

2022-05-31 12:30

## Key data

Target price [PLN]	7,9
DCF Valuation [PLN]	6,9
Comparative Valuation [PLN]	9,8
Market price [PLN]	4,3
Growth/decrease potential [%]	85,0%
Market cap [mIn PLN]	56,8
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	24,1
Davinder Singh Loomba	23,9
Andrzej Rymuza	8,3
Anna Maria Pytkowska	5,8
Barbara Kurek	5,5
Pozostałe podmioty	32,5

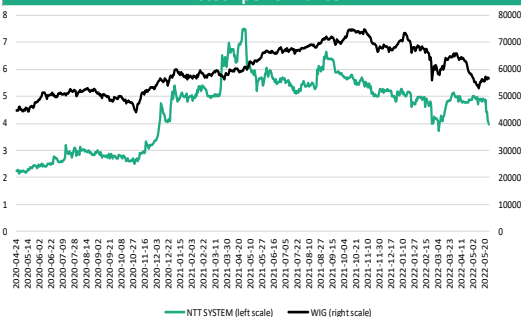
### Growth factors

Strong demand for IT  
Public procurement  
Rich offer  
Development of own brands

### Risk factors

Exchange rate fluctuations  
Low company profitability  
Costs pressure  
Supply chain disruptions

## Stock performance



Source: DM Banku BPS SA calculations

# NTT System SA

## Analysis of the results for the 1Q 2022

- The published results for the first quarter of 2022 are once again among the record-breaking results in the history of NTT System.** The Company for the first time in the traditionally worse Q1 generated more than PLN 300 mln in sales (PLN 300.9 million), which means an increase by 27.7% y/y and a decrease by 26.5% q/q. In line with our expectations, the revenues were higher compared to the same period of the previous year and lower than in the usually best fourth quarter.
- The highest percentage increases y/y** took place in the following segments: sales of own production and processed products (+ 287.4%) and sales of software (+ 90.7%). The most important segment remains consistently the distribution of components, accessories, peripherals and consumer electronics, with the total sales of PLN 218.9 mln (an increase by 52.8% y/y and a decrease by 32.1% q/q). The opposite tendency took place in the segment of computer and tablet distribution from other manufacturers, which experienced a decline y/y (minus 41.5%) and an increase q/q (plus 35.0%).
- The company generated an operating profit of PLN 10.6 mln compared to PLN 6.2 mln** in the same period last year. Net profit increased from PLN 4.3 million to PLN 5.4 million (plus 23.6% y/y).
- We positively assess the development of the net profit margin (1.8%).** Compared to the fourth quarter of 2021, the Company recorded a slight increase (+0.5 pp.).
- The dividend paid out by the Company turned out to be slightly higher than our forecasts (PLN 4.064 mln vs. PLN 3.746 mln).
- We evaluate the results as good and slightly better than our expectations,** which has a positive impact on the DCF valuation. Nevertheless, the decline in the multipliers of peers means that **we maintain our valuation at PLN 7.9 per share.**

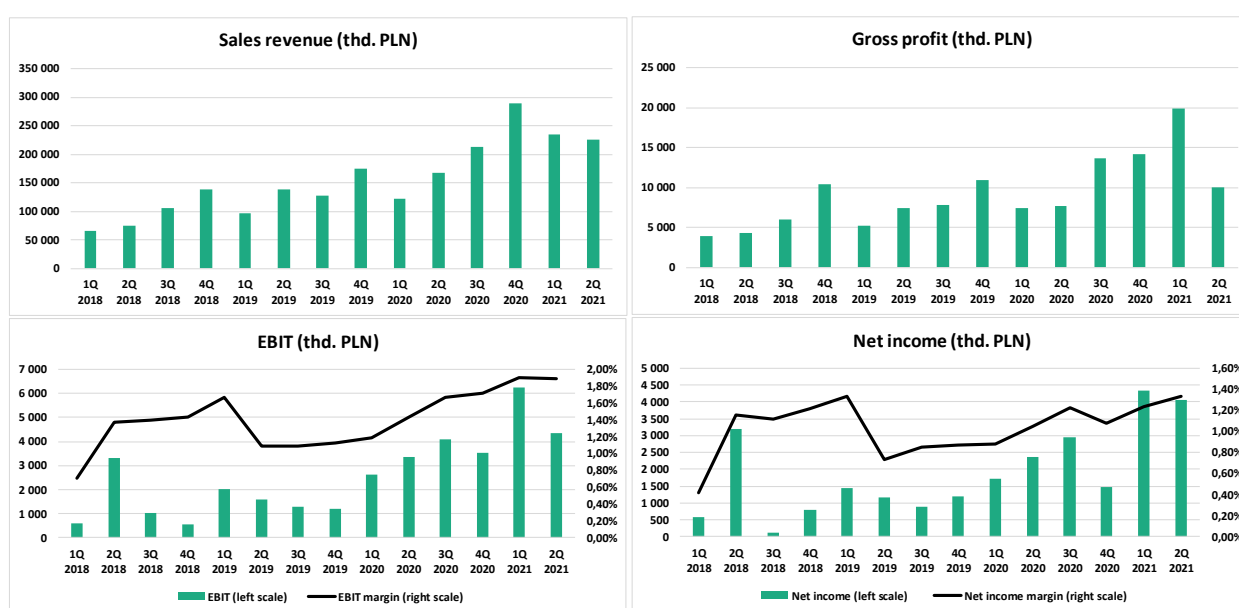
PLN thd	2021	2022E	2023E	2024E	2025E	2026E
Sales	1 152 274	1 334 014	1 480 733	1 580 815	1 639 982	1 768 192
EBITDA	24 079	25 721	27 071	28 899	30 006	31 997
EBITDA margin	2,1%	1,9%	1,8%	1,8%	1,8%	1,8%
EBIT	23 301	25 131	26 442	28 230	29 286	31 223
Net income	17 908	18 904	19 949	21 384	22 219	23 775
<b>Equity</b>	<b>159 630</b>	<b>175 219</b>	<b>191 662</b>	<b>209 603</b>	<b>227 589</b>	<b>247 498</b>
Net debt	-13 263	-11 152	-14 117	-22 275	-33 847	-31 322
P/E	3,17	3,00	2,85	2,66	2,56	2,39
P/BV	0,36	0,32	0,30	0,27	0,25	0,23
EV/EBITDA	2,91	2,64	2,62	2,74	3,02	2,75
EPS	1,29	1,36	1,44	1,54	1,60	1,72
DY	3,7%	7,5%	8,3%	8,8%	9,2%	9,8%

Source: DM Banku BPS SA, E - estimates

## Financial results for 1Q 2022 against the DM Banku BPS forecasts

thd. PLN	DM BPS		Comparison to the		3Q 2021	4Q 2021	Change q/q
	1Q 2022	forecasts	DM BPS forecasts				
<b>Revenue</b>	300 904	299 853	0,4%		281 537	409 530	45,5%
Profit on sales	23 161	22 110	4,8%		13 318	19 798	48,7%
<i>Sales margin</i>	7,7%	7,4%	+0,3 pp.		4,7%	4,8%	+0,1 pp.
<b>EBITDA</b>	10 799	10 259	5,3%		6 135	6 774	10,4%
<i>EBITDA margin</i>	3,6%	3,4%	+0,2 pp.		2,2%	1,7%	-0,5 pp.
<b>EBIT</b>	10 567	10 259	3,0%		5 954	6 774	13,8%
<i>EBIT margin</i>	3,5%	3,4%	+0,1 pp.		2,1%	1,7%	-0,4 pp.
<b>Gross profit</b>	7 752	7 467	3,8%		4 849	5 774	19,1%
<i>Gross profit margin</i>	2,6%	2,5%	+0,1 pp.		1,7%	1,4%	-0,3 pp.
<b>Net income</b>	5 366	5 081	5,6%		4 081	5 420	32,8%
<i>Net income margin</i>	1,8%	1,7%	+0,1 pp.		1,4%	1,3%	-0,1 pp.

Source: DM Banku BPS SA, Company



Source: DM Banku BPS SA calculations, Company

**Expected impact:** NTT System generated slightly better results than the values forecasted by us. Revenues turned out to be 0.4% higher than our estimates, operating profit was 3% higher, and the net profit exceeded our forecasts by 5.6%. Our forecast of the net profit margin was by 0.1 pp. lower than the one actually generated by the Company at the end of the first quarter. NTT System continues the high y/y sales growth. The only segment with a sale decrease was the distribution of computers and tablets from other manufacturers. We positively evaluate the sales growth in the segment of own-produced and processed products (plus 287.4% y/y), which provide higher trade margins for the Company.

We constantly see opportunities for growth in public procurement and private investments of companies supported by the National Reconstruction Program, in which EUR 3.034 billion has been allocated for digital transformation. The potential strengthening of PLN against the main currencies may have a positive impact on the results for the 2Q. Among the threats we see disruptions in supply chains and domestic inflation generating pressure on costs increase of external services and remuneration.

**Finally, we maintain our valuation at 7.9 per share.** Taking into account the current market price of the shares, we still see the potential for an increase in the value of the Company.

## 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.

## Information and legal disclaimer

This analytical report was prepared by Dom Maklerski Banku BPS S.A. at the request of the Warsaw Stock Exchange on the basis of an agreement concluded between Dom Maklerski Banku BPS S.A. and WSE under the "Analytical Coverage Support Program 3.0.". Dom Maklerski Banku BPS S.A. will receive remuneration for the report.

The work on this study has been completed on: 31st May 2022, 12:30

Distribution of this study: 31st May 2022, 12:45

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>.

This study reflects the knowledge and views of the authors as of the date of its preparation. The authors do not take into account in the study any individual investment objectives, financial standing, or the needs or demands of potential addressees of the study or its principals.

This study does not constitute: a personal recommendation; or investment, legal or other advice; or an offer, incentive to act, invest or dispose of an investment in a particular way; or an assessment or assurance of the profitability of investments in financial instruments covered by it.

This study has been prepared in accordance with legal requirements ensuring independence, in particular in accordance with Commission Delegated Regulation (EU) No 2016/958 of 9 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards on technical measures for the objective presentation of investment recommendations or other information recommending or suggesting investment strategy and the disclosure of special interests or indications of conflicts of interest.

The report constitutes an investment survey within the meaning of Article 36, section 1 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

This study constitutes an investment survey not carried out as part of investment advisory services or portfolio management within the meaning of the Act of 29 July 2005 on trading in financial instruments.

The study is intended for distribution only in the Republic of Poland and it may not be distributed or transmitted, directly or indirectly, to the United States of America, Canada, Japan or Australia, or to any other jurisdiction where such distribution would constitute a violation of the relevant laws of that jurisdiction or require registration in that jurisdiction.

The study has been prepared with due diligence and on the basis of information available to the public on the date of publication of the study such as: financial statements, current and periodic reports, industry and press publications or those obtained from sources reliable for Dom Maklerski Banku BPS S.A.

Dom Maklerski Banku BPS S.A. does not guarantee the completeness, truthfulness or accuracy of the source data. Dom Maklerski Banku BPS S.A. shall not be liable for any investment decisions taken on the basis of this report or for any damage incurred as a result of such investment decisions. The study may not be regarded as an assurance or guarantee that losses will be avoided or that potential or expected results will be achieved, in particular profits or other benefits from, or in connection with, the failure to carry out such transactions.

The data presented here relate to the past, and past performance does not guarantee future results.

Dom Maklerski Banku BPS S.A. and its shareholder or employees may hold shares of the Issuer which are the subject of this study.

During the 12 months preceding the issue of the study, Dom Maklerski Banku BPS S.A. did not offer the Issuer's financial instruments in primary trading or in an initial public offering.

During the 12 months preceding the issue of the study, Dom Maklerski Banku BPS S.A. acted as an animator for the financial instruments to which the study relates and received remuneration.

During the 12 months preceding the issue of the study, Dom Maklerski Banku BPS S.A. was not a guarantor or co-guarantor of any publicly disclosed offering of the Issuer's financial instruments.

Dom Maklerski Banku BPS S.A. does not hold any long or short position exceeding in total 0.5% of the Issuer's share capital in relation to the company / companies covered by this report.

Dom Maklerski Banku BPS S.A. is not a party to an agreement with the Issuer regarding the preparation of a recommendation.

It is probable that in the course of its statutory activity, Dom Maklerski Banku BPS S.A. will make an offer to the Issuer to provide services within the framework of its permit, and that as a result of making such an offer, agreements may be concluded with the Issuer.

Detailed information on the valuation or methodology and the assumptions, models and meaning of recommendations is available at the address: [https://dmbps.pl/informacje/221/Materialy\\_Analityczne](https://dmbps.pl/informacje/221/Materialy_Analityczne).

A description of the actual internal organisational and administrative solutions and any information barriers established in order to prevent and avoid conflicts of interest concerning recommendations can be found in the Conflict of Interest Management Regulations of Dom Maklerski Banku BPS S.A. available at the address:

[https://dmbps.pl/informacje/228/Regulamin\\_zarzadzania\\_konfliktami\\_interesow\\_w\\_Domu\\_Maklerskim\\_Banku\\_BPS\\_SA](https://dmbps.pl/informacje/228/Regulamin_zarzadzania_konfliktami_interesow_w_Domu_Maklerskim_Banku_BPS_SA)

A general description of the financial instrument and the risks associated with investing in particular financial instruments is presented at the Website. This information has been prepared with due diligence, in particular in a reliable manner and to the best of Dom Maklerski Banku BPS S.A. knowledge, but it may not be exhaustive and in the specific situation in which the recipient is or will be, other risk factors than those indicated in the above information by Dom Maklerski Banku BPS S.A. may exist or appear. The recipient should bear in mind that investments in individual financial instruments may result in the loss of some or all of the funds invested and may even involve additional costs.

Copying or publishing this study, or any part hereof, in any form whatsoever, and using the material for one's own publications, without the written consent of Dom Maklerski Banku BPS S.A., is prohibited. This study is legally protected under the Act of 4 February 1994 on Copyright and Related Rights. Copyright to the study is vested with the Warsaw Stock Exchange.

The authority supervising the operations of Dom Maklerski Banku BPS S.A. is the Polish Financial Supervision Authority with its registered office in Warsaw, at ul. Piękna 20.

List of recommendations issued within the last 12 month

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
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	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