

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

			2018	2019	2020F	
Price [PLN]	31,2	P/E	8,3	6,4	-	<b>Analyst:</b> Adrian Górniak gorniak@bdm.pl tel.: 032 208 14 38
MC [mln PLN]	547,4	EV/EBITDA MSSF 16	-	4,6	-	
		EV/EBIT MSSF 16	-	9,3	-	
		P/BV	1,7	1,5	6,8	

**Last recommendation BDM: Buy with target price 52,2 PLN/share (11.12.2019)**

**Q4'19 results [mln PLN]**

	Q4'18	Q4'19	zmiana r/r	Q4'19F BDM	dev.	2018	2019	zmiana r/r
Sales	233	271	16,4%	312	-13,0%	1 296	1 615	24,6%
Gross profit	20	-46	-	6	-	166	212	27,7%
SG&A	12	12	2,0%	-	-	34	38	11,8%
Other op.income/expenses	2	-6	-	-	-	0	-7	-
EBITDA MSSF 16	-	-35	-	42	-	-	342	-
EBIT MSSF 16	-	-62	-	-7	-	-	169	-
EBIT MSR 17	-4	-62	-	-5	-	119	156	31,4%
Profit before tax	-15	-18	-	-6	-	85	108	27,5%
Net profit	-12	-19	-	-5	-	66	85	28,3%
Gross margin	8,5%	-	-	1,9%	-	12,8%	13,1%	-
EBITDA MSSF 16 margin	-	-	-	13,5%	-	-	21,2%	-
EBIT MSSF 16 margin	-	-	-	-	-	-	10,4%	-
Net margin	-	-	-	-	-	5,1%	5,3%	-

Source: BDM S.A., company, PAP

- In Q4'19 the group achieved 271 mln PLN of sales (+16% y/y). Gross profit fell to 46 mln PLN. Enter Air reported -35 mln PLN of EBITDA. Net loss was close to 19 mln PLN.
- Sales of "Air services" segment was around 260 mln PLN, while "On-board sales" division generated 11 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 previous reports, the company 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 20 mln PLN (vs 76 mln PLN last year).
- COVID-19:
  - The management board claims that impact of COVID-19 will not be a threat for continuation for running a business;
  - The company took some steps to reduce costs (payrolls) and CAPEX;
  - The company renegotiated terms of lease payments;
  - The banks, which cooperate with Enter Air, had offered additional credit lines (c.a. 250 mln PLN);
  - The group is going to apply for financial help from PFR (max. 400 mln PLN);
  - The management board claimed that tour-operators, which are main clients, have stable financial standings;
  - The company proceeded scenario analysis and each of the cases suggests that company will survive current crisis;
  - The board expects that main tourists destination will re-open in June/July.

**Summary of Q4'19 results:**

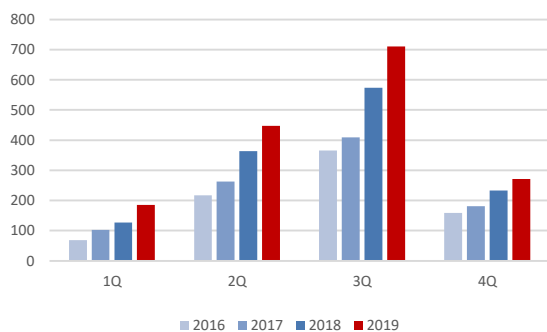
Enter Air results were much below our expectations. The lower growth of sales in Q4'19 caused EBITDA and net loss. In coming quarters the most important to company's financial results will be impact of COVID-19 on current business of the company (mainly: demand) and tour-operators, which are clients of the group. The management board informed about a few initiatives, which should support company's liquidity in next months.

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	Q4'19	2017	2018	2019
<b>Sales</b>	<b>103</b>	<b>262</b>	<b>409</b>	<b>181</b>	<b>126</b>	<b>363</b>	<b>573</b>	<b>233</b>	<b>185</b>	<b>448</b>	<b>711</b>	<b>271</b>	<b>955</b>	<b>1 296</b>	<b>1 615</b>
Air services	97	259	385	173	121	352	556	224	177	434	689	260	914	1 252	1 560
On-board sales	5	11	17	8	6	12	18	9	9	14	21	12	41	44	55
<b>Gross profit</b>	<b>18</b>	<b>20</b>	<b>61</b>	<b>-10</b>	<b>4</b>	<b>56</b>	<b>86</b>	<b>20</b>	<b>28</b>	<b>73</b>	<b>157</b>	<b>-46</b>	<b>89</b>	<b>166</b>	<b>212</b>
SG&A	6	7	7	5	6	8	7	12	8	10	8	12	25	34	38
Other op.income/expenses	0	0	0	-1	0	-2	0	2	0	0	0	-6	-1	0	-7
<b>EBITDA MSSF 16</b>	<b>18</b>	<b>19</b>	<b>61</b>	<b>-9</b>	<b>6</b>	<b>55</b>	<b>89</b>	<b>9</b>	<b>66</b>	<b>111</b>	<b>200</b>	<b>-35</b>	<b>90</b>	<b>159</b>	<b>342</b>
EBIT MSSF 16	12	13	54	-16	-2	46	78	-4	20	62	149	-62	64	119	169
EBIT MSR 17	12	13	54	-16	-2	46	78	-4	26	54	138	-62	64	119	156
Profit before tax	20	12	52	-11	-5	23	82	-15	-11	67	70	-18	73	85	108
<b>Net profit</b>	<b>17</b>	<b>8</b>	<b>42</b>	<b>-9</b>	<b>-4</b>	<b>19</b>	<b>63</b>	<b>-12</b>	<b>-9</b>	<b>54</b>	<b>60</b>	<b>-19</b>	<b>58</b>	<b>66</b>	<b>85</b>
<b>Net debt (cash)</b>	<b>298</b>	<b>257</b>	<b>210</b>	<b>303</b>	<b>387</b>	<b>350</b>	<b>259</b>	<b>472</b>	<b>1210</b>	<b>1132</b>	<b>1085</b>	<b>1017</b>	<b>303</b>	<b>472</b>	<b>1 017</b>
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%	16,4%	18,9%	37,3%	26,4%
Net profit change y/y	71,6%	452,6%	28,3%	-	-	269,0%	44,3%	-	-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%	-	9,3%	12,8%	13,1%
EBITDA margin*	17,4%	7,4%	15,0%	-	5,1%	15,0%	15,5%	4,1%	35,9%	24,7%	28,1%	-	9,4%	12,3%	21,2%
Net margin	16,8%	3,1%	10,3%	-	-	5,4%	11,0%	-	-	12,1%	8,4%	-	6,1%	5,1%	5,3%

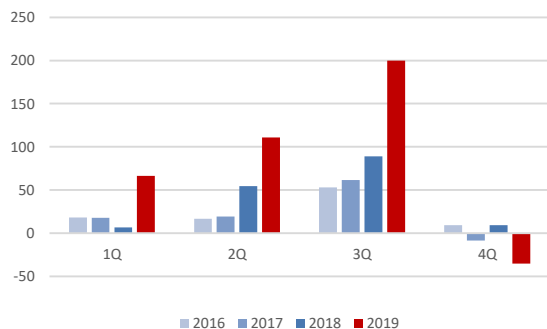
Źródło: BDM S.A., spółka, PAP; according to IFRS 16 from '19

Quarterly sales [mln PLN]



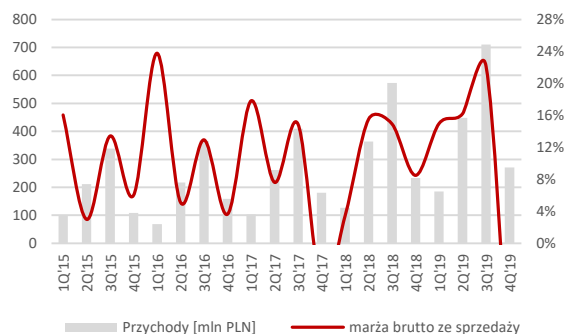
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]



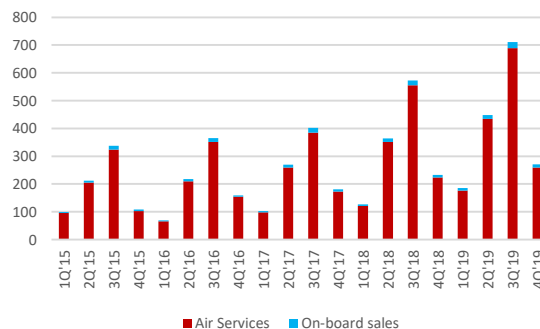
Source: Dom Maklerski BDM S.A., company; according to IFRS 16 from '19

Gross margin and sales



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Source: 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.

**Ratings and price targets history:**

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

**Distribution of BDM's recommendations in Q2'20\*:**

	Distribution of BDM's recommendations in Q2'20*:		, 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	25%	2	0%
Accumulate	1	8%	0	0%
Hold	2	17%	0	0%
Reduce	5	42%	0	0%
Sell	1	8%	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 1 to Directive 2014/65/EU is included in a cyclical "Monthly Report" or at [www.bdm.pl](http://www.bdm.pl)

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