

2022-05-04 08:10

## Key data

Target price [PLN]	7,9
DCF Valuation [PLN]	6,8
Comparative Valuation [PLN]	10,6
Market price [PLN]	5,0
Growth/decrease potential [%]	58,8%
Market cap [mln PLN]	67,7
Free float [%]	22,2%
Industry	IT - hardware distribution
WSE code	NTT
Bloomberg code	NTT PW

## Analysts

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Tel.: 785 500 874

## Company profile

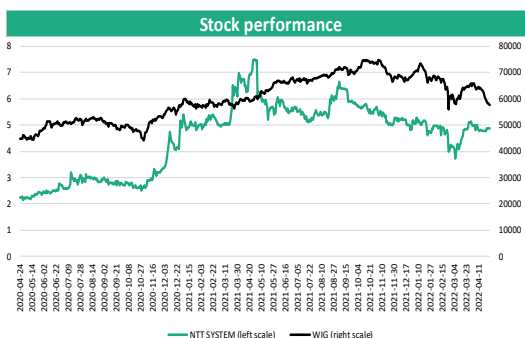
The largest Polish manufacturer of desktop computers, sold both under own and external brands. The company is also one of the leading distributors of accessories, components and peripherals in Poland.

Source: www.gpw.pl

## Shareholders:

	[%]
Tadeusz Kurek	23,9
Davinder Singh Loomba	23,9
Andrzej Rymuza	8,3
Andrzej Kurek	8,3
Barbara Kurek	7,6
Anna Kurek	5,8

Growth factors	Risk factors
Strong demand for IT	Exchange rate fluctuations
Public procurement	Low company profitability
Rich offer	Costs pressure
Development of own brands	Supply chain disruptions



Source: DM Banku BPS SA calculations

# NTT System SA

Analytical Report

## Record high results and improved profitability

- As in 2020, **NTT System again achieved record high results in 2021**. First-time in history revenue exceeded PLN 1 billion (PLN 1.152 billion).
- The company continues the **high dynamics of sales in the segment of own-produced and processed products** (in 2021 an increase of 105.0% y/y). The segment's revenues amounted to PLN 88.5 million (the highest ever).
- We also observed **high dynamics in the segment of distribution of components, accessories, peripherals and consumer electronics** (in 2021 an increase by 56.1% y/y). Revenues of this segment amounted to a record high PLN 818.8 million and are currently the most important segment of the Company (share: 71.1%).
- The **increase in revenues translated into an increase in profits**.
- The company generated a **gross profit on sales** of PLN 62.9 million (increase by 46.4% y/y), **operating profit** of PLN 23.3 million (increase by 71.5% y/y) and **net profit** of PLN 17.9 million (increase by 109.5% y/y).
- Thanks to over-proportional profits, the **Company improved profitability at all levels**.
- We **positively assess the gross margin** (growth by 0.1 pp to 5.5%), **EBIT margin** (increase by 0.3 pp. to 2.0%) and **net profit margin** (increase by 0.5 pp. to 1.6%).
- Good results were achieved mainly due to **high sales in the fourth quarter**, in the long term we see an opportunity for further increases, however we do not expect such high dynamics to be continued.
- Despite good historical results, we are finally **lowering our target price from PLN 8.3 (September 2021) to PLN 7.9**, mainly due to a decline in the valuation of peer companies.

	PLN thd	2021	2022E	2023E	2024E	2025E	2026E
Sales		1 152 274	1 332 682	1 480 733	1 580 815	1 639 982	1 768 192
EBITDA		24 079	24 388	27 071	28 899	30 006	31 997
EBITDA margin		2,1%	1,8%	1,8%	1,8%	1,8%	1,8%
EBIT		23 301	23 799	26 442	28 230	29 286	31 223
Equity		159 949	173 919	191 810	210 132	228 513	248 845
Net debt		-13 263	-9 852	-14 265	-22 804	-34 771	-32 670
P/E		3,9	3,9	3,5	3,2	3,1	2,9
P/BV		0,4	0,4	0,4	0,3	0,3	0,3
EV/EBITDA		3,4	3,2	3,1	3,2	3,5	3,2
DY		3,0%	5,5%	6,2%	6,7%	6,9%	7,4%

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.

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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:

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
PROCHEM	nd	31	24,8	Analytical report	2021-05-17	Tomasz Czamecki, Artur Wizner
VIVID GAMES	nd	1,59	1,61	Analytical report	2021-05-19	Tomasz Czamecki, Artur Wizner
ML SYSTEM	HOLD	126	118	Initial report	2021-06-30	Tomasz Czamecki, Artur Wizner
NTT SYSTEM	nd	8,3	5,98	Initial report	2021-09-01	Łukasz Bryl, Tomasz Czamecki
UNIBEP	nd	17	12,9	Initial report	2021-09-07	Artur Wizner
MONNARI TRADE	nd	5,3	2,8	Initial report	2021-09-07	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,6	Initial report	2021-09-07	Artur Wizner, Tomasz Czamecki
PROCHEM	nd	31	25	Initial report	2021-10-06	Artur Wizner
NTT SYSTEM	nd	8,3	5,8	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,3	2,9	Analysis of results	2021-10-01	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,4	Analysis of results	2021-10-08	Artur Wizner, Tomasz Czamecki
VIVID GAMES	nd	1,23	1,39	Analytical report	2021-10-18	Łukasz Bryl, Tomasz Czamecki
PROCHEM	nd	31	25,4	Analysis of results	2021-11-17	Artur Wizner
VIVID GAMES	nd	1,23	1,37	Financial forecast	2021-11-24	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,04	Financial forecast	2021-11-24	Łukasz Bryl, Tomasz Czamecki
UNIBEP	nd	14	10,35	Analytical report	2021-11-24	Artur Wizner
VIVID GAMES	nd	1,23	1,34	Analysis of results	2021-12-02	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,16	Analysis of results	2021-12-03	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,3	2,57	Analysis of results	2021-12-10	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,17	Analytical report	2021-12-10	Artur Wizner
INTERFERIE	SELL	6,73	7,5	Initial report	2021-12-30	Łukasz Bryl
JSW	BUY	45	34,87	Analytical report	2021-12-30	Artur Wizner
JSW	BUY	46,4	35,4	Analytical report	2022-01-04	Artur Wizner
SNIEZKA	HOLD	84	79,8	Analytical report	2022-03-24	Artur Wizner
UNIBEP	nd	11	9	Analytical report	2022-04-21	Artur Wizner
NTT SYSTEM	nd	7,94	5	Analytical report	2022-05-04	Łukasz Bryl, Tomasz Czamecki