

2021-09-01 17:15

Key data

Target price [PLN]	8,3
DCF Valuation [PLN]	6,1
Comparative Valuation [PLN]	14,8
Market price [PLN]	6,0
Growth/decrease potential [%]	38,3%
Market cap [mIn PLN]	83,4
Free float [mIn PLN]	22,2%
Industry	IT - hardware distribution
WSE code	NTT
Bloomberg code	NTT PW

Analysts

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Company profile

The largest Polish manufacturer of desktop computers, sold both under own and external brands. The company is also one of the leading distributors of accessories, components and peripherals in Poland.

Source: www.gpw.pl

Shareholders:

[%]

Tadeusz Kurek	23,9
Davinder Singh Loomba	23,9
Andrzej Rymuza	8,3
Anna Pytkowska	5,8
Barbara Kurek	5,5

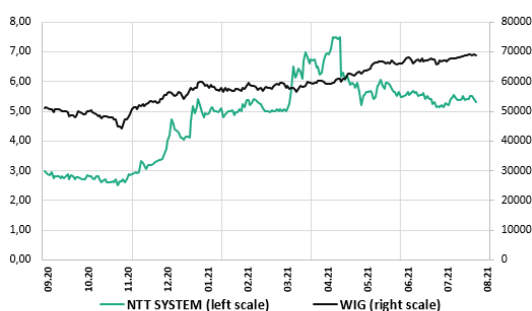
Growth factors

Strong demand for IT
Public procurement
Government subsidies
Remote work popularity

Risk factors

Exchange rate fluctuations
Low company profitability
Economic slowdown
Supply chain disruptions

Stock performance



Source: DM Banku BPS SA calculations

NTT System SA

Analytical Report

Strong demand for IT boosts revenue

NTT System operates in five segments, offering a wide range of IT-related products and services. Company concentrates mostly on the Polish market with foreign revenues not exceeding 5% in 2020. We argue that strong last year's and current (Q1 2021) sales increases have their origins in **a pandemic that generates a high increase in demand for IT equipment and software**, as well as in the **progressive digitization of society and public administration**. We assume that the pandemic will continue as a main driver of the Company's growing revenues in 2021. In the next two years (2022-2023) we expect a slowdown in growth, however, still identifying market potential for further increases in the last years of financial forecast due to the cyclical nature of IT purchases. We also forecast a slight increase in the Company's profitability (ROA and ROE).

We recognize the **greatest opportunities** in continuous purchases of IT equipment by individual consumers and companies, as well in the increased demand for gadgets, accessories and technological "novelties". NTT System cooperates with many global and recognizable brands, hence the Company's offer is wide, comprehensive and competitive.

Among the **potential threats** to the Company value, we identify a slowdown in the economic situation and high inflation, which may lead to a decline in the purchasing power of consumers. Potential problems with the supply of IT components, such as graphics cards or integrated circuits, are also important.

We **estimate the value of NTT System at PLN 8,3**, by employing both DCF and comparative method. The target price is a premium of 38,3% compared to the current price (6,0 PLN).

PLN thd	2020	2021E	2022E	2023E	2024E	2025E
Sales	790 985	936 615	1 024 265	1 113 019	1 232 921	1 375 740
EBITDA	14 131	17 488	20 137	22 780	25 842	29 145
EBITDA margin	1,8%	1,9%	2,0%	2,0%	2,1%	2,1%
EBIT	13 588	16 938	19 473	21 991	24 916	28 177
Net income	8 547	13 808	15 830	17 838	20 172	22 776
Equity	144 081	162 371	178 467	196 335	216 605	239 459
Debt	12 327	12 355	11 483	9 733	10 090	7 034
P/E	9,8	6,0	5,3	4,7	4,1	3,7
P/BV	0,6	0,5	0,5	0,4	0,4	0,3
EV/EBITDA	5,0	4,1	3,6	3,2	2,8	2,6
DY	1,3%	2,1%	2,4%	2,7%	3,1%	3,5%

Source: DM Banku BPS SA, E - estimates

Basic definitions

CAPEX (capital expenditures) - investment expenditures on product development, system implementation (including intangible assets) or tangibles assets in the part in which the capital is intended to maintain the company's current ability to generate income.

DCF (discounted cash flows) - discounted cash flows; all future cash flows are estimated and discounted in order to determine their present value. The value of the discount rate used corresponds to the cost of capital and includes an assessment of the risk related to future cash flows.

DFCF - Discounted FCF (Free Cash Flows to Firm).

EBIT (earnings before interest and taxes) - operating income i.e. the income before deduction of taxes and interest.

EBITDA (earnings before interest, taxes, depreciation and amortization) - the company's operating profit before deducting interest on interest-bearing liabilities (loans, bonds), taxes, amortization and depreciation of tangible and intangible assets; here EBITDA = operating income + amortization of tangible fixed assets + depreciation of intangible assets.

EV (Enterprise Value) - total enterprise value; here EV = current stock market capitalization + net debt.

EV / EBITDA - the ratio is calculated by dividing the present value of the enterprise (EV) by the value of EBITDA.

FCFF (Free Cash Flow to Firm) - free cash flows for owners of equity capital and creditors, which can be defined as flows resulting from the company's operating and investment activities, after all financial expectations of capital donors, i.e. all parties financing the company, have been settled .

WSE – Warsaw Stock Exchange.

NOPLAT - net operating result less adjusted taxes; here NOPLAT = EBIT * (1 - tax rate).

P / BV (price / book value) - the ratio is calculated by dividing the current capitalization of a listed company by the book value of its equity, which is provided in the company's balance sheet.

P / E (price earnings ratio) - stock exchange ratio. It is calculated by dividing the market price of one share by the net profit per share.

PV TV - Present Value, ie the residual value (TV) discounted at the present moment.

CR - current report.

SB - Supervisory Board.

TV (Terminal Value) - residual value; enterprise value after the forecast period; here estimated with the help of the Gordon model.

WACC - weighted average cost of capital; financial indicator informing about the average relative cost of capital engaged in financing the enterprise.

Information and legal disclaimer

This analytical report was prepared by Dom Maklerski Banku BPS S.A. at the request of the Warsaw Stock Exchange on the basis of an agreement concluded between Dom Maklerski Banku BPS S.A. and WSE under the "Analytical Coverage Support Program 3.0. ". Dom Maklerski Banku BPS S.A. will receive remuneration for the report.

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This report is published on the day of its completion on the publicly available website <https://dmbps.pl/wsparcie-analityczne/program-wsparcia-pokrycia-analitycznego-gpw/ntt-system-s-a>.

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List of recommendations issued within the last 12 months as part of the Analytical Coverage Support Program 3.0.

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
NTT SYSTEM	N/A	8,30	5,98	Initial report	2021-09-01	Łukasz Bryl, Tomasz Czarniecki