

NTT System SA

2022-10-04 12:45

Key data

Target price [PLN]	7,0
DCF Valuation [PLN]	6,3
Comparative Valuation [PLN]	8,4
Market price [PLN]	4,0
Growth/decrease potential [%]	77,9%
Market cap [mIn PLN]	54,4
Free float [%]	22,2%
Industry	IT - hardware distribution
WSE code	NTT
Bloomberg code	NTT PW

Analysts

Łukasz Bryl

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Company profile

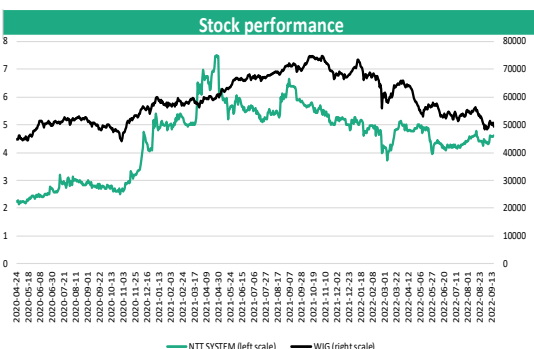
The largest Polish manufacturer of desktop computers, sold both under own and external brands. The company is also one of the leading distributors of accessories, components and peripherals in Poland.

Source: www.gpw.pl

Shareholders:

	[%]
Tadeusz Kurek	24,3
Davinder Singh Loomba	23,9
Andrzej Rymuza	8,3
Anna Maria Pytkowska	5,8
Barbara Kurek	5,5
Pozostałe podmioty	32,3

Growth factors	Risk factors
Strong demand for IT	Exchange rate fluctuations
Public procurement	Low company profitability
Rich offer	Costs pressure
Development of own brands	High financial costs



Source: DM Banku BPS SA calculations

Analytical report

Revenues up, profitability down

- As in the first half of 2021, in 1H 2022 NTT System again generated record high results. Half-year revenues for the first time in history exceeded PLN 0.5 billion (PLN 595 million).
- The most important segment of the Company remains the distribution of **components, accessories, peripherals and consumer electronics** (revenues amounted to a record high PLN 411.4 million). The share of this segment increased by 4.1 pp. yoy and currently accounts for 69% of revenues (64.9% in the previous year).
- The company has increased its already **high sales dynamics in the segment of own-produced and processed products** (an increase of 252.3% yoy in 1H 2022). The revenues of this segment amounted to PLN 80.6 million (the highest level in history).
- The revenues increase positively impacted an increase in profits, but their growth at some levels turned out to be lower than the growth of revenues.**
- The company generated **gross profit on sales** of PLN 62.9 million (increase by 14.1% yoy), **operating profit** of PLN 15.7 million (increase by 48.2% yoy) and **net profit** of PLN 9.1 million (increase by 8.4% yoy).
- As a consequence, the gross profitability on sales decreased to 5.7% (6.5% in the previous year), and the net profitability decreased to 1.5% (1.8% in the previous year).
- The decline in profitability at the level of net profit resulted from over 5 times greater financial costs (due to interest on factoring) than in the previous year.**
- Finally we **lower our target price from PLN 7.9 (May 2022) to PLN 7.0, mainly** due to: weaker prospects for future results (expected economic slowdown, high interest rates, low exchange rate), an increase in the discount rate and a multipliers decrease of comparable companies.

PLN thd	2021	2022E	2023E	2024E	2025E	2026E
Sales	1 152 274	1 276 970	1 445 201	1 554 058	1 639 982	1 768 192
EBITDA	24 079	24 645	26 434	28 418	30 003	31 994
EBITDA margin	2,1%	1,9%	1,8%	1,8%	1,8%	1,8%
EBIT	23 301	24 057	25 808	27 752	29 286	31 223
Net income	17 908	14 610	16 071	18 337	20 200	22 332
Equity	159 630	167 609	181 475	197 896	215 351	234 721
Net debt	-13 263	-8 119	-6 835	-12 801	-21 717	-18 653
P/E	3,04	3,72	3,39	2,97	2,69	2,44
P/BV	0,34	0,32	0,30	0,27	0,25	0,23
EV/EBITDA	2,81	2,54	2,32	2,36	2,54	2,28
EPS	1,29	1,05	1,16	1,32	1,46	1,61
DY	3,7%	7,5%	6,7%	7,6%	8,4%	9,2%

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.

DFCFF - 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 month

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
PROCHEM	nd	31	25	Analytical 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	Tomasz Czamecki, Łukasz Bryl
PROCHEM	nd	37	32,8	Analytical report	2022-05-10	Artur Wizner
VIVID GAMES	nd	1,25	1,17	Analysis of results	2022-05-13	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	3,6	2,8	Analytical report	2022-05-13	Artur Wizner
PROCHEM	nd	37	33,6	Analysis of results	2022-05-17	Artur Wizner
MONNARI TRADE	nd	5,5	3,5	Analytical report	2022-05-18	Łukasz Bryl
VIVID GAMES	nd	1,29	1,26	Analysis of results	2022-05-26	Łukasz Bryl
MONNARI TRADE	nd	6,21	3,87	Analysis of results	2022-05-31	Łukasz Bryl
NTT SYSTEM	nd	7,92	4,28	Analysis of results	2022-05-31	Łukasz Bryl
UNIBEP	nd	11	8,1	Analysis of results	2022-05-31	Artur Wizner
PROTEKTOR	nd	3,6	2,83	Analysis of results	2022-06-01	Artur Wizner
JSW	BUY	74	38,7	Analytical report	2022-09-12	Artur Wizner
UNIBEP	nd	10	7,2	Analytical report	2022-09-20	Artur Wizner
VIVID GAMES	nd	1,07	1,03	Analytical report	2022-09-29	Łukasz Bryl
SNIEZKA	HOLD	67,00	64,20	Analytical report	2022-09-29	Artur Wizner
NTT SYSTEM	nd	7,03	3,95	Analytical report	2022-10-04	Łukasz Bryl