

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]	49,0	P/E	-	-	11,9	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	859,6	EV/EBITDA MSSF 16	88,0	10,8	4,6	
		EV/EBIT MSSF 16	-	-	7,0	
		P/BV	4,2	9,7	5,3	

Last recommendation BDM: ACCUMULATE with target price 52,3 PLN/share (2023/05/23) [LINK](#)

BDM Comment: The company's results for Q1'23 on the EBITDA MSSF 16 level, were in line with our expectations, which we perceive **neutrally**. Over the discussed quarter, the company generated **revenues** of PLN 313.8m (an increase of ca. 45.9% 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 +20% y/y, among others due to the effect of strong consumer demand supported by Ukrainians, weak condition of competitors and decreasing attractiveness of local offers due to rising prices). In the area of air services, the company generated turnover of PLN 301.9 million (+46.0% y/y), and PLN 11.9 million (+41.3% y/y) in on-board sales. In Q1'23, **cost of sales** increased by 33.7% y/y to PLN 317.2 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 (+ 40.0% y/y to the level of PLN 132.3 m) and third-party services (+132.3% y/y - to the level of PLN 116.0 million) due to higher number of air operations and higher fuel prices. **The gross result** on the sale of the company amounted to PLN -3.5 million (vs PLN -22.2 m in Q1'22). At the **IFRS16 EBITDA** level, Enter Air reported a profit of PLN 40.5 million (+123.4% y/y), which was in line with our expectations. The **financial balance** of the company to PLN 10.0 million (PLN 23.2 million of which were exchange differences from the balance sheet valuation – in our forecasts we estimated the level of approx. PLN 60.5 million). The result was significantly reduced by the loss on the settlement of entities accounted for under the equity method (PLN -13.8 million - applies to Chair Airlines AG), which surprised us negatively (we expected an impact of PLN -1.0 million). In the discussed period, the company generated a net result of PLN -16.5 million (vs PLN -68.7m in Q1'22). In Q1'23 cash flow from operating activities amounted to PLN -22.3 million (vs. PLN -35.3 million a year ago), investment CF = PLN -0.4million and financial CF = PLN -82.1 million. At the end of March 2023, the group had PLN 185.8 million in cash (PLN -107.5 million q/q). **The company has a positive outlook on the upcoming summer season, which will have a crucial impact on the results for the entire year. The demand from tour operators has never been bigger, which is why Enter has decided to expand its fleet with several aircraft. This rapid fleet expansion is a result of the high demand for affordable and reliable charter services provided by Enter Air to customers not only from Poland but from across Europe.**

Q1'23 results [mln PLN]

	1Q'22	1Q'23	change y/y	1Q'23F BDM	dev.
Sales	215,1	313,8	45,9%	308,7	1,6%
Air services	206,8	301,9	46,0%	298,6	1,1%
On-board sales	8,4	11,9	41,3%	10,0	18,6%
Gross profit	-22,2	-3,5	-	-2,3	-
Air services	-24,2	-7,2	-	-4,5	-
On-board sales	2,0	3,7	90,3%	2,2	70,2%
EBITDA MSSF 16	18,1	40,5	123,4%	40,9	-1,0%
EBIT MSSF 16	45,6	-13,2	-	-13,1	-
Profit before tax	-82,2	-17,0	-	27,8	-
Profit before tax adj.*	-53,1	-40,3	-	-32,7	-
Net profit	-68,7	-16,5	-	22,5	-
Net profit adj.*	-39,6	-39,7	-	-27,4	-
Gross margin	-10,3%	-1,1%		-0,8%	
EBITDA MSSF 16 margin	8,4%	12,9%		13,3%	
EBIT MSSF 16 margin	21,2%	-4,2%		-4,3%	
Net margin	-31,9%	-5,2%		7,3%	
Net margin adj.*	-18,4%	-12,6%		-8,9%	

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

- In Q1'23, the group generated PLN 313.8 million in revenue, which means an increase of approx. 45.9% y/y.
- In the area of air services, the company generated turnover of PLN 301.9 million (+46.0% y/y), and PLN 11.9 million (+41.3% y/y) in on-board sales.
- In Q1'23, cost of sales increased by 33.7% y/y to PLN 317.2 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 (+ 40.0% y/y to the level of PLN 132.3 m) and third-party services (+132.3% y/y - to the level of PLN 116.0 million) due to higher number of air operations and higher fuel prices.
- The gross result on the sale of the company amounted to PLN -3.5 million (vs PLN -22.2 m in Q1'22).
- At the IFRS16 EBITDA level, Enter Air reported a profit of PLN 40.5 million (+123.4% y/y).

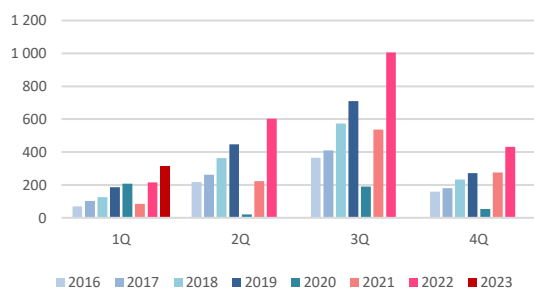
- The company's financial balance amounted to PLN 10.0 million (PLN 23.2 million of which were exchange differences from the balance sheet valuation). The result was significantly reduced by the loss on the settlement of entities accounted for under the equity method (PLN -13.8 million - applies to Chair Airlines AG).
- In the discussed period, the company generated a net result of PLN -16.5 million (vs PLN -68.7m in Q1'22).
- In the discussed period, cash flow from operating activities amounted to PLN -22.3 million (vs. PLN -35.3 million a year ago), investment CF = PLN -0.4million and financial CF = PLN -82.1 million. At the end of March 2023, the group had PLN 185.8 million in cash (PLN -107.5 million q/q).
- This year, significant impact on the Q1'23 results was caused by delays in the delivery of new aircraft, which eventually reached the company at the end of May. This resulted in experiencing higher technical costs than usual in the discussed quarter, as certain inspections had to be expedited to ensure the fleet was ready to operate the contracted flights in the spring schedule.
- The company has a positive outlook on the upcoming summer season, which will have a crucial impact on the results for the entire year. The demand from tour operators has never been bigger, which is why Enter has decided to expand its fleet with several aircraft. This rapid fleet expansion is a result of the high demand for affordable and reliable charter services provided by Enter Air to customers not only from Poland but from across Europe.
- In May 2023, the company's fleet was expanded with three new Boeing 737 MAX 8 aircraft (SP-EXC, SP-EXE, SP-EXF), which were delivered from the Boeing factory. Currently, the fleet consists of 28 aircraft, including 23 Boeing 737-800s and 5 Boeing 737 MAX 8s. Before the start of the summer season, the delivery of one more Boeing 737 MAX 8 is planned. Additionally, Chair Airlines recently received a new A320, bringing their current fleet to four aircraft, including three Airbus A320s and one A319. In total, the group will operate with 36 aircraft during the summer season, taking into account the planned delivery of the B737 MAX 8 and three additional aircraft leased on a wet-lease.

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	3Q'22	4Q'22	1Q'23
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	313,8
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	412,0	301,9
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	19,9	11,9
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	-3,5
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	-1,6	-7,2
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	7,2	3,7
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	40,5
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	211,7	-8,5	-13,2
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	-17,0
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	-16,5
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%	-1,1%
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%	12,9%
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%	-4,2%
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%	-5,2%

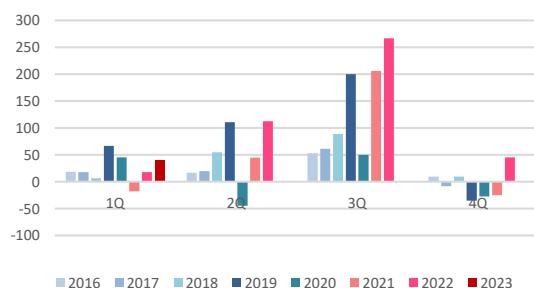
Źródło: BDM S.A., company

Quarterly sales [mIn PLN]



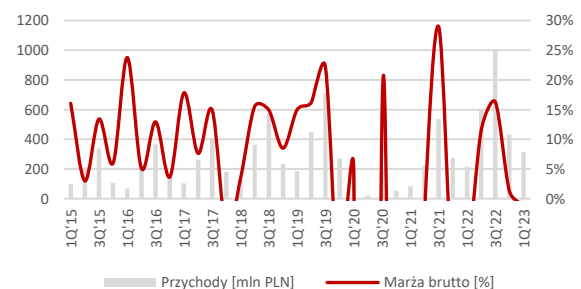
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mIn PLN]*



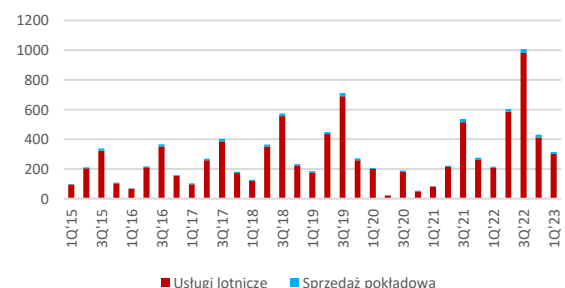
Źródło: Dom Maklerski BDM S.A., company; *according to IFRS 16 from '19

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	52,3	Accumulate	24,0	23.05.2023*	11:55 CEST	46,2	65 734
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*:

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	2	15%	0	0%
Hold	4	31%	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 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.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwpa>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>

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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 person that participated in preparing recommendation is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
- 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,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
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- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

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