

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

			2017	2018	2019F	2020F	
Price [PLN]	41,6	P/E	12,5	11,0	7,8	4,5	Analyst: Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	729,8	EV/EBITDA MSSF 16	-	-	4,1	4,0	
		EV/EBIT MSSF 16	-	-	7,6	7,3	
		P/BV	2,8	2,3	1,9	1,4	

Last recommendation BDM: Buy with target price 48,4 PLN/share (09.10.2019)

Q3'19 results [mln PLN]

	Q3'18	Q3'19	zmiana r/r	Q3'19F BDM	dev.	Q1-3'18	Q1-3'19	zmiana r/r
Sales	573	711	24,0%	704	0,9%	1 063	1 344	26,4%
Gross profit	86	157	83,9%	117	34,3%	146	258	76,1%
SG&A	7	8	15,9%	9	-	22	25	17,2%
Other op.income/expenses	0	0	-33,3%	-3	-	-2	0	-79,0%
EBITDA MSSF 16	-	200	-	153	30,5%	-	377	-
EBITDA MSR 17	89	157	76,3%	104	50,9%	150	271	81,1%
EBIT MSSF 16	-	149	-	106	41,3%	-	231	-
EBIT MSR 17	78	138	76,1%	87	59,4%	123	219	77,9%
Profit before tax	82	70	-13,7%	65	8,5%	99	126	27,1%
Net profit	63	60	-5,7%	53	13,4%	79	104	32,9%
Gross margin	14,9%	22,1%		16,7%		13,8%	19,2%	
EBITDA MSSF 16 margin	-	28,1%		21,8%		-	28,1%	
EBIT MSSF 16 margin	-	21,0%		15,0%		-	17,2%	
Net margin	11,0%	8,4%		7,5%		7,4%	7,8%	

Source: BDM S.A., company, PAP

- In Q3'19 the group achieved 711 mln PLN of sales (+24% y/y). Gross margin rose to 22,1% (+7,2 p.p. r/r). Enter Air reported 200 mln PLN of EBITDA (according to MSR 17 = 157 mln PLN; EBITDA MSR 17 margin = 22,0%). Net profit was close to 60 mln PLN.
- Sales of "Air services" segment was around 689 mln PLN, while "On-board sales" division generated 21 mln PLN of sales.
- In commentary Enter Air pointed out that high growth rate of sales is the result of growing business' scale, also in foreign countries.
- In may'19 the group acquired 49% of swiss company Germania Flug AG. Enter Air decided to change it's name to Chair Airlines and started transformation of business model to B2B. In company's report after Q2'19 pointed out that Enter Air is not interested in other acquisitions and the future growth will be based on current assets.
- Cash flow from operating activities was close to 154 mln PLN (vs 109 mln PLN last year).

Summary of Q3'19 results:

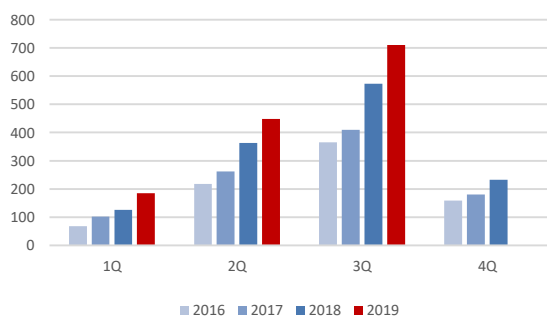
Enter Air results were much better than we expected. We see as positive higher gross margin, which is the effect of higher than we expected cost efficiency. We also don't underestimate cash flow from operating activities. In perspective of coming quarters very important will be announcements about agreements with tour-operators, who are the main clients of the group (the company informed about the agreement with TUI, which will last for 2 years; yearly c.a. 148 mln USD). In press release the company pointed out to positive economic situation and high demand.

Results in previous quarters [mln PLN]

Results Q [mln PLN]	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q1-3'17	Q1-3'18	Q1-3'19
Sales	103	262	409	181	126	363	573	233	185	448	711	774	1 063	1 344
Air services	97	259	385	173	121	352	556	224	177	434	689	741	1 028	1 300
On-board sales	5	11	17	8	6	12	18	9	9	14	21	33	35	43
Gross profit	18	20	61	-10	4	56	86	20	28	73	157	99	146	258
SG&A	6	7	7	5	6	8	7	12	8	10	8	20	22	25
Other op.income/expenses	0	0	0	-1	0	-2	0	2	0	0	0	0	-2	0
EBITDA MSSF 16	18	19	61	-9	6	55	89	9	66	111	200	99	150	377
EBITDA MSR 17	18	19	61	-9	6	55	89	9	42	73	157	99	150	271
EBIT MSSF 16	12	13	54	-16	-2	46	78	-4	20	62	149	79	123	231
EBIT MSR 17	12	13	54	-16	-2	46	78	-4	26	54	138	79	123	219
Profit before tax	20	12	52	-11	-5	23	82	-15	-11	67	70	84	99	126
Net profit	17	8	42	-9	-4	19	63	-12	-9	54	60	67	79	104
Net debt (cash)	298	257	210	303	387	350	259	472	1210	1132	1085	210	259	1 085
Sales change y/y	49,9%	20,7%	12,0%	13,6%	23,2%	38,6%	40,0%	29,0%	46,4%	23,2%	24,0%	18,9%	37,3%	26,4%
EBITDA MSR 17 change y/y	-2,2%	16,5%	16,1%	-191,8%	-63,8%	182,3%	44,6%	-210,5%	552,0%	33,1%	76,3%	12,4%	51,9%	81,1%
Net profit change y/y	71,6%	452,6%	28,3%	-	-	269,0%	44,3%	-74,9%	-1190,4%	33,2%	90,1%	52,0%	16,7%	32,9%
Gross margin	17,8%	7,6%	14,9%	-	3,4%	15,5%	14,9%	8,5%	15,0%	16,2%	22,1%	12,8%	13,8%	19,2%
EBITDA MSR 17 margin	17,4%	7,4%	15,0%	-	5,1%	15,0%	15,5%	4,1%	22,8%	16,2%	22,0%	12,7%	14,1%	20,2%
Net margin	16,8%	3,1%	10,3%	-	-	5,4%	11,0%	-	-	12,1%	8,4%	8,7%	7,4%	7,8%

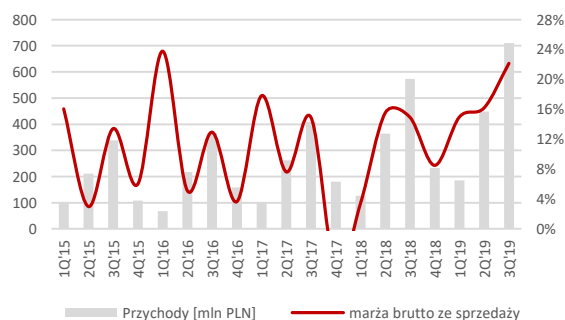
Źródło: BDM S.A., spółka, PAP

Quarterly sales [mln PLN]



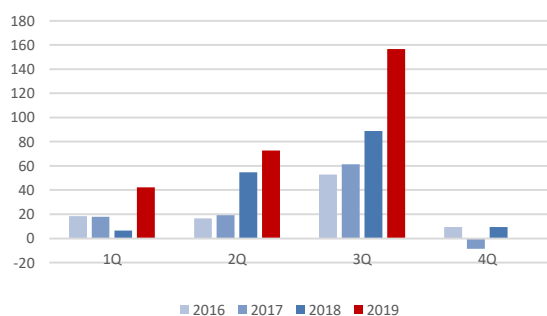
Source: Dom Maklerski BDM S.A., company

Gross margin and sales



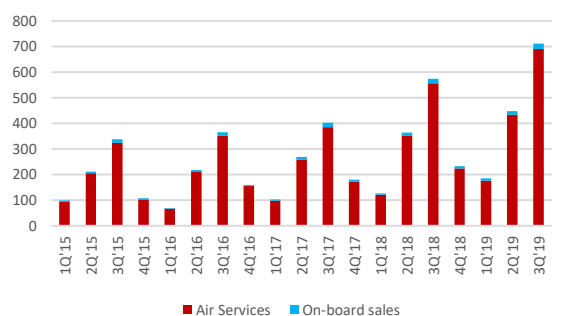
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA MSR 17 [mln PLN]



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: Dom Maklerski BDM S.A., company

**RESEARCH DEPARTMENT:****Krystian Brymora**

Director
tel. (032) 20-81-435
e-mail: krystian.brymora@bdm.pl
[strategy, chemicals, industry, energy](#)

Michał Fidelus

Analityk rynku akcji
tel. (+48) 666 073 972
e-mail: michal.fidelus@bdm.pl
[banking, financial services](#)

Adrian Górniak

Analyst
tel. (032) 20-81-438
e-mail: adrian.gorniak@bdm.pl
[Real estate, retail, media](#)

Krzysztof Tkocz

Junior analyst
e-mail: krzysztof.tkocz@bdm.pl
tel. (032) 20-81-435
[Gaming](#)

INSTITUTIONAL SALES DEPARTMENT:**Leszek Mackiewicz**

Director
tel. (022) 62-20-848
e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854
e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855
e-mail: maciej.fink-finowicki@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.

Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
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

Distribution of BDM's recommendations in 4Q'19*:

, 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	75%	0	0%
Accumulate	1	25%	0	0%
Hold	0	0%	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 and information on the numbers of issuers to which BDM has supplied services of investment firms set out in Sections A and B of Annex I to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at www.bdm.pl

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