

Key data

Target price [PLN]	4,6
DCF Valuation [PLN]	4,2
Comparative Valuation [PLN]	5,2
Market price [PLN]	3,4
Growth/decrease potential [%]	36,1%
Market cap [mln PLN]	62,6
Free float [mln PLN]	30,0%
Sector	clothing
WSE code	PRT
Bloomberg code	PRT PW

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Company profile

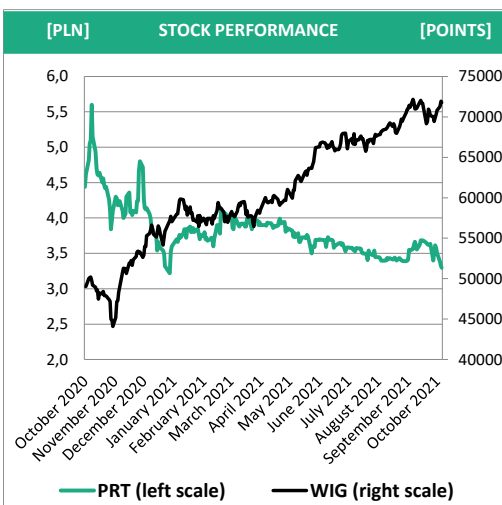
A manufacturer and distributor of safety, military and specialist footwear with a high safety class. The company's products are exported to over 30 markets in Europe, Asia, Africa and South America.

Źródło: www.gpw.pl

Shareholders:

[%]

The Shareholders Agreement of 16.10.2018	29,6
Luma Investment SA	28,1
The Shareholders Agreement of 18.10.2019	12,3
OFE Nationale-Nederlanden	4,0



PROTEKTOR SA

Analysis of the results for the 1H 2021

- We consider the published results for the first half of 2021 to be good. Despite the pandemic-related restrictions in force in Q1, the Company recorded sales revenues by 18.6% y / y and improved profitability. The EBITDA margin was 14.2%, compared to 7.5% in H1. 2020 (+6.7 pp yoy).
- The good results were mainly influenced by the first quarter of 2021, in which we had a visible recovery in industry sector.
- Increases in revenues took place on the main sales markets of the Group: Germany (which in the first half of 2021 accounted for 49.4% of consolidated sales revenues) - an increase by 8%, Poland (14.6% of total revenues) - an increase by 33.3% and France (13.1% of total sales) - an increase of 72.3%.
- The company rebuilt the collection structures for the Protektor, Abeba and GROM brands and introduced new product lines to the offer, such as: TRAX (electronic industry, industrial production), TRAX AUTOMOTIVE (automotive industry, transport), ROAD (transport and warehouses), CONSTRUCT (construction industry), GROM LIGHT (military footwear).
- The company concluded contracts with the Defense Resource Agency at the Minister of National Defense of the Republic of Lithuania as part of the first prize in the history of PROTEKTOR S.A. foreign tender.
- The company signed strategic cooperation agreements with major distributors of safety footwear in the EU.

Growth factors

Industry recovery after the pandemic
Increase in public orders
New areas of activity
Reorganization of processes and production

Risk factors

Exchange rate fluctuations
Incomplete use of the machinery park
Market downturn
Rising salaries

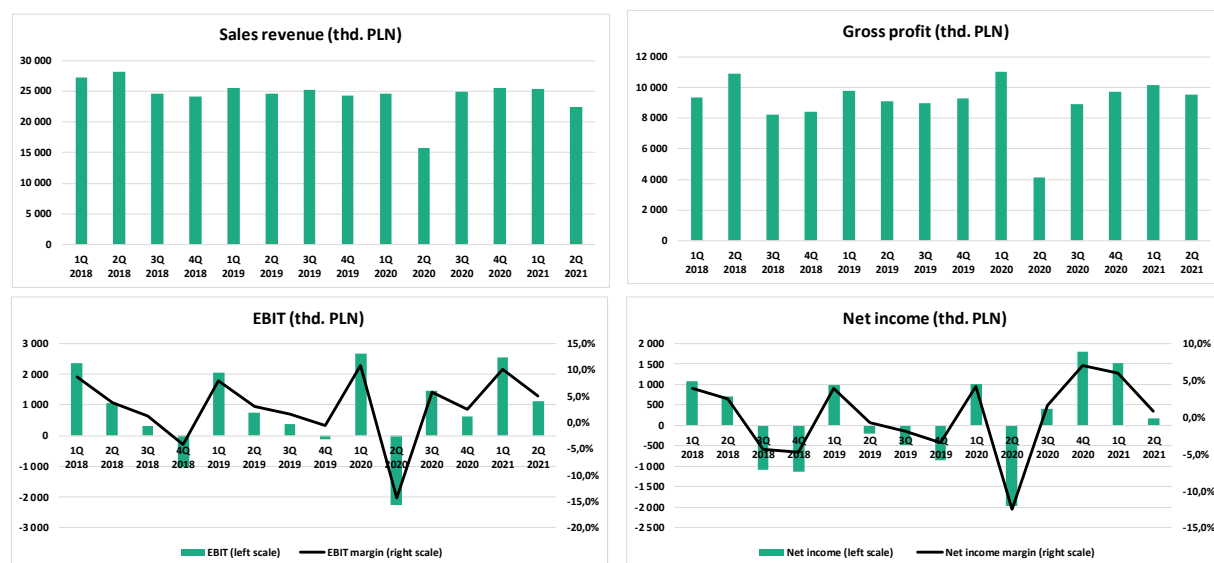
	PLN thd	2020	2021P	2022P	2023P	2024P	2025P
Sales		90 759,0	95 297,0	100 061,8	105 064,9	110 318,1	115 834,0
EBITDA		8 122,0	7 623,8	8 004,9	8 405,2	8 825,5	9 266,7
<i>EBITDA margin</i>		8,9%	8,0%	8,0%	8,0%	8,0%	8,0%
EBIT		2 487,0	2 573,5	3 204,2	3 146,6	3 300,9	3 426,4
Net income		1 252,0	1 541,4	1 917,1	1 908,8	2 033,7	2 110,1
Equity		51 565,0	51 044,1	52 802,3	55 762,8	57 502,9	59 886,1
Debt		11 876,0	12 148,2	12 784,8	12 994,6	13 711,1	14 285,5
P/E		55,0	44,7	35,9	36,1	33,9	32,6
P/BV		1,3	1,3	1,3	1,2	1,2	1,1
EV/EBITDA		7,0	7,4	7,0	6,6	6,2	5,9
DY		0,1%	0,0%	0,1%	0,2%	0,2%	0,2%

Source: DM Banku BPS SA, E - estimates

Financial results for 2Q 2021 against the DM Banku BPS forecasts

thd. PLN	DM BPS		Comparison to the		Q-1 hist	Q-2 hist	Change q/q
	Q publ.	forecasts	DM BPS forecasts	DM BPS forecasts			
Revenue	22 446	23 824		-5,8%	25 351	25 580	-0,9%
Profit on sales	9 526	9 041		5,4%	10 161	9 732	4,4%
<i>Sales margin</i>	42,4%	37,9%		11,8%	40,1%	38,0%	5,4%
EBITDA	2 644	1 906		38,7%	4 124	2 293	79,9%
<i>EBITDA margin</i>	11,8%	8,0%		47,2%	16,3%	9,0%	81,5%
EBIT	1 113	643		73,0%	2 543	621	309,5%
<i>EBIT margin</i>	5,0%	2,7%		83,6%	10,0%	2,4%	313,2%
Gross profit	878	514		70,9%	2425	611	296,9%
<i>Gross profit margin</i>	3,9%	2,2%		81,4%	9,6%	2,4%	300,5%
Net income	170	385		-55,9%	1524	1806	-15,6%
<i>Net income margin</i>	0,8%	1,6%		-53,2%	6,0%	7,1%	-14,9%

Source: DM Banku BPS SA, Company



Source: DM Banku BPS SA calculations, Company

Expected impact: We consider the results for the first half of the year to be good. Annual sales revenues increased by PLN 7.5 million (+ 18.6%), which, with largely constant costs, translated into an increase in gross profit on sales by PLN 4.6 million. (+ 30%). It should be borne in mind that the results of Q2 2020 were influenced by the pandemic and the lockdown affecting most industries. In our opinion, the comparison to the first half of 2019 is more appropriate. The company recorded a decrease of PLN 2.4 million. revenues (-5%), which proves that, according to our forecasts, 2021 is still under the pressure of the pandemic, which may hinder the implementation of the Company's strategy, which assumed "that the economic situation in Poland and Europe will start to stabilize from the beginning of 2021 and the decline in footwear sales due to the COVID-19 pandemic will finish until Q4 2020 ". The revenues for the first half of 2021 also do not show a positive impact of the introduction of new products for sale for industry, logistics and construction. The comparison to the first half of 2019 shows a 31% increase in operating profit and more than a twofold increase in net profit for the period, which, in our opinion, is the result of the ongoing reorganization of the Company, aimed at streamlining processes and significantly reducing costs. Finally, **we maintain our valuation**, still seeing the potential to increase the value of the Company. In the longer term, we also see opportunities for development in launching new products, including good cooperation with the leading soles manufacturers (Michelin and Vibram), further foreign public orders for Protektor SA and purchases of smaller companies through the e-commerce channel.

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.

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Distribution of this study: 8 October 2021, 08:15

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/protektor-s-a>.

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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.

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https://dmbps.pl/informacje/228/Regulamin_zarzadzania_konfliktami_interesow_w_Domu_Maklerskim_Banku_BPS_SA

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