

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]  | 46,8  | P/E               | -    | -    | 11,4 | <b>Analyst:</b><br>Krzysztof Tkocz<br>krzysztof.tkocz@bdm.pl<br>tel.: (+48) 516 086 705 |
| MC [mln PLN] | 821,0 | EV/EBITDA MSSF 16 | 86,3 | 10,6 | 4,5  |                                                                                         |
|              |       | EV/EBIT MSSF 16   | -    | -    | 8,8  |                                                                                         |
|              |       | P/BV              | 4,0  | 9,2  | 5,1  |                                                                                         |

**Last recommendation BDM: BUY with target price 59,8 PLN/share (2023/08/29) [LINK](#)**

**BDM Comment:** The company's results for Q3'23 were below our expectations, which we perceive **negatively**. Over the discussed quarter, the company generated PLN 1.071 million in revenue (an increase of approximately 6,4% y/y), slightly below our forecasts. The difference from our expectations may be attributed, among other factors, to a smaller growth in the number of flights operated (we assumed +30%y/y, while the company report indicates a level exceeding 20% y/y). In the area of airline services, the company generated PLN 1.042,9 million (+6,3% y/y), and PLN 27,6 million in the on-board sales (+12,4% y/y).

The company's profitability also turned out to be worse than our expectations. During the discussed period, the cost of goods sold increased by 10,2% y/y to the level of PLN 928,3 million, with the main factor influencing the higher costs compared to the same period of the previous year being primarily the increase in costs of external services (+24,7% y/y to the level of PLN 443,8 million) – a result of a greater number of flight operations, inflation and the need for additional aircraft rental due to delays in the delivery of B737-MAX 8 aircraft. The cost of external services in relation to airline services revenue amounted to 42,6% and, although it showed a decrease q/q (43,6% in 2Q'23), it turned out to be higher than our assumptions and significantly higher than 3Q'22 (36,3%).

Another factor negatively impacting profitability was the fuel price. Despite rising commodity prices during the high season, the reimbursement received from tour operators did not fully cover the costs of purchase (the price with customers is predetermined). The cost of materials and energy in relation to airline services revenue was 38,6% vs 33,5% in 2Q'23 and was slightly higher than our expectations. The increase in prices was partially offset by short-term transactions in derivative instruments, which generated PLN 30,2 million (vs our expectations of PLN 22 million). The company's gross sales amounted to PLN 142,3 million, a decrease of 13,2% y/y. At the EBITDA level, Enter Air reported a profit of PLN 192,8 million (-8,1% y/y), which was lower than our expectations.

The company's financial balance amounted to -69,8 million PLN, of which -77,0 million PLN were exchange rate differences from balance sheet valuation, compared to -85,0 million PLN BDM. The aforementioned SWAP valuation (fuel price hedging) generated a positive cash flow of 30,2 million PLN. The result was boosted by a gain from the settlement of entities accounted for using the equity method (9,2 million PLN – related to Chair Airlines AG), which positively surprised us (we expected an impact of around 7 million PLN). During the discussed period, the company achieved a net profit of 56,9 million PLN (a decrease of 45,3% y/y). The net profit, adjusted for the impact of exchange rate differences from balance sheet valuation, amounted to 133,9 million PLN (a decrease of 3,0% y/y). Considering that this was the most crucial period for the company's annual results, we view our expectations for the 2023 result outlined in the last report as unlikely to be achieved.

In 3Q'23, the cash flow from operating activities was 181,9 million PLN (compared to 240,8 million PLN the previous year), investment cash flow was 25,8 million PLN, and financial cash flow was -115,8 million PLN. At the end of September'23, the group had 455,5 million PLN in cash and other financial assets (+87,2 million PLN q/q).

**Q3'23 results [mln PLN]**

|                           | 3Q'22          | 3Q'23          | change y/y    | 3Q'23F BDM     | dev.          | 1-3Q'22        | 1-3Q'23        | change y/y     |
|---------------------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|----------------|
| <b>Sales</b>              | <b>1 006,1</b> | <b>1 070,6</b> | <b>6,4%</b>   | <b>1 134,8</b> | <b>-5,7%</b>  | <b>1 823,9</b> | <b>2 082,0</b> | <b>14,2%</b>   |
| Air services              | 981,5          | 1 042,9        | 6,3%          | 1 095,3        | -4,8%         | 1 775,5        | 2 021,1        | 13,8%          |
| On-board sales            | 24,6           | 27,6           | 12,4%         | 39,5           | -30,0%        | 48,4           | 60,9           | 25,8%          |
| <b>Gross profit</b>       | <b>164,0</b>   | <b>142,3</b>   | <b>-13,2%</b> | <b>184,2</b>   | <b>-22,8%</b> | <b>210,5</b>   | <b>228,7</b>   | <b>8,6%</b>    |
| Air services              | 158,7          | 133,2          | -16,0%        | 174,9          | -23,8%        | 202,9          | 210,5          | 3,8%           |
| On-board sales            | 5,1            | 8,3            | 64,6%         | 9,3            | -10,5%        | 7,4            | 17,4           | 136,1%         |
| <b>EBITDA</b>             | <b>266,6</b>   | <b>192,8</b>   | <b>-27,7%</b> | <b>232,9</b>   | <b>-17,2%</b> | <b>397,2</b>   | <b>367,9</b>   | <b>-7,4%</b>   |
| <b>EBITDA adj.**</b>      | <b>209,7</b>   | <b>192,8</b>   | <b>-8,1%</b>  | <b>232,9</b>   | <b>-17,2%</b> | <b>340,3</b>   | <b>367,9</b>   | <b>8,1%</b>    |
| EBIT                      | 211,7          | 128,6          | -39,2%        | 169,8          | -24,3%        | 234,1          | 191,0          | -18,4%         |
| EBIT adj.**               | 154,8          | 128,6          | -16,9%        | 169,8          | -24,3%        | 177,2          | 191,0          | 7,8%           |
| Profit before tax         | 113,9          | 68,1           | -40,2%        | 96,9           | -29,8%        | -6,8           | 160,7          | -              |
| Profit before tax adj.*** | 148,0          | 145,1          | -2,0%         | 182,0          | -20,3%        | 131,0          | 165,2          | 26,1%          |
| <b>Net profit</b>         | <b>104,0</b>   | <b>56,9</b>    | <b>-45,3%</b> | <b>78,5</b>    | <b>-27,5%</b> | <b>4,3</b>     | <b>130,4</b>   | <b>2916,8%</b> |
| <b>Net profit adj.***</b> | <b>138,2</b>   | <b>133,9</b>   | <b>-3,0%</b>  | <b>163,6</b>   | <b>-18,1%</b> | <b>142,2</b>   | <b>134,9</b>   | <b>-5,1%</b>   |
| Gross margin              | 16,3%          | 13,3%          |               | 16,2%          |               | 11,5%          | 11,0%          |                |
| EBITDA margin             | 26,5%          | 18,0%          |               | 20,5%          |               | 21,8%          | 17,7%          |                |
| EBITDA margin adj.**      | 20,8%          | 18,0%          |               | 20,5%          |               | 18,7%          | 17,7%          |                |
| EBIT margin               | 21,0%          | 12,0%          |               | 15,0%          |               | 12,8%          | 9,2%           |                |
| EBIT margin adj.**        | 15,4%          | 12,0%          |               | 15,0%          |               | 9,7%           | 9,2%           |                |
| Net margin                | 10,3%          | 5,3%           |               | 6,9%           |               | 0,2%           | 6,3%           |                |
| Net margin adj.***        | 13,7%          | 12,5%          |               | 14,4%          |               | 7,8%           | 6,5%           |                |

Source: BDM S.A., company; \*\*-adj. of the impact of exchange differences from the balance sheet valuation; \*\*\*- adj. of a PLN 56,9 million loan written off by PFR

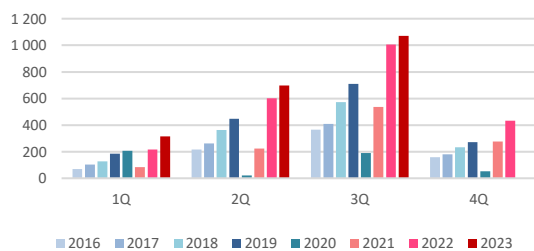
- In Q3'23, the group generated PLN 1 070,6 million in revenue, which means an increase of approx. 6,4% y/y.
- In the area of airline services, the company generated turnover of PLN 1 042,9 million (+6,3% y/y), and PLN 27,6 million (+12,4% y/y) in on-board sales.
- Domestic revenue accounted for 75,4% of total airline services (+6,8% y/y) = PLN 786,1 million, while international revenue accounted for 24,6% = PLN 256,8 million (+4,6% y/y)
- In Q3'23, cost of sales increased by 10,2% y/y to PLN 928,3 million, with the main factor contributing to the higher level of costs compared to the same period last year being the increase in costs of external services (+24,7% y/y to PLN 443,8 million) due to the higher number of flight operations performed, rising inflation and higher aircraft maintenance costs.
- The gross result on the sale of the company amounted to PLN 142,3 million (-13,2% r/r).
- At the EBITDA level, Enter Air reported a profit of PLN 192,8 million (-8,1% y/y).
- The company's financial balance amounted to PLN -69,8 million (PLN -77,0 million of which were exchange differences from the balance sheet valuation). SWAP valuation (fuel price hedging) = PLN 30,2 million.
- The result was boosted by a gain from the settlement of entities accounted for using the equity method (+PLN 9,2million - relates to Chair Airlines).
- In the discussed period, the company generated a net result of PLN 133,9 million (-3,0% y/y).
- In the discussed period, cash flow from operating activities amounted to PLN 181,9 million (vs. PLN 240,8 million a year ago), investment CF = PLN 25,8 million and financial CF = PLN -115,8 million. At the end of September 2023, the group had PLN 455,5 million in cash and other financial assets (PLN +87,2 million q/q).
- The reported demand for the company's services during the low season is high, and orders for the next year exceed its transport capabilities, even with the planned expansion of the fleet.
- During the peak of the summer season, Enter Air utilized its entire fleet, which currently consists of 28 aircraft - 23 Boeing 737-800s and 5 Boeing 737 MAX 8s, including, among them, three new aircraft received this year: SP-EXC, SP-EXE, SP-EXF. In total, the group operated with over 36 aircraft during the summer season, taking into account four additional planes leased on wet-lease terms from foreign carriers and a fifth plane leased at the end of the high season. Additionally, during the summer season of 2023, four aircraft from the Swiss airline Chair Airlines were in operation, in which Enter Air holds a 49% stake.

Results in previous quarters [mIn PLN]

|                       | 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        | 2Q'23        | 3Q'23          |
|-----------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|----------------|
| <b>Sales</b>          | <b>207,1</b> | <b>20,6</b>  | <b>189,3</b> | <b>53,6</b>  | <b>85,0</b>   | <b>222,7</b> | <b>536,9</b> | <b>275,7</b> | <b>215,1</b> | <b>602,6</b> | <b>1 006,1</b> | <b>431,9</b> | <b>313,8</b> | <b>697,7</b> | <b>1 070,6</b> |
| Air services          | 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        | 676,3        | 1 042,9        |
| On-board sales        | 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         | 21,4         | 27,6           |
| <b>Gross profit</b>   | <b>9,5</b>   | <b>-83,2</b> | <b>27,2</b>  | <b>-77,9</b> | <b>-60,2</b>  | <b>-6,0</b>  | <b>155,5</b> | <b>-37,2</b> | <b>-22,2</b> | <b>68,7</b>  | <b>164,0</b>   | <b>5,6</b>   | <b>-3,5</b>  | <b>89,9</b>  | <b>142,3</b>   |
| Air services          | 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         | 84,5         | 133,2          |
| On-board sales        | 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          | 5,4          | 8,3            |
| <b>EBITDA MSSF 16</b> | <b>45,4</b>  | <b>-44,6</b> | <b>50,2</b>  | <b>-27,2</b> | <b>-17,7</b>  | <b>44,9</b>  | <b>206,1</b> | <b>-24,5</b> | <b>18,1</b>  | <b>112,5</b> | <b>266,6</b>   | <b>45,4</b>  | <b>40,5</b>  | <b>134,6</b> | <b>192,8</b>   |
| EBIT MSSF 16          | 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        | 75,6         | 128,6          |
| Profit before tax     | -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        | 109,6        | 68,1           |
| <b>Net profit</b>     | <b>-77,0</b> | <b>-56,0</b> | <b>34,9</b>  | <b>-56,0</b> | <b>-116,3</b> | <b>19,5</b>  | <b>75,6</b>  | <b>-96,0</b> | <b>-68,7</b> | <b>-31,0</b> | <b>104,0</b>   | <b>67,9</b>  | <b>-16,5</b> | <b>90,0</b>  | <b>56,9</b>    |
| Gross margin          | 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%        | 12,9%        | 13,3%          |
| EBITDA MSSF 16 margin | 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%        | 19,3%        | 18,0%          |
| EBIT MSSF 16 margin   | 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%        | 10,8%        | 12,0%          |
| Net margin            | -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%        | 12,9%        | 5,3%           |

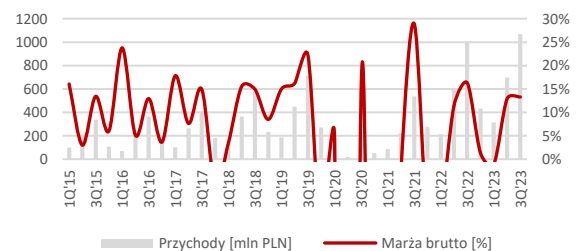
Źródło: BDM S.A., company

Quarterly sales [mIn PLN]



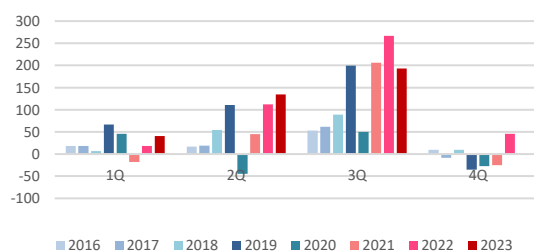
Źródło: Dom Maklerski BDM S.A., company

Gross margin and sales [%]



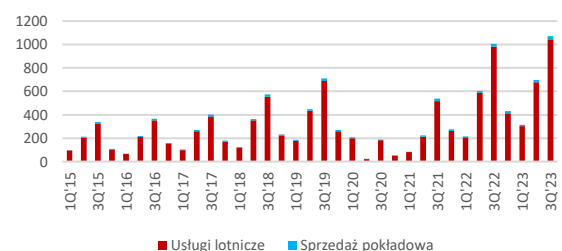
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mIn PLN]\*



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

Sales by divisions [mIn PLN]



Źródło: Dom Maklerski BDM S.A., company

**RESEARCH DEPARTMENT:**

**Maciej Bobrowski**

Director

tel. (032) 208 14 12

e-mail: [maciej.bobrowski@bdm.pl](mailto:maciej.bobrowski@bdm.pl)

[strategy, industry, media/entertainment, TMT](#)

**Krzysztof Pado**

Deputy Director

Investment Adviser

tel. (032) 208 14 35

e-mail: [krzysztof.pado@bdm.pl](mailto:krzysztof.pado@bdm.pl)

[oil&gas, construction, building materials, real estate](#)

**Krzysztof Tkocz**

Analyst

tel. (032) 208 14 38

e-mail: [krzysztof.tkocz@bdm.pl](mailto:krzysztof.tkocz@bdm.pl)

[gaming](#)

**Anna Tobiasz**

Junior analyst

Investment Adviser

tel. (032) 208 14 35

e-mail: [anna.tobiasz@bdm.pl](mailto:anna.tobiasz@bdm.pl)

**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.

**INSTITUTIONAL SALES DEPARTMENT:**

**Leszek Mackiewicz**

Director

tel. (022) 62-20-848

e-mail: [leszek.mackiewicz@bdm.pl](mailto:leszek.mackiewicz@bdm.pl)

**Piotr Dedejusz**

tel. (022) 62-20-100

e-mail: [piotr.dedejusz@bdm.pl](mailto:piotr.dedejusz@bdm.pl)

**Maciej Fink-Finowicki**

tel. (022) 62-20-855

e-mail: [maciej.fink-finowicki@bdm.pl](mailto:maciej.fink-finowicki@bdm.pl)

**Piotr Komorowski**

tel. (022) 62-20-851

e-mail: [piotr.komorowski@bdm.pl](mailto:piotr.komorowski@bdm.pl)

**Tomasz Grzeszczyk**

tel. (022) 62-20-854

e-mail: [tomasz.grzeszczyk@bdm.pl](mailto:tomasz.grzeszczyk@bdm.pl)

**Ratings and price targets history:**

| rating       | price target | previous rating   | previous target price | report date        | report date (hour) | price       | WIG           |
|--------------|--------------|-------------------|-----------------------|--------------------|--------------------|-------------|---------------|
| <b>Buy</b>   | <b>59,8</b>  | <b>Accumulate</b> | <b>52,3</b>           | <b>29.08.2023*</b> | <b>08:30 CEST</b>  | <b>43,5</b> | <b>68 722</b> |
| 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 Górniak

**Distribution of BDM's recommendations in Q4'23\*:**

|            | number | %    | number | %  |
|------------|--------|------|--------|----|
| Buy        | 3      | 100% | 0      | 0% |
| Accumulate | 0      | 0%   | 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 is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

**A Legal note:**

This report (hereinafter also referred to as an analysis, a document) has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565.

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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