

TIM (TP: PLN 62,3)

Q3/2021 results: another sensational quarter

- TIM's results for 3Q2021 show that the favorable trends from previous periods are sustained. The company maintained the level of operating profits from the very good second quarter of this year, and a slight decrease in q/q. Net profit was affected by foreign exchange differences (in Q2 they increased the result, in Q3 they decreased).
- The retail part (TIM SA, revenue growth rate + 40% y/y) and the logistics part (3LP, + 36% y/y) is growing very dynamically. The relatively lower growth rate of consolidated revenues ("only" + 30%) results from the exclusion from consolidation of the Rotopino company sold in December '20 (revenues in 3Q2020 approx. PLN 20 million).
- The margin on goods in the retail segment remained at a very high level, although slightly lower than in the second quarter (21.7% vs 23.1%). You can see that TIM still benefits from rising commodity prices (especially related to the prices of raw materials such as copper or aluminum, such as cables and wires).
- At the same time, the increase in general expenses is slower than the growing revenues (in 3Q2021, TIM SA's cost / income ratio amounted to 13.5% vs. 13.2% in Q2/21 and 14.9% in Q3/20). The big difference between the level of margin on goods and the cost income is the higher profitability of the business. Combined with the dynamic increase in sales, it generates very high profits.
- This time foreign exchange differences (approx. PLN 1.8 million) had a negative impact on profits, with slightly higher interest costs (PLN 1.65 million). As a result, the balance of "financial" exceeded PLN -3 million.
- TIM continues to increase the level of inventories, although the pace of growth clearly slowed down (PLN 5 million q/q). Receivables remained at a similar level as at the end of June '21, and trade liabilities decreased (PLN -33 million q/q). The result of these changes was another quarter of increased expenditure on working capital (PLN 39 million).
- CAPEX in 3Q2021 was again at a symbolic level.
- The operating CF, due to a significant increase in net working capital (NWC), increased slightly (PLN 1.3 million) and was weaker than in the previous year (PLN +23 million).
- In 3Q2021, TIM paid a dividend (PLN 21.2 million), which, with the need to finance NWC, led to an increase in net debt (PLN 20 million q/q).
- After three quarters, TIM met 74% of our full-year revenue forecast and almost 80% of our net profit forecast. The last quarter was usually a bit weaker (in December the trade was dying down), but the boom observed in the industry gives hope for sustaining the high increases in Q4/21 (in October TIM recorded a 37% increase in sales). The risk for the realization of the forecasts of net profit may be an increase in the valuation of debt denominated in EUR (as a result of the weakening of PLN): after 3 quarters, the cost of negative exchange differences is PLN 0.2 million, in Q4 only PLN 0.7 million (weakening by PLN 0.01 generates costs of approx. PLN 0.2 million). In our full-year estimates, we did not include the related costs.

Selected financial data (PLNm) - consolid.	3Q20	4Q20	1Q21	2Q21	2Q22	y/y	Cons.	2020	2021F	y/y	% NS forecast
Revenues from sales	267.7	303.5	274.4	328.0	348.2	30%	354.0	1 064.9	1 287.9	21%	74%
Gross profit from sales	61.0	70.9	66.2	88.0	86.5	42%		239.7	331.0	38%	73%
margin	23%	23%	24%	27%	25%			23%	26%		
SG&A costs	46.0	53.1	47.2	52.6	50.5	10%		187.5	216.2	15%	70%
% sales	17%	17%	17%	16%	15%			18%	17%		
Other operating revenues and expenses	0.0	6.4	0.1	1.3	1.1			6.1	3.0		
EBIT	15.0	24.2	19.1	36.6	37.0	148%	35.4	58.3	117.8	102%	79%
margin	6%	8%	7%	11%	11%			5%	9%		
EBITDA	20.5	30.0	24.7	42.3	42.8	109%	41.2	80.5	141.8	76%	77%
margin	8%	10%	9%	13%	12%			8%	11%		
Depreciation and amortization	5.5	5.8	5.6	5.7	5.8	5%		22.1	24.0	8%	71%
Financial income and costs	-2.8	-3.9	-2.3	0.8	-3.3			-13.8	-6.3		
Reported net profit	10.4	17.3	13.5	29.6	26.6	154%	28.9	37.1	90.3	143%	77%
margin	4%	6%	5%	9%	8%			3%	7%		
Repeatable net profit	10.4	12.0	13.5	28.5	26.6	154%		31.9	87.8	175%	78%
margin	4%	4%	5%	9%	8%			3%	7%		
Net debt	83.4	81.0	69.4	78.1	98.1	18%		81.0	123.5	53%	79%
Oper. CF	23.3	6.7	14.5	-4.8	0.2	-99%		38.8	25.1	-35%	39%
CAPEX	2.2	5.5	0.7	-0.1	1.4	-39%		12.2	6.0	-51%	34%
P/E	35.2	27.8	22.4	16.4	13.9			27.8	10.1		
EV/EBITDA	15.2	13.1	12.0	10.0	8.9			13.1	7.3		
Selected financial data (PLNm) - parent	3Q20	4Q20	1Q21	2Q21	2Q22	y/y	Cons.	2020	2021F	y/y	% NS forecast
Revenues from sales	240.8	263.8	258.4	311.3	335.2	39%		935.7	1 216.4	30%	74%
EBITDA	13.0	20.2	16.2	31.4	34.0	162%		51.5	98.8	92%	83%
Reported net profit	11.5	12.7	11.9	24.1	26.3	128%		36.0	74.6	107%	84%

Source: TIM, F - Noble Securities forecast

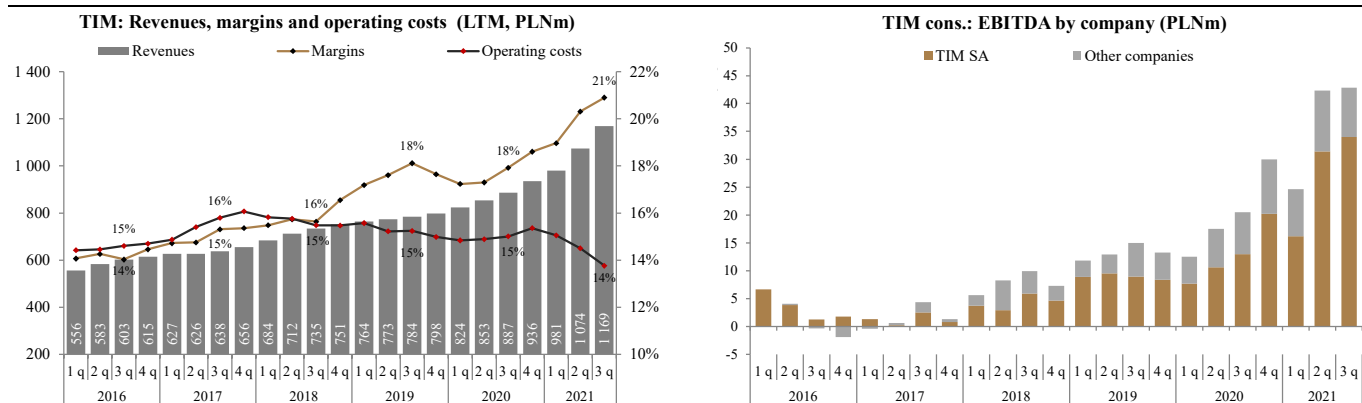
Companies' results

The sales of TIM SA in the third quarter of 2021 remained very good, as the company still benefited from the growing demand for construction materials, especially in retail and e-commerce. Revenues increased by 39% y/y and the margin on goods was 21.7%, which includes extra gains from the increase in raw material prices. General costs remain under control, their growth (14% y/y) was lower than the sales growth rate and lower than the margin increase (56% y/y). The balance of other activities and the balance of "financials" did not have a significant impact on the final result at TIM SA.

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

The revenues in the logistics company are systematically growing, and because the operating leverage effect works there, higher sales translate into a dynamic increase in profits. We estimate that EBITDA in 3Q2021 in 3LP increased to approx. PLN 9 million (17% y/y), contributing to the improvement of consolidated results. Costs of exchange rate differences had a negative effect.

Increase in revenues and margins, costs under control

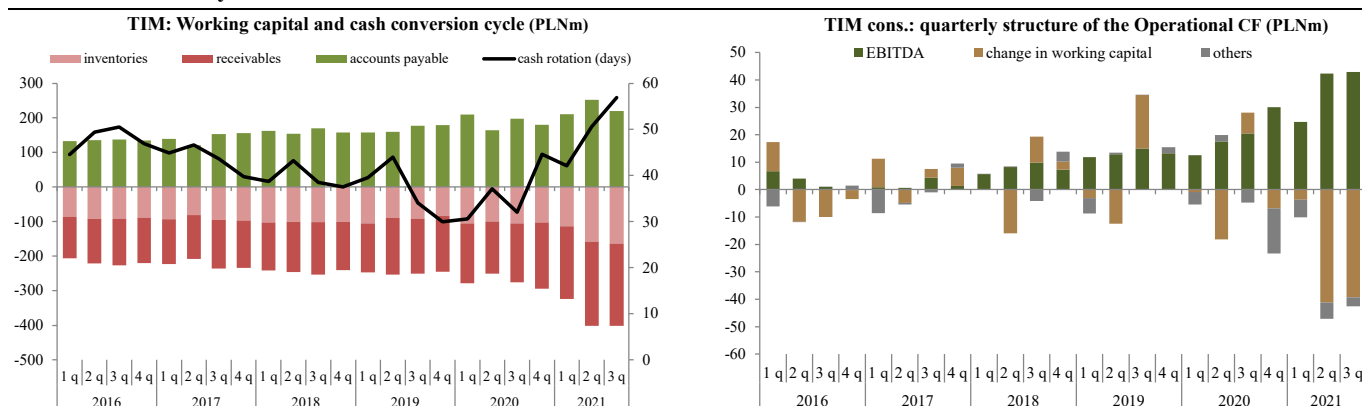


Source: TIM, Noble Securities

Further increase in net working capital resulting in an increase in debt

In 3Q2021, TIM continued the process of building an inventory buffer, increasing its inventory levels to approx. PLN 165 million (PLN 5 million q/q). Receivables remained at a similar level as at the end of June '21, and trade liabilities decreased (PLN -33 million q/q). The result of these changes was another quarter of increased expenditure on working capital (PLN 39 million), and the cash rotation rate increased to 57 days (a level not observed since 2016).

Cash conversion cycle



Source: TIM, Noble Securities

Due to a significant increase in net working capital (NW), the operating CF was not large. Consolidated CAPEX was marginal, while in July TIM paid dividends (PLN 21.2 million). As a result, the net debt increased (+ PLN 20 million q / q) to almost PLN 100 million (DN / EBITDA = 0.7x).

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

Michał Sztabler
Equity Analyst
+48 (22) 213 22 36
michal.sztabler@noblesecurities.pl

LEGAL DISCLAIMER**FUNDAMENTAL RULES FOR ISSUING ANALYTICAL REPORT**

This analytical report, hereinafter referred to as the "Report", was prepared by Noble Securities S.A. ("NS") based in Warsaw.

The basis for the preparation of the Report were publicly available information known to the Analyst as at the date of preparing the Report, in particular information provided by the Issuer in current and periodic reports prepared as part of its disclosure obligations.

The Report only expresses the analyst's knowledge and views as at the date of its preparation.

The forecasts and evaluation elements presented in the Report are based solely on the analysis performed by the Analyst, without arrangements with the Issuer or with other entities, and are based on a number of assumptions that may turn out to be irrelevant in the future.

NS or the Analyst do not give any assurance that the forecasts will work.

The report issued by NS is valid for a period of 24 months, unless it is previously updated. The frequency of updates results from the date of publication by the Issuer of financial results for a given reporting period, the market situation or subjective assessment of the Analyst.

STRONG AND WEAKNESSES OF VALUATION METHODS APPLIED BY NS IN THE REPORT

The DCF (eng. *discounted cash flow*) method - is considered the methodologically most appropriate valuation technique and consists in discounting financial flows generated by the rated entity. Strengths of this method include taking into account all cash flows that flow in and out of the company and the cost of money over time. The disadvantages of the DCF valuation method are: a large number of assumptions and parameters that need to be estimated and the sensitivity of valuation to changes in these factors. A variation of this method is the discounted dividend method.

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

INTERESTS OR CONFLICTS OF INTERESTS THAT MAY AFFECT THE REPORTING OBJECTIVITY OF THE REPORT

The report was prepared by NS for consideration, on behalf of the Warsaw Stock Exchange S.A.

The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments. The Analyst is not a party to any contract concluded with the Issuer and does not receive remuneration from the Issuer. The Analyst's remuneration for preparing the Report due from NS is not directly related to transactions in brokerage services provided by NS or other types of transactions carried out by NS or any other legal entity that is part of the group to which NS belongs or with transaction fees that they receive NS or these people. It can not be ruled out that the remuneration that may be due in future to a NS Analyst by another title may be indirectly dependent on NS financial results, including those obtained as part of investment banking transactions related to the Issuer's financial instruments.

It is possible that NS has or will have the intention to submit an offer to provide services to the Issuer.

ORGANIZATIONAL AND ADMINISTRATIVE SOLUTIONS AND INFORMATION BARRIERS ESTABLISHED TO PREVENT CONFLICT OF INTERESTS AND TO AVOID THEMSELVES

Detailed rules of conduct in the event of conflicts of interest are set out in the "Regulations of Conflicts of Interest Management at Noble Securities SA" available at the website www.noblesecurities.pl in the tab: "About us" / "Regulations" / "Information policy".

The internal structure of NS ensures organizational separation of analysts from individuals (teams) performing activities that involve the risk of a conflict of interest and prevents conflicts of interest, and in the event of such conflict enables protection of the Client's interests against the harmful effects of this conflict. In particular, Analysts do not have access to information about transactions concluded on the NS's own account and to Client orders. NS ensures that there is no possibility for third parties to exert any adverse influence on the performance of the work by Analysts. NS ensures that there are no links between the amount of remuneration of employees of one organizational unit and the amount of remuneration of employees of another organizational unit, or the amount of income earned by that other organizational unit, if these units perform activities that involve the risk of a conflict of interests.

NS has implemented internal regulations regarding the flow of confidential and professional information, which is aimed at securing confidential information or professional secrecy and preventing its unjustified flow or misuse. NS limits to a minimum the circle of people who have access to confidential information or professional secrecy. In order to control access to relevant non-public information, within NS there are internal limitations and barriers in the transfer of information, so-called *Chinese walls*, i.e. rules, procedures and physical solutions to prevent the flow and use of confidential information and constitute professional secrecy. NS uses restrictions in physical access (separate rooms, lockable filing cabinets) and access to information systems.

NS has implemented regulations in the scope of performing activities consisting in preparing investment analyses, financial analyses and other general recommendations regarding transactions in financial instruments, as well as the internal procedure regulating the subject scope. NS discloses in the content of Reports prepared by itself all connections and circumstances that could affect the objectivity of the Reports being prepared. It is forbidden to accept material or non-material benefits by NS or the Analyst from entities having a significant interest in the content of the Report, suggesting to the Issuer by NS or Analyst content favorable to that Issuer. It is forbidden to make available to the Issuer or other persons than Analysts, the Report, containing the content of the recommendation or the target price, before commencing its distribution for purposes other than verification of the NS's compliance with its legal obligations.

NS has implemented internal regulations regarding the rules of concluding personal transactions by involved persons, including prohibits the use of information obtained in connection with business activities for personal transactions. In addition, Analysts may not enter into personal transactions regarding the Issuer's financial instruments or related financial instruments prior to the dissemination of the Report, as well as personal transactions that conflict with the content of the Report and when NS starts or works on issuing Issuer's financial instruments since the Issuer's information in this respect until the prospectus is published - in the case of a public offer or for launching an offer.

OTHER INFORMATION AND RESERVATIONS

NS ensures that the Report has been prepared with due diligence and integrity based on generally available facts and information recognized by the Analyst as reliable, reliable and objective, however NS nor the Analyst does not guarantee that they are fully accurate and complete. If the Report indicates the addresses of the websites used in the preparation of the Report, neither the Analyst nor NS takes responsibility for the content of these websites.

Investing can involve high investment risk. The analytical report cannot be treated as an assurance or guarantee of avoiding losses, or achieving potential or expected results, in particular profits or other benefits from transactions carried out on its basis, or in connection with refraining from such transactions. A general description of financial instruments and the risk related to investing in individual financial instruments is presented at www.noblesecurities.pl in the tab Brokerage House / Brokerage Account/ Documents. NS points out that although the above information has been prepared with due diligence, in particular in a reliable manner and in accordance with NS's best knowledge, it may not be exhaustive and may exist or be updated in the specific situation in which an investor is or will be located other risk factors than those indicated in the above information by NS. The investor should bear in mind that investments in individual financial instruments may result in the loss of some or all of the funds invested, and even involve the additional costs.

Investors using the Report may not resign from independent assessment and take into account other circumstances than indicated by the Analyst or by NS.

The Report has been prepared in accordance with legal requirements ensuring independence, in particular from the Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards concerning technical means for the purpose of presenting investment recommendations or other information recommending or suggesting an investment strategy and disclosing particular interests or indications of conflicts of interest. The report is an investment study referred to in art. 36 par. 1 Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65 / EU of the European Parliament and of the Council with regard to organizational requirements and operating conditions for investment firms and concepts defined for the purposes of this directive.

The Report or any of its entries do not state:

- offer within the meaning of art. 66 of the Act of 23 April 1964 - the Civil Code,
- grounds for concluding a contract or creating a liability,
- public offering of financial instruments within the meaning of art. 3 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies,
- invitations to subscribe for or purchase securities of the Issuer,
- investment advisory services or portfolio management services referred to in the Act of 29 July 2005 on Trading in Financial Instruments,
- investment, legal, accounting or other types of advice.

The Report

- is published on the NS website: <https://noblesecurities.pl/dom-maklerski/analizy2/program-wsparcia-pokrycia-analitycznego-gpw/1792-tim-s-a>,
- is intended for distribution only on the territory of the Republic of Poland, and is not intended for distribution or transmission, directly or indirectly, in the United States of America, Canada, Japan or Australia, or any other jurisdiction, where such distribution would violate relevant provisions of the given jurisdiction or required registration in that jurisdiction,
- does not contain all information about the Issuer and does not allow full assessment of the Issuer, in particular as regards the Issuer's financial situation, because only certain data regarding the Issuer were selected for the Report,
- is for information purposes only, so it is not possible to comprehensively evaluate the Issuer based on the Report.

FINAL REMARKS

Analyst preparing the Report: Michał Sztabler

Date and time of completion of the Report: 25/11/2021 at 11.05. Date and time of the first dissemination of the Report: 25/11/2021 at 11.10.

The proprietary copyrights to the Report are held by the Stock Exchange in Warsaw S.A. Dissemination or reproduction of the Report (in whole or in any part) without the written consent of the Warsaw Stock Exchange S.A. is forbidden.

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

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

All recommenaation distributed by NS in last 12 months:

Company	Direction	Target price	Target price	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
OncoArenai	BUY	48.1	38.4	38.40	25%	16.11.2021	9M	Krzysztof Radojewski
Amica	ACCUMULATE	157.6	131.6	121.20	30%	18.10.2021	9M	Michał Sztabler
Ten Square Games	BUY	549.3	382.6	361.00	52%	18.10.2021	9M	Maciej Kietliński
TIM	na	62.3	42.6	40.15	55%	14.10.2021	24M	Michał Sztabler
Forte	HOLD	51.5	53.5	45.70	13%	11.10.2021	9M	Dariusz Dadej
MCI Capital	na	41.2	22.5	22.40	84%	07.10.2021	24M	Krzysztof Radojewski
Wielton	HOLD	13.4	12.4	10.10	32%	28.09.2021	9M	Michał Sztabler
Ryvü Therapeutics	ACCUMULATE	71.7	51.4	60.70	18%	23.09.2021	9M	Krzysztof Radojewski
Bioton	na	7.7	5.0	4.60	68%	09.09.2021	24M	Krzysztof Radojewski
Ailleron	na	25.2	13.7	13.25	90%	02.09.2021	24M	Dariusz Dadej
Aplisens	na	17.8	13.1	14.20	25%	31.08.2021	24M	Michał Sztabler
11 bit studios	HOLD	455.3	460.2	516.00	-12%	27.08.2021	9M	Maciej Kietliński
Sonel	na	15.2	11.8	10.15	50%	16.08.2021	24M	Michał Sztabler
Celon Pharma	BUY	59.4	39.3	32.95	80%	12.08.2021	9M	Krzysztof Radojewski
LW Bogdanka	ACCUMULATE	29.3	24.9	36.55	-20%	05.08.2021	9M	Michał Sztabler
Krynicky Recykling	na	32.9	20.0	20.80	58%	13.07.2021	24M	Dariusz Dadej
Creepy Jar	BUY	977.0	836.0	790.00	24%	09.07.2021	9M	Maciej Kietliński
Selvita	HOLD	87.0	84.0	79.20	10%	30.06.2021	9M	Krzysztof Radojewski
Dino Polska	REDUCE	253.7	269.0	334.80	-24%	22.06.2021	9M	Dariusz Dadej
Aplisens	na	17.5	12.8	14.20	23%	08.06.2021	9M	Michał Sztabler
Boombit	BUY	32.1	26.4	16.62	93%	26.05.2021	9M	Maciej Kietliński
MCI Capital	na	30.9	19.2			14.05.2021	24M	Krzysztof Radojewski
Krynicky Recykling	na	25.1	19.8			10.05.2021	24M	Dariusz Dadej
Eurocash	ACCUMULATE	16.6	14.4	11.08	50%	06.05.2021	9M	Dariusz Dadej
OncoArenai	HOLD	50.0	49.1	38.40	30%	06.05.2021	9M	Krzysztof Radojewski
TIM	na	39.6	28.4			05.05.2021	24M	Michał Sztabler
Artifex Munai	BUY	23.1	17.0	10.00	131%	04.05.2021	9M	Maciej Kietliński
Bioton	na	8.0	5.6	4.60	75%	20.04.2021	24M	Krzysztof Radojewski
LW Bogdanka	HOLD	23.2	23.9			19.04.2021	9M	Michał Sztabler
CD Projekt	REDUCE	172.2	183.0	186.54	-8%	08.04.2021	9M	Maciej Kietliński
Forte	ACCUMULATE	55.0	52.0			31.03.2021	9M	Dariusz Dadej
Amica	BUY	219.3	144.2	121.20	81%	29.03.2021	9M	Michał Sztabler
Ryvü Therapeutics	BUY	66.2	53.0	60.70	9%	26.03.2021	9M	Krzysztof Radojewski
Artifex Munai	HOLD	12.8	12.5			01.03.2021	9M	Maciej Kietliński
Celon Pharma	BUY	59.6	45.8			17.02.2021	9M	Krzysztof Radojewski
Ten Square Games	BUY	687.9	529.0	361.00	91%	11.02.2021	9M	Maciej Kietliński
Wielton	BUY	10.6	8.1			05.02.2021	9M	Michał Sztabler
11 bit studios	REDUCE	422.5	476.0			11.01.2021	9M	Maciej Kietliński
CD Projekt	BUY	388.5	296.0			16.12.2020	9M	Maciej Kietliński
LW Bogdanka	REDUCE	16.4	18.8			11.12.2020	9M	Michał Sztabler
Krynicky Recykling	na	15.2	8.1			11.12.2020	24M	Dariusz Dadej
MCI Capital	na	30.4	15.0			11.12.2020	24M	Krzysztof Radojewski
Aplisens	na	18.0	11.2			11.12.2020	9M	Michał Sztabler
Tauron PE	BUY	2.9	2.1	3.00	-3%	03.12.2020	9M	Michał Sztabler
TIM	BUY	27.3	16.2			04.12.2020	24M	Michał Sztabler
Eurocash	BUY	18.0	13.8			02.12.2020	9M	Dariusz Dadej
Dino Polska	SELL	211.1	253.6			02.12.2020	9M	Dariusz Dadej
Apator	BUY	28.9	22.3			27.11.2020	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

MARKET RESEARCH DEPARTMENT**Sobiesław Kozłowski**sobieslaw.kozlowski@noblesecurities.pl

tel: +48 22 213 22 39

model portfolios

Michał Sztablermichal.sztabler@noblesecurities.pl

tel: +48 22 213 22 36

inaustrials, utilities, mining

Dariusz Dadejdariusz.dadej@noblesecurities.pl

tel: +48 22 660 24 83

retail, inaustrals

Krzysztof Ojczykkrzysztof.ojczyk@noblesecurities.pl

tel: +48 12 422 31 00

technical analysis

Maciej Kietlińskimaciej.kietlinski@noblesecurities.pl

gaming

Krzysztof Radojewskikrzysztof.radojewski@noblesecurities.pl

Biotechnology