

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]	23,0	P/E	6,1	4,7	-	<b>Analyst:</b> Adrian Górniak gorniak@bdm.pl tel.: 668 516 977
MC [mln PLN]	403,5	EV/EBITDA MSSF 16	-	4,2	-	
		EV/EBIT MSSF 16	-	8,4	-	
		P/BV	1,3	1,1	2,8	

**Last recommendation BDM: Accumulate with target price 37,1 PLN/share (12.06.2020)**

**Q2'20 results [mln PLN]**

	Q2'19	Q2'20	zmiana r/r	Q2'20F BDM	dev.
Sales	448	21	-95,4%	10	103,6%
Gross profit	73	-83	-214,7%	-87	-3,9%
SG&A	10	7	-22,8%	-	-
Other op.income/expenses	0	1	-284,1%	-	-
EBITDA MSSF 16	111	-45	-	-41	9,5%
EBIT MSSF 16	62	-90	-	-87	3,6%
Financial income/expense, net	5	30	-	37	-
Foreign exchange differences, net	15	46	-	48	-
Profit before tax	67	-66	-	-50	-
Net profit	54	-56	-	-41	-
Gross margin	16,2%	-	-	-	-
EBITDA MSSF 16 margin	-	-	-	-	-
EBIT MSSF 16 margin	-	-	-	-	-
Net margin	12,1%	-	-	-	-

Source: BDM S.A., company, PAP

- In Q2'20 the group achieved 21 mln PLN of sales (-95% y/y). Gross profit fell to -83 mln PLN. Enter Air reported -45 mln PLN of EBITDA. Net loss was close to 56 mln PLN. The results were lower y/y because of negative impact of COVID-19 and lock-downs, which were implemented in the majority of countries.
- Sales of "Air services" segment was around 20 mln PLN, while "On-board sales" division generated 1 mln PLN of sales.
- In May'19 the group acquired 49% of Swiss company Germania Flug AG. Enter Air decided to change its 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. Chair Airlines has 3 airplanes (Airbus A319).
- Cash flow from operating activities was close to -103 mln PLN (vs 149 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 postponed the deliveries of Boeing B737-8 MAX);
  - 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.

**Summary of Q2'20 results:**

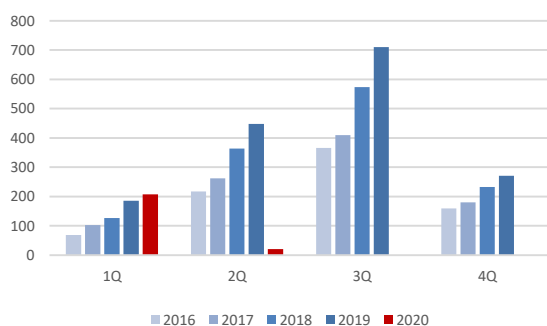
Enter Air was trying to reduce its costs, however because of the negative impact of COVID-19, the results of the company were much lower than in Q2'19. We notice that net debt grew significantly vs Q4'19 (according to MSR 17 +111 mln PLN). We expect that similar negative trends will continue in H2'20, but we hope the results will recover in '21. We point out that several countries implemented new restrictions due to next wave of COVID-19.

Results in previous quarters [mln PLN]

Results Q [mln PLN]	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	2017	2018	2019
<b>Sales</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>207</b>	<b>21</b>	<b>955</b>	<b>1 296</b>	<b>1 615</b>
Air services	121	352	556	224	177	434	689	260	200	20	914	1 252	1 560
On-board sales	6	12	18	9	9	14	21	12	7	0	41	44	55
<b>Gross profit</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>10</b>	<b>-83</b>	<b>89</b>	<b>166</b>	<b>212</b>
SG&A	6	8	7	12	8	10	8	12	7	7	25	34	38
Other op.income/expenses	0	-2	0	2	0	0	0	-6	0	1	-1	0	-7
<b>EBITDA MSSF 16</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>45</b>	<b>-45</b>	<b>90</b>	<b>159</b>	<b>342</b>
EBIT MSSF 16	-2	46	78	-4	20	62	149	-62	2	-90	64	119	169
Profit before tax	-5	23	82	-15	-11	67	70	-18	-95	-66	73	85	108
<b>Net profit</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>-77</b>	<b>-56</b>	<b>58</b>	<b>66</b>	<b>85</b>
<b>Net debt (cash)</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>1142</b>	<b>1231</b>	<b>303</b>	<b>472</b>	<b>1 017</b>
Sales change y/y	23,2%	38,6%	40,0%	29,0%	46,4%	23,2%	24,0%	16,4%	11,8%	-95,4%	18,9%	37,3%	26,4%
Net profit change y/y	-	269,0%	44,3%	-	552,0%	33,1%	76,3%	-	-	-	52,0%	16,7%	32,9%
Gross margin	3,4%	15,5%	14,9%	8,5%	-1190,4%	33,2%	90,1%	-	4,6%	-	9,3%	12,8%	13,1%
EBITDA margin*	5,1%	15,0%	15,5%	4,1%	15,0%	16,2%	22,1%	-	21,9%	-	9,4%	12,3%	21,2%
Net margin	-	5,4%	11,0%	-	35,9%	24,7%	28,1%	-	-	-	6,1%	5,1%	5,3%

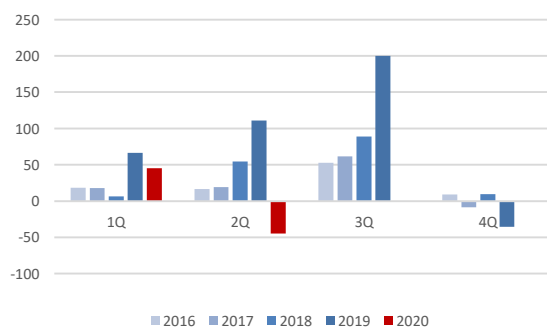
Źródło: BDM S.A., spółka, PAP; according to IFRS 16 from '19

Quarterly sales [mln PLN]



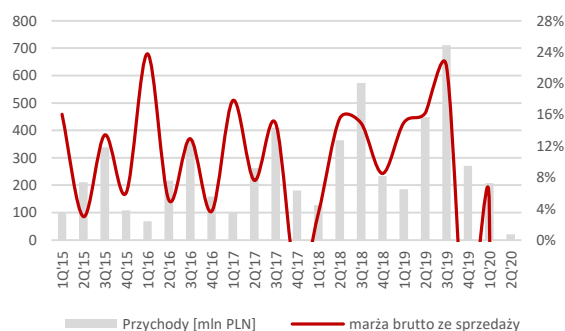
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]



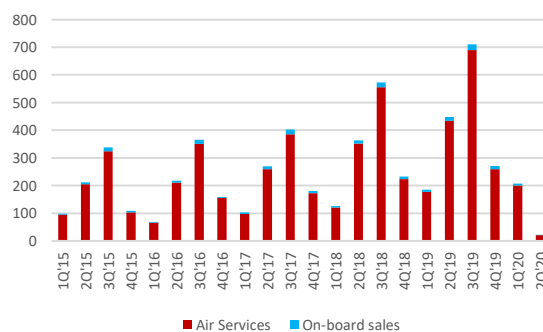
Source: Dom Maklerski BDM S.A., company; according to IFRS 16 from '19

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
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

**Distribution of BDM's recommendations in Q4'20\*:**

	number	%	number	%
Buy	0	0%	0	0%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	1	100%	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 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](http://www.bdm.pl)

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