

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

			2021	2022	2023	
Price [PLN]	64,4	P/E adj.	-	6,7	15,9	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	1 130	EV/EBITDA MSSF 16	12,1	5,2	5,9	
		EV/EBIT MSSF 16	-	10,2	14,4	
		P/BV	12,7	7,0	3,2	

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

BDM Comment: The company's results for Q1'24 turned out to be lower than our expectations and the consensus, which we perceive negatively. The difference compared to our forecasts is mainly due to a higher number of fleet inspections performed during the first quarter (last year spread over three quarters vs two in the low season of 2023/24), higher fuel costs, and significant losses from the settlement of entities accounted for using the equity method. However, we would like to point out that the most important period for this year's results will, as usual, be the high season, meaning the results for 2-3Q'24.

In the report, the company informs about delays in the delivery of contracted aircraft (which were supposed to appear in May), which are currently expected to be ready and approved for flying before the peak of high season. We warned about the potential materialization of such a risk in our recent forecasts. However, we hope that during Monday's conference, the management will dispel our concerns in this regard, and most of the ordered aircraft will be delivered to the company still in June'24, thus Enter will not have to resort to expensive wet-lease aircraft rental.

Q1'24 results [mln PLN]

	1Q'23	1Q'24	change y/y	1Q'24F BDM	dev.	1Q'24F cons.	dev.
Sales	313,8	392,9	25,2%	395,2	-0,6%	391,4	0,4%
Air services	301,9	375,5	24,4%	380,3	-1,3%	-	-
On-board sales	11,9	17,4	46,7%	14,9	16,7%	-	-
Gross profit	-3,5	-12,4	-	-1,4	-	-	-
Air services	-7,2	-19,0	-	-6,1	-	-	-
On-board sales	3,7	6,6	75,4%	4,7	39,7%	-	-
EBITDA	40,5	35,1	-13,3%	42,9	-18,2%	-	-
EBIT	-13,2	-25,9	-	-15,3	-	-17,8	-
Profit before tax	-17,0	-75,3	-	-32,9	-	-	-
Net profit	-40,3	-64,3	-	-43,2	-	-38,5	-
Net profit adj.*	-16,5	-47,7	-	-25,7	-	-	-
Gross margin	-1,1%	-3,2%	-	-0,4%	-	-	-
EBITDA margin	12,9%	8,9%	-	10,8%	-	-	-
EBIT margin	-4,2%	-6,6%	-	-3,9%	-	-4,5%	-
Net margin	-5,2%	-16,4%	-	-10,9%	-	-9,8%	-
Net margin adj.*	-13,0%	-12,1%	-	-6,5%	-	-	-

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

- In Q1'24, the group generated PLN 392,9 million in revenue, which means an increase of approx. 25,2% y/y.
- In the area of airline services, the company generated turnover of PLN 375,5 million (+24,4% y/y with an increase in air operations = 38% y/y - the difference is due to lower fuel prices and the strengthening of PLN against USD) and PLN 17,4 million (+46,7% y/y) in on-board sales.
- Domestic revenue accounted for 91,7% of total airline services (+46,3% y/y) = PLN 344,3 million, while international revenue accounted for 8,3% = PLN 31,2 million (-53,2% y/y).
- In Q1'24, cost of sales increased by 27,8% y/y to PLN 405,3 million, with the main factor contributing to the higher level of costs compared to the same period last year being the increase in the cost of materials and energy (+30,3% to the level of PLN 172,4 million) as well as external services (+30,5% to PLN 151,4 million), which is primarily related to the higher number of flight operations performer and conducted inspections of the fleet.
- **The cost of external services in relation to airline services amounted to 40,3% and increased y/y and decreased q/q (38,4% in Q1'23; 43,7% in Q4'23), which surprised us negatively (we expected less dynamic growth y/y). The cost of materials and energy in relation to airline services revenue amounted to 45,9% vs. 43,8% in Q1'23 and also exceeded our assumptions.**
- Additionally, salaries significantly increased y/y by 57,6% to PLN 15,6 million. The number of employees grew by 7,0% q/q to 644 people.
- Due to the addition of new machines, depreciation increased (+13,6% y/y) to PLN 61,0 million.
- The gross result on the sale of the company amounted to PLN -12,4 million (vs -3,5 mln PLN w 1Q'23).
- **At the EBITDA level, Enter Air reported a profit of PLN 35,1 million (-13,3% r/r) which was lower than our expectations.**

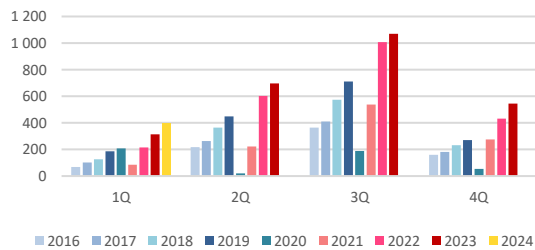
- The company's financial balance amounted to PLN -33,6 million (PLN -16,6 million of which were exchange differences from the balance sheet valuation vs PLN -17.5 million BDM). Interest costs from financial leases increased year-on-year by 44,3% to 16,6 million PLN.
- The result was reduced by a gain from the settlement of entities accounted for using the equity method (-PLN 16.9 million - of which PLN -7.1 million relates to the decrease in the valuation of Chair Airlines AG, and -PLN 9.7 million to Fly4) **which is a big disappointment for us.**
- **In the discussed period, the company generated a adj. net result of PLN -47,7 million (vs -16,5 mln PLN w 1Q'23).**
- In the discussed period, cash flow from operating activities amounted to PLN -12,2 million (vs. PLN -22,3 million a year ago), investment CF = PLN -22,6 million (CAPEX = PLN 5,0 mln, purchase of shares in associated companies = PLN 17,6 mln), and financial CF = PLN -37,7 million (of which 54,1 million PLN pertains to lease liability payments). At the end of March 2024, the group had PLN 203,1 million in cash and other financial assets (PLN -72,5 million q/q).
- Net debt increased q/q by PLN 75.6 million to PLN 1,387.8 million.
- In the summer 2024 season, planned operations will use 43 aircraft (31 own machines, 4 wet-lights, 4 Chair Airlines planes and 4 Fly4 planes).
- **Despite delivery delays, most of the new machines are expected to be ready and ready for flying before the peak of high season.**
- Results conference – June 3, 2024 at 2:00 p.m.

Results in previous quarters [mln 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	4Q'23	1Q'24
Sales	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	697,7	1 070,6	543,9	392,9
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	525,5	375,5
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	18,5	17,4
Gross profit	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	89,9	142,3	-7,1	-12,4
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	-11,3	-19,0
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	4,2	6,6
EBITDA MSSF 16	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	134,6	192,8	37,2	35,1
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	-24,9	-25,9
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	79,9	-75,3
Net profit	-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	90,0	56,9	66,0	-64,3
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%	-1,3%	-3,2%
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%	6,8%	8,9%
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%	-4,6%	-6,6%
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%	12,1%	-16,4%

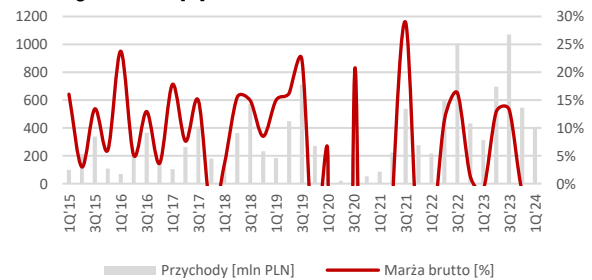
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



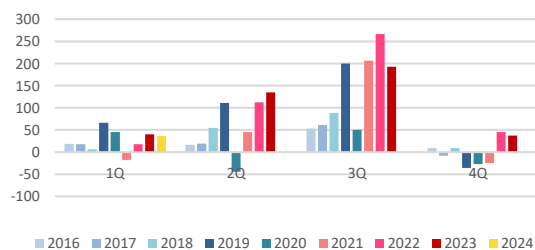
Źródło: Dom Maklerski BDM S.A., company

Gross margin and sales [%]



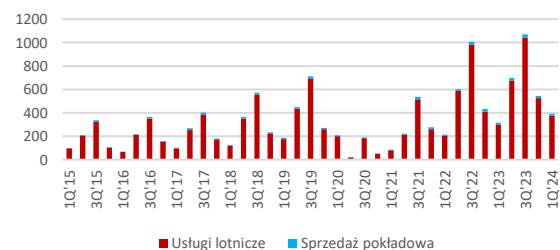
Źródło: Dom Maklerski BDM S.A., company

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
Buy	59,8	Accumulate	52,3	29.08.2023*	08:30 CEST	43,5	68 722
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 Q2'24*:

	number	%	number	%
Buy	7	54%	0	0%
Accumulate	3	23%	0	0%
Hold	3	23%	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.

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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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