

NTT System SA

Analytical report

12.04.2023 08:40

Key data

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

Analysts

Łukasz Bryl

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

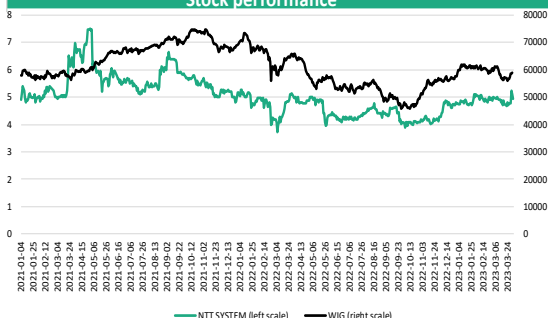
Growth factors

Strong mobile market
Profitability improvement
Rich offer

Risk factors

Decrease of demand for IT
Costs pressure
High financial costs

Stock performance



- **The year 2022, like the previous year, was record-breaking in the Company's history in terms of sales.** Revenues amounted to a record PLN 1.245 billion and were higher than a year ago by 8.1%.
- **The most important segment of the Company** is invariably the segment of distribution of accessories, peripherals and consumer electronics, whose revenues amounted to a record PLN 859.7 million. The share of this segment currently accounts for 69% of revenues, compared to 71% a year earlier.
- The company maintains high sales dynamics in the segment of its own production and processed products (in 2022, an increase of 51.3% y/y). For the first time in history, the segment's revenue exceeded PLN 100 million (PLN 133.8 million). **We assess the increase in the share of this segment positively, as it allows us to generate higher margins.**
- **The increase in revenues translated into an increase in profits on the core business** and, what is important, their dynamics turned out to be higher than the dynamics of revenues.
- The company generated a gross profit on sales of PLN 69.8 million (an increase of 10.1% y/y) and an operating profit of PLN 28.9 million (an increase of 24.4% y/y).
- On the other hand, due to almost 4 times higher financial costs (interests on factoring), the net profit decreased by 7.8% y/y to PLN 16.5 million.
- **Finally, we increase our target price from PLN 7.5 (December 2022) to PLN 7.9**, mainly due to better prospects for future earnings (with lower revenue forecasts), a decrease in the discount rate and an increase in the multipliers of peers.

PLN thd	2022	2023E	2024E	2025E	2026E	2027E
Sales	1 245 707	1 319 514	1 403 106	1 511 716	1 614 378	1 726 606
EBITDA	29 826	30 388	33 704	36 287	38 413	41 063
EBITDA margin	2,4%	2,3%	2,4%	2,4%	2,4%	2,4%
EBIT	28 980	29 499	32 771	35 308	37 384	39 983
Net income	16 503	17 036	19 659	21 699	24 883	29 461
Equity	173 557	198 447	216 267	235 081	257 502	284 855
Net debt	14 163	16 535	10 453	6 038	6 903	1 148
P/E	4,11	3,99	3,45	3,13	2,73	2,30
P/BV	0,39	0,34	0,31	0,29	0,26	0,24
EV/EBITDA	1,80	1,69	1,70	1,70	1,59	1,63
EPS	1,19	1,23	1,42	1,57	1,80	2,13
DY	6,1%	2,3%	4,1%	4,5%	5,2%	6,1%

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 month

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
UNIBEP	nd	11	9	Analytical report	21.04.2022	Artur Wizner
NTT SYSTEM	nd	7,94	5	Analytical report	04.05.2022	Tomasz Czarniecki, Łukasz Bryl
PROCHEM	nd	37	32,8	Analytical report	10.05.2022	Artur Wizner
VIVID GAMES	nd	1,25	1,17	Analysis of results	13.05.2022	Łukasz Bryl, Tomasz Czarniecki
PROTEKTOR	nd	3,6	2,8	Analytical report	13.05.2022	Artur Wizner
PROCHEM	nd	37	33,6	Analysis of results	17.05.2022	Artur Wizner
MONNARI TRADE	nd	5,5	3,5	Analytical report	18.05.2022	Łukasz Bryl
VIVID GAMES	nd	1,29	1,26	Analysis of results	26.05.2022	Łukasz Bryl
MONNARI TRADE	nd	6,21	3,87	Analysis of results	31.05.2022	Łukasz Bryl
NTT SYSTEM	nd	7,92	4,28	Analysis of results	31.05.2022	Łukasz Bryl
UNIBEP	nd	11	8,1	Analysis of results	31.05.2022	Artur Wizner
PROTEKTOR	nd	3,6	2,83	Analysis of results	01.06.2022	Artur Wizner
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	nd	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	nd	1,07	1,03	Analytical report	29.09.2022	Łukasz Bryl
SNIEZKA	HOLD	67	64,2	Analytical report	29.09.2022	Artur Wizner
NTT SYSTEM	nd	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	nd	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	nd	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	nd	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	nd	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	nd	10	8,84	Analysis of results	18.11.2022	Artur Wizner
VIVID GAMES	nd	1,09	1,05	Analysis of results	29.11.2022	Łukasz Bryl
MONNARI TRADE	nd	7,20	4,85	Analysis of results	01.12.2022	Łukasz Bryl
NTT SYSTEM	nd	7,50	4,12	Analysis of results	02.12.2022	Łukasz Bryl
PROTEKTOR	nd	2,90	2,19	Analysis of results	06.12.2022	Artur Wizner
MONNARI TRADE	BUY	8,63	4,82	Analytical report	13.03.2023	Łukasz Bryl
PROTEKTOR	HOLD	2,70	2,36	Analytical report	13.03.2023	Artur Wizner
ESOTIQ & HENDERSON	BUY	47,23	29,2	Analytical report	13.03.2023	Łukasz Bryl
COCCODRILLO	BUY	26,77	17,75	Analytical report	13.03.2023	Łukasz Bryl
WITTCHEN	BUY	40,83	27	Analytical report	13.03.2023	Łukasz Bryl
VRG	BUY	5,07	3,3	Analytical report	13.03.2023	Artur Wizner
WOJAS	BUY	11,75	7,96	Analytical report	13.03.2023	Artur Wizner
LPP	HOLD	9328,17	9430	Analytical report	13.03.2023	Artur Wizner
CCC	SELL	27,57	35,43	Analytical report	13.03.2023	Artur Wizner
SILVANO GROUP	BUY	14,14	5,45	Analytical report	13.03.2023	Łukasz Bryl
SNIEZKA	BUY	83,00	71,6	Analytical report	17.03.2023	Artur Wizner
JSW	BUY	71,00	45,78	Analytical report	05.04.2023	Artur Wizner
NTT SYSTEM	nd	7,90	5	Analytical report	12.04.2023	Łukasz Bryl