

The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme

			2020	2021	
Price [PLN]	21,1	P/E	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	370,2	EV/EBITDA MSSF 16	67,5	8,4	
		EV/EBIT MSSF 16	-	-	
		P/BV	1,8	4,2	

Last recommendation BDM: ACCUMULATE with target price 25,3 PLN/share (2022/07/11) [LINK](#)

BDM Comment: positive. In Q2'22, the company generated PLN 602.6m in revenues (+ 170.6% y/y), and the number of flights performed significantly increased y/y (the significant increase in revenues compared to 2021 was related to the receding Covid pandemic -19 and the contracting in 2022 suggests that Poles willingly return to planning holidays abroad after the restrictions are lifted). In the area of air services, the company generated PLN 587.2 million of turnover (+ 176.4% y/y), and in the part of in-flight sales, PLN 15.4 million (+ 51.0% y/y). In the discussed period, **the cost of sales** increased by 133.4% y/y to the level of PLN 533.9 million, and the main factor contributing to the higher level of costs compared to the corresponding period of the previous year is primarily the increase in the costs of materials and energy consumption (+243,1% y/y) due to the greater number of air operations performed. Due to significantly lower costs of external services in 2Q'22 = PLN 184.1 million compared to our expectations, the company generated an EBIT of PLN 58.6 million vs. -PLN 26.5 million, which we assess positively. Enter Air's EBITDA in 2Q'22 amounted to PLN 112.5 million (+ 150.4% y/y). The company's financial balance was at the level of -PLN 95.4m (of which PLN -74.7m were foreign exchange differences from the balance sheet valuation), which is significantly higher than our expectations, which on the other hand had a negative impact vs the deviation from our forecasts. In addition, the result was burdened with a loss on the result of the settlement of entities accounted for using the equity method (PLN -1.7 million - applies to Chair Airlines AG). In the reporting period, the company generated a **net profit** of PLN -31.0m. In 2Q'22, cash flow from operating activities amounted to PLN 209.2 million (compared to PLN 67.4 million in the previous year), CF investment = PLN -1.4 million, and CF financial = PLN -131.7 million. At the end of June 22, the group had PLN 284.0m in cash (+ PLN 81.8m q/q). With effect as at August 31, 2022, preferential loans for the total amount of PLN 57.0 million were canceled. In addition, Enter signed subsequent annexes changing lease agreements, which mainly concerned changes in the company's schedules and rules regarding the method of calculating lease payments during the COVID-19 pandemic. The agreements are designed to reduce the financial burden for the group in the period when the sales revenues are significantly lower. Payments to lessors in 2H'22 and 2023 are estimated at PLN 135 million (\$ 30 million) and PLN 262 million (\$ 59 million), respectively. According to the company, during the crisis, foreign customers no longer look at the carrier's origin, but at the price for the service, and because Enter is a low-cost carrier, it currently has an advantage over foreign competition and wins many tenders with lower prices and higher quality of services. **In line with the company's expectations, the summer season was operationally better than the record years before the pandemic - positive.** In the summer season, the company used the entire available fleet of 25 aircraft (23 Boeing 737-800 aircraft and 2 737 MAX 8 aircraft) and two additional machines rented on a wet-lease basis

Q2'22 results [mln PLN]

	2Q'21	2Q'22	change y/y	2Q'22F BDM	dev.	1H'21	1H'22	change y/y
Sales	222,7	602,6	170,6%	587,2	2,6%	307,7	817,8	165,8%
Air services	212,5	587,2	176,4%	572,9	2,5%	293,2	794,0	170,8%
On-board sales	10,2	15,4	51,0%	14,3	7,7%	14,5	23,8	64,6%
Gross profit	-6,0	68,7	-1241,5%	-14,3	-	-66,2	46,5	-170,3%
Air services	-8,5	68,4	-904,0%	-17,8	-	-69,6	44,2	-163,6%
On-board sales	2,5	0,4	-85,9%	3,5	-89,9%	3,4	2,3	-31,1%
EBITDA MSSF 16	44,9	112,5	150,4%	27,8	304,7%	27,3	130,6	379,3%
EBIT MSSF 16	-8,4	58,6	-795,5%	-26,5	-	-75,9	22,4	-129,5%
Profit before tax	25,4	-38,5	-251,7%	-46,7	-17,5%	-116,7	-120,7	3,4%
Net profit	19,5	-31,0	-259,3%	-35,9	-13,5%	-96,8	-99,7	3,0%
Gross margin	-2,7%	11,4%		-2,4%		-21,5%	5,7%	
EBITDA MSSF 16 margin	20,2%	18,7%		4,7%		8,9%	16,0%	
EBIT MSSF 16 margin	-3,8%	9,7%		-4,5%		-24,7%	2,7%	
Net margin	8,8%	-5,2%		-6,1%		-31,4%	-12,2%	

Source: BDM S.A., company

- In 2Q'22, the group generated PLN 215.1 million in revenues, which means an increase by approx. 170.6% y/y. The significant increase in revenues compared to 2021 was related to the ending Covid-19 pandemic. The contracting process in 2022 suggests that Poles willingly return to planning holidays abroad after the restrictions are lifted.
- In the discussed period, the cost of sales increased by 133.4% y/y to the level of PLN 533.9 million, and the main factor affecting the higher level of costs compared to the corresponding period of the previous year is primarily the increase in the costs of materials and energy consumption (+243.1% y/y) due to the greater number of air operations performed.
- The gross result on sales of the company amounted to PLN 68.7 million (vs PLN -6.0 million in 2Q'21).
- At the IFRS16 EBITDA level, Enter Air reported a profit of PLN 112.5m (+ 150.4% y/y).

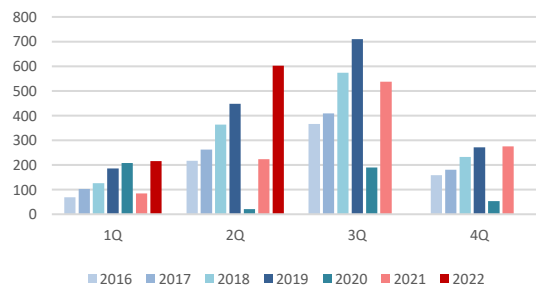
- The company's financial balance amounted to PLN -95.4 million (of which PLN -74.7 million were foreign exchange differences from the balance sheet valuation). In addition, the result was burdened with a loss on the result of the settlement of entities accounted for using the equity method (PLN -1.7 million - applies to Chair Airlines AG).
- In the reporting period, the company generated a net profit of PLN -31.0m vs. PLN 19.5m of net profit in Q2'21.
- In the area of air services, the company achieved PLN 587.6 million of turnover (+ 176.4% y/y), and in the part of in-flight sales, PLN 15.4 million (+ 51.0% y/y).
- In the discussed period, cash flow from operating activities amounted to PLN 209.2 million (compared to PLN 67.4 million in the previous year), CF investment = PLN -1.4 million, and CF financial = PLN -131.7 million. At the end of June 22, the group had PLN 284.0m in cash (+ PLN 81.8m q/q).
- At the end of June 22, the average employment was 520 people vs 436 in 2021.
- With effect as at August 31, 2022, preferential loans for the total amount of PLN 57.0 million were canceled.
- The Group signed subsequent annexes changing the lease agreements, which mainly concerned changes in the schedules and rules of the company in the method of calculating lease payments during the COVID-19 pandemic. The agreements are designed to reduce the financial burden for the group in the period when the sales revenues are significantly lower. Payments to lessors in 2H'22 and 2023 are estimated at PLN 135 million (\$ 30 million) and PLN 262 million (\$ 59 million), respectively.
- "During the crisis, foreign customers no longer look at the carrier's origin, but at the price for the service, and because we are a low-cost carrier, we now have an advantage over foreign competition and we win many tenders with lower prices and higher quality of services. On the charter market, what matters is the speed of operation, flexibility and reliability of the service. And these elements are our flagship features" - Grzegorz Polaniecki, member of the board of Enter Air.
- **In line with the company's expectations, the summer season was operationally better than the record-breaking years before the pandemic.** In the summer season, the company used the entire available fleet of 25 aircraft (23 Boeing 737-800 aircraft and 2 737 MAX 8 aircraft) and two additional wet-lease aircraft.

Results in previous quarters [mIn PLN]

	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22
Sales	185,2	447,8	710,5	271,1	207,1	20,6	189,3	53,6	85,0	222,7	536,9	275,7	215,1	602,6
Air services	176,7	434,2	689,4	259,6	199,9	20,4	183,1	49,9	80,7	212,5	515,2	261,6	206,8	587,2
On-board sales	8,5	13,6	21,1	11,5	7,3	0,1	6,2	3,6	4,3	10,2	21,6	14,2	8,4	15,4
Gross profit	27,7	72,5	157,4	-45,5	9,5	-83,2	27,2	-77,9	-60,2	-6,0	155,5	-37,2	-22,2	68,7
Air services	25,5	69,4	153,6	-45,4	7,7	-82,9	26,5	-79,1	-61,0	-8,5	150,8	-40,3	-24,2	68,4
On-board sales	2,2	3,2	3,7	-0,1	1,8	-0,3	0,8	1,1	0,9	2,5	4,7	3,0	2,0	0,4
EBITDA MSSF 16	66,5	110,8	199,9	-35,4	45,4	-44,6	50,2	-27,2	-17,7	44,9	206,1	-24,5	18,1	112,5
EBIT MSSF 16	20,2	61,7	149,0	-62,4	2,1	-90,0	11,9	-74,5	-67,5	-8,4	146,5	-84,7	-36,2	58,6
Profit before tax	-11,0	66,8	70,4	-18,4	-94,7	-66,0	32,9	-60,2	-142,1	25,4	92,5	-116,9	-82,2	-38,5
Net profit	-9,0	54,0	59,5	-19,5	-77,0	-56,0	34,9	-56,0	-116,3	19,5	75,6	-96,0	-68,7	-31,0
Gross margin	15,0%	16,2%	22,1%	-16,8%	4,6%	-404,8%	14,4%	-145,5%	-70,8%	-2,7%	29,0%	-13,5%	-10,3%	11,4%
EBITDA MSSF 16 margin	35,9%	24,7%	28,1%	-13,1%	21,9%	-216,8%	26,5%	-50,7%	-20,8%	20,2%	38,4%	-8,9%	8,4%	18,7%
EBIT MSSF 16 margin	10,9%	13,8%	21,0%	-23,0%	1,0%	-437,6%	6,3%	-139,1%	-79,4%	-3,8%	27,3%	-30,7%	-16,8%	9,7%
Net margin	-4,9%	12,1%	8,4%	-7,2%	-37,2%	-272,4%	18,5%	-104,6%	-136,8%	8,8%	14,1%	-34,8%	-31,9%	-5,2%

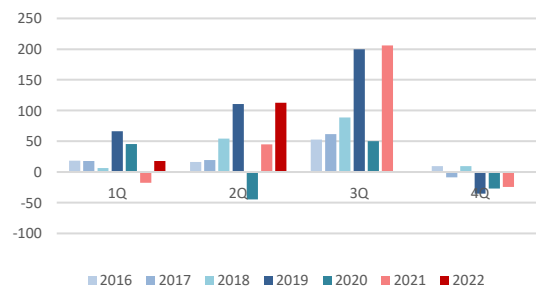
Źródło: BDM S.A., company

Quarterly sales [mIn PLN]



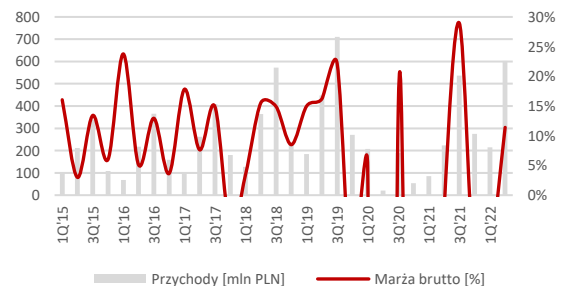
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mIn PLN]*



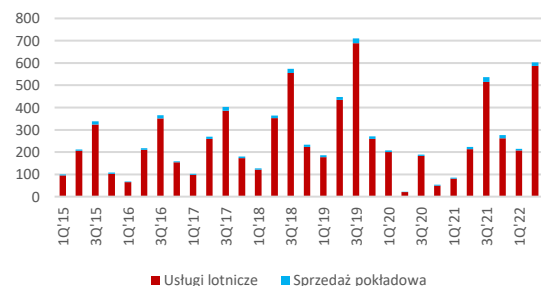
Źródło: Dom Maklerski BDM S.A., company; *accordina to IFRS 16 from '19

Gross margin and sales [%]



Źródło: Dom Maklerski BDM S.A., company

Sales by divisions [mIn PLN]



Źródło: Dom Maklerski BDM S.A., company

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Explanations of terminology:

EBIT - earnings before interest and tax

EBITDA – earnings before interest, taxes, depreciation, and amortization

Net debt – interest bearing debt minus cash and equivalents

WACC - weighted average cost of capital

CAGR - cumulative average annual growth

EPS - earnings per share

DPS - dividend per share

CEPS - net profit plus depreciation per share

EV – market capitalization plus interest bearing debt minus cash and equivalents

EV/S – market capitalization / sales

EV/EBITDA – EV / sales

P/EBIT – market capitalization / EBIT

MC/S – market capitalization / sales

P/E – market capitalization / net profit

P/BV – market capitalization / book value

P/CE - market capitalization / net profit plus depreciation

ROE – net profit / equity

ROA - net income / assets

Gross margin - gross profit on sales / sales

EBITDA margin – EBITDA / sales

EBIT margin – EBIT / sales

Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);

Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);

Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);

Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);

Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).

Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.

Recommendations made by BDM are binding for 12 months from the issue date or until the target level is reached, unless they are updated during this period of time.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Accumulate	25,3	Buy**	41,6	11.07.2022*	08:00 CET	22,9	54 611
Buy**	41,6	Hold	41,8	07.10.2021*	07:00 CEST	32,5	71 789
Hold**	41,8	Buy	28,3	13.05.2021*	07:00 CEST	41,2	62 214
Buy**	28,3	Accumulate	37,1	22.10.2020*	07:00 CEST	20,2	47 912
Accumulate**	37,1	Buy	52,2	12.06.2020*	08:00 CEST	33,6	51 487
Buy**	52,2	Buy	48,4	11.12.2019*	10:40 CEST	44,4	55 530
Buy**	48,4	Accumulate	41,0	09.10.2019*	14:35 CEST	37,5	56 233
Accumulate**	41,0	---	---	26.07.2019*	13:57 CEST	36,2	60 151

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme. ** - the author of reports on Enter Air in the years 2019-2021 was Adrian Górnika

Distribution of BDM's recommendations in Q3'22*:

	number	%	number	%
Buy	3	60%	2	100%
Accumulate	2	40%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	0	0%
Sell	0	0%	0	0%

, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

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