

iBulletin:

# Adolf Wuerth's Planned Acquisition Of TIM S.A. Will Strengthen Its Position In Poland

March 27, 2023

*This report does not constitute a rating action.*

MILAN (S&P Global Ratings) March 27, 2023--S&P Global Ratings said today that Germany based **Adolf Wuerth GmbH & Co. KG** (Wuerth; A/Stable/A-1) has ample credit metric headroom to absorb its planned acquisition of TIM S.A. (including its 100% owned subsidiary 3LP S.A.), which is the largest distributor of electrical equipment in Poland and listed on the Warsaw Stock Exchange, after solid 2021-2022 performance. We think the deal, which Wuerth plans to finance through a mix of cash and debt, would significantly strengthen its position in Poland by doubling its current market share.

On March 24, 2023, Wuerth announced that it intends to launch a public tender offer for all TIM S.A.'s shares. Major shareholders have already signed agreements to tender their full stakes. Following a successful offer, TIM would become part of Wuerth's Electrical Wholesale business unit and continue to operate stand-alone under the current management team. Wuerth expects to close the deal by year-end 2023 at the latest, after approval from antitrust authorities and completion of the tender offer.

TIM is a leading electrical wholesaler in Poland, focused on business-to-business e-commerce and with strong logistics expertise. The company's market capitalization was about €179 million as of March 24, 2023, and it has a market share of about 12%. In 2021, its total consolidated sales were Polish zloty (PLN) 1.3 billion, and its reported EBITDA was PLN145 million. According to preliminary unconsolidated financial data, TIM's 2022 sales increased to PLN1.45 billion. As a result of the acquisition, Wuerth's market share in Poland would double, and it would become the leading electrical wholesaler in the domestic market, with an opportunity to achieve significant synergies in purchasing and logistics. Despite a consolidation trend, the Polish electrical wholesale market remains fragmented, which offers Wuerth opportunities for business development.

Wuerth has built ample credit metric headroom following solid operating performance in 2021 and 2022. The company's adjusted funds from operations (FFO) to debt was 77.2% in 2021 and we anticipate about 75% in 2022, which offers financial flexibility to pursue midsize debt-financed acquisitions. We assume Wuerth's credit metrics would only marginally weaken as a result of the TIM acquisition and more moderate performance amid the current weaker economic context, with FFO to debt of above 60% in 2023, which is commensurate with the current rating.

## Related Research

- Adolf Wuerth GmbH & Co. KG, June 6, 2022

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