

01.06.2022 08:30

### Key data

Target price [PLN]	3,6
DCF Valuation [PLN]	3,4
Comparative Valuation [PLN]	3,5
Market price [PLN]	2,8
Growth/decrease potential [%]	27,7%
Market cap [mln PLN]	53,6
Free float [%]	29,2%
Sector	clothing
WSE code	PRT
Bloomberg code	PRT PW

### Analysts

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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.

Source: www.gpw.pl

### Shareholders:

Luma Investment SA	31,8
Porozumienie Akcjonariuszy z dnia 16.10.2018	26,7
Porozumienie Akcjonariuszy z dnia 18.10.2019	12,3
OFE Nationale-Nederlanden	4,0

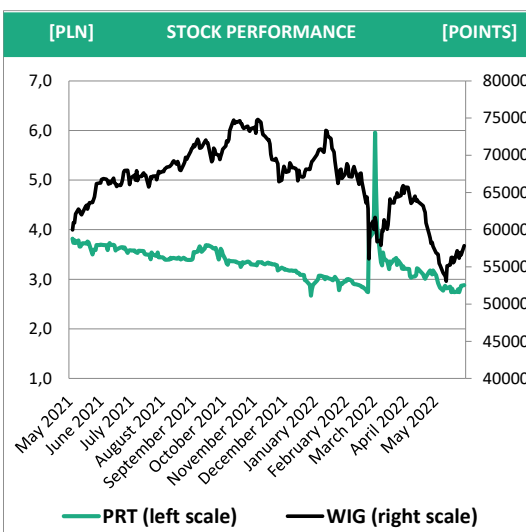
# PROTEKTOR SA

## Analysis of the results for the 1Q 2022

Key facts from published results:

- We consider the published results for Q1 2022 as good. The company recorded an increase in sales revenues by 8.4% y / y and by 35.9% q / q. Despite the rising costs (raw materials, energy) compared to Q1 2021, there was a slight decrease in the gross margin on sales (from 40.1% to 37.4%), which we assess positively).
- The results at other levels were largely influenced by a significant increase in selling costs (an increase by 90% y / y).
- EBIT was 30% lower and net profit 46% lower compared to Q1 2021
- Despite the increase in the number of pairs of shoes to 177,000 par against 158 thous. par in Q1 2021, we assess negatively the increase in inventories (by 5% compared to the end of 2021 and by 9.5% by the end of Q1 2021)
- We positively assess the increase in revenues from sales of the Grom brand (paramilitary shoes) by PLN 1.6 million and the Abeba brand (medical, food, HoReCa sector) by PLN 1.9 million compared to Q1 2021, which may indicate a revival demand after the pandemic.

The results for Q1 show that Protektor is on the right path towards the revenue and profit growth assumed in the strategy, but investors still look at the Company through the prism of threats (e.g. due to having one of the production plants in Transdnistria) rather than new opportunities in the form of an increase in the number of tenders for military footwear. In our opinion, Protektor's results do not warrant a downward revision of the financial forecasts, therefore we leave the valuation unchanged at PLN 3.6.



### Growth factors

Industry recovery after the pandemic  
Increase in public orders  
Paramilitary footwear "GROM"  
Reorganization of processes and production

### Risk factors

Extension of the armed conflict in Ukraine  
More waves of the Covid-19 pandemic  
Market downturn  
Rising raw material prices and salaries

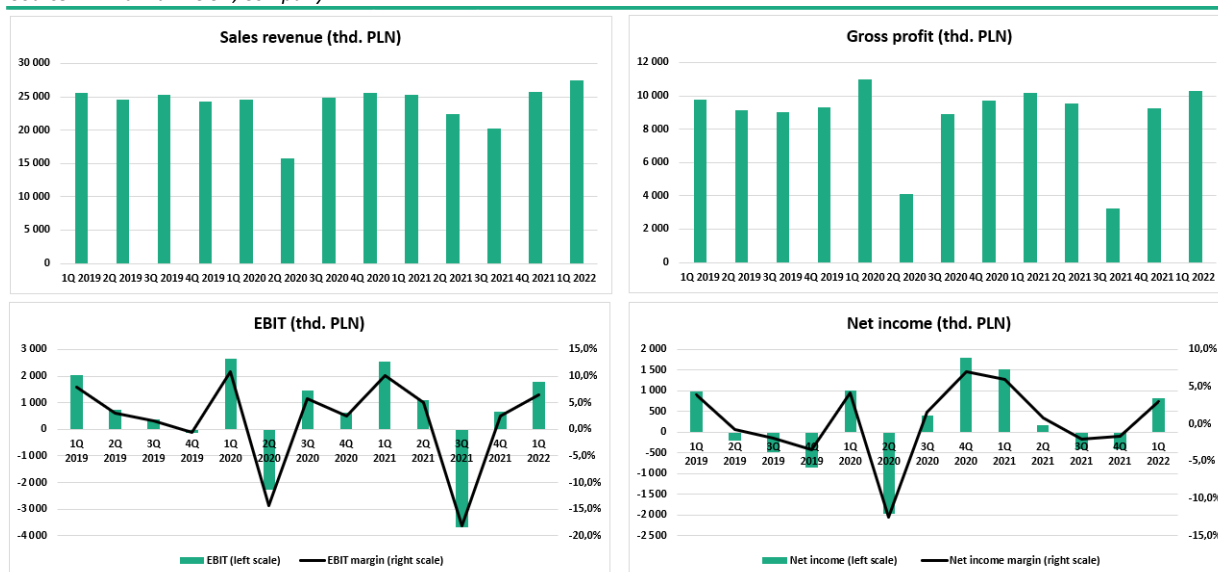
	2021	2022P	2023P	2024P	2025P	2026P
<b>Sales</b>	93 760,0	98 448,0	103 370,4	108 538,9	113 965,9	119 664,2
<b>EBITDA</b>	6 743,0	7 457,1	8 530,9	9 507,0	10 090,2	10 299,4
<b>EBITDA margin</b>	7,2%	7,6%	8,3%	8,8%	8,9%	8,6%
<b>EBIT</b>	624,0	2 648,1	3 643,1	4 539,7	5 041,0	5 180,3
<b>Net income</b>	873,0	1 436,6	2 196,6	2 850,1	3 234,1	3 339,6
<b>Equity</b>	45 106,0	47 297,2	50 253,8	53 757,3	57 375,5	60 820,6
<b>Debt</b>	12 259,0	11 059,0	9 859,0	8 659,0	7 459,0	6 259,0
<b>P/E</b>	61,4	37,3	24,4	18,8	16,6	16,1
<b>P/BV</b>	1,2	1,1	1,1	1,0	0,9	0,9
<b>EV/EBITDA</b>	6,1	5,7	5,1	4,7	4,6	4,6
<b>EPS</b>	0,05	0,08	0,12	0,15	0,17	0,18

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		Q-1 hist	Q-2 hist	Change q/q
	Q publ.	forecasts	DM BPS forecasts	DM BPS forecasts			
<b>Revenue</b>	<b>27 487</b>	<b>24 612</b>		11,7%	<b>20 229</b>	<b>25 734</b>	35,9%
Profit on sales	<b>10 269</b>	<b>8 724</b>		17,7%	3 244	9 259	216,6%
Sales margin	37,4%	35,4%		5,4%	16,0%	36,0%	133,0%
<b>EBITDA</b>	<b>3 397</b>	<b>1 864</b>		82,2%	<b>-2 289</b>	<b>2 264</b>	-
EBITDA margin	12,4%	7,6%		63,2%	-11,3%	8,8%	-
<b>EBIT</b>	<b>1 781</b>	<b>662</b>		169,0%	<b>-3 681</b>	<b>649</b>	-
EBIT margin	6,5%	2,7%		140,9%	-18,2%	2,5%	-
<b>Gross profit</b>	<b>1 655</b>	<b>479</b>		245,6%	<b>-813</b>	<b>279</b>	-
Gross profit margin	6,0%	1,9%		209,5%	-4,0%	1,1%	-
<b>Net income</b>	<b>823</b>	<b>359</b>		129,2%	<b>-407</b>	<b>-414</b>	-
Net income margin	3,0%	1,5%		105,2%	-2,0%	-1,6%	-

Source: DM Banku BPS SA, Company



Source: DM Banku BPS SA calculations, Company

**Expected impact:** We consider the results for the first quarter as quite good. The annual sales revenues increased by PLN 2.1 million (+ 8.4%). Taking into account the increase in production from 165 thousand pairs of shoes in Q1 2021 to 183 thousand pairs in Q1 2022 (+ 11%) and an increase in sales from 158 thousand up to 177 thousand par in Q1 2022 (+ 12%), it can be concluded that production costs are resistant to the observable increase in the prices of raw materials and electricity and do not generate pressure on product prices, which could have a negative impact on sales. A significant increase in costs, affecting the results at other levels, is visible in the category of selling costs, which increased by PLN 2.1 million (+ 90%) compared to Q1 2021. The Management Board explains this increase by retraining some general and administrative expenses (a decrease by 22% compared to Q1 2021) and the costs of launching e-commerce channels. Ultimately, the Group's operating profit was 30% lower than in Q1 2021, and the net profit was 46% lower. Actions taken by the Group aimed at more effective use of production capacity and optimization of logistics and sales processes have not yet transformed into improved results.

**Finally, we maintain our valuation,** seeing the potential for growth in the value of the Company. In the longer term, we also see opportunities in tenders for military footwear (increasing defense spending), good acceptance of the new line of firefighter footwear - Falcon, and purchases of smaller companies via newly created e-commerce channels.

## 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/protector-s-a>.

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List of recommendations issued within the last 12 months

Company	Recommendation	Target price	Market price	Type of recommendation	Date of Issue	Analyst(s)
ML SYSTEM	HOLD	126	118	Initial report	30.06.2021	Tomasz Czamecki, Artur Wizner
NTT SYSTEM	nd	8,3	5,98	Initial report	01.09.2021	Łukasz Bryl, Tomasz Czamecki
UNIBEP	nd	17	12,9	Initial report	07.09.2021	Artur Wizner
MONNARI TRADE	nd	5,3	2,8	Initial report	07.09.2021	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,6	Initial report	07.09.2021	Artur Wizner, Tomasz Czamecki
PROCHEM	nd	31	25	Initial report	06.10.2021	Artur Wizner
NTT SYSTEM	nd	8,3	5,8	Analysis of results	01.10.2021	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,3	2,9	Analysis of results	01.10.2021	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,4	Analysis of results	08.10.2021	Artur Wizner, Tomasz Czamecki
VIVID GAMES	nd	1,23	1,39	Analytical report	18.10.2021	Łukasz Bryl, Tomasz Czamecki
PROCHEM	nd	31	25,4	Analysis of results	17.11.2021	Artur Wizner
VIVID GAMES	nd	1,23	1,37	Financial forecast	24.11.2021	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,04	Financial forecast	24.11.2021	Łukasz Bryl, Tomasz Czamecki
UNIBEP	nd	14	10,35	Analytical report	24.11.2021	Artur Wizner
VIVID GAMES	nd	1,23	1,34	Analysis of results	02.12.2021	Łukasz Bryl, Tomasz Czamecki
NTT SYSTEM	nd	8,3	5,16	Analysis of results	03.12.2021	Łukasz Bryl, Tomasz Czamecki
MONNARI TRADE	nd	5,3	2,57	Analysis of results	10.12.2021	Łukasz Bryl, Tomasz Czamecki
PROTEKTOR	nd	4,6	3,17	Analytical report	10.12.2021	Artur Wizner
INTERFERIE	SELL	6,73	7,5	Initial report	30.12.2021	Łukasz Bryl
JSW	BUY	45	34,87	Analytical report	30.12.2021	Artur Wizner
JSW	BUY	46,4	35,4	Analytical report	04.01.2022	Artur Wizner
SNIEZKA	HOLD	84	79,8	Analytical report	24.03.2022	Artur Wizner
UNIBEP	nd	11	9	Analytical report	21.04.2022	Artur Wizner
NTT SYSTEM	nd	7,94	5	Analytical report	04.05.2022	Tomasz Czamecki, 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 Czamecki
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