

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]	59,8	P/E adj.	-	6,2	15,0	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	1 049	EV/EBITDA MSSF 16	11,7	5,0	5,7	
		EV/EBIT MSSF 16	-	9,8	14,1	
		P/BV	11,8	6,5	2,9	

Last recommendation BDM: BUY with target price 77,5 PLN/share (2024/06/10) [LINK](#)

BDM Comment: 2Q'24 as we expected, turned out to be the best second quarter in the company's history, with reported figures across all financial lines exceeding both our expectations and consensus. Due to further fleet expansion and increase in flight operations, the airline services revenues grew to PLN 772,6 million (+11% r/r). Additionally, thanks to lower fuel prices and fewer fleet inspections (concentrated over two quarters vs. three in the previous year), the gross sales margin improved y/y. The expansion of transport capacity led to an increase in depreciation to PLN 64,5 million (+9% y/y). During this period, the company's EBITDA reached PLN 152,0 million (+13% y/y). **The most positive deviation from our estimates was the adjusted net profit, which amounted to PLN 58,9 million in 2Q'24 (+44,9% y/y), which we perceive slightly positive.** The difference vs our forecasts results mainly from financial revenues (effect of SWAP transaction = PLN 3,4 million). In 2Q'24, cash flow from operating activities amounted to PLN 295,7 million and was higher by over 5% y/y. At the end of June 2024, the group had PLN 29,2 million of cash and other financial assets (+PLN 91,0 million q/q). **The company observes continued very high demand for its services.**

Q2'24 results [mln PLN]

	2Q'23	2Q'24	change y/y	2Q'24F BDM	dev.	2Q'24F cons.	dev.	1H'23	1H'24	change y/y
Sales	697,7	772,6	10,7%	750,3	3,0%	760,3	1,6%	1 011,4	1 165,4	15,2%
Air services	676,3	751,0	11,1%	727,0	3,3%	-	-	978,2	1 126,5	15,2%
On-board sales	21,4	21,6	0,8%	23,4	-7,6%	-	-	33,3	39,0	17,2%
Gross profit	89,9	103,0	14,6%	99,1	3,9%	-	-	86,4	90,6	4,8%
Air services	84,5	97,4	15,2%	93,3	4,4%	-	-	77,3	78,3	1,3%
On-board sales	5,4	4,7	-12,7%	5,8	-20,0%	-	-	9,1	11,2	23,5%
EBITDA	134,6	152,0	13,0%	150,5	1,0%	-	-	175,1	187,1	6,9%
EBIT	75,6	87,6	15,8%	83,4	5,0%	86,5	1,3%	62,4	61,6	-1,2%
Profit before tax	109,6	48,8	-55,5%	54,6	-10,7%	-	-	92,6	-26,6	-
Net profit	90,0	40,1	-55,5%	44,2	-9,3%	52,6	-23,9%	73,5	-24,2	-
Net profit adj.*	40,7	58,9	44,9%	53,2	10,8%	-	-	-0,2	11,2	-
Gross margin	12,9%	13,3%		13,2%		-		8,5%	-2,3%	
EBITDA margin	19,3%	19,7%		20,1%		-		17,3%	16,1%	
EBIT margin	10,8%	11,3%		11,1%		11,4%		6,2%	5,3%	
Net margin	12,9%	5,2%		5,9%		6,9%		7,3%	-2,1%	
Net margin adj.*	5,8%	7,6%		7,1%		-		0,0%	1,0%	

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

- In Q2'24, the group generated PLN 772,6 million in revenue, which means an increase of approx. 10,7% y/y.
- In the area of airline services, the company generated turnover of PLN 751,0 million (+11,1% y/y) and PLN 21,6 million (+0,8% y/y) in on-board sales.
- Domestic revenue accounted for 81,4% of total airline services (+22,4% y/y) = PLN 611,0 million, while international revenue accounted for 18,6% = PLN 139,9 million (-21,0% y/y).
- In Q2'24, cost of sales increased by 10,2% y/y to PLN 669,6 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 (+9,9% to the level of PLN 249,0 million) as well as external services (+11,1% to PLN 327,8 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 43,7% and increased both y/y and q/q (43,6% in Q2'23; 40,5% in Q1'24), while also exceeding our assumptions. The cost of materials and energy in relation to airline services revenue amounted to 33,2% vs. 33,5% in Q2'23, which was in line with our forecasts.**
- Additionally, salaries significantly increased y/y by 48,4% to PLN 17,8 million. The number of employees grew by 10,0% q/q to 707 people.
- Due to the addition of new machines, depreciation increased (+9,3% y/y) to PLN 64,5 million.
- The gross result on the sale of the company amounted to PLN 103,0 million ((+14,6% y/y).
- **At the EBITDA level, Enter Air reported a profit of PLN 152,0 million (+13,0% r/r) which was in line with our forecasts.**

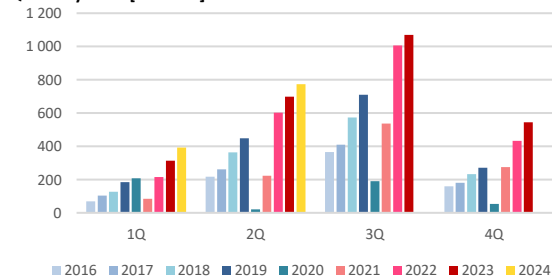
- The company's financial balance amounted to PLN -44,0 million (PLN -18,9 million of which were exchange differences from the balance sheet valuation vs PLN -9,0 million BDM) and due to higher exchange differences, it exceeded our assumptions. Interest costs from financial leases increased year-on-year by 17,2% to 17,3 million PLN.
- The result was boosted by a gain from the settlement of entities accounted for using the equity method (PLN +5,2 million - of which PLN 6,4 million relates to Chair Airlines AG, and PLN -1,2 million to Fly4) which was close to our expectations (PLN 5.9 million).
- **In the discussed period, the company generated a adj. net result of PLN 58,9 million (+44,9% y/y), which was 10.8% higher than our assumptions (due to higher financial income – SWAP transactions = PLN 3.4 million), which we view positively.**
- In the discussed period, cash flow from operating activities amounted to PLN 295,7 million (+5,3% y/y), investment CF = PLN -25,0 million (CAPEX = PLN 25,0 mln), and financial CF = PLN -180,5 million (of which 69,8 million PLN pertains to lease liability payments and PLN 40,9 million related to loan repayments). At the end of June 2024, the group had PLN 294,2 million in cash and other financial assets (PLN +91,0 million q/q).
- Net debt increased q/q by PLN 169,9 million to PLN 1 507,78 million.
- In August 2024, Enter Air repaid the loans received under the government program 'Financial Shield of the Polish Development Fund for Large Companies,' thereby fulfilling the condition for paying a dividend of PLN 77.2 million (PLN 4,4 per share). The dividend was paid on August 28, 2024.
- Results conference – 30.09.2024 11:00 a.m.

Results in previous quarters [mln PLN]

	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	2Q'24
Sales	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	772,6
Air services	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	751,0
On-board sales	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	21,6
Gross profit	-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	103,0
Air services	-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	97,4
On-board sales	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	4,7
EBITDA MSSF 16	-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	152,0
EBIT MSSF 16	-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	87,6
Profit before tax	-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	48,8
Net profit	-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	40,1
Gross margin	-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%	13,3%
EBITDA MSSF 16 margin	-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%	19,7%
EBIT MSSF 16 margin	-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%	11,3%
Net margin	-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%	5,2%

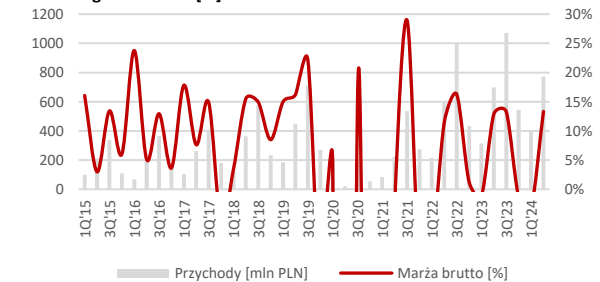
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



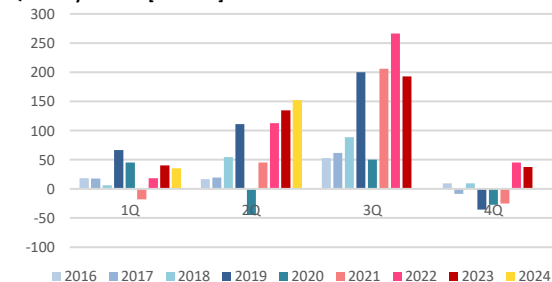
Źródło: Dom Maklerski BDM S.A., company

Gross margin and sales [%]



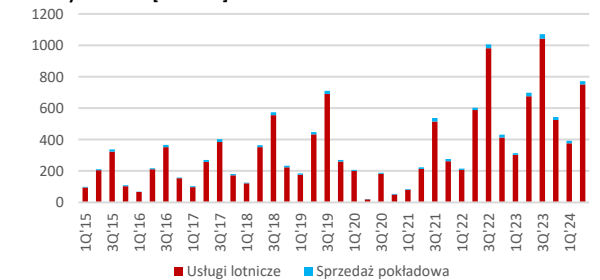
Źródło: Dom Maklerski BDM S.A., company

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	77,5	Buy	59,8	10.06.2024*	13:30 CEST	62,3	84 406
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 Q3'24*:

	number	%	number	%
Buy	8	62%	0	0%
Accumulate	2	15%	0	0%
Hold	1	8%	0	0%
Reduce	1	8%	0	0%
Sell	1	8%	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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