

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	2022	
Price [PLN]	39,5	P/E	-	-	9,6	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	693,0	EV/EBITDA MSSF 16	81,0	10,0	5,7	
		EV/EBIT MSSF 16	-	-	8,9	
		P/BV	3,4	7,8	4,3	

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

BDM Comment: The company's results for Q4'22 exceeded our expectations, which we **perceive positively**. Over the discussed quarter, the company generated revenues of PLN 431.9m (an increase of ca. 56.6% y/y, which was close to our forecasts). Several factors contributed to such a significant increase in turnover, including an increase in the number of flights performed (by around +12% y/y, among others due to the effect of the receding pandemic), an increase in aviation fuel prices and polish currency depreciation. In the area of air services, the company generated turnover of PLN 412.0 million (+57.5% y/y), and PLN 19.9 million (+40.4% y/y) in on-board sales. In Q4'22, **cost of sales** increased by 36.3% y/y to PLN 426.4 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 (+ 66.3% y/y to the level of PLN 181.4m - close to our expectations) and third-party services (+16.2% y/y - to the level of PLN 151.7 million - lower than our forecasts) due to higher number of air operations and higher fuel prices. **The gross result** on the sale of the company amounted to PLN 5.6 million (vs PLN -37.2m in Q4'21). At the **IFRS16 EBITDA** level, Enter Air reported a profit of PLN 45.4 million (vs PLN -25,1m mln PLN in Q4'21). The **financial balance** of the company amounted to PLN -98,0 million (PLN 107,3 million of which were exchange differences from the balance sheet valuation - in line with our forecasts). The result was increased by the profit on the settlement of entities accounted for under the equity method (PLN 0.9 million - applies to Chair Airlines AG - which positively surprised us). In the discussed period, the company generated a **net result** of PLN 67.9 million (vs PLN -96,0m in Q4'21). In Q4'22, cash flow from operating activities amounted to PLN -55.3 million (vs. PLN -17.3 million a year ago), investment CF = PLN -7.8 million, and financial CF = PLN -80.1 million. At the end of December 2022, the group had PLN 293.3 million in cash (-PLN 155.6 million q/q).

Q4'22 results [mln PLN]

	4Q'21	4Q'22	change y/y	4Q'22F BDM	dev.	2021	2022	change y/y
Sales	275,7	431,9	56,6%	427,0	1,2%	1 120,3	2 255,8	101,4%
Air services	261,6	412,0	57,5%	407,8	1,0%	1 070,0	2 187,5	104,4%
On-board sales	14,2	19,9	40,4%	19,2	3,6%	50,3	68,3	35,9%
Gross profit	-37,2	5,6	-	-19,8	-	52,1	216,1	314,5%
Air services	-40,3	-1,6	-	-23,4	-	41,0	201,3	390,7%
On-board sales	3,0	7,2	142,2%	3,6	99,0%	11,0	14,6	32,3%
EBITDA MSSF 16	-25,1	45,4	-	22,6	101,0%	208,2	442,7	112,6%
EBIT MSSF 16	-84,7	-8,5	-	-31,9	-	-14,7	225,6	-
Profit before tax	-116,9	84,0	-	58,9	42,5%	-141,1	77,1	-
Profit before tax adj.*	-299,9	-23,3	-	-52,3	-	-214,6	164,6	-
Net profit	-96,0	67,9	-	47,7	42,4%	-117,1	72,3	-
Net profit adj.*	-279,0	-39,3	-	-43,9	-	-190,6	159,7	-
Gross margin	-13,5%	1,3%		-4,6%		4,7%	9,6%	
EBITDA MSSF 16 margin	-9,1%	10,5%		5,3%		18,6%	19,6%	
EBIT MSSF 16 margin	-30,7%	-2,0%		-7,5%		-1,3%	10,0%	
Net margin	-34,8%	15,7%		11,2%		-10,5%	3,2%	
Net margin adj.*	-101,2%	-9,1%		-10,3%		-17,0%	7,1%	

Source: BDM S.A., company; *- *adj. of the impact of exchange differences from the balance sheet valuation;

- In Q4'22, the group generated PLN 431.9 million in revenue, which means an increase of approx. 56.6% y/y.
- In the area of air services, the company generated turnover of PLN 412.0 million (+57.5% y/y), and PLN 19.9 million (+40.4% y/y) in on-board sales.
- In Q4'22, cost of sales increased by 36.3% y/y to PLN 426.4 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 (+ 66.3% y/y to the level of PLN 181.4m) and third-party services (+16.2% y/y - to the level of PLN 151.7 million) due to higher number of air operations and higher fuel prices.
- The gross result on the sale of the company amounted to PLN 5.6 million (vs PLN -37.2m in Q4'21).
- At the IFRS16 EBITDA level, Enter Air reported a profit of PLN 45.4 million (vs PLN -25,1m mln PLN in Q4'21).
- The company's financial balance amounted to PLN -98,0 million (PLN 107,3 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 0.9 million - applies to Chair Airlines AG).
- In the discussed period, the company generated a net result of PLN 67.9 million (vs PLN -96,0m in Q4'21).

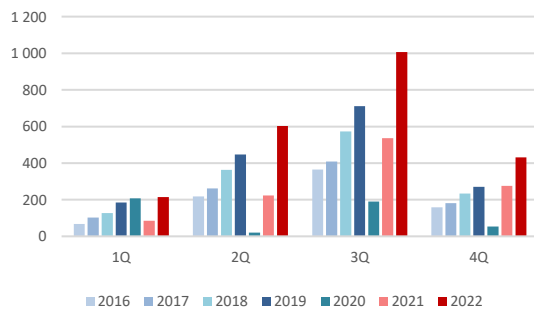
- In the discussed period, cash flow from operating activities amounted to PLN -55.3 million (vs. PLN -17.3 million a year ago), investment CF = PLN -7.8 million, and financial CF = PLN -80.1 million. At the end of December 2022, the group had PLN 293.3 million in cash (-PLN 155.6 million q/q).
- Throughout 2022, the number of performed aviation operations doubled compared to the previous period.
- During 2022, the average employment in the company was 532 people compared to 462 in 2021.
- The company believes that the worsening economic situation makes some foreign customers seek cheaper services, which may allow it to enter richer markets, which were previously hermetically sealed to the company. Today, the company is already experiencing strong demand from customers in new foreign markets.
- To meet the demand reported by tour operators before the summer season, the delivery of 4 new Boeing 737 MAX 8 aircraft is planned. During the high season, the carrier plans to use 32 aircraft, including 3 additional planes leased on a wet-lease basis.
- The beginning of the current year was marked by a strong demand for holiday flights, and if the situation in the world does not negatively surprise the airline industry, the company expects another good year.
- Conference today (April 28, 2023) at 10:00 - <https://tinyurl.com/mv8e9jc4>.

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	4Q'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	431,9
<i>Air services</i>	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	412,0
<i>On-board sales</i>	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	19,9
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	5,6
<i>Air services</i>	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	-1,6
<i>On-board sales</i>	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	7,2
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	45,4
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	-8,5
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	84,0
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	67,9
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%	1,3%
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%	10,5%
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%	-2,0%
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%	15,7%

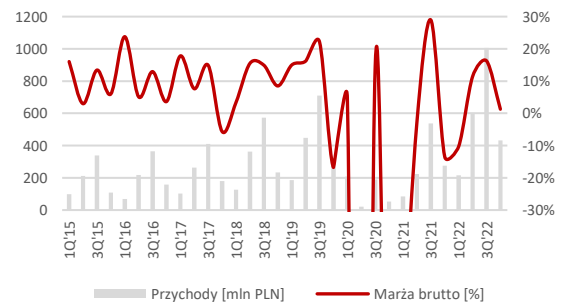
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



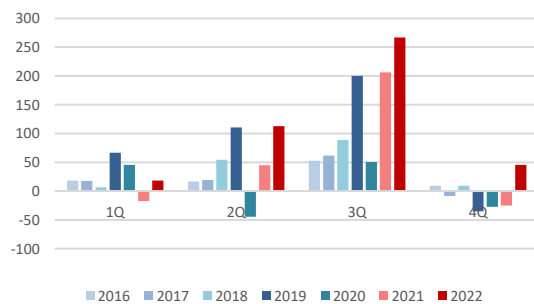
Źródło: Dom Maklerski BDM S.A., company

Gross margin and sales [%]



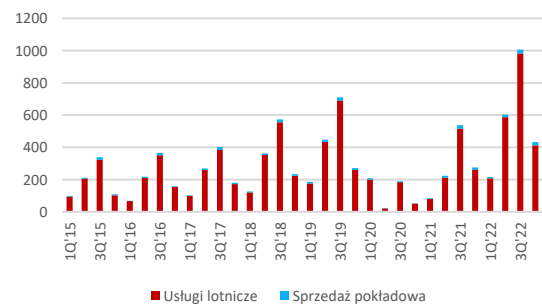
Źródło: Dom Maklerski BDM S.A., company

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 Górnik

Distribution of BDM's recommendations in Q2'23*:

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

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

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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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.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
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