

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]	22,5	P/E	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	394,7	EV/EBITDA MSSF 16	68,5	8,5	
		EV/EBIT MSSF 16	-	-	
		P/BV	1,9	4,4	

Last recommendation BDM: ACCUMULATE with target price 24,0 PLN/share (2022/10/26) [LINK](#)

BDM Comment: Q3 2022, despite the unfavorable environment (according to official analyses, the market was about 18% below the 2019 level), turned out to be a record quarter for the company in terms of results. However, they were lower than our expectations, which we perceive slightly negative. Over the quarter, the company generated revenues of PLN 1,006.1 million (an increase of approx. 87.4% y/y, vs. our assumptions of PLN 1,153.4 million), and the number of flights increased y/y (definitely the increase in revenues was primarily related to the subsiding Covid-19 pandemic and the fact that tourists are eager to return to their holidays abroad after the restrictions are lifted). In the area of air services, the company generated turnover of PLN 981.5 million (+90.5% y/y), and PLN 24.6 million (+13.7% y/y) in on-board sales. In Q3'22, cost of sales increased by 120.8% y/y to PLN 842.1 million, and the main factor influencing the higher level of costs compared to the same period of the previous year is primarily an increase in the cost of materials and energy consumption (+ 167.8% y/y) and third-party services (+146.1% y/y) due to higher number of air operations and higher fuel prices. **The gross result** on the sale of the company amounted to PLN 164.0 million (+5.5% y/y). In Q3'22, the company recorded PLN 56.9 million in other operating income, which was related to the remission of the PFR loan. At the IFRS16 EBITDA level, Enter Air reported a profit of PLN 266.6 million (+29.4% y/y). **The financial balance** of the company amounted to PLN -103.3 million (PLN -91.0 million of which were exchange differences from the balance sheet valuation). The result was increased by the profit on the settlement of entities accounted for under the equity method (PLN 5.5 million - applies to Chair Airlines AG - which positively surprised us). In the discussed period, the company generated a **net result** of PLN 104.0 million (+37.6% y/y). In Q3'22, cash flow from operating activities amounted to PLN 240.8 million (vs. PLN 226 million a year ago), investment CF = PLN -0.3 million, and financial CF = PLN -83.5 million. At the end of September 2022, the group had PLN 448.9 million in cash (+PLN 164.9 million q/q).

Q3'22 results [mln PLN]

	3Q'21	3Q'22	change y/y	3Q'22F BDM	dev.
Sales	536,9	1 006,1	87,4%	1 153,4	-12,8%
Air services	515,2	981,5	90,5%	1 125,3	-12,8%
On-board sales	21,6	24,6	13,7%	28,1	-12,5%
Gross profit	155,5	164,0	5,5%	233,4	-29,7%
Air services	150,8	158,7	5,2%	228,8	-30,6%
On-board sales	4,7	5,1	8,3%	4,4	15,3%
EBITDA MSSF 16	206,1	266,6	29,4%	275,8	-3,3%
EBITDA MSSF 16 adj.**	206,1	209,7	1,8%	275,8	-24,0%
EBIT MSSF 16	146,5	211,7	44,5%	221,8	-4,6%
Profit before tax	92,5	113,9	23,1%	87,4	30,3%
Profit before tax adj.*	139,0	204,9	47,4%	193,6	5,8%
Net profit	75,6	104,0	37,6%	50,6	105,4%
Net profit adj.*	122,1	195,1	59,7%	156,8	24,4%
Gross margin	29,0%	16,3%		20,2%	
EBITDA MSSF 16 margin	38,4%	26,5%		23,9%	
EBITDA MSSF 16 margin adj.**	38,4%	20,8%		23,9%	
EBIT MSSF 16 margin	27,3%	21,0%		19,2%	
Net margin	14,1%	10,3%		4,4%	
Net margin adj.*	22,7%	19,4%		13,6%	

Source: BDM S.A., company; *, * - adj. of the impact of exchange differences from the balance sheet valuation; **, - adj. of the impact of PLN 56.9 million with the remission of the PFR loan

- In Q3'22, the group generated PLN 1,006.1 million in revenue, which means an increase of approx. 87.4% y/y. Thus, the company beat the record year of 2019, despite the fact that, according to official analyses, the market was about 18% below the level of 2019. The significant increase in revenues was mainly related to the receding Covid-19 pandemic and the fact that tourists are eager to return to their holidays after the restrictions are lifted abroad.
- In the area of air services, the company achieved PLN 981.5 million in turnover (+90.5% y/y), and PLN 24.6 million in on-board sales sales (+13.7% y/y).
- In the discussed period, the cost of sales increased by 120.8% y/y to PLN 842.1 million, and the main factor contributing to the higher level of costs compared to the corresponding period of the previous year is primarily an increase in the costs of materials and energy consumption (+ 167.8% y/y) and external services (+146.1% y/y) due to higher number of performed air operations.
- Gross result on the sale of the company amounted to PLN 164.0 million (+5.5% y/y).
- In Q3'22, the company recorded PLN 56.9 million in other operating income, which was related to the remission of the PFR loan.
- At the IFRS16 EBITDA level, Enter Air reported a profit of PLN 266.6 million (+29.4% y/y).

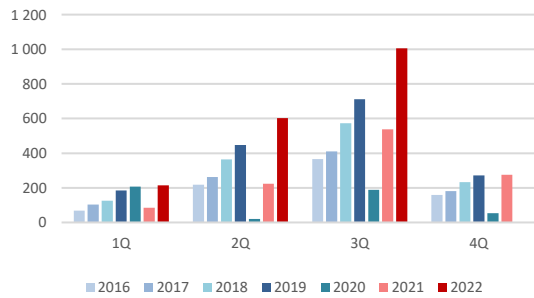
- The company's financial balance amounted to PLN -103.3 million (of which PLN -91.0 million were exchange differences from the balance sheet valuation). The result was increased by the profit on the settlement of entities accounted for using the equity method (PLN 5.5 million - applies to Chair Airlines AG).
- In the discussed period, the company generated a net result of PLN 104.0 million (+37.6% y/y).
- In the discussed period, cash flow from operating activities amounted to PLN 240.8 million (vs. PLN 226 million in the previous year), investment CF = PLN -0.3 million, and financial CF = PLN -83.5 million. At the end of September 2022, the group had PLN 448.9 million in cash (+PLN 164.9 million q/q).
- Next year, the company wants to fly more from Western Europe. Already, it is noting a significant increase in revenues from abroad, it intends to mark its presence more strongly on the Scandinavian and German-speaking markets, where it is gaining more and more recognition and is appreciated for its quality.
- 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. In Poland, Enter Air operated connections for the largest tour operators and, at the same time, its long-term partners. Before the start of the season, the carrier signed charter contracts for the Summer 2022 and Winter 2022/23 seasons with TUI Poland (with an estimated value of PLN 543.3 million), Coral Travel Poland (with an estimated value of PLN 312.6 million) and Rainbow Tours (with an estimated value of PLN 312.6 million). PLN 159.5 million). Enter Air also cooperates with Itaka Holdings.
- The Group signed further annexes amending lease agreements, which mainly concerned changes to schedules and rules for calculating lease payments during the Covid-19 pandemic. The agreements are aimed at reducing the group's financial burden in the winter, when sales proceeds are significantly lower.
- At the end of September 2022, the average employment was 538 people vs. 462 in 2021.

Results in previous quarters [mln 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	3Q'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	1 006,1
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	981,5
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	24,6
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	164,0
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	158,7
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	5,1
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	266,6
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	211,7
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	113,9
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	104,0
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%	16,3%
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%	26,5%
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%	21,0%
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%	10,3%

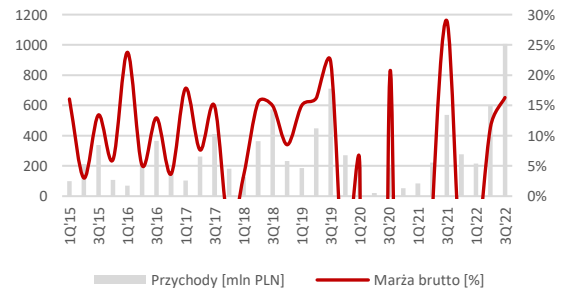
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



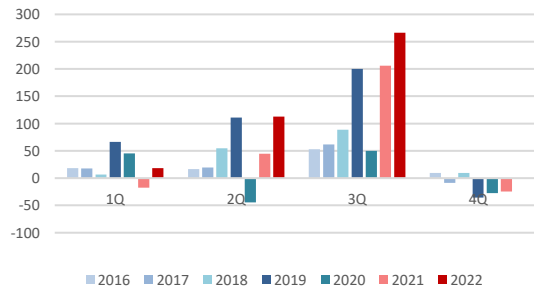
Źródło: Dom Maklerski BDM S.A., company

Gross margin and sales [%]



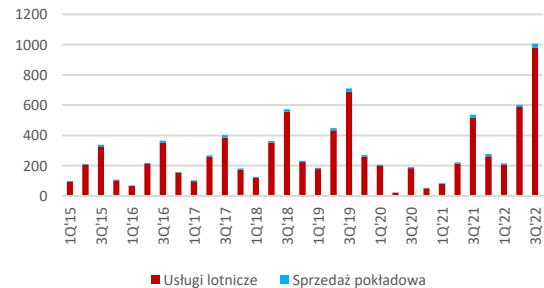
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]*



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

Sales by divisions [mln 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	24,0	Accumulate	25,3	26.10.2022*	11:10 CET	21,5	48 263
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 Górniak

Distribution of BDM's recommendations in Q4'22*:

	number	%	number	%
Buy	9	64%	1	100%
Accumulate	2	14%	0	0%
Hold	2	14%	0	0%
Reduce	0	0%	0	0%
Sell	1	7%	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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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
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