

TIM SA – investment for hard times

We maintain our opinion that TIM is a good investment for difficult times in the economy. In our opinion, a proven business model (asset light), a safe balance sheet (net cash) and a competent Management Board allow us to expect that the company will also use the coming economic turmoil to further strengthen its market position. We expect a deterioration in financial results in 2023-24, but cash flows should remain stable. This will be conducive to maintaining transfers to shareholders. 3LP's ambitious development path may weigh on consolidated results. Bearing in mind the deterioration of the macroeconomic environment and the worse results of the logistics business, we have lowered our forecasts for 2023-24. Lower forecasts, changes in the parameters of the DCF model and valuation ratios of companies from the comparative group resulted in a reduction in the final valuation. The determined current value of the company (PLN 37.9/share) still gives a large growth potential.

Slowdown is an opportunity for TIM

We expect a decline in activity in the renovation and construction industry and industrial investments in the coming quarters. As a consequence, TIM's sales and margin will be lower. In our opinion, the company is well prepared for the downturn, both financially and operationally. In addition, the company's board of directors has great competence in running a business in difficult market conditions. We hope to strengthen TIM's market position at the expense of smaller competitors.

Skillful management of working capital

The company's management board pursues a very conservative liquidity management policy. Active warehouse management and quick adjustment of its level to forecasted sales is a characteristic feature of TIM. We believe that such an approach should work primarily in more difficult market conditions. Given the reduced sales dynamics, we expect a decrease in the value of inventories and freeing up some cash resources.

Transfers to shareholders maintained

TIM is a dividend company and we assume that it will remain so in the future. Currently, we identify two directions of transfer of funds to shareholders: dividend and buyback. The financial capacity allows us to maintain both of these streams in the years 2022-2024, and the recently launched share buyback should offset the projected decrease in the value of the dividend paid out.

The development of the logistics segment costs money

The 3LP company, despite an unsuccessful attempt to issue shares in order to obtain financing for new projects, did not stop the dynamic development. The increase in warehouse space will generate an increase in costs, which will be fully covered by revenues only after some time. We expect that in 2023-2024 the subsidiary responsible for the logistics business may generate negative results at the net level, thus affecting the reduction of consolidated profit.

We estimated the value of TIM shares based on the following valuation methods: DCF (in total for the entire group: PLN 31.9) and comparative (separately for the commercial business: PLN 33.8 and logistics: PLN 8.0), which, after weighing the above valuations, allowed set the present value at PLN 37.9.

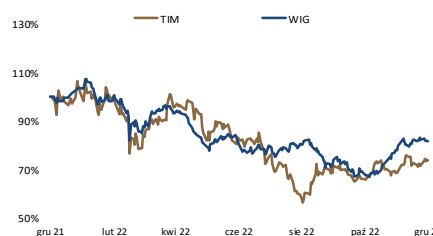
(PLNm)	2020	2021	2022F	2023F	2024F	2025F
Revenues	1 064.9	1 314.3	1 508.0	1 398.6	1 501.2	1 641.3
EBITDA	80.5	144.6	156.8	123.4	102.0	166.3
Net profit	31.7	90.9	99.1	64.8	39.0	87.7
EPS	1.43	4.10	4.46	3.14	2.05	4.61
DPS	2.20	2.40	2.72	2.16	1.70	2.65
P/E (x)	19.7	6.9	6.3	9.0	13.7	6.1
EV/EBITDA (x)	8.8	4.8	4.8	5.8	7.1	4.0

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

The preparation of report was finalized on 12/12/2022 at 9:05 a.m.. The first publication took place on 12/12/2022 at 9:15 a.m..

**NOBLE
SECURITIES**
DOM MAKLECKI

Current price	28.15 PLN
Valuation	37.91 PLN
Upside/downside	35%
Market cap.	625 PLNm
Free float	63%
Avg. Vol. 6M	21 806



Source: Bloomberg, Noble Securities

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	23.45%
K. Wiczorkowski	13.51%
NN OFE	7.05%
Others	55.99%

Source: TIM, Noble Securities

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VALUATION

We calculated the value of one share of TIM SA as the average of the comparative valuation and DCF, with a weight of 50% each. On this basis, we set the current value of the shares at PLN 37.9. With the comparative approach, we valued the commercial and logistics business separately (in both cases using the ratio analysis), and the sum of the obtained values contributed to the total value. When selecting the group of companies for the comparative analysis, in the case of the commercial segment, we decided on domestic companies (operating in the wholesale and / or e-commerce segment) and foreign companies (distribution of products from the electrical engineering segment), and in the case of the logistics segment, due to the lack of equivalents on the WSE, we chose foreign entities.

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

Valuation summary	Weight	Per share (PLN)	Previous (PLN)	Change
DCF	50%	33.9	51.4	-34%
Peers	50%	41.9	57.2	-27%
- trading/commercial business		33.8	36.6	-8%
- logistics segment		8.0	20.6	-61%
Average valuation		37.9	54.3	-30%
Current price		28.2		
Upside/downside		35%		

Source: Noble Securities

DCF VALUATION

Assumptions:

- 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 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%.
- Share of equity in financing assets at the level of 80%.
- Effective tax rate of 20%.
- Risk-free rate of 6.8% (previously 6.7%), risk premium of 7.2% (previously 5.1%), beta of 1.0 (unchanged).

DCF VALUATION

DCF	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Revenues	1 508	1 399	1 501	1 641	1 778	1 806	1 834	1 863	1 892	1 922
NOPAT	106	72	47	98	108	108	108	107	107	107
Depreciation and amortization	25	33	43	43	43	43	43	43	43	43
Change in WC	-43	18	-8	-17	-17	-4	-4	-4	-4	-4
CAPEX	-70	-57	-38	-15	-15	-14	-15	-15	-15	-15
FCFF	17	67	44	110	118	133	133	132	132	131
WACC	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%
Discount factor	0.99	0.88	0.78	0.70	0.62	0.55	0.49	0.43	0.38	0.34
DFCFF	17.3	58.8	34.2	76.5	73.1	72.9	64.6	57.1	50.6	44.7
Sum of DFCFF to 2031	550									
Growth rate (g)	0%									
Residual value 2031	813									
Discounted Residual value	277									
Enterprise Value (EV)	826									
Net debt 31/12/2021 + dividend	73									
Minorities	0									
Equity value	753									
Shares (ths.)	22.2									
Equity Value per share	33.9									

Sensitivity analysis					
	Growth rate (g)				
	-2%	-1%	0%	1%	2%
WACC - 1,0%	34.8	35.9	37.2	38.8	40.6
WACC - 0,5%	33.4	34.4	35.5	36.9	38.5
WACC	32.0	32.9	33.9	35.1	36.6
WACC + 0,5%	30.7	31.5	32.5	33.5	34.8
WACC + 1,0%	29.6	30.3	31.1	32.1	33.2

Source: Noble Securities

Below we present WACC calculation:

WACC	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F
Risk free rate	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Market risk premium	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Beta	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Cost of equity	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
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	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%
Cost of debt after tax bracket	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%	7.07%
Net debt/EV	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
WACC	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%	12.6%

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	132 991	20.2	19.4	17.6	13.6	13.2	12.2
Rexel	26 385	6.8	8.2	7.7	5.3	6.1	5.7
Intercars	6 404	8.1	7.6	6.9	6.6	6.2	5.8
Solar	2 775	6.3	8.6	9.4	4.7	5.9	6.3
Neuca	2 696	18.3	19.5	15.8	9.2	9.6	8.5
Eurocash	1 879	112.5	21.8	14.6	5.3	5.0	4.7
AB	816	4.9	5.8	5.9	4.3	5.0	5.1
Oponeo	513	19.9	17.6	13.3	9.9	9.7	8.2
Median		13.2	13.1	11.3	6.0	6.1	6.1
TIM's implied fair value (trading segment)		58.7	39.4	21.6	35.3	25.0	14.2
Weight		20%	15%	15%	20%	15%	15%
TIM's implied fair value (trading segment)				33.8			

Source: Bloomberg, Noble Securities, data on 9.12.2022 at 19:35

Logistics segment	Market cap. (PLNm)	P/E (x)			EV/EBITDA (x)		
		2022F	2023F	2024F	2022F	2023F	2024F
UPS	689 278	13.9	14.7	14.7	9.7	10.1	10.1
DSV	158 589	13.3	18.2	17.4	9.2	12.3	12.3
Kuehne+Nagel Int. AG	124 013	9.8	17.6	19.5	5.4	8.6	9.4
ZTO Express Cayman Inc	93 438	22.1	18.1	14.8	13.1	10.7	9.0
Expeditors International of Washington	76 143	12.1	18.1	20.2	7.5	11.5	12.9
JB Hunt Transport Services	81 722	18.2	18.6	17.6	9.6	9.7	9.2
CH Robinson Worldwide Inc	50 175	12.0	16.9	16.2	9.2	12.6	12.5
GXO Logistics	23 106	16.0	16.9	15.0	9.3	9.0	8.2
XPO Logistics	18 286	7.0	9.3	8.6	4.9	6.0	5.0
ID Logistics Group	7 177	25.1	22.1	19.9	7.2	6.4	6.0
Median					9.2	9.9	9.3
TIM's implied fair value (logistics segment)					5.5	8.5	11.0
Weight					40%	30%	30%
TIM's implied fair value (logistics segment)				8.0			

Source: Bloomberg, Noble Securities, data on 9.12.2022 at 19:35

3Q2022 RESULTS: lower growth dynamics, lower margin

- In 3Q2022, the dynamics of revenue growth clearly weakened (+5% in TIM Capital Group and 4% in TIM SA), although this was not a surprise given the current reports informing about monthly results.
- The gross margin on goods in TIM SA decreased (to 20%, vs. 21.7% in 3Q2021 and 24.7% in 2Q2022), which resulted in a decrease in the gross profit on goods to approx. PLN 70 million (-4% y/y, -18% q/q). This decrease was partly due to the reduction of inventories in the segment of cables and wires (margin lower by PLN 1-2 million, i.e. approx. 0.5 pp).
- General costs amounted to PLN 60 million in the entire TIM Group (+19% y/y, -4% q/q), i.e. they showed a higher dynamics than gross profit, which resulted in a decrease in both EBIT and EBITDA.
- We would like to point out a large increase in financial costs (balance in Q3 at PLN -6.3 million), which resulted from higher interest, but above all higher exchange rate differences resulting from the valuation of financed foreign currency liabilities (leasing in 3LP).
- Net debt at the end of the period was higher (primarily the valuation of lease liabilities at a higher EUR/PLN exchange rate).
- Inventories (PLN -61.5 million) and receivables (PLN -5 million) fell significantly, but the level of trade payables (PLN -73 million) decreased at the same time. As a result, net working capital increased again, this time by approx. PLN 7 million.
- In the third quarter, TIM paid a dividend (PLN 26.6 million), which additionally contributed to the increase in net debt.

Selected financial data (PLNm) - consolid.	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	348.2	363.8	410.0	362.5	364.4	5%	1 314.3	1 508.0	15%	75%
Gross profit from sales	86.5	90.7	100.5	101.6	86.1	0%	331.3	382.5	15%	75%
margin	25%	25%	25%	28%	24%		25%	25%		
SG&A costs	50.5	61.6	59.0	62.3	60.0	19%	211.9	250.3	18%	72%
% sales	15%	17%	14%	17%	16%		16%	17%		
Other operating revenues and expenses	1.1	-0.2	0.0	0.0	0.0		2.2	0.0		
EBIT	37.0	28.9	41.4	39.3	26.0	-30%	121.6	132.2	9%	81%
margin	11%	8%	10%	11%	7%		9%	9%		
EBITDA	42.8	34.8	47.3	45.2	31.7	-26%	144.6	156.8	8%	79%
margin	12%	10%	12%	12%	9%		11%	10%		
Depreciation and amortization	5.8	5.9	5.8	5.9	5.7	-2%	23.0	24.6	7%	71%
Financial income and costs	-3.3	-1.1	-2.3	-2.7	-6.3		-5.9	-9.9		
Reported net profit	26.6	22.2	31.2	29.1	16.0	-40%	91.8	99.1	8%	77%
margin	8%	6%	8%	8%	4%		7%	7%		
Repeatable net profit	26.6	22.2	31.2	29.1	16.0	-40%	90.8	99.1	9%	77%
margin	8%	6%	8%	8%	4%		7%	7%		
Net debt	98.1	73.2	45.0	85.2	114.6	17%	73.2	131.3	79%	133%
Oper. CF	0.2	57.2	37.2	-3.4	22.4	10077%	67.1	80.7	20%	70%
CAPEX	1.4	3.7	1.2	2.2	3.4	150%	5.8	70.0	1113%	10%
P/E	9.8	8.6	6.6	6.2	6.5		6.9	6.3		
EV/EBITDA	6.5	5.8	4.5	4.4	4.7		4.9	4.8		
Selected financial data (PLNm) - parent	3Q21	4Q21	1Q22	2Q22	3Q22	y/y	2021	2022F	y/y	% NS forecast
Revenues from sales	335.2	347.4	393.2	344.7	349.5	4%	1 252.3	1 438.9	34%	76%
EBITDA	34.0	27.1	39.6	38.8	25.9	-24%	108.7	127.4	111%	82%
Reported net profit	26.3	20.2	30.7	30.0	19.8	-25%	82.5	98.4	129%	82%

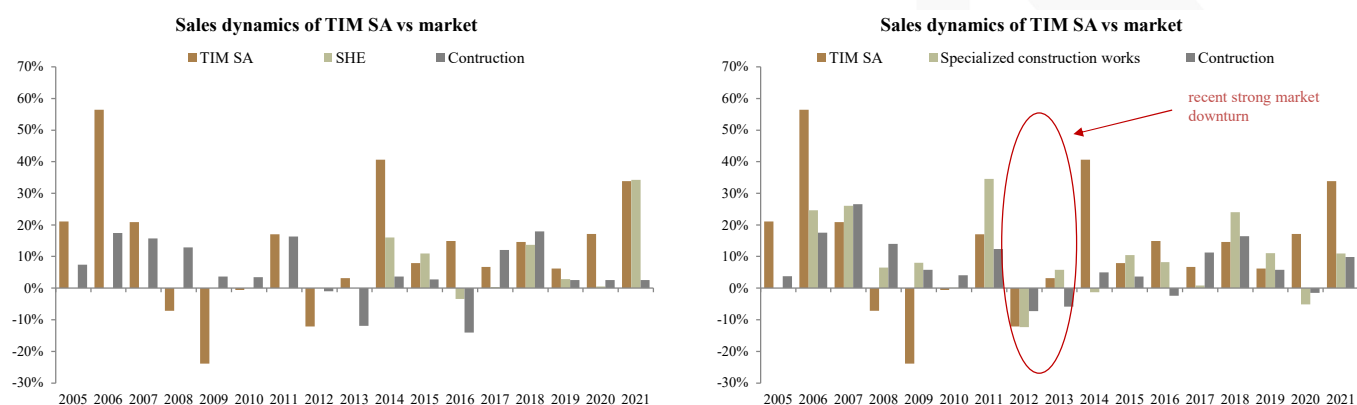
Source: TIM, F - Noble Securities forecast

COMMERCIAL SEGMENT (TIM SA): looking for historical analogies

Although the link between TIM SA (commercial activity) and the construction industry is getting smaller and smaller, the portfolio of products sold still qualifies the company as a distributor of electrotechnical materials, with high sensitivity to the economic situation in the construction industry.

With greater declines in the construction market (in the segment of specialized works, where in turn electric works account for more than 50%) we last saw in 2012. At that time, the total construction output decreased by 7%, and in the segment of specialized works the declines amounted to as much as 12%. At that time, TIM also recorded a 12-percent increase. decrease in sales revenues (trade business - TIM SA). The decrease in profitability was not significant yet (to 19.2%, -1.5 p.p.), but the company reacted to the market situation quite late and only in the second half of the year it became more active in the competitive fight, lowering its margins. The effects of work on improving competitiveness became fully visible in the following year (2013): they managed to achieve an increase in revenues (+3%) with the still weak economic situation in the construction industry (total construction output -6%, specialized works +6%); at the same time, the margin fell by as much as 3 p.p. (up to 16.3%).

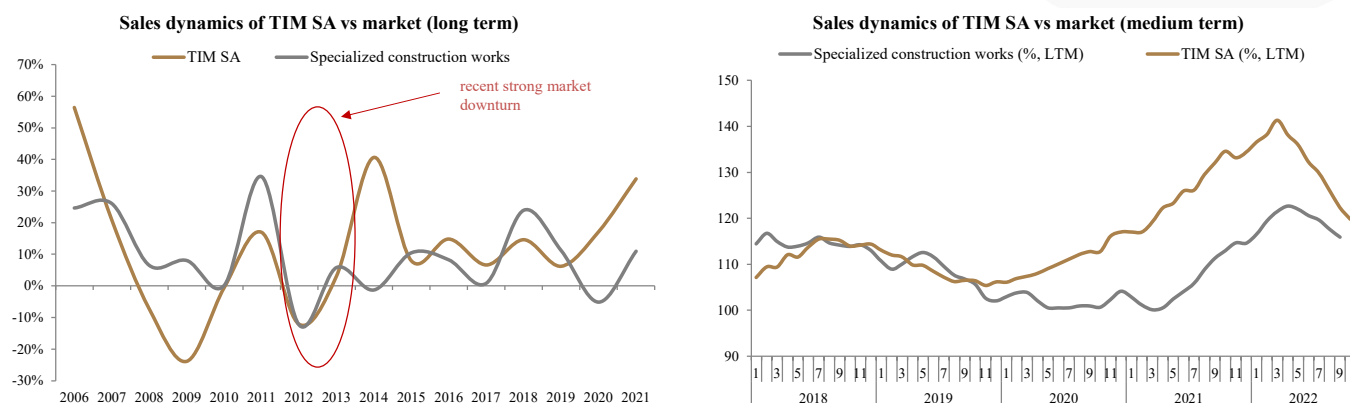
TIM vs market (I)



SHE - Związek Pracodawców Dystrybucji Elektrotechniki (Association of Electrotechnical Distribution Employers)
Source: TIM, Central Statistical Office, Noble Securities

The next year (2014) brought as much as 40-percent increase in revenues, but it was paid for by further margin erosion (down to 14.1%, -2 p.p.). At that time, TIM began to change its business model towards e-commerce, which in our opinion had a decisive impact on the financial results achieved (both in terms of sales growth dynamics and profitability decline). Mainly for this reason, we considered the results of 2014 as unreliable for comparison purposes, as they reflect to a greater extent the changes made within the company than the market situation.

TIM vs market (II)



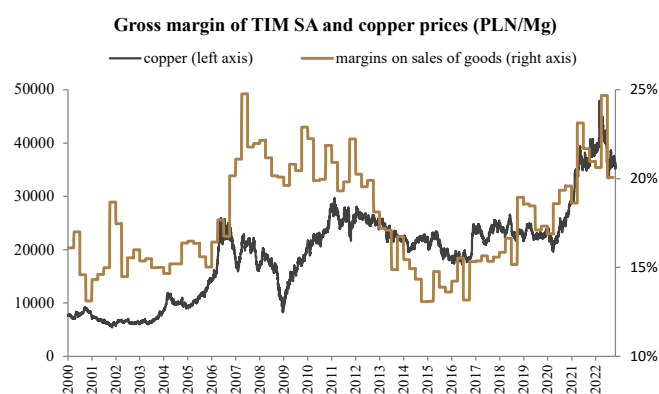
Source: TIM, Central Statistical Office, Noble Securities

In the following years, TIM's sales dynamics fairly faithfully reflected trends in the construction industry, until 2020. In 2020-21, TIM SA used its competences in sales in the e-commerce channel, building competitive advantages and increasing market share.

Due to the deterioration of the macroeconomic situation and the rapid increase in interest rates affecting the real estate market, we expect a downturn in the construction industry, manifested by a negative dynamics of construction production (in general and in the segment of specialized works). It is difficult for us to predict the scale of this decline, but most likely it will have a negative impact on TIM SA's results. Although in 2022 the company still records positive sales dynamics, in recent months it has been lower than the price growth dynamics (both PPI and CPI), which in our opinion shows a real decrease in revenues, reflecting market trends.

Assuming by analogy the change in TIM SA's revenues similar to that recorded in 2012, we assume 10-percent decrease in sales in 2023. The dynamics of the decrease may be lower due to inflation, however, the decrease in copper prices (one of the main cost components of electrotechnical products, mainly cables and wires) will lead to lower prices. Drop in margins should not be significant yet, we assumed -1.5 p.p..

Strong correlation between the prices of key metals and the margin in the trading business



Source: Bloomberg, TIM, Noble Securities

In the next year, we expect stabilization of the macroeconomic situation, which will allow for a slight rebound in sales (+5% y/y). We see a threat to the level of margins, as TIM will probably start a competitive fight, and with relatively low operating costs, it can afford to significantly reduce margins without the risk of generating a loss. An alternative solution is to improve the competitiveness of the offer by easing commercial conditions (with relatively small price reductions), which would result in increased debt and thus the costs would appear in the financial part instead of in the operational part. The current very good balance sheet situation of TIM SA (net cash) allows for such a move, however, knowing the conservative approach of the Management Board to the security of the company's liquidity, we treat it as less probable.

LOGISTICS SEGMENT (3LP): development costs money

The 3LP company, despite a failed attempt to issue shares in order to obtain financing for new projects, did not stop its dynamic development. In the second half of 2022, 2 new warehouses were launched: Syców (17,000 m²) and Siechnice (3rd facility in this location, 25,000 m²). Next year, two more warehouses are planned to be launched: Zgierz (17,000 m², from 2Q2023) and Słubice (46,000 m², from 4Q2023). Thus, at the end of 2023, 3LP will manage a total of approx. 250,000. m² of warehouse space, of which approx. 175,000 m² of own space and approx. 72 thousand. as part of managing a warehouse belonging to Oponeo. In addition, at the turn of 2023/24, a new shuttle system (warehouse automation) will be commissioned, located in a new warehouse in Siechnice, launched this year (dedicated primarily to Ikea).

All these investments will result in an increase in costs in 2022-24, both depreciation costs (estimated increase from approx. PLN 17.5 million in 2021 to approx. PLN 35 million in 2024) and financial costs (from approx. PLN 6 million in 2021 to approx. PLN 16 million in 2024). At the same time, the new space will be gradually filled with revenues, but at a slower pace than costs will appear (mainly fixed costs related to the operation of warehouses). The dynamics of 3LP revenue growth will also not be supported by the expected economic downturn (both domestic and in neighboring countries - the new warehouse in Słubice would serve mainly the East German market).

A more conservative outlook on 3LP's prospects was behind the revision of our forecasts for this area of TIM Capital Group's operations. We expect that in 2023-2024 the subsidiary responsible for the logistics business may generate negative results at the net level, thus affecting the reduction of consolidated profit. The first year with a positive net result in 3LP will be 2025, when costs will stabilize (we do not forecast an increase in warehouse space), and revenues (resulting from filling warehouses) should continue to grow.

TRANSFERS TO SHAREHOLDERS: dividend and buyback

TIM is a dividend company and we assume that it will remain so in the future. Currently, we identify two directions of transfer of funds to shareholders:

1. Dividend.

TIM has implemented a dividend policy for the years 2021-23, precisely defining the amount of payment. If a standalone net profit in a given financial year is at least PLN 15 million, the dividend should amount to PLN 22.2 million (PLN 1.00 per share) plus 50% of any surplus of the standalone net profit in a given financial year over the amount of PLN 22 PLN .2 million. With a net profit lower than PLN 15 million, the Management Board will propose the amount of the dividend based on the assessment of the company's financial situation. In our forecasts, the profit in TIM SA does not fall below the mentioned threshold of PLN 15 million, which is why we assumed a dividend payment of over PLN 1.00 per share.

The source of financing the dividend is the dividend fund (currently retained earnings), where funds in the amount of approx. PLN 86 million (as at the end of 2021) and the generated net profit were accumulated. A significant part of the retained earnings was added to the reserve capital financing the buyback this year (more on this below), therefore no use of retained earnings should be assumed from previous years to a possible increase in the dividend in 2021-23.

In recent years, very good in terms of generated profits, TIM paid an advance on dividend, usually in December of a given financial year. In our forecasts for the coming years, we assumed that this rule would be maintained, with the advance payment being fixed and amounting to PLN 0.50 per share.

2. Buyback.

This year's AGM approved a 3-year (i.e. lasting until mid-2025) share buyback program in the amount of up to PLN 100 million. The Company may purchase a maximum of 3,199,200 own shares (14.41% of the share capital), at a price not higher than PLN 55. Bought shares are intended for redemption, though in exceptional circumstances they may be resold. TIM will make purchases during stock exchange sessions in accordance with applicable regulations in this regard. Financing the buyback come has a reserve capital created especially for this purpose, to which PLN 65 million has already been transferred from profits from previous years, and by the end of this year. the full amount of PLN 100 million will probably be collected.

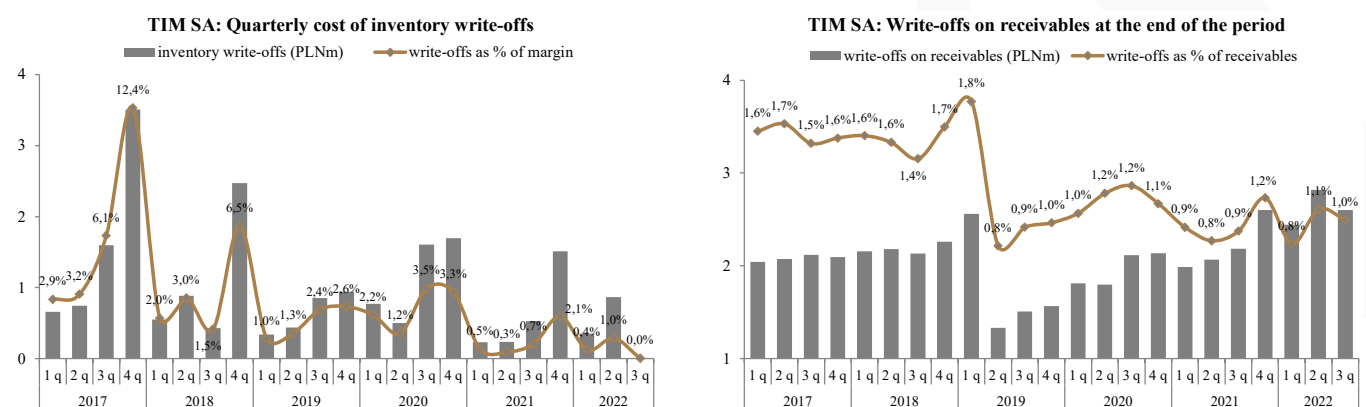
After the Management Board of the company adopted the share buyback regulations in mid-November, the company has already made the first purchases of shares on the WSE. In the model, we included the purchase of a maximum amount of 3.2 thousand. shares at the current market price (approx. PLN 27/share), which would constitute a total expenditure of PLN 86 million (i.e. below the maximum amount); we assumed equal distribution of expenses over the years 2023-24 (approx. PLN 43 million per year), although TIM started the buyback already in 2022.

WORKING CAPITAL MANAGEMENT

The company's management board pursues a very conservative liquidity management policy. This is evidenced by the low level of write-downs for inventories (on average 0.7% of the margin earned in the last 2 years) and receivables (approx. 1% of the value of receivables). Even in the years 2012-13, which were difficult for the industry and the company, write-offs did not exceed 0.4% of revenues; the company wrote off the most in 2017 (PLN 6.5 million, approx. 1% of revenues). Of course, there were sales of slower-moving goods or goods with high price volatility (such as cables and wires, e.g. in 3Q2022), but it did not have a major impact on the level of profit, and freed up significant amounts of cash.

Active warehouse management and quick adjustment of its level to forecasted sales is a characteristic feature of TIM. We believe that such an approach should work primarily in more difficult market conditions, and we expect such conditions in the coming quarters. Given the reduced sales dynamics, we expect a decrease in the value of inventories. In recent years, the inventory turnover cycle has fluctuated in the range of 40-45 days (up to 1.5 times the value of monthly sales, which in the current conditions would mean approx. PLN 150-160 million), and we assumed this level in the model. We anticipate a possible temporary increase in this ratio, as long as having an "oversized" inventory level would allow TIM to improve its competitive position and thus increase the profitability of sales. Given its financial capacity, the company is able to undertake such activities.

Conservative trade policy



Source: TIM, Noble Securities

ENVIRONMENT, SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE (ESG)

Since 2019, the company has been implementing a responsible business strategy. Due to the close cooperation of TIM SA with the company 3LP SA and the nature of the company's operations, the document also includes recommendations for actions and goals for 3LP SA on the impact on the natural environment. At the TIM Capital Group, assumptions regarding the budgeting of social and sponsoring activities, as well as the principles of the grant program and employee volunteering activities have been implemented. In order to ensure access to young staff who want to gain experience, the Group implements internship programs and actively cooperates with universities. By supporting students in developing and acquiring professional competences, the Group gains the opportunity to acquire talents among candidates for future employees and TIM brand ambassadors among young people. Interns can develop in the areas of: e-commerce, marketing, business analysis, HR, purchasing, IT, sales, accounting and finance. The foundation of TIM's development is the consistent building of a coherent organizational culture based on a specific set of principles and values. The Code of Ethics of the TIM Capital Group has been implemented, confirming that the companies included in the TIM Capital Group are trustworthy companies, and the basis for their operation is respect for the law, applicable procedures and the highest standards of conduct in relations with colleagues, partners, customers, beneficiaries and the broadly understood environment. The principles described in the Code apply to every employee and associate of the Group, but its respect is also expected from persons and entities cooperating with the Group's companies. Additionally there are established training and development processes in TIM Capital Group.

FINANCIAL RESULTS AND FORECAST

TIM SA (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Revenues	935.7	1252.3	1438.9	1295.0	1361.5	1494.5
Gross profit from sales	178.0	269.4	313.5	262.8	239.5	303.2
<i>Gross margin</i>	<i>18.7%</i>	<i>21.2%</i>	<i>21.5%</i>	<i>20.0%</i>	<i>17.3%</i>	<i>20.0%</i>
Operating costs	138.5	166.0	191.5	180.3	186.6	201.5
<i>% of revenues</i>	<i>14.8%</i>	<i>13.3%</i>	<i>13.3%</i>	<i>13.9%</i>	<i>13.7%</i>	<i>13.5%</i>
Net profit from sales	39.5	103.3	122.0	82.5	52.9	101.7
Other operating revenues and costs	5.9	-0.1	0.0	0.0	0.0	0.0
EBIT	45.4	103.3	122.0	82.5	52.9	101.7
EBITDA	51.5	108.7	127.4	89.3	60.2	109.4
Financial income and costs	-0.4	-0.1	-0.5	-0.1	-0.6	-4.6
Reported net profit	36.0	82.5	98.4	66.8	42.4	78.6
Repeatable net profit	30.8	82.5	98.4	66.8	42.4	78.6
Depreciation and amortization	6.1	5.5	5.5	6.8	7.3	7.7
CAPEX	-8.0	-2.8	-10.0	-15.0	-10.0	-11.7
CF from current operations	13.3	37.1	84.9	89.3	42.4	71.7
Dividend	26.6	48.8	56.6	41.4	44.5	32.3
Net debt	1.0	-0.6	-19.0	-6.9	50.3	22.5
Rotopino (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Revenues	86.7			out of consolidation		
Net profit from sales	2.6			out of consolidation		
3LP (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Total revenues	114.7	142.2	162.2	187.4	227.9	243.5
External revenues	40.7	61.9	69.0	103.5	139.8	146.7
EBIT	9.3	18.3	10.2	7.9	6.2	21.3
EBITDA	24.8	35.8	29.3	34.1	41.8	56.9

Source: TIM, F - Noble Securities forecasts

Profit and loss account (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Revenues from sales	1 064.9	1 314.3	1 508.0	1 398.6	1 501.2	1 641.3
Gross profit from sales	239.7	331.3	382.5	366.3	379.2	450.0
SG&A costs	187.5	211.9	250.3	275.9	320.1	326.9
Net profit from sales	52.2	119.4	132.2	90.4	59.1	123.0
Other operating revenues and expenses	6.1	2.2	0.0	0.0	0.0	0.0
EBIT	58.3	121.6	132.2	90.4	59.1	123.0
Financial income and costs	-13.8	-5.9	-9.9	-10.4	-10.9	-14.8
Profit before tax	44.6	115.6	122.3	80.0	48.2	108.2
Income tax	7.4	23.9	23.2	15.2	9.2	20.6
Reported net profit	37.1	91.8	99.1	64.8	39.0	87.7
Repeatable net profit	31.7	90.9	99.1	64.8	39.0	87.7
Depreciation and amortization	22.1	23.0	24.6	33.0	42.9	43.3
EBITDA	80.5	144.6	156.8	123.4	102.0	166.3

Source: TIM, F - Noble Securities forecasts

Balance Sheet (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Assets	467.1	536.5	661.4	639.9	656.7	670.6
Non-current assets	171.2	154.0	199.4	223.4	218.5	189.9
Tangible and Intangible assets	160.9	143.9	189.3	213.3	208.4	179.8
Subsidiaries goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	10.3	10.1	10.1	10.1	10.1	10.1
Current Assets	295.8	382.6	462.0	416.5	438.2	480.8
Inventories	103.3	140.4	157.7	141.9	149.2	163.8
Trade receivables	180.1	230.7	281.9	253.7	266.7	292.8
Cash and cash equivalents	11.1	9.7	20.7	19.2	20.6	22.5
Other current assets	1.3	1.7	1.7	1.7	1.7	1.7
	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	467.1	536.5	661.4	639.9	656.7	670.6
Equity	163.1	211.6	241.9	239.1	188.6	244.0
Long-term liabilities	87.9	80.3	68.2	60.1	51.9	45.2
Loans, borrowings and other financial liabilities	77.8	69.0	56.9	48.8	40.7	33.9
Other	10.1	11.3	11.3	11.3	11.3	11.3
Current liabilities	216.0	244.6	351.3	340.7	416.1	381.5
Loans, borrowings and other financial liabilities	14.3	13.9	95.0	110.1	173.7	115.4
Accounts payable	182.2	210.8	236.5	212.9	223.8	245.7
Other	19.5	19.9	19.7	17.7	18.7	20.5

Source: TIM, F - Noble Securities forecasts

Cash Flow Statement (PLNm)	2020	2021	2022F	2023F	2024F	2025F
Gross profit	44.6	115.6	122.3	80.0	48.2	108.2
Depreciation and amortization	22.1	23.0	24.6	33.0	42.9	43.3
Change in working capital	-12.3	-58.8	-42.9	18.3	-8.5	-17.0
Tax paid	-10.1	-22.7	-23.2	-15.2	-9.2	-20.6
CF from current operations	38.8	67.1	80.7	131.3	82.6	134.6
	0.0	0.0	0.0	0.0	0.0	0.0
CAPEX	-22.9	-5.8	-70.0	-57.0	-38.0	-14.7
Capital investments	-15.5	0.0	0.0	0.0	0.0	0.0
Divestments and other	61.3	6.4	0.0	0.0	0.0	0.0
Purchase of debt securities	0.0	0.0	0.0	0.0	0.0	0.0
CF from investing activities	22.9	0.6	-70.0	-57.0	-38.0	-14.7
	0.0	0.0	0.0	0.0	0.0	0.0
Increase of share capital	0.0	0.0	0.0	0.0	0.0	0.0
Change in financial liabilities	0.0	0.0	69.0	7.0	55.5	-65.1
Dividends and other payments due to equity holders	-26.6	-48.8	-56.6	-41.4	-44.5	-32.3
CF from financial activities	-68.0	-69.1	12.4	-79.5	-34.1	-97.4
	0.0	0.0	0.0	0.0	0.0	0.0
CF for the period	-6.3	-1.4	23.1	-5.2	10.6	22.5
Cash at the beginning of the period	17.4	11.1	9.7	32.9	27.7	38.2
Cash at the end of the period	11.1	9.7	32.9	27.7	38.2	60.7

Source: TIM, F - Noble Securities forecasts

Selected indicators	2020	2021	2022F	2023F	2024F	2025F
EBITDA margin	7.6%	11.0%	10.4%	8.8%	6.8%	10.1%
EBIT margin	5.5%	9.3%	8.8%	6.5%	3.9%	7.5%
Net profit margin	3%	7%	7%	5%	3%	5%
	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	81.0	73.2	131.3	139.7	193.8	126.7
Net debt /EBITDA	1.0	0.5	0.8	1.1	1.9	0.8
Number of shares issued	22.2	22.2	22.2	20.6	19.0	19.0
Dividend per share	2.2	2.4	2.7	2.2	1.7	2.7
P/BV	3.8	3.0	2.6	2.4	2.8	2.2

Source: TIM, F - Noble Securities forecasts

Annual growth rates	2020	2021	2022F	2023F	2024F	2025F
Revenues	20%	23%	15%	-7%	7%	9%
EBITDA	52%	80%	8%	-21%	-17%	63%
EBIT	79%	108%	9%	-32%	-35%	108%
Net profit	90%	147%	8%	-35%	-40%	125%
Repeatable net profit	62%	187%	9%	-35%	-40%	125%

Source: TIM, F - Noble Securities forecasts

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FINAL REMARKS

Analyst preparing the Report: Michał Sztabler

Date and time of completion of the Report: 12/12/2022 at 9.05. Date and time of the first dissemination of the Report: 12/12/2022 at 9.15.

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Last recommendation on TIM SA						
Recommendation / update	na	na	na	na	na	na
Publication date	31.01.2020	26.06.2020	02.12.2020	05.05.2021	14.10.2021	06.06.2022
Price at publication	11.4	10.9	16.2	28.4	42.6	33.5
Price target	17.3	17.1	27.3	39.6	62.3	54.3
WIG at publication	56 923.36	49 725.89	53 983.67	59 960.14	74 524.78	57 588.03

All recommendation distributed by NS in last 12 months:

Company	Direction	Target price	Price at publication	Current price	Difference to price target	Date of publication (1)	Validity date (2)	Prepared by (3)
Aplisens	n/a	18.3	14.4	14.10	30%	06.12.2022	24M	Michał Sztabler
Apator	Reduce	12.9	15.0	14.70	-12%	06.12.2022	9M	Michał Sztabler
Sonel	n/a	10.2	9.7	9.60	6%	06.12.2022	24M	Michał Sztabler
MO-BRUK	Buy	371.7	293.0	277.50	34%	26.10.2022	24M	Dariusz Dadej
LW Bogdanka	Hold	30.5	30.6	41.20	-26%	20.10.2022	9M	Michał Sztabler
Selvita	Accumulate	97.5	86.0	82.60	18%	20.10.2022	9M	Krzysztof Radojewski
Ailleron	n/a	17.5	12.0	15.70	11%	17.10.2022	24M	Dariusz Dadej
MCI Capital	n/a	29.6	16.1	15.90	86%	07.10.2022	24M	Krzysztof Radojewski
Bioton	n/a	4.7	3.8	3.50	34%	06.09.2022	24M	Krzysztof Radojewski
Dino Polska	Reduce	286.8	351.5	357.40	-20%	10.08.2022	9M	Dariusz Dadej
Eurocash	Accumulate	13.0	12.1	13.58	-4%	10.08.2022	9M	Dariusz Dadej
Amica	Hold	69.7	71.4	83.50	-17%	05.08.2022	9M	Michał Sztabler
Wielton	Reduce	4.9	5.5	6.93	-29%	12.07.2022	9M	Michał Sztabler
Krynicky Recykling (4)	n/a	20.9	22.6	22.70	-8%	04.07.2022	24M	Dariusz Dadej
Captor Therapeutics	Buy	163.0	116.0	170.00	-4%	28.06.2022	9M	Krzysztof Radojewski
Celon Pharma	Buy	29.3	14.9	16.10	82%	28.06.2022	9M	Krzysztof Radojewski
Molecure	Buy	21.7	13.2	16.22	34%	28.06.2022	9M	Krzysztof Radojewski
Ryvu Therapeutics	Buy	51.8	23.5	59.60	-13%	28.06.2022	9M	Krzysztof Radojewski
CD Projekt	Suspended	nd				24.06.2022	9M	Maciej Kietliński
Ten Square Games	Suspended	nd	117.0			24.06.2022	9M	Maciej Kietliński
Apator	Reduce	12.2	14.8	14.70	-17%	06.06.2022	9M	Michał Sztabler
Aplisens	n/a	16.0	14.1	14.10	13%	06.06.2022	24M	Michał Sztabler
Sonel	n/a	10.2	9.8	9.60	6%	06.06.2022	24M	Michał Sztabler
TIM	n/a	54.3	31.4	28.60	90%	06.06.2022	24M	Michał Sztabler
11 bit studios	Suspended	nd	502.0			18.05.2022	9M	Maciej Kietliński
Forte	Accumulate	38.9	33.0	21.20	83%	13.05.2022	9M	Dariusz Dadej
MCI Capital	n/a	33.1	19.0			02.05.2022	24M	Krzysztof Radojewski
Bioton	n/a	7.2	4.1			19.04.2022	24M	Krzysztof Radojewski
Selvita	Buy	96.2	78.5			08.04.2022	9M	Krzysztof Radojewski
Mobruk	Buy	500.9	398.0			07.04.2022	9M	Dariusz Dadej
Artifex Mundi	Suspended	nd	10.1			28.03.2022	9M	Maciej Kietliński
Celon Pharma	Buy	42.2	24.8			16.03.2022	9M	Krzysztof Radojewski
Creepy Jar	Suspended	812.0	700.0			15.03.2022	9M	Maciej Kietliński
LW Bogdanka	Hold	57.9	55.6			11.03.2022	9M	Michał Sztabler
Tauron PE	In update	3.5	2.7	2.15	65%	10.03.2022	9M	Michał Sztabler
Ailleron	n/a	19.1	11.4			03.03.2022	24M	Dariusz Dadej
BoomBit	Suspended	nd	18.3			04.02.2022	9M	Maciej Kietliński
Krynicky Recykling (4)	n/a	31.8	19.6			05.01.2022	24M	Dariusz Dadej
Sonel	n/a	11.8	10.6			22.12.2021	24M	Michał Sztabler
CD Projekt	Suspended	nd	193.0			21.12.2021	9M	Maciej Kietliński

(1) Date of publication is simultaneously date of first publication,

(2) recommendation is valid for a period of 9 months, unless it is previously updated,

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

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