

05.06.2023 17:15

## Key data

Target price [PLN]	8,6
DCF Valuation [PLN]	7,1
Comparative Valuation [PLN]	11,5
Market price [PLN]	4,9
Growth/decrease potential [%]	76,3%
Market cap [mIn PLN]	67,7
Free float [%]	21,9%
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
Others	32,3

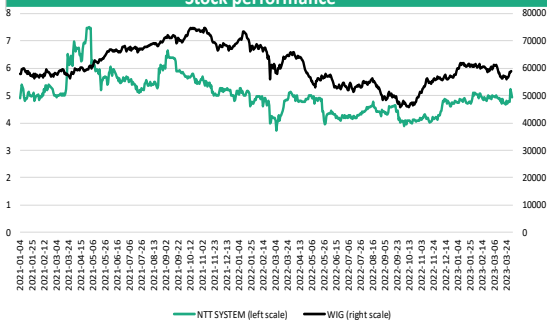
### Growth factors

Strong mobile market  
Profitability improvement  
Rich offer

### Risk factors

Decrease of demand for IT  
Costs pressure  
High financial costs

## Stock performance



Source: DM Banku BPS SA calculations

# NTT System SA

## Analytical report

- Despite the demanding market environment, the results for Q1 2023 are generally good and slightly better than our expectations at the level of results, although a closer analysis reveals some worrying trends.
- Revenues amounted to PLN 322.3 million and were higher than a year ago by 7.1%. Compared to the previous fourth quarter, revenues decreased by 7.2%, which is natural in this industry (the fourth quarter is usually the best in terms of sales for IT distributors). **The most important segment of the Company remains the segment of distribution of components, accessories, peripherals and consumer electronics**, whose revenues amounted to a record PLN 250.5 million (increase by 14.4% and 4.7% y/y). The share of this segment currently accounts for 68% of revenues, while a year earlier it was 72.8%. At the same time, it was the only segment that generated increases on an annual basis. Other operating segments experienced declines in sales.
- The Company generated a relatively weaker result on the sale of computers**, both of its own production (decrease by 22.6% y/y and increase by 4.5% q/q) and external suppliers (decrease by 6.7% y/y and 42.0% y/y 7% q/q), which confirms global trends.
- In line with our expectations, the increase in revenues did not translate into a proportional increase in profits on the core business.** Gross profit on sales, EBITDA and operating profit were lower than a year ago, but (positively) significantly higher than in the previous quarter.
- At the level of the net result, the Company generated a higher profit than a year ago and a quarter ago, and above our expectations, which results from significantly lower financial costs of the Company**, which in the first quarter of 2023 decreased by 35.2% y/y, which we assess positively.
- Finally, we increase our target price from PLN 7.9 (April 2023) to PLN 8.6**, mainly due to a lower cash outflow from the Company in the form of dividends, a decrease the discount rate and an increase in the multipliers of comparative companies.

	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	200 032	217 852	236 666	259 086	286 439
Net debt		14 163	14 291	8 167	3 697	4 512	-437
P/E		4,10	3,98	3,44	3,12	2,72	2,30
P/BV		0,39	0,34	0,31	0,29	0,26	0,24
EV/EBITDA		1,80	1,76	1,77	1,76	1,65	1,66
EPS		1,19	1,23	1,42	1,57	1,80	2,13
DY		6,1%	0,8%	3,7%	4,1%	4,7%	5,6%

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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The work on this study has been completed on: 5th June 2023, 17:15

Distribution of this study: 5th June 2023, 17:30

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)
JSW	BUY	74	38,7	Analytical report	12.09.2022	Artur Wizner
UNIBEP	N/A	10	7,2	Analytical report	20.09.2022	Artur Wizner
VIVID GAMES	N/A	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	N/A	7,03	3,95	Analytical report	04.10.2022	Łukasz Bryl
PROCHEM	N/A	30	34,8	Analytical report	05.10.2022	Artur Wizner
PROTEKTOR	N/A	2,9	2,6	Analytical report	12.10.2022	Artur Wizner
MONNARI TRADE	N/A	6,74	3,87	Analytical report	21.10.2022	Łukasz Bryl
PROCHEM	N/A	30	35	Analysis of results	15.11.2022	Artur Wizner
UNIBEP	N/A	10	8,84	Analysis of results	18.11.2022	Artur Wizner
VIVID GAMES	N/A	1,09	1,05	Analysis of results	29.11.2022	Łukasz Bryl
MONNARI TRADE	N/A	7,20	4,85	Analysis of results	01.12.2022	Łukasz Bryl
NTT SYSTEM	N/A	7,50	4,12	Analysis of results	02.12.2022	Łukasz Bryl
PROTEKTOR	N/A	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	N/A	7,90	5	Analytical report	12.04.2023	Łukasz Bryl
VIVID GAMES	N/A	1,05	0,82	Analytical report	05.05.2023	Łukasz Bryl
UNIBEP	N/A	13,30	10,4	Analytical report	09.05.2023	Artur Wizner
MONNARI TRADE	N/A	7,84	5,34	Analytical report	12.05.2023	Łukasz Bryl
PROTEKTOR	N/A	2,70	2,30	Analytical report	12.05.2023	Artur Wizner
PROCHEM	N/A	30,00	31,00	Analytical report	17.05.2023	Artur Wizner
VIVID GAMES	N/A	0,90	0,90	Analytical report	05.06.2023	Łukasz Bryl
NTT SYSTEM	N/A	8,62	4,89	Analytical report	05.06.2023	Łukasz Bryl