

06.12.2022 17:00

Key data

Target price [PLN]	2,9
DCF Valuation [PLN]	2,9
Comparative Valuation [PLN]	3,2
Market price [PLN]	2,2
Growth/decrease potential [%]	32,4%
Market cap [mln PLN]	45,4
Free float [%]	32,4%
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	32,1
Porozumienie Akcjonariuszy z dnia 16.10.2018	26,7
Porozumienie Akcjonariuszy z dnia 18.10.2019	8,7
OFE Nationale-Nederlanden	4,0

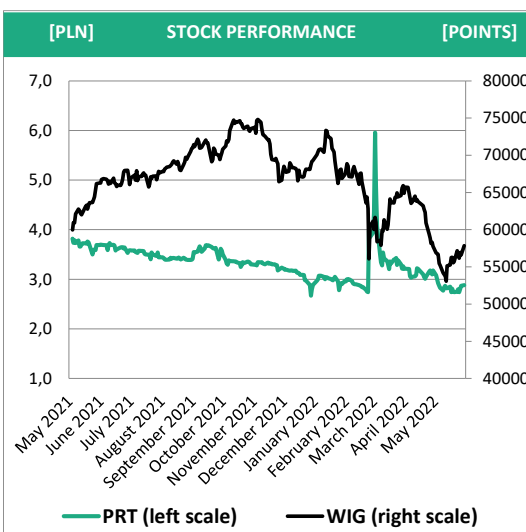
PROTEKTOR SA

Analysis of the results for the 3Q 2022

Key facts from published results:

- We consider the published results for Q3 2022 as acceptable, but still far from those assumed in the strategy. The company recorded a decrease in sales revenue by 4.5% y/y and 3.5% q/q. Despite the continuing increase in costs (raw materials, energy), compared to Q2 2022, there was a visible increase in the gross margin on sales (from 32.8% to 36.7%), which we assess positively.
- Results at other levels with a strong impact of a decrease in general and administrative expenses (7% q/q).
- Operating profit was over PLN 1.08 million higher compared to Q2 22 and almost twice as high as compared to Q3 21.
- The net profit was mainly affected by the increase in financial costs (PLN 0.34 million in Q2 22 to PLN 1.47 million in Q3 22). The loss in Q3 22 amounted to PLN 0.57 million vs. PLN 0.7 million in Q2 22 and PLN 0.41 in Q3 21.

We describe the financial situation of Protektor as stable, but the results achieved in Q3 are far from the assumptions of the strategy. We do not believe that the proposed new issue of shares is necessary for the Protektor (the so-called rescue issue), but we share the Management Board's concerns regarding the various possibilities of the war in Ukraine. We consider the efforts to transfer production from the second factory in Transnistria (Rida) to Poland to be right, and the issue was intended to serve this purpose. In our opinion, the results of Q3 do not give grounds for making another downward revision of the forecasts, so we leave the valuation unchanged at PLN 2.9.



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

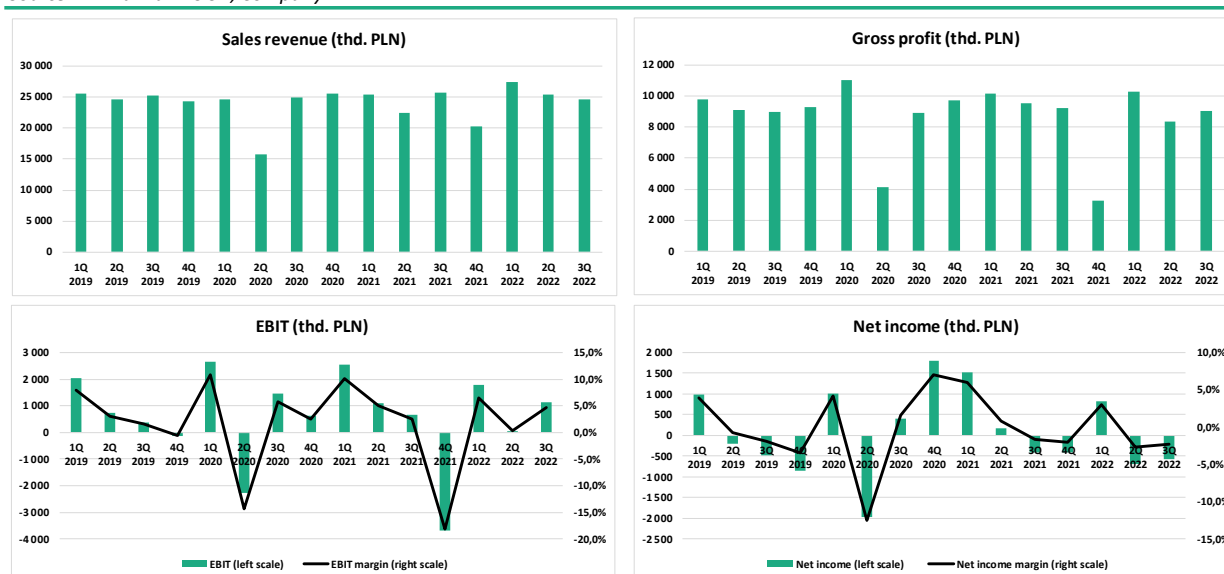
PLN thd	2021	2022P	2023P	2024P	2025P	2026P
Sales	93 760,0	97 543,4	100 604,6	103 373,8	105 902,0	108 227,6
EBITDA	6 743,0	6 714,2	7 507,9	7 986,9	8 390,7	8 392,9
EBITDA margin	7,2%	6,9%	7,5%	7,7%	7,9%	7,8%
EBIT	624,0	1 905,2	2 620,0	3 019,5	3 341,5	3 273,9
Net income	873,0	441,2	1 298,2	1 919,1	2 134,0	2 228,2
Equity	45 106,0	45 306,5	47 461,7	50 001,6	52 350,6	54 673,0
Debt	12 259,0	12 059,0	10 859,0	9 659,0	8 459,0	7 259,0
P/E	47,9	94,8	32,2	21,8	19,6	18,8
P/BV	0,9	0,9	0,9	0,8	0,8	0,8
EV/EBITDA	4,4	4,4	4,1	4,0	4,0	4,1
EPS	0,05	0,02	0,07	0,10	0,11	0,12

Source: DM Banku BPS SA, E - estimates

Financial results for 3Q 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			
Revenue	24 573	24 386		0,8%	25 455	27 487	-3,5%
Profit on sales	9 026	8 472		6,5%	8 354	10 269	8,0%
Sales margin	36,7%	34,7%		5,7%	32,8%	37,4%	11,9%
EBITDA	2 748	1 679		63,7%	1 666	3 397	64,9%
EBITDA margin	11,2%	6,9%		62,5%	6,5%	12,4%	70,9%
EBIT	1 145	476		140,4%	63	1 781	1717,5%
EBIT margin	4,7%	2,0%		138,6%	0,2%	6,5%	1782,7%
Gross profit	102	147		-30,7%	-601	1655	-
Gross profit margin	0,4%	0,6%		-31,2%	-2,4%	6,0%	-
Net income	-571	110	-	-	-695	823	-
Net income margin	-2,3%	0,5%	-	-	-2,7%	3,0%	-

Source: DM Banku BPS SA, Company



Source: DM Banku BPS SA calculations, Company

Expected impact: We consider the results for Q3 as quite good and meeting our expectations. Sales revenues decreased by PLN 1.2 million (4.5%) on an annual basis, and by PLN 882 thousand compared to Q2. PLN (3.5%). Taking into account the increase in production from 144 thousand. pairs of shoes in Q2 2022 to 174,000 pairs in Q3 2022 (+21%) and a decrease in sales from 169,000 up to 149 thousand par in Q3 2022 (-12%), it can be concluded that revenues are resistant to the observable increase in prices. Both in terms of quantity (sales of 165,000 pairs in Q3 2021) and value, these results are similar to last year's, so for now it is not visible that the new collections will contribute to the assumed increase in sales and improvement of margins. Revenues increased the most on the Romanian market (+73.7%), Switzerland (+29.2%) and Hungary (+28.2%), and fell the most on the Austrian market (-9.2%). On the most important German market for the Group, accounting for almost half of sales, revenues increased by 1%. This is not a bad result, taking into account the fact that the German economy sends the most signals of the forecasted slowdown. Finally, the Group's operating profit was higher by 76.4% compared to Q3 2021 and the net loss amounted to PLN 571 thousand. PLN against PLN 414 thousand PLN in the corresponding period of the previous year and PLN 695 thousand. PLN in Q2 2022. Summing up, we maintain our valuation, still seeing the potential to improve the results and increase the Company's valuation.

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: 6 December 2022, 17:10

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

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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)
VIVID GAMES	nd	1,23	1,34	Analysis of results	02.12.2021	Łukasz Bryl, Tomasz Czarniecki
NTT SYSTEM	nd	8,3	5,16	Analysis of results	03.12.2021	Łukasz Bryl, Tomasz Czarniecki
MONNARI TRADE	nd	5,3	2,57	Analysis of results	10.12.2021	Łukasz Bryl, Tomasz Czarniecki
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 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