

2021-11-24 12:25

Key data

Target price [PLN]	8,3
DCF Valuation [PLN]	6,1
Comparative Valuation [PLN]	14,8
Market price [PLN]	5,0
Growth/decrease potential [%]	66,0%
Market cap [mIn PLN]	69,8
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

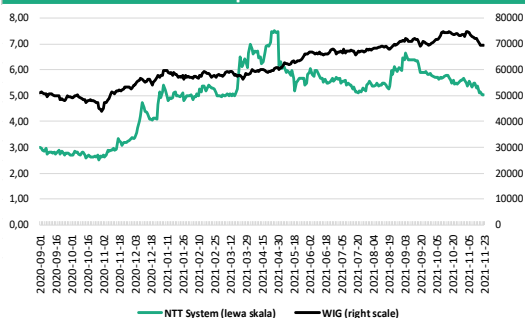
Growth factors

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

Financial forecast for 3Q 2021

- Revenue forecast.** After the anticipated decline in revenues in the first two quarters of 2021, we expect in the third quarter 2021 an increase in revenues due to the holiday period and the opening of large-area retail chains (including RTV EURO AGD, TERG Group) through which NTT System distributes products. We expect the greatest increases in the software segment (+ 15% qoq) and in the segment of components, accessories, peripherals and consumer electronics (+ 5% qoq).
- Profit forecast.** At the profits' level, we forecast the materialization of risks related with the increase of the costs of international transport and related reduced availability of certain components (including graphics cards and motherboards), resulting in higher prices. We also expect a deterioration in profitability due to the decline in the value of PLN against EUR, the main currency of import purchases (depreciation by 4.4% throughout the Q3). Finally, in relation to the second quarter, we forecast a decline in operating profit by 9.5% and a decrease in net profit by 6.9%.
- Opinion.** Strong demand for IT hardware and software has a positive effect on the Company revenue, while in the profit results for the third quarter, we expect a negative impact of unfavorable external conditions. These include mainly growing import costs resulting from increased costs of transport from Asian destinations and decline in the value of the national currency. Nevertheless, we expect further revenue growth in Q4, which is traditionally the best year for IT equipment distributors due to Christmas shopping and closing of annual state and corporate budgets. At the same time we count on the improvement of profitability.

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 tangible 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, i.e. 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

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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	nd	8,30	5,98	Initial report	2021-09-01	Łukasz Bryl, Tomasz Czarniecki
UNIBEP	nd	17,00	12,90	Initial report	2021-09-07	Artur Wizner
MONNARI TRADE	nd	5,30	2,80	Initial report	2021-09-07	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	nd	4,60	3,60	Initial report	2021-09-07	Artur Wizner, Tomasz Czarniecki
PROCHEM	nd	31,00	25,00	Initial report	2021-10-06	Artur Wizner
NTT SYSTEM	nd	8,30	5,80	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czarniecki
MONNARI TRADE	nd	5,30	2,90	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	nd	4,60	3,40	Analysis of results	2021-10-08	Artur Wizner, Tomasz Czarniecki
VIVID GAMES	nd	1,23	1,39	Analytical report	2021-10-18	Łukasz Bryl, Tomasz Czarniecki
PROCHEM	nd	31,00	25,40	Analysis of results	2021-11-17	Artur Wizner
VIVID GAMES	nd	1,23	1,37	Financial forecast	2021-11-24	Łukasz Bryl, Tomasz Czarniecki
NTT SYSTEM	nd	8,30	5,04	Financial forecast	2021-11-24	Łukasz Bryl, Tomasz Czarniecki