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TIM: Forecast of 2020 Q4 Results

Rating: overweight | current price: PLN 17.40

TIM PW; TIMP.WA | Wholesale, Logistics, Poland

Analyst: Piotr Poniatowski +48 22 438 24 09

- TIM **generated standalone revenue of PLN 259.9m in Q4 2020**, an increase of 22.9% y/y. If we combine this with strong sales achieved by Rotopino (+19% y/y) and 3LP (+30%), the total quarterly revenue will most likely reach a record PLN 296.7m (+22.3% y/y).
- With the PLN 35m sale of Rotopino finalized towards the end of last year, we expect to see a one-time gain of PLN 6.7m in Q4 that will add to a quarterly EBIT of an estimated PLN 23.8m.
- TIM incurred losses of ca. PLN 1.4m on FX operations in Q4.
- After all this we expect net profit of PLN 16.0m in Q4 2020, double the result generated in the comparable year-ago period.
- TIM most likely used part of the Rotopino cash to reduce lease obligations in Q4. In December the electrical supplier paid out PLN 27m dividends. After likely changes in working capital (incl. reduced payables), net cash flow in Q4 2020 was probably negative to the tune of PLN 21.5m, indicating a small net cash position as of 31 December 2020 after a decrease from PLN 24.3m reported in September. Net debt as a ratio of EBITDA is expected to end FY2020 lower at ca. 1.0x.

- **TIM had a stellar fourth quarter of 2020, reinforced by Rotopino proceeds. The electrical wholesaler has been a top pick for us as a growth play that has been able to maximize opportunities in a changing market by meeting customer demand through e-commerce channels. TIM's logistics arm, 3LP, delivers sales targets and improves profits through its relationships with two lead customers. We expect TIM to pay high dividends of as much as PLN 2 a share in 2021. Its EBITDA for FY2020 will approximate PLN 80m – an impressive result that will surpass all targets.**

2020 Q4 Estimates

(PLN m)	4Q'20E	4Q'19	YoY	2020E	2019	YoY
Revenue	296.7	242.7	22.3%	1,058.1	890.0	18.9%
EBITDA	29.4	13.2	122.0%	79.9	53.0	50.7%
EBITDA margin	9.9%	5.5%		7.5%	6.0%	
EBIT	23.8	7.9	200.5%	58.0	32.5	78.2%
Net profit	16.0	5.4	198.6%	35.9	19.6	83.4%

Source: TIM, E - estimates by mBank

List of abbreviations and ratios contained in the report:
EV – net debt + market value (EV – economic value)
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
PBA – Profit on Banking Activity
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
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mBank S.A.
Prosta 18
00-850 Warszawa
http://www.mbank.pl/

Research Department

Kamil Kliszcz
director
+48 22 438 24 02
kamil.kliszcz@mbank.pl
energy, power generation

Michał Marczak
+48 22 438 24 01
michal.marczak@mbank.pl
strategy

Michał Konarski
+48 22 438 24 05
michal.konarski@mbank.pl
banks, financials

Jakub Szkopek
+48 22 438 24 03
jakub.szkopek@mbank.pl
industrials, chemicals, metals

Paweł Szpigiel
+48 22 438 24 06
pawel.szpigiel@mbank.pl
media, IT, telco

Piotr Bogusz
+48 22 438 24 08
piotr.bogusz@mbank.pl
retail, gaming

Aleksandra Szklarczyk
+48 22 438 24 04
aleksandra.szklarczyk@mbank.pl
construction, real-estate development

Piotr Poniatowski
+48 22 438 24 09
piotr.poniatowski@mbank.pl
industrials

Mikołaj Lemańczyk
+48 22 438 24 07
mikolaj.lemanczyk@mbank.pl
financials

Sales and Trading

Traders

Piotr Gawron
director
+48 22 697 48 95
piotr.gawron@mbank.pl

Krzysztof Bodek
+48 22 697 48 89
krzysztof.bodek@mbank.pl

Tomasz Jakubiec
+48 22 697 47 31
tomasz.jakubiec@mbank.pl

Adam Prokop
+48 22 697 47 90
adam.prokop@mbank.pl

Magdalena Bernacik
+48 22 697 47 35
magdalena.bernacik@mbank.pl

Andrzej Sychowski
+48 22 697 48 46
andrzej.sychowski@mbank.pl

Sales, Foreign Markets

Bartosz Orzechowski
+48 22 697 48 47
bartosz.orzechowski@mbank.pl

Jędrzej Łukomski
+48 22 697 49 85
jedrzej.lukomski@mbank.pl

Private Client Sales

Kamil Szymański
director
+48 22 697 47 06
kamil.szymanski@mbank.pl

Jarosław Banasiak
deputy director
+48 22 697 48 70
jaroslaw.banasiak@mbank.pl