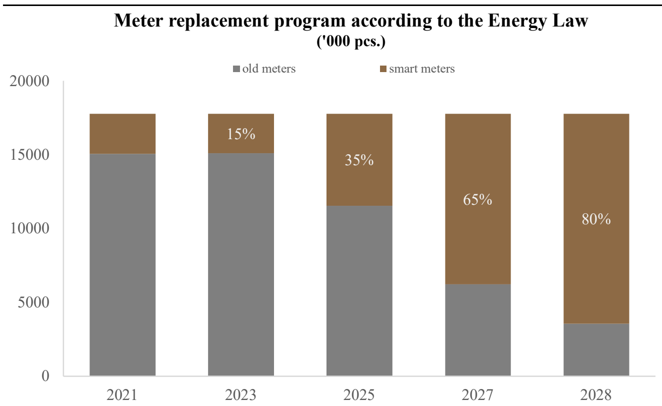


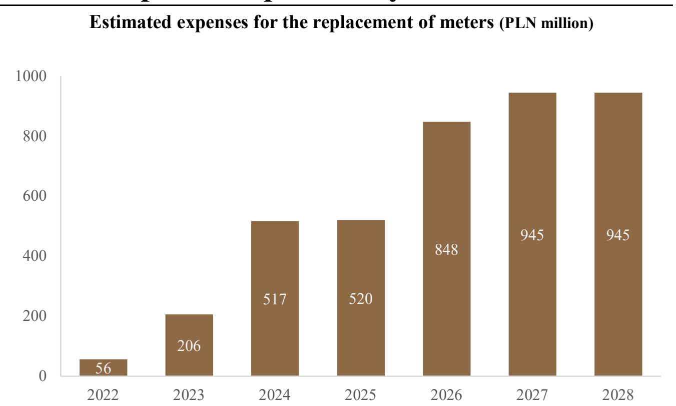
Source: Media information, Noble Securities

Assuming that about 17.8 million meters are installed in the national system (i.e. collection points, data at the end of 2020 according to the Energy Regulatory Office), distribution companies were obliged to replace mines. 14.2 million devices. Some distributors have committed to replacing all meters hung on their networks (e.g. Tauron, PGE). We estimate that currently in distribution networks in Poland about 2.7 million meters with remote reading (about 15%) have been installed, with different levels of advancement of individual distributors (from approx. 45% in Energa to only 1-2% in Enea).

Taking into account the cost of a single smart meter at the level of PLN 360, the total cost of replacement will be min. PLN 5.1 billion (PLN 6.4 billion with full replacement of old devices). Part of the costs has already been incurred, but companies still have to allocate min. PLN 4.1 billion in 7 years (on average at least PLN 0.6 billion per year). As we mentioned earlier, some distributors have such a high degree of advancement in the process of replacing meters that theoretically they do not have to implement any investments in this area in the coming years (e.g. Energa or Tauron). Assuming a model (i.e. resulting from the obligations imposed by the amended Energy Law) distribution of investments in the replacement of equipment, a significant increase in capital expenditures at distribution system operators (and thus also an increase in the value of the meter market) should be expected from 2024 (tenders in 2023) – initially approx. PLN 0.5 billion, then approx. PLN 1 billion per year.

We forecast a clear increase in the value of meter orders compared to previous years





Source: Energy Law, Noble Securities estimates

There are two listed companies operating on the market of suppliers of meters for the domestic power industry: Apator (a company with many years of experience, a domestic manufacturer) and Sonel (a company actively conquering the market, based on meters supplied in cooperation with a Chinese partner). Apator achieves annual revenues of approx. PLN 900 million, of which the electricity segment (where revenues from the sale of electricity meters are shown) is responsible for approx. PLN 400 million of sales. In turn, Sonel is a smaller company (revenues of approx. PLN 160 million), and the sale of meters is approx. PLN 40 million (with an upward trend). Higher demand for smart meters resulting from the announced investment programs (stimulated by new regulations in this area) will bring an increase in the number of tenders for the supply of meters as well as a higher value of individual orders (approx. PLN 50 million, although probably divided into several so-called tasks). Winning even one such tender would give a jump in revenues primarily for Sonel, but would also be noticeable in Apator's revenues. At the same time, we would like to remind you of the risks associated with the implementation of contracts obtained as part of tenders: high penalties for delays, difficulties in renegotiating conditions, pressure on margins.

Investments in gas infrastructure in the EU

The European Union consumes 400 billion m3 of gas annually, of which about 85% imports. 155 billion m3 of gas is imported from Russia (140 billion m3 via gas pipelines and 15 billion m3 as LNG). Recent reports from Brussels show that the European Commission is trying to reduce its "dramatic dependence" on Russian hydrocarbons and coal. The goal is to reduce imports by 50-100 billion m3 this year (very ambitiously).

The necessary actions are:

- Reactivation of other energy sources: in the short term coal and nuclear energy, in the longer term the development of RES.
- New storage technologies (e.g. hydrogen)
- Obtaining gas from other directions = expansion of LNG potential (gas ports, gas pipelines within the EU).

Gas import infrastructure in Europe

Source: European Commission, Noble Securities

In Europe (excluding Turkey), there are a total import capacity of 184 million tonnes of LNG with very seasonal characteristics (schemes) of use. In January this year, European LNG terminals approached their physical capacity limits (reaching 80-82% utilization), with terminals serving the largest gas markets in Northwest Europe reaching their technical and structural boundaries to keep up with demand. A significant part of the unused LNG import capacity is still located in Southern Europe and the United Kingdom, without interconnections with gas markets in Central Europe (e.g. the Czech Republic, Slovakia, also Austria), which are highly dependent on supplies from Russia. The construction of a new onshore LNG import terminal, in peace conditions, takes at least 5 years and is expensive. FSRU (floating storage regas units) – each of which (depending on the onshore warehouses) can import on average about 5 billion m3 per year – are cheaper, and the installation is faster. Germany, Europe's largest gas consumer, has no gas port. At the beginning of March, they signed a contract for the construction of a new LNG terminal in Brunsbüttel (8 billion m3, the deadline for completion of the investment in 2 years).

Poland currently consumes about 20 billion m3 of gas, but m.in due to the development of gas energy, natural gas consumption is expected to grow dynamically (potentially up to 30 billion m3 in the perspective of 2030, +50% vs 2020). Compared to neighboring countries, Poland is quite well diversified in terms of the possibility of obtaining natural gas and may become independent of imports from Russia. The contract for gas supplies from Russia (the so-called Yamal Contract) expires at the end of 2022. Poland imported about 9-10 billion m3 of gas from the east (with a potential of 12 billion m3).

First of all, it should be remembered that natural gas is extracted in Poland, in the amount of approx. 5 billion m3. In addition, in 2022-24, a number of investments are to be completed that will increase import opportunities from various directions.:

- The expansion of the gas port in Świnoujście will increase the terminal's capacity from 5 to 6.2 billion m3 of gas after regasification (from 2023), and then to 8.3 billion m3 (from 2024). From 2023, PGNiG will start implementing large contracts for the collection of LNG from the USA (ultimately up to 7.5 billion m3 of gas after regasification).
- The launch of the Baltic Pipe (from 11.2022) will allow the import of Norwegian gas. The capacity of the gas pipeline is 10 billion m3.

- Interconnects with Lithuania (2 billion m3, launched in 05.2022) and Slovakia (5.7 billion m3) can be used, and if necessary, also from the German side (5 billion m3).

Investments in gas infrastructure should increase demand for equipment manufactured by Aplisens. Although it may be difficult for a Polish company to exist in large projects (Aplisens does not have such good recognition outside Poland, despite the fact that the company's products are not inferior to competitors' solutions), higher demand will undoubtedly facilitate the acquisition of orders in other areas of the market (service, modernization, replacement of old devices).

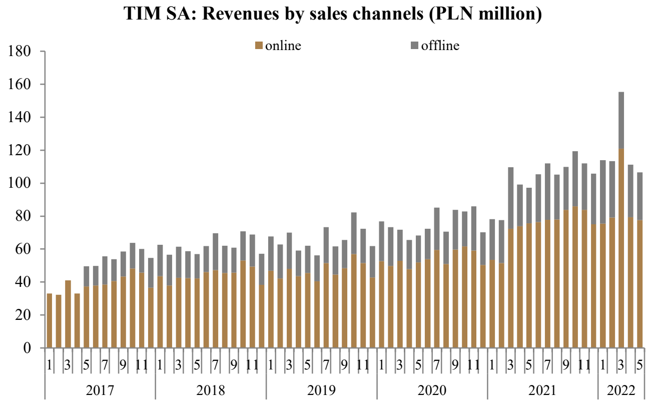
TIM SA

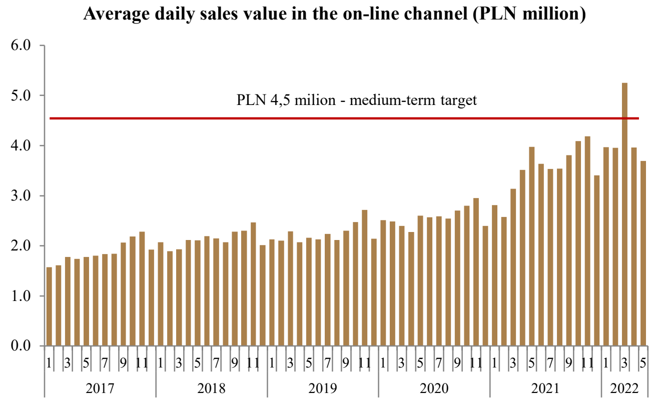
Medium-term outlook: the retail segment

Dynamic sales growth

Sales data for the 4th monthof e 2022 indicate the continuation of dynamicego growthin revenues from previous periods. The company is certainly favored by the adopted trading model and focusing on the online channel, which in the current situation is the solution desired by customers. The share of online sales has stabilized at the level of 70-75% of total revenues from the sale of goods-. The average daily value of turnover is approaching the level of PLN 4.5 million, which is the medium-term goal of the management board. In addition, the company benefits from the economic situation in the industry, the increase in the prices of goods (especially based on the rapidly more expensive raw materials: copper, aluminum, plastic), and temporarily (March '22) also on the turmoil in the availability of selected goods in connection with the start of hostilities in Ukraine.

Growing sales with a high share of the online channel



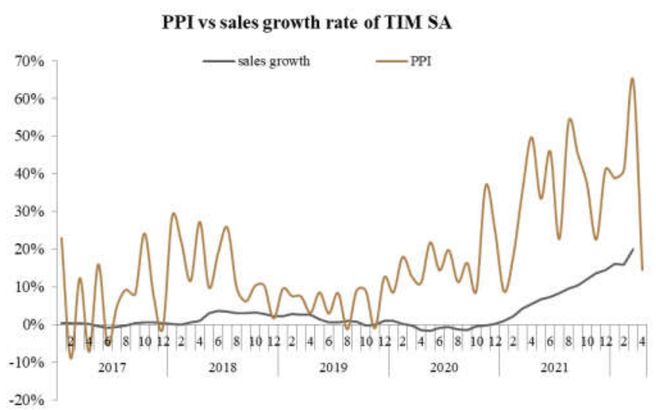


Source: TIM, Noble Securities

Favorable market conditions supported the activities of the Management Board

The prices of raw materials to which the prices of basic electrotechnical products (copper, aluminum – cables and wires; steel, plastic – other products) and the prices of electronic components are related entered a strong upward trend in 2020. The reason is the restoration of demand after the pandemic while limiting the supply of certain materials or products. In addition, customers are increasingly encountering shortages of goods. In line with our expectations, the company successfully seized market opportunities and managed to improve margins.

Inflationary environment favorable for commercial companies



Source: TIM, Noble Securities

In 2021, an inflationary component appeared, the impact of which increased further in 2022 and is likely to last until 2023. At the same time, we pay attention to producer inflation (PPI), which in our opinion better reflects the price dynamics on the market of electrotechnical components.

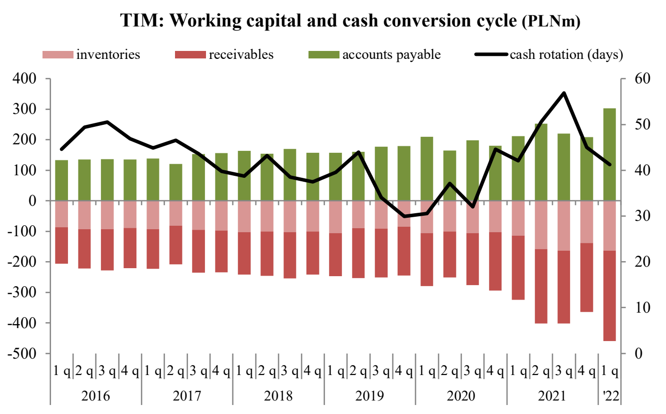
However, we believe that the increase in margins is not only a short-term effect of the market situation (although this factor certainly contributed to the growth), but results from the long-term activities of the company. The reasons for the improvement in profitability can be seen in a better mix of products (emphasis on the sale of higher margin products), the expansionof the offer (increasing availability of goods) and the maintenance of the so-called "long tail" (i.e. low-rotating goods, and thus also with low availability on the market). and sold at a higher margin). This should be conducive to maintaining the margin at a high level after the expiration of external (market) effects.

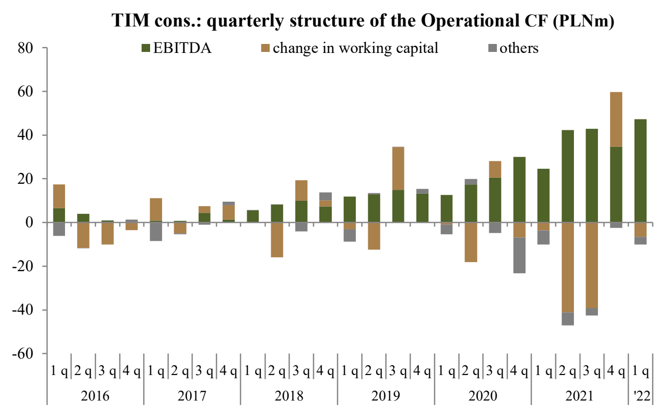
Inventory appreciation will continue, but at a slower pace

The very good liquidity situation of the company, the lack of significant capital expenditures planned for 2021 and the awareness of price opportunities resulting from the market situation (mention above increases in commodity prices) were behind the decision to significantly increase inventories in TIM SA last year. The value of inventories was at the end of 2021. approx. PLN 140 million (+PLN 37 million vs end of 2020). Receivables also increased (+PLN 33 million), but this increase was mainly due to the increase in the scale of business and was mostly offset by an increase in short-term liabilities (+PLN 30 million). Thus, it can be said that higher net working capital expenditure (KON) boils down to financing a higher value of the warehouse.

The high availability of goods and the wide offer announced in the strategy (including the aforementioned "long tail") are not conducive to reducing stock levels. Therefore, the level of inventory will continue to grow, at least at the rate of sales growth. The change in the value of inventories will be mainly responsible for the increase in working capital expenditures (the value of receivables is offset by trade liabilities) and will not allow for a more permanent decrease in the cash turnover ratio.

The decline in the cash conversion rate is short-term





Source: TIM, Noble Securities

Medium-term prospects: logistics segment (3LP)

We expect an increase in revenues from the logistics business beyond the growth rate of TIM SA itself, because:

- 3LP directs its offer primarily to entities from the e-commerce sector, actively acquiring new customers and increasing the range of services,
- investments are planned to increase the revenue potential (new warehouse space),
- the company intends to enter the segment of customer warehouse management services on request.
- The share of external customers increased in 2021 to approx. 60% (vs. 46% in 2020, concerns fulfillment services, i.e. strictly warehouse services).

Currently, the company is at the last stage of the investment in Siechnice consisting in the construction of a new warehouse with an area of approx. 25,000 sqm. (vs. approx. 50,000 sqm in the company's current warehouses, +30,000 sqm in external warehouses in short-term lease agreements). The investment will be carried out in the current asset light model, i.e. by renting a ready-made facility from a specialized developer on the basis of a long-term lease agreement. As was the case with the currently used warehouse halls, TIM will invest in warehouse automation. The estimated expenditure is PLN 63 million, to be incurred primarily in 2022 (delivery at the beginning of 2023). , full boot in 3Q2023).

The commissioning of the new warehouse will exhaust the possibilities offered by the property in Siechnice. Further development of 3LP will have to be carried out in another location. The acquisition of warehouse space in another part of the country will make the company's offer more attractive, which will now be able to provide services from various locations. During the last road show related to the IPO, the company announced the opening of further warehouses: in Syców (approx. 17,000 sqm, commissioning in 2H2022, dedicated to the furniture segment in cooperation with which 3LP has already gained experience thanks to the IKEA online store service), in Zgierz (15,000 sqm, commissioning 1Q2023) and in Słubice (44,000 sqm, commissioning in 2H2023, dedicated to companies from Germany and/or domestic companies serving mainly that market).

The Management Board also announced the commencement of the provision of warehouse management services on request. In April '22, the company signed the first contract of this type with Oponeo.pl, which is to be valid for 5 years. It does not require too much investment, but it is characterized by slightly lower profitability and a number of risks, e.g. low barriers to entry, remuneration for demonstrating savings vs the current model of warehouse operation.

The development of 3LP will continue despite the lack of proceeds from the issue of shares announced for 1H2022 (approx. PLN 100 million). In our forecasts, we adopted CAPEX for the purchase of a new warehouse automation system (Shuttle 2.0) in 2022-23 (PLN 53 million and PLN 10 million, respectively) and expenses for retrofitting newly opened warehouses (schedule given in the 3LP SA Prospectus). We did not take into account the acquisition plans (no specifics), which in the absence of additional revenues from the issue will probably be postponed to a later period.

An ambitious strategy for 2022-26

The Management Board has published the assumptions of a new 5-year strategy for TIM SA covering the years 2022-26. The main elements are:

- TIM electrical engineering center (so not only goods, but also knowledge)
- Shopping at TIM is a pleasure (further expansion of the sales system functionality)
- TIM always at hand (wide offer and quick availability)
- TIM is team (gesture towards employees)

In the financial part, the strategy assumes an increase in revenues to min. PLN 3 billion (vs PLN 1.52 billion in 2021, CAGR 19%) and EBITDA to PLN 250 million (margin 8.3% vs 8.7% in 2021).

TIM SA (PLNm)	2018	2021F	2021	2026F
Revenue	751	1000	1252	3000
CAGR (plan)	*10.0%*		*19.1%*	
CAGR (real.)		*18.5%*		
EBITDA	17	36	109	250
EBITDA margin	*2.3%*	*3.6%*	*8.7%*	*8.3%*

Source: TIM SA

We assess the strategy as ambitious, although the Management Board of the company has built credibility with its actions in recent years.

The above-average sales dynamics (at least in the near future, 2022-23) will be supported by high inflation, especially in terms of PPI (producer inflation). The Management Board declares that growth is to be generated primarily on the domestic market (by increasing market shares), although in our opinion it may be necessary to go to other markets to achieve the objectives of the new strategy.

Maintaining a wide offer (ultimately >100,000 indices available in 24 hours) and having the so-called "long tail" (i.e. a relatively large commodity with low turnover – and thus also with low availability on the market) will be conducive to achieving above-average profitability.

The Management Board hopes to use the economies of scale and further decrease in the operating cost ratio (in relation to revenues), but it may be difficult to achieve this goal in an environment of dynamically growing costs of external services (transport, warehouse services) and labor costs.

TIM announced an increase in capital expenditures, from approx. PLN 5 million in the last few years to approx. PLN 15 million per year in 2022-23. We believe that in the following years it is necessary to assume min. PLN 10 million of expenditure on technologies to maintain competitiveness and technological leadership.

Despite the increase in capital expenditures, the need to finance current assets (resulting m.in from growing turnover and maintaining the so-called "long tail") and the postponement of the IPO of the subsidiary 3LP (another attempt in the autumn), the Management Board does not intend to change the dividend policy (min. PLN 1 / share + 50% net profit over PLN 22 million).

Assuming that the increase in revenues would have a linear distribution, depreciation would not exceed the average annual amount of PLN 10 million, financial costs would not be significant, CIT = 19%, the company's results in 2022-26 could be as follows:

TIM SA (PLNm)	2021	2022F	2023F	2024F	2025F	2026F
Revenue	1252	1602	1951	2301	2650	3000
change	*34.0%*	*27.9%*	*21.8%*	*17.9%*	*15.2%*	*13.2%*
EBITDA	109	133	163	192	221	250
EBITDA margin	*8.7%*	*8.3%*	*8.3%*	*8.3%*	*8.3%*	*8.3%*
Depreciation	5	7	9	10	11	13
EBIT	103	127	153	181	210	237
Net profit	83	101	123	145	168	190
P/E	**9.0**	**7.3**	**6.1**	**5.1**	**4.4**	**3.9**
EV/EBITDA	**6.8**	**5.6**	**4.6**	**3.9**	**3.4**	**3.0**

Source: TIM SA, Noble Securities estimates

Our forecasts are more conservative. Although we are counting on above-average revenue growth in 2022 resulting from the economic situation in the industry (at least 1H2022) and high inflation (favorable for commercial companies), we have raised our forecasts for 2022-24 compared to our previous expectations. However, the expected weakening of the economic growth rate, high interest rates negatively affecting investments (both households and industry) and the reversal of the trend in raw materials may effectively weaken the dynamics of market growth in the coming years. As a consequence, we forecast a decline in growth dynamics from 2023 onwards.

In turn, the extinction of inflationary factors and pressure on margins (with weakening demand) may make it impossible to maintain profitability at the assumed level. We maintain our opinion that part of the margin increase in TIM SA in 2021 resulted from dynamically growing prices of goods based on rapidly more expensive raw materials (copper, aluminum, plastic), which in the event of a reversal of the trend in raw materials will have a negative impact on margins (in the forecasts we assumed a decrease in gross margin). At the same time, we see the risk of write-offs for goods purchased at inflated prices, but the high competence and many years of experience of TIM management in the field of warehouse management should reduce costs to a minimum (which is why they are not included in the forecasts).

In the new strategy, the Management Board devoted a lot of space to employee issues. We treat this as a very important element of development, because in the current economic environment and high wage pressure, a conscious HR policy combined with corporate social responsibility should bring results in the form of at least maintaining efficiency indicators (i.e. wage growth lower than the increase in gross margin).

TIM is increasingly becoming a technological company, developing its own IT systems: sales, warehouse management, etc. Therefore, it is necessary to increase expenditures for this purpose in order to maintain the existing competitive advantages and the built market position. As a consequence, we have revised the CAPEX plans upwards, assuming expenses at the level of approx. PLN 25 million in total in 2022-23 and maintaining the level of PLN >10 million in subsequent periods.

A wide offer is another important element of TIM's strategy. The Management Board declares a further increase in the number of so-called indices (SKUs – storage units) to >100,000 units. (vs. about 70-80 thousand currently) and maintaining the so-called "long tail", which in our opinion does not allow to forecast a decrease in the value of inventories. In our model, we have adopted maintaining the turnover ratio at the current level, and with the assumed increase in sales, this means a further increase in the value of the warehouse and higher expenditures on working capital (WC).

In accordance with the declarations of the Management Board, we assumed the continuation of the dividend policy, because the high profitability of the business will allow for a simultaneous increase in expenditures on CAPEX and WC and payment from profit to shareholders.

Financing of investments in the logistics company 3LP in the absence of proceeds from the issue will come to a greater extent from external sources (bank loans, leasing) and the group's own funds (including those generated in TIM SA, as part of cash pooling). If the IPO date were postponed beyond 2023 or the public offering was abandoned, this could in the medium term reduce the level of dividends in the parent company. However, we do not expect TIM to decide to suspend withdrawals.

Apator – an increasingly demanding environment

In the last report, we accurately predicted the difficulties that Apator will have to face, but we underestimated the scale of the problem. The company still has problems with maintaining sales volume, high competition, rising component costs and their shortages (which requires a higher commitment of working capital), with limited possibility of transferring the increase in costs to customers. In addition, the growing costs of servicing increasing debt offset the effects of work on margin defense. We lower the target price to PLN 12.2 and change the recommendation to REDUCE.

Poor results 1Q2022 a harbinger of a difficult whole year

Another quarter of a clear deterioration in margin. Growing debt and the costs of servicing it additionally weigh on profits. Apator showed a loss for the second time in a row. Working capital growth has not slowed down and CAPEX remains high. Despite the growing problems, the company did not abandon the buyback.

Expansionary politics and growing debt

Apator is aware that without investment in automation, it will be difficult to maintain competitiveness and margins at the current level. This is reflected in a new development strategy and ambitious investment plans. Unfortunately, these plans came to be implemented in a rapidly deteriorating economic environment resulting in a decrease in profits and cash inflows. As a result, the company significantly increased its debt. Although it remains at a safe level, the possibilities of its further increase are very limited, and the cost of service is getting higher.

Risks to valuation and recommendations

We draw attention to the risk of further deterioration of results as a result of market changes and increasing competition. In order to continue the development program, Apator will probably be forced to limit the transfer of cash to shareholders. One should expect a reduction in the dividend and the cessation of share buybacks.

We estimated the value of Apator's shares on the basis of valuation using the following methods: DCF (PLN 9.1) and comparative (PLN 1,3.3/13.5). We set the target price in the 9-month horizon at PLN 12.2. This gives a discount of 18% to the stock exchange rate. We lower recommendations to REDUCE.

PLNm	2019	2020	2021	2022F	2023F	2024F
Revenues	878	935	940	974	1 029	1 076
EBITDA	126	131	150	101	119	129
Net profit	53	60	61	25	36	43
Recurring net profit	53	60	34	25	36	43
EPS	1.83	2.06	1.16	0.85	1.25	1.46
DPS	1.10	1.20	0.68	0.50	0.73	0.86
P/E (x)	8.1	7.2	12.7	17.5	11.8	10.1
EV/EBITDA (x)	4.6	4.3	5.5	6.1	4.9	4.1

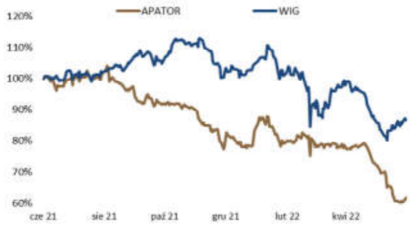
Source: Apator, F - Noble Securities forecasts; ratios calculated for the number of shares less own shares

The preparation of report was finalized on 6/06/2022 at 12:00 p.m. The first publication took place on 6/06/2022 at 12:10 p.m.

NOBLE SECURITIES
DOM MAKLERSKI

REDUCE
(Update)

Current price	14.8 PLN
Target price (9M)	12.2 PLN
Upside/downside	-18%
Market cap.	484 PLNm
Free float	64%
Avg. Vol. 6M	13,590



COMPANY PROFILE

Leader on the market of measuring equipment in Poland.

SHAREHOLDERS

Apator Mining	11.0%
Aviva OFE	10.2%
Mariusz Lewicki	7.1%
Tadeusz Sosgórnik	5.8%
Danuta Guzowska	4.6%
Zbigniew Jaworski	4.4%
Kazimierz Piotrowski	2.5%
Others	53.4%

Source: Apator. Noble Securities

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VALUATION

Apator is valued with a premium to domestic companies from the automation, control and measurement fittings and automation (I&C) segment, which in our opinion should not be the case. A slight discount to Polish midcaps can be justified by slightly better margins and a still safe balance sheet structure. In turn, discounting to foreign entities has already become the rule. Therefore, the comparative valuation was based on indicators for a group of companies from the I&C industry and separately produced companies from the MidCaps sector listed on the WSE. Valuation on the basis of indicators of foreign entities serves only to show the potential that Apator's course would have in in the case of interest on the part of an industry investor. We estimated the value of Apator's shares on the basis of valuation using the following methods: DCF (PLN 9.1) and comparative (13,3/13,5 PLN). **We set the target price in the 9-month horizon at PLN 12.2.**

The market of metering devices – meters (especially in the area of electricity and gas) is becoming more and more a commodity market with all the consequences, i.e. low unit prices, low margins and low barriers to entry Recognizing more and more clearly the risks to maintaining the profitability of the business in the long term, with a deteriorating environment (cost and competitive pressure) and further challenges that the company will have to face (demanding contracts). public), we have reduced Apator's projected profits in the following years.

We estimate the negative impact of lowering forecasts at approx. PLN 4, while the change in the parameters of the DCF model (increase in the risk-free rate) reduced the valuation by approx. PLN 2.6. Lower valuation ratios for comparable companies mean approx. PLN 0.3 lower valuation.

In the table below we present a summary of the valuation:

Valuation summary	Weight	Per share (PLN)	Previous (PLN)	Change
DCF	50%	9.1	17.6	-48%
Peers (domestic - I&C)	30%	13.3	17.1	-21%
Peers (domestic - midcaps)	20%	13.5	20.8	-74%
Peers (foreign)	0%	31.6	54.1	-42%
Average valuation		11.3	18.1	-38%
Target price (9M)		**12.2**	**19.1**	**-36%**
Current price		14.8		
Upside/downside		-18%		

Źródło: Noble Securities

DCF VALUATION

Assumptions for the model:

- Value of cash flows discounted at the beginning of January 2022.
- Net debt as at 31.12.2021 in the amount of PLN 203 million.
- Long-term growth rate after the forecast period equal to 0% (unchanged).
- Risk-free rate of 6.7% (previously 3.25%), a risk premium of 5.1% (no change), beta at level 1.0 (no change).
- Number of shares adjusted for own shares (3.6 million pcs.).

DCF VALUATION AND SENSITIVITY ANALYSIS

DCF	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Revenues	974	1 029	1 076	1 089	1 103	1 117	1 131	1 145	1 159	1 174
NOPAT	33	44	50	51	52	52	53	53	54	55
Depreciation and amortization	60	64	67	51	37	40	43	39	34	37
Change in WC	-9	-5	14	-4	-4	-4	-4	-4	-4	-4
CAPEX	-60	-50	-54	-57	-45	-37	-40	-43	-39	-34
FCFF	24	53	76	41	40	51	51	45	45	53
WACC	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**
Discount factor	0.94	0.85	0.77	0.69	0.63	0.57	0.51	0.46	0.42	0.38
DFCFF	23	45	59	28	25	29	26	21	19	20

Sum of DFCFF to 2031	295
Growth rate (g)	0%
Residual value 2031	471
Discounted Residual value	177
Enterprise Value (EV)	472
Net debt 31/12/2021	203
Minorities	4
Equity value	266
Shares (ths.)	29.1
Equity Value per share	9.1

Sensitivity analysis					
	Growth rate (g)				
	-2%	-1%	0%	1%	2%
WACC - 1,0%	9.4	10.0	10.8	11.7	12.8
WACC - 0,5%	8.7	9.2	9.9	10.7	11.7
WACC	8.1	8.5	9.1	9.8	10.7
WACC + 0,5%	7.5	7.9	8.4	9.0	9.7
WACC + 1,0%	6.9	7.3	7.7	8.3	8.9

Source: Noble Securities

Below we present the calculation of the cost of equity and WACC:

WACC	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	>2031
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Market risk premium	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Effective tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Cost of debt	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%	8.20%
Cost of debt after tax bracket	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%	6.56%
Net debt/EV	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
WACC	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**	**10.7%**

Source: Noble Securities

PEERS VALUATION

Peers valuation - domestic (I&C)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Aplisens	167	10.3	9.6	9.2	5.0	4.2	3.5
Sonel	137	11.9	10.4	8.4	6.2	6.2	6.2
Median		**11.1**	**10.0**	**8.8**	**5.6**	**5.2**	**4.8**
Apator	484	17.5	11.8	10.1	6.1	4.9	4.1
Premium / discount (%)		58%	18%	14%	9%	-5%	-14%
Apator's implied fair value		9.4	12.5	12.9	12.9	15.9	17.8
Weight		20%	15%	15%	20%	15%	15%
Apator's implied fair value				**13.3**			

Peers valuation - domestic (midcaps)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Kęty	5 944	9.6	10.1	9.2	7.6	7.2	6.6
Stalprodukt	1 772	3.5	10.9	11.1	1.7	3.3	3.9
Alumetal	1 066	6.7	8.2	8.4	4.9	6.2	6.1
Śnieżka	994	17.3	15.5	14.9	12.9	11.1	10.8
Forte	850	8.7	8.2	7.4	5.8	5.9	5.6
Newag	941	11.2	9.0	9.7	8.3	7.0	7.7
Amica	622	13.9	7.9	6.6	5.4	4.3	4.2
Ferro	601	7.5	6.7	6.3	6.1	5.5	5.3
Median		**8.7**	**8.2**	**8.4**	**5.8**	**5.9**	**5.6**
Apator	484	17.5	11.8	10.1	6.1	4.9	4.1
Premium / discount (%)		100%	44%	20%	6%	-16%	-26%
Apator's implied fair value		7.4	10.3	12.3	13.5	18.6	21.3
Weight		20%	15%	15%	20%	15%	15%
Apator's implied fair value				**13.5**			

Peers valuation - foreign (I&C)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Honeywell	568 239	22.3	19.9	18.1	15.9	14.6	13.7
Schneider Electric	344 250	19.1	17.2	15.6	13.4	12.2	11.3
Emerson	229 773	17.9	16.8	15.3	11.9	11.4	10.6
Fortive	96 113	20.3	18.3	16.6	17.0	15.6	14.5
Yokogawa	20 960	35.6	24.4	20.9	12.2	10.1	9.0
Badger Meter	10 171	37.1	33.4	30.7	20.5	19.2	18.1
Itron	9 949	40.2	18.5	13.6	21.0	11.8	9.1
ESCO	7 478	21.8	18.3	na	12.1	11.0	na
Vaisala Oyj	7 102	27.4	24.8	23.5	17.1	15.7	14.9
NEDAP	1 831	17.7	15.8	14.2	10.4	9.4	9.2
Phoenix Mecano	1 587	10.4	9.3	8.8	6.2	5.9	5.8
Schaffner Holding	872	14.5	13.1	13.1	na	na	na
Median		**21.0**	**18.3**	**15.6**	**13.4**	**11.8**	**11.0**
Apator	484	17.5	11.8	10.1	6.1	4.9	4.1
Premium / discount (%)		-17%	-35%	-35%	-54%	-58%	-62%
Apator's implied fair value		17.8	22.8	22.8	40.1	42.7	45.0
Weight		20%	15%	15%	20%	15%	15%
Apator's implied fair value				**31.6**			

Source: Bloomberg, Noble Securities, data on 6.06.2022 at 9:39 a.m

ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG)

Apator Group's production companies strive to efficiently manage resources, raw materials and utilities and to minimize the negative impact of their operations on the environment. Apator uses and implements new technologies and processes optimized in terms of the consumption of raw materials and utilities, as well as the amount of pollution and waste. On the other hand, Apator is a provider of modern solutions in the field of media measurement (electricity, gas, water and heat), which ultimately is to help in their optimal management.

CSR in apator Group is treated as an element supporting business strategy, includes long-term activities and programs, and its aim is to create new business opportunities, new markets and strengthen the competitive position. Apator organizes training for employees (in 2020, training programs were partially suspended due to the pandemic), engages in the promotion of health and physical activity, actively cooperates with secondary schools (HR) and universities (HR, R&D).

Apator SA, as a company coordinating the activities of the capital group and listed on the WSE, undertook to comply with the principles of corporate governance, which are included in the collection "Best Practices of WSE Listed Companies 2016". Apator applies all the detailed rules of the above-mentioned Good Practices.

CHANGE IN FORECASTS OF FINANCIAL RESULTS

PLNm	2019	2020	2021	2022F new	2022F old	change	2023F new	2023F old	change	2024F new	2024F old	change
Revenues	**877.6**	**934.9**	**940.3**	**974.0**	**992.5**	**-2%**	**1 028.7**	**1 047.9**	**-2%**	**1 075.8**	**1 061.0**	**1%**
electricity	378.1	444.3	375.2	375.0	396.5	-5%	393.6	416.2	-5%	401.5		
gas	243.5	251.0	269.7	285.5	285.9	0%	302.3	302.7	0%	308.4		
water & heat	256.8	239.6	295.4	313.5	310.1	1%	332.7	329.1	1%	365.9		
Gross profit from sales	237.8	238.9	214.3	209.2	229.2	-9%	229.2	238.1	-4%	242.6	241.1	1%
EBITDA	126.0	131.1	150.2	101.1	133.6	-24%	119.1	144.1	-17%	129.4	141.7	-9%
electricity	48.3	60.8	28.7	14.5	36.1	-60%	26.1	37.8	-31%	28.5		
gas	43.7	38.0	38.2	37.6	40.3	-7%	40.2	43.7	-8%	40.6		
water & heat	38.3	36.5	87.4	52.9	60.8	-13%	56.8	66.2	-14%	64.3		
EBITDA adj.	**126.0**	**131.1**	**116.1**	**101.1**	**133.6**	**-24%**	**119.1**	**144.1**	**-17%**	**129.4**	**141.7**	**-9%**
Depreciation	49.6	52.5	55.8	59.7	64.6	-8%	63.6	69.3	-8%	66.6	66.0	1%
EBIT	76.4	78.6	94.5	41.4	69.0	-40%	55.5	74.8	-26%	62.8	75.7	-17%
Financial income and costs	-2.5	3.3	-9.6	-4.1	-2.8	43%	-3.7	-2.4	54%	-3.1	-2.4	34%
Net profit	53.4	60.2	61.5	24.6	48.1	-49%	36.3	53.2	-32%	42.7	53.9	-21%
Net profit adj.	**53.4**	**60.2**	**33.9**	**24.6**	**48.1**	**-49%**	**36.3**	**53.2**	**-32%**	**42.7**	**53.9**	**-21%**
CAPEX & aquisitions	59.4	75.9	66.4	60.0	75.8	-21%	50.4	72.6	-30%	54.4	103.4	-47%
Net debt	**150.4**	**132.2**	**202.7**	**188.6**	**137.6**	**37%**	**156.2**	**133.2**	**17%**	**105.0**	**149.6**	**-30%**
P/E	8.1	7.2	12.7	17.5	9.0		11.8	8.1		10.1	8.0	
EV/EBITDA	4.6	4.3	5.5	6.1	4.3		4.9	3.9		4.1	4.1	

Source: Apator, F - Noble Securities forecast

Profit and loss account (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues from sales	**878**	**935**	**940**	**974**	**1 029**	**1 076**
Gross profit from sales	**238**	**239**	**214**	**209**	**229**	**243**
SG&A costs	40	32	37	38	40	42
Net profit from sales	123	126	129	130	134	138
Other operating revenues and expenses	2	-2	45	0	0	0
EBIT	**76**	**79**	**94**	**41**	**55**	**63**
Financial income and costs	-3	3	-10	-4	-4	-3
Profit before tax	74	82	85	37	52	60
Income tax	19	20	22	12	14	16
Net profit	**53**	**60**	**61**	**25**	**36**	**43**
Reported net profit	**53**	**60**	**34**	**25**	**36**	**43**
Depreciation and amortization	50	53	56	60	64	67
EBITDA	**126**	**131**	**116**	**101**	**119**	**129**

Source: Apator (2019-2021), Noble Securities (2022-2024)

Balance Sheet (PLNm)	2019	2020	2021	2022F	2023F	2024F
Assets	**888**	**875**	**997**	**973**	**968**	**941**
Non-current assets	**435**	**456**	**498**	**487**	**480**	**470**
Tangible and Intangible assets	266	291	333	343	339	336
Subsidiaries goodwill	124	126	126	126	126	126
Other long-term assets	45	40	39	19	15	9
Current Assets	**404**	**377**	**463**	**460**	**471**	**463**
Inventories	152	155	238	240	240	221
Trade receivables	182	164	181	187	197	206
Cash and cash equivalents	65	53	38	27	28	29
Other current assets	5	4	6	6	6	6
Liabilities	**888**	**875**	**997**	**973**	**968**	**941**
Equity	**493**	**517**	**550**	**553**	**573**	**591**
Long-term liabilities	**58**	**47**	**72**	**63**	**55**	**52**
Loans, borrowings and other financial liabilities	16	4	38	38	38	38
Other	42	42	34	25	16	14
Current liabilities	**337**	**311**	**374**	**357**	**340**	**297**
Loans, borrowings and other financial liabilities	139	125	173	157	135	94
Accounts payable	87	74	94	93	99	103
Other	111	112	107	107	107	101

Source: Apator (2019-2021), Noble Securities (2022-2024)

Cash Flow Statement (PLNm)	2019	2020	2021	2022F	2023F	2024F
Gross profit	74	82	85	37	52	60
Depreciation and amortization	50	53	56	60	64	67
Change in working capital	-17	1	83	9	5	-14
Tax paid	-17	-16	-19	-3	-6	-8
CF from current operations	**121**	**125**	**30**	**85**	**105**	**132**
CAPEX	-59	-73	-59	-60	-50	-54
Capital investments	0	-3	-7	0	0	0
Divestments and other	1	2	3	4	5	6
CF from investing activities	**-52**	**-60**	**-66**	**-60**	**-50**	**-54**
Increase of share capital	-3	0	-1	0	0	0
Change in financial liabilities	-8	-23	78	-25	-31	-50
Dividends and other payments due to equity holders	-40	-33	-22	-22	-16	-24
CF from financial activities	**-64**	**-70**	**44**	**-47**	**-47**	**-74**
CF for the period	**5**	**-5**	**8**	**-22**	**7**	**4**
Cash at the beginning of the period	29	34	29	37	15	22
Cash at the end of the period	34	29	37	15	22	26

Source: Apator (2019-2021), Noble Securities (2022-2024)

Selected indicators	2019	2020	2021	2022F	2023F	2024F
EBITDA margin	14.4%	14.0%	12.4%	10.4%	11.6%	12.0%
EBIT margin	8.7%	8.4%	6.4%	4.3%	5.4%	5.8%
Net profit margin	6.1%	6.4%	3.6%	2.5%	3.5%	4.0%
Net debt	150	132	203	189	156	105
Net debt /EBITDA	1.2	1.0	1.7	1.9	1.3	0.8
Number of shares issued	32.9	32.8	32.8	32.7	32.7	32.7
Dividend per share	1.10	1.20	0.68	0.50	0.73	0.86
P/BV	0.9	0.8	0.8	0.8	0.8	0.7

Source: Apator (2019-2021), Noble Securities (2022-2024)

Annual growth rates	2019	2020	2021	2022F	2023F	2024F
Revenues	6%	7%	1%	4%	6%	5%
EBITDA	-5%	4%	-11%	-13%	18%	9%
EBIT	-16%	3%	-23%	-31%	34%	13%
Net profit	-21%	13%	-44%	-27%	47%	17%

Source: Apator (2019-2021), Noble Securities (2022-2024)

Aplisens – strong balance sheet and dividend

Due to the high involvement in the eastern markets, Aplisens will be most affected by the loss of export revenues in that direction. There is also a high risk of write-offs on fixed assets. We see opportunities in the increase in investments in the gas segment (expansion of gas infrastructure in Europe). Ultra-conservative financial policy and a very strong balance sheet (high net cash) give hope for a "dry rate" passage through the economic turmoil continuing the stable development of the company and maintaining transfers to shareholders. We have reduced the value of the shares to PLN 16.0 which still gives 14% growth potential.

Risk in the East

Aplisens achieves approx. 15% of unit revenues (30% consolidated) from Eastern markets. We are counting on the loss of most of the sales carried out in that direction (approx. PLN 20 million), which in part should be replaced by revenues from other directions. The domestic market (a rebound in investments in mining and the "black" energy sector) is promising well, in the long term the European markets (announced investments in gas infrastructure) and entry into the USA are an opportunity. The risk is write-downs on assets in Russia (PLN 6.5 million).

A strong balance sheet means business security in difficult times

The lack of debt and financing the development only with the help of own funds is the showcase of Aplisens. We believe that cash surpluses guarantee liquidity security even in the event of a downturn and a decline in revenues.

Maintaining the policy of transfer of profits to shareholders

We assume that transfers to shareholders will be maintained despite the forecast decline in profits. The company declared an increase in dividend and buyback in '22.

Risks to our valuation and recommendation

Among the main risks we see for our forecasts are a lower growth rate of revenues from exports outside the CIS markets, which would allow to compensate for the loss of revenues from the east and the need to create write-downs on eastern assets. The risk is also an increase in production costs, permanently reducing the margins obtained. A big challenge is to expand into the difficult US market, where entry costs are high and competition is very high.

We estimated the value of Aplisens shares on the basis of valuation using the following methods: DCF (PLN 15.3) and comparative (PLN 16.7), which after weighing the above valuations allowed us to set the present value at PLN 16.0.

PLNm	2019	2020	2021	2022F	2023F	2024F
Revenues	118.5	108.0	121.4	114.0	114.7	129.0
EBITDA	25.1	25.0	28.9	26.1	27.3	30.4
Net profit	14.1	12.6	17.2	15.9	16.0	16.7
EPS	1.12	1.06	1.45	1.37	1.46	1.53
DPS	0.25	0.45	0.60	0.40	0.47	0.57
P/E (x)	12.6	13.3	9.8	10.3	9.6	9.2
EV/EBITDA (x)	6.6	5.6	4.8	5.0	4.2	3.5

Source: Aplisens, F - Noble Securities, earnings adjusted for on-offs

The preparation of report was finalized on 6/06/2022 at 12:00 p.m. The first publication took place on 6/06/2022 at 12:10 p.m.

Current price	14.1 PLN
Valuation	16.0 PLN
Upside/downside	14%
Market cap.	167 PLNm
Free float	31%
Avg. Vol. 6M	817

COMPANY PROFILE

Manufacturer of devices for measuring pressure, level and temperature of liquids and gases. Export accounts for over 50% of revenues.

SHAREHOLDERS	
Adam Żurawski	21.5%
Mirosław Dawidonis	12.5%
Janusz Szewczyk	10.1%
Mirosław Karczmarczyk	9.6%
Dorota Zubkow	7.0%
Andrzej Kobiałka	5.3%
Own shares	3.1%
Others	31.0%

Source: Aplisens. Noble Securities

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VALUATION

We calculated the value of one share of Aplisens SA as an average of the comparative valuation (we took into account the indicators for the forecast period 2022-24) and DCF. On this basis, we have set the current value of the shares at PLN 16.0. Foreign companies are valued at a large premium to Aplisens, which is a permanent trend (in large part these are global companies – geographical diversification, often operating in many segments – product diversification) and therefore have been excluded from the valuation and given only for illustrative purposes. The decrease in valuation compared to our previous report from August 2021 results from both the update of forecasts and the change in the parameters of the DCF model and indicators for the comparison group. Although Aplisens may experience the effects of the conflict in Ukraine (a decrease in revenues from the CIS markets, possible write-offs on eastern assets), in 2022 investors will be more interested in companies with high internal value, a safe financial situation and a stable dividend policy.

In the table below we present a summary of the valuation:

Valuation summary	Weight	Per share (PLN)	Previous (PLN)	Change
DCF	50%	15.3	22.0	-30%
Peers (domestic)	50%	16.7	13.5	24%
Peers (foreign)	0%	32.1	39.6	-19%
Average valuation		**16.0**	**17.8**	**-10%**
Current price		14.1		
Upside/downside		14%		

Source: Noble Securities

DCF VALUATION

Assumptions for the model:

- We rely on our own forecasts of consolidated results given in this report.
- The value of cash flows discounted as at the date of publication of the report.
- Net cash as at 31.12.2021 in the amount of PLN 29 million.
- Effective tax rate of 8-9% in the years 202 2-2023 (tax relief),then 19%.
- Long-term growth rate after the forecast period equal to 0% (unchanged)..
- Share of equity in the financing of assets 100% (conservative financial policy of the board).
- Risk-free rate of 6.7% (previously 1.81%), risk premium of 5.1% (unchanged), beta of 1.0 (unchanged).

DCF VALUATION AND SENSITIVITY ANALYSIS

DCF	**2022F**	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**
Revenues	114	115	129	132	136	139	142	146	150	153
NOPAT	17	17	17	18	18	19	19	20	20	21
Depreciation and amortization	8	9	9	9	9	7	7	7	6	7
Change in WC	4	0	-6	-1	-1	-2	-2	-2	-2	-2
CAPEX	-8	-14	-8	-8	-9	-9	-7	-7	-7	-6
FCFF	20	11	12	18	17	15	18	17	18	19
WACC	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Discount factor	0.94	0.84	0.75	0.67	0.60	0.54	0.48	0.43	0.38	0.34
DFCFF	18.9	9.0	9.3	12.0	10.1	7.9	8.5	7.5	7.0	6.5

Sum of DFCFF to 2031	97
Growth rate (g)	0%
Residual value 2031	157
Discounted Residual value	54
Enterprise Value (EV)	151
Net debt 31/12/2021	-29
Minorities	3
Equity value	177
Shares (ths.)	11.5
Equity Value per share	15.3

Sensitivity analysis					
	Growth rate (g)				
	-2%	-1%	0%	1%	2%
WACC - 1,0%	15.6	16.0	16.5	17.2	18.0
WACC - 0,5%	15.1	15.4	15.9	16.5	17.1
WACC	14.6	14.9	15.3	15.8	16.4
WACC + 0,5%	14.1	14.4	14.8	15.2	15.7
WACC + 1,0%	13.7	14.0	14.3	14.7	15.1

Source: Noble Securities

Below we present the calculation of the cost of equity and WACC:

WACC	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Market risk premium	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Effective tax rate	11.5%	8.9%	8.1%	9.2%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Cost of debt	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%
Cost of debt after tax bracket	6.71%	6.91%	6.97%	6.88%	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%
Net debt/EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WACC	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**

Source: Noble Securities

PEERS VALUATION

Peers valuation - domestic (I&C)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Apator	484	17.5	11.8	10.1	6.1	4.9	4.1
Sonel	137	11.9	10.4	8.4	6.2	5.0	4.2
Median		**14.7**	**11.1**	**9.3**	**6.1**	**5.0**	**4.1**
Aplisens		11.6	9.8	10.3	5.6	4.8	5.0
Premium / discount (%)		-21%	-12%	11%	-9%	-3%	21%
Aplisens' implied fair value		20.2	16.3	14.1	16.6	15.9	15.9
Aplisens' implied fair value				**16.7**			
Peers valuation - foreign (I&C)	**Market cap. (PLNm)**	**P/E (x)**			**EV/EBITDA (x)**		
		2022F	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**
Honeywell	568 239	22.3	19.9	18.1	15.9	14.6	13.7
Emerson	229 773	17.9	16.8	15.3	11.9	11.4	10.6
Yokogawa	20 960	35.6	24.4	20.9	12.2	10.1	9.0
Itron	9 949	40.2	18.5	13.6	21.0	11.8	9.1
ESCO	7 478	21.8	18.3	na	12.1	11.0	na
Badger Meter	10 171	37.1	33.4	30.7	20.5	19.2	18.1
Vaisala Oyj	7 102	27.4	24.8	23.5	17.1	15.7	14.9
Phoenix Mecano	1 587	10.4	9.3	8.8	6.2	5.9	5.8
Median		**24.9**	**19.2**	**18.1**	**14.1**	**11.6**	**10.6**
Aplisens		11.6	9.8	10.3	5.6	4.8	5.0
Premium / discount (%)		-53%	-49%	-43%	-60%	-58%	-53%
Aplisens' implied fair value		34.2	28.2	27.6	34.6	32.4	33.8
Aplisens' implied fair value				**32.1**			

Source: Bloomberg, Noble Securities, data on 6.06.2022 at 9:39 a.m.

ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG)

In the area of their activity, companies from the Aplisens Capital Group do not conduct activities that threaten the natural environment. The production of equipment is not associated with dangerous technologies or raw materials.

In a small area subject to environmental protection regulations, Aplisens SA and its subsidiaries comply with local regulations in this area. As part of the "green investments", the company uses the panel and photovoltaic installed at the plants in Warsaw and Radom and plans further investments.

Aplisens is not very active in the sphere of pro-social activities. The Company does not conduct sponsorship, charity or other activities of a similar nature.

CHANGE IN FORECASTS OF FINANCIAL RESULTS

PLNm	2019	2020	2021	2022F new	2022F old	change	2023F new	2023F old	change	2024F new	2024F old	change
Revenues	**118.5**	**108.0**	**121.4**	**114.0**	**129.6**	**-12%**	**114.7**	**132.8**	**-14%**	**129.0**	**136.1**	**-5%**
domestic market	41.0	39.2	43.0	46.1	39.2	18%	50.2			52.5		
CIS market	44.4	38.5	37.6	19.4	42.4	-54%	10.6			13.4		
UE market	26.4	23.9	31.5	37.6	37.3	1%	40.8			47.5		
other markets	6.7	6.4	9.4	10.9	10.8	1%	13.0			15.6		
Gross profit from sales	38.5	35.4	43.8	39.3	41.7	-6%	39.5	42.7	-8%	44.4	43.8	1%
margin	*32%*	*33%*	*36%*	*34%*	*32%*		*34%*	*32%*		*34%*	*32%*	*0%*
EBITDA	25.1	25.0	28.9	26.1	27.4	-5%	27.3	28.3	-3%	30.4	29.1	5%
EBITDA adj.	**25.1**	**25.0**	**28.9**	**26.1**	**27.4**	**-5%**	**27.3**	**28.3**	**-3%**	**30.4**	**29.1**	**5%**
margin	*21%*	*23%*	*24%*	*23%*	*21%*		*24%*	*21%*		*24%*	*21%*	*0%*
Depreciation	7.7	7.7	7.3	7.8	9.0	-13%	8.7	9.3	-7%	9.1	9.6	-4%
EBIT	17.4	17.4	21.6	18.4	18.4	0%	18.6	18.9	-2%	21.3	19.5	9%
Financial income and costs	0.1	0.1	-0.3	0.3	0.2	20%	0.3	0.3	4%	0.4	0.4	-9%
Nert profit	14.1	14.5	17.2	15.9	15.7	1%	16.0	15.9	1%	16.7	15.0	11%
Net profit adj.	**14.1**	**12.6**	**17.2**	**15.9**	**15.7**	**1%**	**16.0**	**15.9**	**1%**	**16.7**	**15.0**	**11%**
margin	*12%*	*12%*	*14%*	*14%*	*12%*		*14%*	*12%*		*13%*	*11%*	*0%*
CAPEX & aquisitions	9.8	6.6	6.2	8.2	10.7	-23%	14.5	8.0	82%	7.5	7.5	0%
Dividend & buyback	14.3	5.0	11.9	15.1	4.4	242%	4.6	4.4	4%	5.2	4.4	17%
Net debt	**-11.5**	**-27.6**	**-28.7**	**-31.3**	**-30.0**	**4%**	**-38.3**	**-42.0**	**-9%**	**-48.1**	**-55.5**	**-13%**
P/E	12.6	13.3	9.8	10.3	10.7		9.6	10.6		9.2	11.1	
EV/EBITDA	6.6	5.6	4.8	5.0	5.0		4.2	4.4		3.5	3.8	

Source: Aplisens, F - Noble Securities forecast

Profit and loss account (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues from sales	**118.5**	**108.0**	**121.4**	**114.0**	**114.7**	**129.0**
Gross profit from sales	38.5	35.4	43.8	39.3	39.5	44.4
SG&A costs	3.2	2.8	3.5	3.0	3.0	3.4
Net profit from sales	17.3	17.5	18.7	17.9	17.8	19.8
Other operating revenues and expenses	-0.6	2.3	-0.1	0.0	0.0	0.0
EBIT	**17.4**	**17.4**	**21.6**	**18.4**	**18.6**	**21.3**
Financial income and costs	0.1	0.1	-0.3	0.3	0.3	0.4
Profit before tax	17.5	17.5	21.3	18.7	19.0	21.6
Income tax	2.7	2.6	3.3	2.7	2.8	4.8
Reported net profit	14.1	14.5	17.2	15.9	16.0	16.7
Repeatable net profit	**14.1**	**12.6**	**17.2**	**15.9**	**16.0**	**16.7**
Depreciation and amortization	7.7	7.7	7.3	7.8	8.7	9.1
EBITDA	**25.1**	**25.0**	**28.9**	**26.1**	**27.3**	**30.4**

Source: Aplisens (2019-2021), Noble Securities (2022-2024)

Balance Sheet (PLNm)	2019	2020	2021	2022F	2023F	2024F
Assets	**175.4**	**182.7**	**192.6**	**189.2**	**201.0**	**216.6**
Non-current assets	**106.2**	**102.3**	**100.3**	**98.6**	**102.9**	**101.3**
Tangible and Intangible assets	96.2	93.1	92.0	92.5	98.3	96.6
Subsidiaries goodwill	2.9	2.9	2.9	2.9	2.9	2.9
Other long-term assets	7.1	6.3	5.4	3.3	1.8	1.8
Current Assets	**69.3**	**80.4**	**92.3**	**90.6**	**98.0**	**115.3**
Inventories	36.9	38.8	43.2	40.6	40.9	45.9
Trade receivables	20.6	13.9	20.4	18.7	18.9	21.2
Cash and cash equivalents	11.5	27.6	28.8	31.3	38.3	48.2
Other current assets	0.2	0.0	0.0	0.0	0.0	0.0
Liabilities	**175.4**	**182.7**	**189.0**	**189.2**	**201.0**	**216.6**
Equity	**160.8**	**170.4**	**175.7**	**176.4**	**188.1**	**202.8**
Long-term liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loans, borrowings and other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**9.7**	**7.3**	**8.3**	**7.8**	**7.9**	**8.8**
Loans, borrowings and other financial liabilities	0.1	0.0	0.0	0.0	0.0	0.0
Accounts payable	7.7	5.6	6.3	5.9	6.0	6.7
Other	2.0	1.6	2.0	1.9	1.9	2.1

Source: Aplisens (2019-2021), Noble Securities (2022-2024)

Cash Flow Statement (PLNm)	2019	2020	2021	2022F	2023F	2024F
Gross profit	17.5	17.5	21.3	18.7	19.0	21.6
Depreciation and amortization	7.7	7.7	7.3	7.8	8.7	9.1
Change in working capital	0.4	2.3	-9.7	3.7	-0.3	-6.5
Tax paid	-2.2	-1.6	-1.5	-1.1	-1.4	-4.8
CF from current operations	**26.3**	**25.3**	**20.9**	**28.9**	**25.8**	**19.4**
CAPEX	-8.8	-6.6	-6.2	-8.2	-14.5	-7.5
Capital investments	-0.9	0.0	0.0	0.0	0.0	0.0
Divestments and other	0.0	0.0	-3.6	-6.3	-6.9	-9.1
CF from investing activities	**-12.2**	**-19.1**	**-9.8**	**-14.5**	**-21.4**	**-16.6**
Increase of share capital	-9.9	-2.0	-6.6	-8.2	0.3	3.2
Change in financial liabilities	-1.1	0.0	0.0	0.0	0.0	0.0
Dividends and other payments due to equity holders	-15.4	-5.9	-14.5	-18.9	-7.8	-5.2
CF from financial activities	**-14.5**	**-2.8**	**-12.0**	**-15.1**	**-4.3**	**-2.0**
CF for the period	**-0.4**	**3.5**	**-0.9**	**-0.7**	**0.0**	**0.8**
Cash at the beginning of the period	9.4	9.0	12.4	11.5	10.8	10.9
Cash at the end of the period	9.0	12.4	11.5	10.8	10.9	11.6

Source: Aplisens (2019-2021), Noble Securities (2022-2024)

Selected indicators	2019	2020	2021	2022F	2023F	2024F
EBITDA margin	21.2%	23.2%	23.8%	22.9%	23.8%	23.6%
EBIT margin	14.7%	16.1%	17.8%	16.1%	16.3%	16.5%
Net profit margin	12.4%	13.8%	14.8%	14.0%	14.1%	13.0%
	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-11.5	-27.6	-28.7	-31.3	-38.3	-48.1
Net debt /EBITDA	-0.5	-1.1	-1.0	-1.2	-1.4	-1.6
Number of shares issued	12.6	11.9	11.9	11.5	10.9	10.9
Dividend per share	0.3	0.4	0.6	0.4	0.5	0.6
P/BV	1.1	1.0	1.0	0.9	0.8	0.8

Source: Aplisens (2019-2021), Noble Securities (2022-2024)

Annual growth rates	2019	2020	2021	2022F	2023F	2024F
Revenues	12%	-9%	12%	-6%	1%	12%
EBITDA	2%	0%	15%	-10%	4%	11%
EBIT	0%	0%	24%	-15%	2%	14%
Net profit	-2%	-11%	37%	-8%	1%	4%

Source: Aplisens (2019-2021), Noble Securities (2022-2024)

Sonel – pressure on margins

Sonel, like other I&C manufacturers, experienced an increase in production costs and problems with the availability of components. In 2022, the company will also face challenges related to the implementation of long-term contracts in power engineering (supply of meters). A safe balance sheet (net cash) remains a strong side of Sonel, high core business margins and stable operating flows. In our opinion, the company is well prepared for more difficult times. We have lowered the valuation of shares to 10,2 PLN, a size close to the current rate.

Meter sales drive revenue growth, margin decline

The entry into the electricity meter supply market resulted in a sharp increase in Sonel's revenues. We assume that high sales in this segment will be maintained, although in 2022 the company will have to face the challenges associated with the implementation of long-term contracts with a demanding customer (limited possibilities of translating the increase in costs to the recipient) and, as a consequence, they will experience a decrease in margin.

Increased costs and pressure on margins

We forecast a decrease in the margin on products (measures) resulting from an increase in production costs (components, energy, wages), which will not be able to be quickly translated into price increases.

Higher CAPEX, lower dividend

The Management Board announced a significant increase in capital expenditures in 2022-23 (PLN 15-16 million per year vs assumed PLN 10 million) resulting from the implementation of the development strategy (R&D, eSonel program) and the expansion of the plant. With a conservative approach to the financing of assets (primarily own funds), this will have a negative impact on the level of dividend paid in these two years.

Risks to our valuation and recommendation

Among the main risk factors, what we see for our forecasts is the inhibition of the upward trend in sales while maintaining high expenditures on R&D, which will negatively affect the ability to generate free flows and dividend payment. At the operational level, the risk is the interruption of production continuity due to the lack of components, especially in the area of meter supply, where there are high financial penalties.

We estimated the value of Sonel's shares on the basis of valuation using the following methods: DCF (PLN 10.3) and comparative (PLN 10.0), which after weighing the above valuations allowed us to set the present value at PLN 10.2.

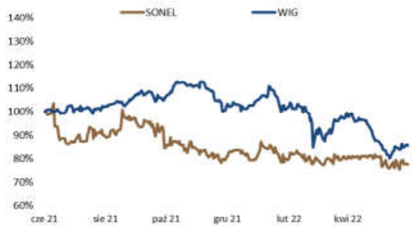
PLNm	2019	2020	2021	2022F	2023F	2024F
Revenues	109.0	116.1	158.1	153.3	150.7	150.7
EBITDA	17.4	21.6	23.2	21.0	25.4	29.8
Net profit	9.5	13.4	14.7	11.5	13.2	16.3
EPS	0.68	0.96	1.05	0.82	0.94	1.16
DPS	0.40	1.00	0.50	0.30	0.84	1.05
P/E (x)	14.5	10.3	9.4	11.9	10.4	8.4
EV/EBITDA (x)	7.5	5.3	5.4	6.2	5.0	4.2

Source: Sonel, Noble Securities, earnings adjusted for on-offs

The preparation of report was finalized on 6/06/2022 at 12:00 p.m. The first publication took place on 6/06/2022 at 12:10 p.m.

NOBLE SECURITIES
DOM MAKLERSKI

Current price	9.8 PLN
Valuation	10.2 PLN
Upside/downside	4%
Market cap.	137 PLNm
Free float	34%
Avg. Vol. 6M	1 509



COMPANY PROFILE

Manufacturer of measuring instruments for electricity and telecommunications.

SHAREHOLDERS

Krzysztof Wieczorkowski	22.5%
Krzysztof Folta	21.1%
AVIVA OFE	10.0%
Mirosław Nowakowski	8.3%
Jan Walulik	6.9%
Tadeusz Sołkiewicz	7.1%
Others	24.1%

Source: Sonel. Noble Securities

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VALUATION

We calculated the value of one share of Sonel SA as an average of the comparative valuation (we took into account the indicators for the forecast period 202 2-24) and DCF. **On this basis, we have set the current value of the shares at PLN 10.2.**

Foreign companies are valued at a large premium to Sonel, which is a permanent trend (in large part they are global companies – geographical diversification, often operating in many segments – product diversification) and therefore were excluded from the valuation and given only for illustrative purposes. In turn, domestic companies give lower indications.

The decrease in valuation results primarily from the change in the parameters of the DCF model, but also from lower forecasts (especially in 2022-23, which in our opinion will be more demanding for the company - a large impact on the comparative valuation).

In the table below we present a summary of the valuation:

Valuation summary	Weight	Per share (PLN)	Previous (PLN)	Change
DCF	50%	10.3	14.0	-26%
Peers (domestic)	50%	10.0	9.7	3%
Peers (foreign)	0%	19.5	25.3	-23%
Average valuation		**10.2**	**11.8**	**-14%**
Current price		9.8		
Upside/downside		4%		

Source: Noble Securities

WYCENA METODĄ DCF

Assumptions for the model:

- We rely on our own forecasts of consolidated results presented in this report.
- The value of cash flows discounted as at the date of publication of the report.
- Net cash as at 31.12.2021 in the amount of PLN 12 million.
- Lower effective tax rate in 2022 (tax credit), then 19%.
- Long-term growth rate after the forecast period equal to 1%.
- The share of equity in the financing of assets 100% (conservative financial policy).
- Risk-free rate of 6.7% (previously 3.47%), risk premium of 5.1% (unchanged), beta of 1.0 (unchanged).

DCF VALUATION AND SENSITIVITY ANALYSIS

DCF	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Revenues	153	151	151	151	155	159	163	167	171	175
NOPAT	11	14	17	18	19	19	20	20	21	21
Depreciation and amortization	8	8	9	9	10	9	6	7	8	8
Change in WC	0	1	0	0	-1	-1	-1	-1	-1	-1
CAPEX	-16	-16	-11	-11	-11	-12	-12	-13	-13	-14
FCFF	3	7	15	16	16	15	12	13	14	15
WACC	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Discount factor	0.94	0.84	0.75	0.67	0.60	0.54	0.48	0.43	0.39	0.34
DFCFF	3.1	6.0	11.5	10.9	9.6	7.9	6.0	5.7	5.4	5.1

Sum of DFCFF to 2031	71
Growth rate (g)	1%
Residual value 2031	188
Discounted Residual value	65
Enterprise Value (EV)	136
Net debt 31/12/2021	-12
Minorities	3
Equity value	145
Shares (ths.)	14.0
Equity Value per share	10.3

Sensitivity analysis					
	Growth rate (g)				
	-1%	0%	1%	2%	3%
WACC - 1,0%	10.5	10.9	11.5	12.2	13.1
WACC - 0,5%	10.0	10.4	10.9	11.5	12.2
WACC	9.5	9.9	10.3	10.9	11.5
WACC + 0,5%	9.1	9.5	9.9	10.3	10.9
WACC + 1,0%	8.8	9.1	9.4	9.8	10.3

Source: Noble Securities

Below we present the calculation of the cost of equity and WACC:

WACC	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Market risk premium	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Effective tax rate	12.6%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Cost of debt	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%
Cost of debt after tax bracket	7.61%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%
Net debt/EV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
WACC	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**

Source: Noble Securities

PEERS VALUATION

Peers valuation - domestic (I&C)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Apator	484	17.5	11.8	10.1	6.1	4.9	4.1
Aplisens	167	10.3	9.6	9.2	5.0	4.2	3.5
Median		**13.9**	**10.7**	**9.7**	**5.6**	**4.6**	**3.8**
Sonel's implied fair value		14.5	8.9	9.1	10.1	7.5	7.7
Weight		20%	15%	15%	20%	15%	15%
Sonel's implied fair value				**10.0**			

Peers valuation - foreign (I&C)	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
Honeywell	568 239	22.3	19.9	18.1	15.9	14.6	13.7
Schneider Electric	344 250	19.1	17.2	15.6	13.4	12.2	11.3
Emerson	229 773	17.9	16.8	15.3	11.9	11.4	10.6
Fortive	96 113	20.3	18.3	16.6	17.0	15.6	14.5
Yokogawa	20 960	35.6	24.4	20.9	12.2	10.1	9.0
Itron	9 949	40.2	18.5	13.6	21.0	11.8	9.1
Badger Meter	10 171	33.4	30.7	20.5	19.2	18.1	0.0
ESCO	7 478	21.8	18.3	na	12.1	11.0	na
Vaisala Oyj	7 102	27.4	24.8	23.5	17.1	15.7	14.9
Phoenix Mecano	1 587	10.4	9.3	8.8	6.2	5.9	5.8
Nedap	1 831	17.7	15.8	14.2	10.4	9.4	9.2
Schaffner	872	14.5	13.1	13.1	na	na	na
Median		**21.0**	**18.3**	**15.6**	**13.4**	**11.8**	**9.9**
Sonel's implied fair value		22.1	15.1	14.7	23.1	18.2	18.7
Weight		20%	15%	15%	20%	15%	15%
Sonel's implied fair value				**19.5**			

Source: Bloomberg, Noble Securities, data on 6.06.2022 at 9:39 a.m.

ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG)

Sonel is a company that fully uses its production potential, optimizes direct costs, while constantly maintaining high quality, improving work safety and conducting activities for environmental protection.

Sonel actively participates in the life of the region, supporting various social initiatives (sports clubs, Bach festival, "Logged in" program or "Stay with us" and many others), in addition, a cooperation agreement was signed with the Complex of Construction and Electrical Schools in Świdnica, in which, in cooperation with Sonel, a patronage class in the profession of Electronics Technician was created a few years ago. Young people attending classes in this class undergo professional internships on the company's premises, with a large involvement of the engineering staff. In addition, Sonel actively supports the development of the school's teaching staff through cyclical trainings improving their qualifications in the field of new technologies in the field of electronics, power engineering and electrical measurement.

CHANGE IN FORECASTS OF FINANCIAL RESULTS

PLNm	2019	2020	2021	2022F new	2022F old	change	2023F new	2023F old	change	2024F new
Revenues	**109.0**	**116.1**	**158.1**	**153.3**	**148.8**	**3%**	**150.7**	**143.2**	**5%**	**150.7**
measures	63.1	76.6	86.4	93.3	89.0	5%	100.7	93.0	8%	105.7
assembly services	35.6	33.4	30.0	30.0	30.0	0%	20.0	20.0	0%	15.0
meters	10.4	6.2	41.7	30.0	30.0	0%	30.0	30.0	0%	30.0
Gross profit from sales	29.1	34.1	39.1	33.4	36.0	-7%	37.1	38.6	-4%	41.2
margin	*27%*	*29%*	*25%*	*22%*	*24%*		*25%*	*27%*		*27%*
EBITDA	17.4	21.6	23.2	21.0	22.5	-7%	25.4	25.8	-2%	29.8
EBITDA adj.	**17.4**	**21.6**	**23.2**	**21.0**	**22.5**	**-7%**	**25.4**	**25.8**	**-2%**	**29.8**
margin	*16%*	*19%*	*15%*	*14%*	*15%*		*17%*	*18%*		*20%*
Depreciation	6.6	6.8	7.4	7.9	7.8	1%	8.3	8.3	0%	9.1
EBIT	10.8	14.8	15.8	13.1	14.7	-11%	17.0	17.5	-3%	20.8
Financial income and costs	-0.2	-0.4	0.3	0.5	0.3	72%	0.4	0.5	-27%	0.5
Net profit	9.5	13.4	14.7	11.5	12.0	-4%	13.2	13.7	-4%	16.3
Net profit adj.	**9.5**	**13.4**	**14.7**	**11.5**	**12.0**	**-4%**	**13.2**	**13.7**	**-4%**	**16.3**
margin	*9%*	*12%*	*9%*	*8%*	*8%*		*9%*	*10%*		*11%*
CAPEX & aquisitions	10.4	9.0	11.3	15.7	15.7	0%	15.7	15.7	0%	10.6
Dividend	7.0	5.6	14.0	7.0	7.0	0%	4.2	4.6	-8%	11.7
Net debt	**-6.8**	**-24.1**	**-11.8**	**-8.2**	**-10.9**	**-25%**	**-10.5**	**-13.8**	**-24%**	**-13.6**
P/E	14.5	10.3	9.4	11.9	11.5		10.4	10.0		8.4
EV/EBITDA	7.5	5.3	5.4	6.2	5.6		5.0	4.8		4.2

Source: Sonel, F - Noble Securities forecast

Profit and loss account (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues from sales	**109.0**	**116.1**	**158.1**	**153.3**	**150.7**	**150.7**
Gross profit from sales	29.1	34.1	39.1	33.4	37.1	41.2
SG&A costs	19.7	18.6	22.3	21.9	21.7	21.7
Net profit from sales	9.4	15.5	16.8	11.5	15.4	19.5
Other operating revenues and expenses	1.4	-0.7	-1.0	1.7	1.7	1.3
EBIT	**10.8**	**14.8**	**15.8**	**13.1**	**17.0**	**20.8**
Financial income and costs	-0.2	-0.4	0.3	0.5	0.4	0.5
Profit before tax	10.6	14.5	16.1	13.6	17.4	21.2
Income tax	1.1	1.1	-0.1	1.7	3.3	4.0
Reported net profit	9.5	13.4	14.7	11.5	13.2	16.3
Repeatable net profit	**9.5**	**13.4**	**14.7**	**11.5**	**13.2**	**16.3**
Depreciation and amortization	6.6	6.8	7.4	7.9	8.3	9.1
EBITDA	**17.4**	**21.6**	**23.2**	**21.0**	**25.4**	**29.8**

Source: Sonel (2019-2021), Noble Securities (2022-2024)

Balance Sheet (PLNm)	2019	2020	2021	2022F	2023F	2024F
Assets	**105.4**	**115.6**	**153.6**	**155.2**	**163.4**	**168.0**
Non-current assets	**51.7**	**52.5**	**55.1**	**62.8**	**70.2**	**71.7**
Tangible and Intangible assets	51.2	51.8	52.5	60.2	67.6	69.0
Subsidiaries goodwill	0.4	0.4	0.4	0.4	0.4	0.4
Other long-term assets	0.1	0.3	2.2	2.2	2.2	2.2
Current Assets	**53.7**	**63.1**	**98.5**	**92.4**	**93.2**	**96.4**
Inventories	28.6	21.7	47.3	46.2	45.4	45.4
Trade receivables	17.1	15.7	38.8	37.8	37.2	37.2
Cash and cash equivalents	8.0	25.7	12.4	8.4	10.7	13.8
Other current assets	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	**105.4**	**115.6**	**153.6**	**155.2**	**163.4**	**168.0**
Equity	**83.6**	**90.4**	**92.3**	**96.8**	**105.8**	**110.4**
Long-term liabilities	**0.8**	**1.3**	**0.1**	**0.1**	**0.1**	**0.1**
Loans, borrowings and other financial liabilities	0.8	1.3	0.1	0.1	0.1	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**13.1**	**11.4**	**45.1**	**42.2**	**41.4**	**41.4**
Loans, borrowings and other financial liabilities	0.5	0.3	0.5	0.1	0.0	0.0
Accounts payable	12.7	11.1	44.5	42.0	41.3	41.3
Other	0.0	0.0	0.1	0.1	0.1	0.1

Source: Sonel (2019-2021), Noble Securities (2022-2024)

Cash Flow Statement (PLNm)	2019	2020	2021	2022F	2023F	2024F
Net profit	9.5	13.4	14.7	11.5	13.2	16.3
Depreciation and amortization	6.6	6.8	7.4	7.9	8.3	9.1
Change in working capital	-0.3	6.6	-15.2	-0.4	0.7	0.0
CF from current operations	**15.1**	**27.6**	**11.1**	**19.1**	**22.2**	**25.4**
CAPEX	-10.4	-9.0	-11.3	-15.7	-15.7	-10.6
Capital investments	0.0	0.0	0.0	0.0	0.0	0.0
Divestments and other	0.3	0.1	-0.1	0.0	0.0	0.0
Purchase of debt securities	0.0	0.0	0.0	0.2	-2.4	-3.1
CF from investing activities	**-10.2**	**-8.9**	**-11.4**	**-15.5**	**-18.1**	**-13.7**
Increase of share capital	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	0.6	0.4	-1.0	-0.4	-0.1	0.0
Dividends and other payments due to equity holders	-7.0	-5.6	-14.0	-7.0	-4.2	-11.7
CF from financial activities	**-3.7**	**-1.1**	**-13.1**	**-7.4**	**-4.3**	**-11.7**
CF for the period	**1.3**	**17.6**	**-13.3**	**-3.8**	**-0.1**	**0.0**
Cash at the beginning of the period	6.8	8.0	25.6	12.3	8.5	8.3
Cash at the end of the period	8.0	25.6	12.3	8.5	8.3	8.3

Source: Sonel (2019-2021), Noble Securities (2022-2024)

Selected indicators	2019	2020	2021	2022F	2023F	2024F
EBITDA margin	16.0%	18.6%	14.7%	13.7%	16.8%	19.8%
EBIT margin	9.9%	12.8%	10.0%	8.6%	11.3%	13.8%
Net profit margin	9%	12%	9%	8%	9%	11%
Net debt	-6.8	-24.1	-11.8	-8.2	-10.5	-13.6
Net debt /EBITDA	-0.4	-1.1	-0.5	-0.4	-0.4	-0.5
Number of shares issued	14.0	14.0	14.0	14.0	14.0	14.0
Dividend per share	0.4	1.0	0.5	0.3	0.8	1.0
P/BV	1.6	1.5	1.5	1.4	1.3	1.2

Source: Sonel (2019-2021), Noble Securities (2022-2024)

Annual growth rates	2019	2020	2021	2022F	2023F	2024F
Revenues	19%	7%	36%	-3%	-2%	0%
EBITDA	19%	24%	7%	-9%	21%	18%
EBIT	28%	37%	7%	-17%	30%	22%
Net profit	22%	42%	10%	-21%	14%	24%
Repeatable net profit	8%	42%	10%	-21%	14%	24%

Source: Sonel (2019-2021), Noble Securities (2022-2024)

TIM – results at historical highs

Investing in TIM shares gives a very good exposure to the e-commerce market. both directly (TIM SA) and indirectly (through the logistics company 3LP serving customers from the e-commerce sector). The company consistently builds its market position in both areas, using competitive advantages and improving margins. In addition, TIM skillfully takes advantage of market opportunities to increase the profitability of the retail segment. Bearing in mind the very good start of the year, we have raised our forecasts for 2022 and, consequently, also for the following years. The change in the parameters of the DCF model and lower valuation ratios of the companies from the comparison group reduced the final valuation. Inthe determined present value and the company (PLN 54.3 / share) gives over 73% growth potential .

Continued favourable market conditions

The high growth dynamics in the retail segment for 5M2022 and optimistic forecasts for the development of the e-commerce industry prompted us to raise the revenue forecast in the medium term. The inflationary environment is favourable for commercial companies.

Taking advantage of market opportunities and the effects of long-term activities of the Management Board

Theconstantly rising prices of raw materials and problems with the availability of selected commodity groups on the market are conducive to increasing the company's profitability. We can also see the reasons forthe improvement in profitability in a better product mix, expansion of the offer and maintenance of the so-called "long tail" (i.e. low-rotating goods). This should help to keep margins high after the externalities (market) have expired.

Development of the logistics business despite the postponement of the IPO

The development of 3LP will continue despite the lack of proceeds from the issue of shares announced for 1H2022 (approx. PLN 100 million). The revenue growth rate is to be based m.in on increasing warehouse space and developing additional services (e.g. customer warehouse management – the first contract signed in IV/2022).

An ambitious strategy for 2022-26

The Management Board has published the assumptions of a new 5-year strategy for TIM SA covering the years 2022-26. In the financial part, the strategy assumes an increase in revenues to min. PLN 3 billion (vs PLN 1.52 billion in 2021, CAGR 19%) and EBITDA up to PLN 250 million (margin 8.3% vs 8.7% in 2021). We assess the strategy as ambitious (our forecasts are more conservative), although the company's Management Board has built credibility with its actions in recent years.

We estimated the value of TIM shares on the basis of valuation using the following methods: DCF (total for the entire group: PLN 51.4) and comparative (commercial business: PLN 36.6 and logistics: PLN 20.6), which after weighing the above valuations, allowed to set the present value at PLN 54.3.

(PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues	890.0	1 064.9	1 314.3	1 573.4	1 748.2	1 862.0
EBITDA	53.0	80.5	144.6	166.5	171.0	192.7
Net profit	19.6	31.7	90.9	104.6	96.6	105.7
EPS	0.88	1.43	4.10	4.71	4.35	4.76
DPS	0.80	2.20	2.40	2.55	2.41	2.62
P/E (x)	35.6	22.0	7.7	6.7	7.2	6.6
EV/EBITDA (x)	14.9	9.7	5.3	4.7	4.5	3.7

Source: TIM, Noble Securities, earnings adjusted for on-offs

The preparation of report was finalized on 6/06/2022 at 12:00 p.m. The first publication took place on 6/06/2022 at 12:10 p.m..

NOBLE SECURITIES
DOM MAKLERSKI

Current price	31.4 PLN
Valuation	54.3 PLN
Upside/downside	73%
Market cap.	696 PLNm
Free float	63%
Avg. Vol. 6M	32 537

COMPANY PROFILE

Leader on the wholesale distribution of electrical installation materials in Poland, with an exposure to the logistics market in the e-commerce industry.

SHAREHOLDERS

K. Folta with wife	23.5%
K. Wieczorkowski	13.5%
NN OFE	7.0%
Others	56.0%

Source: TIM, Noble Securities

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VALUATION

We calculated the value of one share of TIM SA as an average of the comparative valuation and DCF, with a weight of 50% each. **On this basis, we have set the current value of the shares at PLN 54.3.** With a comparative approach, we separately valued the commercial and logistics business separately (in both cases using an indicator analysis), and the sum of the values obtained made up the total value. When selecting a group of companies for comparative analysis, in the case of the commercial segment, we decided on domestic companies (operating in the wholesale and/or e-commerce segment) as well as foreign companies (distribution of products from the electrical engineering segment), while in the case of the logistics segment, due to the lack of equivalents on the WSE, we chose foreign entities.

The decrease in valuation compared to our previous report is mainly due to the change in the parameters of the DCF model and lower indicators for comparative companies. At the same time, we raised forecasts for both the commercial (TIM SA) and logistics (3LP) segments, which partially compensated for the decrease in valuation. Changes in forecasts are described later in the report.

In the table below we present a summary of the valuation:

Valuation summary	Weight	Per share (PLN)	Previous (PLN)	Change
DCF	50%	51.4	60.9	-16%
Peers	50%	57.2	63.7	-10%
- trading/commercial business		36.6	46.9	-22%
- logistics segment		20.6	16.8	23%
Average valuation		**54.3**	**62.3**	**-13%**
Current price		31.4		
Upside/downside		73%		

Source: Noble Securities

WYCENA METODĄ DCF

Assumptions for the model:

- Rely onyour own forecasts of consolidated results presented in this report.
- The value of cash flows discounted as at the date of publication of the report.
- Net debt as at 31/12/2021 in the amount of PLN 73 million (including lease liabilities under IFRS 16).
- Long-term growth rate after the forecast period equal to 0%.
- The share of equity in the financing of assets at the level of 80%.
- Effective tax rate of 20%.
- Risk-free rate of 6.7% (previously 2.68%), risk premium of 5.1% (unchanged), beta at 1.0 (no change).

DCF VALUATION AND SENSITIVITY ANALYSIS

DCF	**2021F**	**2022F**	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**
Revenues	1 573	1 748	1 862	1 993	2 111	2 144	2 178	2 212	2 247	2 282
NOPAT	108	101	110	122	125	125	129	131	133	135
Depreciation and amortization	32	44	55	59	59	59	59	59	59	59
Change in WC	-48	-18	-11	-15	-15	-4	-4	-4	-4	-5
CAPEX	-70	-57	-38	-15	-15	-14	-15	-15	-15	-15
FCFF	21	71	117	150	154	165	169	171	172	174
WACC	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**
Discount factor	0.94	0.85	0.77	0.69	0.63	0.56	0.51	0.46	0.41	0.37
DFCFF	20.2	60.1	89.5	104.1	96.0	93.1	85.8	78.4	71.4	65.1

Sum of DFCFF to 2028	764
Growth rate (g)	0%
Residual value 2030	1 203
Discounted Residual value	450
Enterprise Value (EV)	1 214
Net debt 31/12/2020 + dividend	73
Minorities	0
Equity value	1 141
Shares (ths.)	22.2
Equity Value per share	51.4

Sensitivity analysis					
	Growth rate (g)				
	-2%	-1%	0%	1%	2%
WACC - 1,0%	52.6	54.7	57.2	60.2	64.0
WACC - 0,5%	50.2	52.0	54.1	56.8	60.0
WACC	47.9	49.5	51.4	53.7	56.5
WACC + 0,5%	45.8	47.2	48.9	50.9	53.3
WACC + 1,0%	43.8	45.1	46.5	48.3	50.4

Source: Noble Securities

Below we present the calculation of the cost of equity and WACC:

WACC	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Risk free rate	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
Market risk premium	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**	**11.8%**
Effective tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Cost of debt	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%	8.70%
Cost of debt after tax bracket	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%	6.96%
Net debt/EV	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
WACC	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**	**10.8%**

Source: Noble Securities

PEERS VALUATION

Trading segment	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
W.W.Grainger	108 663	18.8	17.0	15.6	12.7	11.8	10.9
Rexel	27 735	9.6	9.2	8.5	6.5	6.3	5.9
Intercars	5 866	8.1	7.4	6.7	6.6	6.2	5.9
Solar	3 307	9.3	9.3	8.8	5.9	5.8	5.6
Neuca	3 402	19.2	16.4	14.8	11.5	10.5	9.8
Eurocash	1 591	36.3	29.7	20.8	6.0	5.6	5.3
AB	792	5.6	5.4	5.5	5.2	4.9	5.0
Oponeo	655	13.4	12.8	12.1	8.5	8.1	7.7
Grodno	266	7.2	7.4	7.1	6.4	6.3	6.2
Median		**9.6**	**9.3**	**8.8**	**6.5**	**6.3**	**5.9**
TIM's implied fair value (trading segment)		39.3	35.3	37.2	36.4	33.8	36.6
Weight		20%	15%	15%	20%	15%	15%
TIM's implied fair value (trading segment)				**36.6**			

Source: Bloomberg, Noble Securities, data on 6.06.2022 at 9:39 a.m.

Logistics segment	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
UPS	694 442	14.5	13.9	13.3	10.0	9.7	9.4
DSV	161 305	15.6	17.4	16.4	10.6	12.0	12.0
Kuehne+Nagel Int. AG	134 820	13.2	20.2	23.3	7.0	9.8	10.7
ZTO Express Cayman Inc	89 582	22.6	17.7	14.4	12.8	10.3	8.6
Expeditors International of Washington	79 022	14.0	18.6	19.5	8.9	11.8	12.5
JB Hunt Transport Services	80 544	19.4	18.2	17.4	10.1	9.7	9.3
CH Robinson Worldwide Inc	58 903	14.6	17.2	17.0	11.5	13.4	13.4
GXO Logistics	27 661	19.1	16.6	14.9	9.7	8.7	8.1
XPO Logistics	27 233	10.0	9.6	9.3	6.4	6.3	6.1
ID Logistics Group	7 085	27.0	22.9	19.7	6.0	5.3	5.0
Clipper Logistics PLC	4 692	30.8	25.8	22.9	12.1	10.9	9.9
Median					**10.0**	**9.8**	**9.4**
TIM's implied fair value (logistics segment)					16.5	20.7	26.2
Weight					40%	30%	30%
TIM's implied fair value (logistics segment)				**20.6**			

Source: Bloomberg, Noble Securities, data on 6.06.2022 at 9:39 a.m.

ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG)

Since 2019, the company has been implementing a responsible business strategy (the so-called "TIM pro strategy"). Due to the close cooperation of TIM S.A. with 3LP S.A. and the nature of the company's operations, this document also includes recommendations for actions and objectives for 3LP S.A. regarding the impact on the natural environment. The basis for activities in the field of environmental protection are legal provisions and analysis of the impact on the environment. TIM does not have a uniform environmental policy implemented at the Group level. Companies separately define and implement their goals in the field of monitoring the impact on the environment and minimizing the negative impact on the state of the natural environment. Due to the nature of the business, in particular the fact that in TIM S.A. the work is only office in nature, the environmental policy is owned only by 3LP S.A. The logistics company has the greatest potential to undertake activities in the field of energy consumption and actively implements such activities. The TIM Group has implemented assumptions regarding the budgeting of social and sponsorship activities, as well as the principles of the grant program and voluntary activities of employees. In order to provide access to young staff who want to gain experience, the Group implements internship programs and actively cooperates with universities. Trainees can develop in the following areas: e-commerce, marketing, business analysis, HR, purchasing, IT, sales, accounting and finance.

CHANGE IN FORECASTS OF FINANCIAL RESULTS

mln zł	2019	2020	2021	2022F new	2022F old	change	2023F new	2023F old	change	2024F new	2024F old	change
TIM SA												
Revenues	**798**	**936**	**1 252**	**1 479**	**1 331**	**11%**	**1 621**	**1 443**	**12%**	**1 704**	**1 517**	**12%**
profit on goods	141	174	265	310	265	17%	318	278	14%	342	298	15%
margin	*17.8%*	*18.7%*	*21.2%*	*21.0%*	*20.0%*		*19.7%*	*19.4%*		*20.1%*	*19.8%*	
Operating costs	120	139	166	202	184	10%	219	202	9%	233	216	8%
EBITDA	**36**	**52**	**109**	**120**	**93**	**29%**	**114**	**89**	**28%**	**126**	**95**	**33%**
margin	*4.5%*	*5.5%*	*8.7%*	*8.1%*	*7.0%*		*7.0%*	*6.2%*		*7.4%*	*6.2%*	
Net profit adj.	**23**	**31**	**83**	**91**	**68**	**33%**	**85**	**67**	**26%**	**94**	**72**	**30%**
3LP	0	0	0	0	0	0%	0	0	0%	0	0	0%
Total revenues	87	115	142	178	188	-5%	213	225	-5%	245	236	4%
External revenues	**26**	**41**	**62**	**94**	**108**	**-13%**	**127**	**144**	**-12%**	**158**	**154**	**2%**
EBITDA	**16**	**25**	**36**	**47**	**52**	**-10%**	**57**	**64**	**-10%**	**67**	**67**	**-1%**
margin	*18.8%*	*21.6%*	*25.2%*	*26.3%*	*27.6%*		*26.8%*	*28.3%*		*27.1%*	*28.5%*	
TIM consolidated	0	0	0	0	0	0%	0	0	0%	0	0	0%
Revenues	**890**	**1 065**	**1 314**	**1 573**	**1 439**	**9%**	**1 748**	**1 586**	**10%**	**1 862**	**1 671**	**11%**
goods	854	1 018	1 248	1 474	1 326	11%	1 615	1 437	12%	1 698	1 510	12%
services	36	46	66	99	113	-12%	133	150	-11%	164	161	2%
Operating costs	156	188	212	274	266	3%	324	316	3%	369	337	9%
% of revenues	*17.5%*	*17.6%*	*16.1%*	*17.4%*	*18.5%*		*18.5%*	*19.9%*		*19.8%*	*20.2%*	
EBITDA	**53**	**80**	**145**	**166**	**145**	**15%**	**171**	**153**	**12%**	**193**	**162**	**19%**
margin	*6.0%*	*7.6%*	*11.0%*	*10.6%*	*10.0%*		*9.8%*	*9.6%*		*10.3%*	*9.7%*	
Financial income and costs	-7	-14	-6	-6	-9	-40%	-7	-6	22%	-7	-4	92%
Net profit adj.	**20**	**32**	**91**	**105**	**84**	**25%**	**97**	**86**	**12%**	**106**	**96**	**10%**
CAPEX & aquisitions	18	23	6	70	68	3%	57	8	613%	38	7	418%
Dividend	18	27	49	38	33	15%	57	45	25%	53	45	0%
Net debt	**92**	**81**	**73**	**86**	**73**	**18%**	**77**	**12**	**514%**	**18**	**-63**	**-128%**
P/E	35.6	22.0	7.7	6.7	8.3		7.2	8.1		6.6	7.2	
EV/EBITDA	14.9	9.7	5.3	4.7	5.3		4.5	4.6		3.7	3.9	

Source: TIM, F - Noble Securities forecast

TIM SA (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues	**798.4**	**935.7**	**1252.3**	**1479.4**	**1621.1**	**1704.2**
Gross profit from sales	149.1	178.0	269.4	314.9	323.8	348.3
Gross margin	*17.8%*	*18.7%*	*21.2%*	*21.0%*	*19.7%*	*20.1%*
Operating costs	119.7	138.5	166.0	201.9	219.3	232.5
% of revenues	*15.0%*	*14.8%*	*13.3%*	*13.6%*	*13.5%*	*13.6%*
Net profit from sales	29.4	39.5	103.3	113.0	104.5	115.8
Other operating revenues and costs	0.2	5.9	-0.1	0.0	0.0	0.0
EBIT	29.6	45.4	103.3	113.0	104.5	115.8
EBITDA	**35.8**	**51.5**	**108.7**	**119.7**	**113.9**	**126.1**
Financial income and costs	-0.4	-0.4	-0.1	-0.5	0.0	0.2
Reported net profit	22.7	36.0	82.5	91.1	84.7	93.9
Repeatable net profit	**22.7**	**30.8**	**82.5**	**91.1**	**84.7**	**93.9**
Depreciation and amortization	6.3	6.1	5.5	6.7	9.4	10.4
CAPEX	-5.1	-8.0	-2.8	-10.0	-15.0	-10.0
CF from current operations	37.3	13.3	37.1	74.4	78.5	95.2
Dividend	17.8	26.6	48.8	37.7	56.6	53.4
Net debt	**-6.3**	**1.0**	**-0.6**	**-27.3**	**-34.2**	**-66.0**

Rotopino (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues	**64.1**	**86.7**		**out of consolidation**		
Net profit from sales	**0.5**	**2.6**		**out of consolidation**		

3LP (PLNm)	2019	2020	2021	2022F	2023F	2024F
Total revenues	86.6	114.7	142.2	177.7	213.2	245.2
External revenues	**26.1**	**40.7**	**61.9**	**94.0**	**127.1**	**157.8**
EBIT	2.5	9.3	18.3	21.8	22.1	21.5
EBITDA	**16.2**	**24.8**	**35.8**	**46.8**	**57.1**	**66.5**

Source: TIM (2019-2021), Noble Securities (2022-2024)

Profit and loss account (PLNm)	2019	2020	2021	2022F	2023F	2024F
Revenues from sales	**890.0**	**1 064.9**	**1 314.3**	**1 573.4**	**1 748.2**	**1 862.0**
Gross profit from sales	188.5	239.7	331.3	408.9	450.9	506.0
SG&A costs	155.8	187.5	211.9	274.1	324.3	368.7
Net profit from sales	32.7	52.2	119.4	134.8	126.6	137.3
Other operating revenues and expenses	-0.2	6.1	2.2	0.0	0.0	0.0
EBIT	**32.5**	**58.3**	**121.6**	**134.8**	**126.6**	**137.3**
Financial income and costs	-7.3	-13.8	-5.9	-5.7	-7.3	-6.8
Profit before tax	25.2	44.6	115.6	129.1	119.3	130.5
Income tax	5.7	7.4	23.9	24.5	22.7	24.8
Reported net profit	19.6	37.1	91.8	104.6	96.6	105.7
Repeatable net profit	**19.6**	**31.7**	**90.9**	**104.6**	**96.6**	**105.7**
Depreciation and amortization	20.5	22.1	23.0	31.7	44.4	55.4
EBITDA	**53.0**	**80.5**	**144.6**	**166.5**	**171.0**	**192.7**

Source: TIM (2019-2021), Noble Securities (2022-2024)

Balance Sheet (PLNm)	2019	2020	2021	2022F	2023F	2024F
Assets	**468.5**	**467.1**	**536.5**	**667.5**	**725.8**	**740.9**
Non-current assets	**185.1**	**171.2**	**154.0**	**192.3**	**204.9**	**187.5**
Tangible and Intangible assets	170.6	160.9	143.9	182.2	194.8	177.4
Subsidiaries goodwill	5.7	0.0	0.0	0.0	0.0	0.0
Other long-term assets	8.8	10.3	10.1	10.1	10.1	10.1
Current Assets	**283.4**	**295.8**	**382.6**	**475.2**	**520.9**	**553.4**
Inventories	96.8	103.3	140.4	162.1	177.7	186.8
Trade receivables	168.0	180.1	230.7	289.8	317.6	333.8
Cash and cash equivalents	17.4	11.1	9.7	21.6	23.9	31.1
Other current assets	1.2	1.3	1.7	1.7	1.7	1.7
Liabilities	**468.5**	**467.1**	**536.5**	**667.5**	**725.8**	**740.9**
Equity	**152.7**	**163.1**	**211.6**	**285.1**	**325.1**	**377.4**
Long-term liabilities	**102.7**	**87.9**	**80.3**	**68.2**	**60.1**	**51.9**
Loans, borrowings and other financial liabilities	91.6	77.8	69.0	56.9	48.8	40.7
Other	11.2	10.1	11.3	11.3	11.3	11.3
Current liabilities	**213.1**	**216.0**	**244.6**	**314.2**	**340.6**	**311.6**
Loans, borrowings and other financial liabilities	17.7	14.3	13.9	50.7	51.9	8.1
Accounts payable	181.8	182.2	210.8	243.2	266.5	280.1
Other	13.6	19.5	19.9	20.3	22.2	23.3

Source: TIM (2019-2021), Noble Securities (2022-2024)

Cash Flow Statement (PLNm)	2019	2020	2021	2022F	2023F	2024F
Gross profit	25.2	44.6	115.6	129.1	119.3	130.5
Depreciation and amortization	20.5	22.1	23.0	31.7	44.4	55.4
Change in working capital	4.3	-12.3	-58.8	-48.1	-18.0	-10.6
Tax paid						
CF from current operations	**54.1**	**38.8**	**67.1**	**88.2**	**145.6**	**175.3**
CAPEX	-18.0	-22.9	-5.8	-70.0	-57.0	-38.0
Capital investments	0.0	-15.5	0.0	0.0	0.0	0.0
Divestments and other	18.9	61.3	6.4	0.0	0.0	0.0
Purchase of debt securities	0.0	0.0	0.0	0.0	0.0	-5.6
CF from investing activities	**0.9**	**22.9**	**0.6**	**-70.0**	**-57.0**	**-43.6**
Increase of share capital	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	-77.6	0.0	0.0	24.7	-6.9	-51.9
Dividends and other payments due to equity holders	-17.8	-26.6	-48.8	-37.7	-56.6	-53.4
CF from financial activities	**-117.4**	**-68.0**	**-69.1**	**-13.0**	**-63.6**	**-105.3**
CF for the period	**-62.4**	**-6.3**	**-1.4**	**5.2**	**25.1**	**26.3**
Cash at the beginning of the period	2.2	17.4	11.1	9.7	14.9	40.0
Cash at the end of the period	17.4	11.1	9.7	14.9	40.0	66.3

Source: TIM (2019-2021), Noble Securities (2022-2024)

Selected indicators	2019	2020	2021	2022F	2023F	2024F
EBITDA margin	6.0%	7.6%	11.0%	10.6%	9.8%	10.3%
EBIT margin	3.7%	5.5%	9.3%	8.6%	7.2%	7.4%
Net profit margin	2%	3%	7%	7%	6%	6%
Net debt	91.8	81.0	73.2	86.0	76.7	17.7
Net debt /EBITDA	1.7	1.0	0.5	0.5	0.4	0.1
Number of shares issued	22.2	22.2	22.2	22.2	22.2	22.2
Dividend per share	0.8	2.2	2.4	2.6	2.4	2.6
P/BV	4.6	4.3	3.3	2.4	2.1	1.8

Source: TIM (2019-2021), Noble Securities (2022-2024)

Annual growth rates	2019	2020	2021	2022F	2023F	2024F
Revenues	7%	20%	23%	20%	11%	7%
EBITDA	71%	52%	80%	15%	3%	13%
EBIT	64%	79%	108%	11%	-6%	8%
Net profit	30%	90%	147%	14%	-8%	9%
Repeatable net profit	64%	62%	187%	15%	-8%	9%

Source: TIM (2019-2021), Noble Securities (2022-2024)

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FINAL REMARKS

Analyst preparing the Report: Michał Sztabler
Date and time of completion of the Report: 6/06/2022 at 12.00 p.m. Date and time of the first dissemination of the Report: 6/06/2022 at 12.10 p.m.

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

Last recommendation on Apator SA						
Recommendation / update	Buy	Accumulate	Buy	Accumulate	Buy	Hold
Publication date	04.12.2017	12.06.2018	07.01.2019	28.11.2019	27.11.2020	29.11.2021
Price at publication	28.0	26.0	22.8	21.4	22.3	18.7
Price target	31.8	29.0	31.0	24.4	28.9	19.1
WIG at publication	62 350.23	58 975.59	58 971.40	57 502.28	53.302,48	66 648.65

Last recommendation on Aplisens SA						
Recommendation / update	na	na	na	na	na	na
Publication date	18.12.2018	03.01.2020	02.06.2020	11.12.2020	08.06.2021	31.08.2021
Price at publication	10.50	10.40	9.80	11.20	12.80	13.10
Price target	16	17.3	15.8	18.0	17.5	17.8
WIG at publication	58 719.27	58 603.27	48 879.21	55 501.03	66 497.71	70 930.15

Last recommendation on Sonel SA		
Recommendation / update	na	na
Publication date	16.08.2021	22.12.2021
Price at publication	11.8	10.6
Price target	15.2	11.8
WIG at publication	68 811.77	67 361,43

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	56 923.36	49 725.89	53 983.67	59 960.14	74 524.78

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	522.00	20%	18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38.9	33.0	35.50	10%	13.05.2022	9M	Dariusz Dadej
MCI Capital	na	33.1	19.0	17.30	91%	02.05.2022	24M	Krzysztof Radojewski
Bioton	na	7.2	4.1	3.99	79%	19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96.2	78.5	78.00	23%	08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500.9	398.0	313.00	60%	07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Buy	13.2	10.1	7.50	76%	28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42.2	24.8	17.10	147%	16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Buy	812.0	700.0	579.00	40%	15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57.9	55.6	56.15	3%	11.03.2022	9M	Michał Sztabler
Tauron PE	Buy	3.5	2.7	3.29	7%	10.03.2022	9M	Michał Sztabler
Ailleron	na	19.1	11.4	11.25	70%	03.03.2022	24M	Dariusz Dadej
BoomBit	Buy	22.9	18.3	13.02	76%	04.02.2022	9M	Maciej Kietliński
Krynicki Recykling	na	31.8	19.6	21.70	47%	05.01.2022	24M	Dariusz Dadej
Sonel	na	11.8	10.6	9.98	18%	22.12.2021	24M	Michał Sztabler
CD Projekt	Reduce	176.4	193.0	104.20	69%	21.12.2021	9M	Maciej Kietliński
Dino Polska	Reduce	295.0	338.0	314.10	-6%	03.12.2021	9M	Dariusz Dadej
Eurocash	Accumulate	12.2	10.9	11.40	7%	03.12.2021	9M	Dariusz Dadej
Apator	Hold	19.1	18.7	14.66	30%	29.11.2021	9M	Michał Sztabler
OncoArendi	Buy	48.1	38.4	28.40	69%	16.11.2021	9M	Krzysztof Radojewski
Amica	Accumulate	157.6	131.6	79.50	98%	18.10.2021	9M	Michał Sztabler
Ten Square Games	Buy	549.3	382.6	113.00	386%	18.10.2021	9M	Maciej Kietliński
TIM	na	62.3	42.6	31.65	97%	14.10.2021	24M	Michał Sztabler
Forte	Hold	51.5	53.5	35.50	45%	11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41.2	22.5	17.30	138%	07.10.2021	24M	Krzysztof Radojewski
Wielton	Hold	13.4	12.4	6.34	111%	28.09.2021	9M	Michał Sztabler
Ryvu Therapeutics	Accumulate	71.7	51.4	32.50	120%	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	13.80	29%	31.08.2021	24M	Michał Sztabler
11 bit studios	Hold	455.3	460.2	522.00	-13%	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	13.80	27%	08.06.2021	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,

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

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