



Dom Maklerski BDM S.A.

# ENTER AIR

## ANALYTICAL REPORT - SUMMARY

We issue **Hold** recommendation for Enter Air with a target price of **41,8 PLN** per share (previous 28,3 PLN/share; we downgraded risk premium from 6% to 5%). In our opinion current price levels reflect scenario of improvement of financial results towards 2020. However, we suppose the results will not be as good as we estimated in previous analytical report (the company has not informed about new contracts with tour-operators), especially in H1'21. We point out the company received the loan from PFR (c.a. 287 mln PLN), what in our opinion secures company's liquidity. The main risk for Enter Air is still the negative impact of COVID-19 for financial results and the recovery of tourist traffic.

### Company profile

Enter Air is the biggest charter airline in Poland, with a market share of nearly 25% (in whole market 4,3%). It cooperates with the biggest domestic (TUI, Rainbow, Itaka) and foreign tour-operators. The company's fleet currently consists of 24 airplanes – 212Boeings B737-800 and 2 Boeings B737-8 MAX.

### Valuation summary

We base our valuation on two methods: discounted cash flows model (100% contribution in the final valuation), which implies share price 41,8 PLN and peer valuation (0% share in the final valuation), which indicates target price 39,4 PLN. We set the target price 41,8 PLN.

### Forecasts and multiples

We expect that in Q1'21 the company will reach 71 mln PLN of sales, c.a. 17 mln PLN EBITDA MSSF 16 and 24 mln PLN of net loss. In '21 we forecast c.a 1,04 bln PLN of sales, 238 mln PLN EBITDA (EBITDA MSR 17 = 88 mln PLN) and 13 mln PLN of net profit. In 2022 we estimate 1,29 bln PLN of sales, 289 mln PLN EBITDA and 33 mln PLN of net income. Currently, Enter Air trades at EV/EBITDA'21 MSSF 16 = 8,2x and P/E'21 = 57,1x.

**Risk factors:** I) COVID-19. II) Macro environment. III) High consumer concentration. IV) Market competition. V) Aircraft disasters. VI) Terrorist attacks and military conflicts. VII) Natural disasters and epidemics. VIII) Fluctuations of fuel price. IX) Seasonality of financial results.

	2016	2017	2018	2019	2020P	2021P	2022P	2023P
Revenues [mln PLN]	810	955	1 296	1 615	471	1 038	1 294	1 407
EBITDA MSSF 16 [mln PLN]	-	-	-	342	24	238	289	314
EBITDA MSR 17 [mln PLN]	97	90	159	203	-126	88	121	135
EBIT MSSF 16 [mln PLN]	-	-	-	169	-151	80	128	141
EBIT MSR 17 [mln PLN]	61	64	119	156	-171	46	79	93
Net income [mln PLN]	46	58	66	85	-154	13	33	42
Net debt MSSF 16 [mln PLN]	176	303	472	1 017	1 243	1 241	1 397	1 561
Net debt MSR 17 [mln PLN]	176	303	472	580	624	588	695	812
P/BV	3,3	2,8	2,3	2,0	3,5	3,3	2,9	2,5
P/E	15,6	12,4	10,9	8,5	-	57,1	22,0	17,4
EV/EBITDA MSSF 16	-	-	-	5,1	82,2	8,2	7,3	7,3
EV/EBITDA MSR 17	9,2	11,4	7,5	6,4	-	14,9	11,7	11,4
EV/EBIT MSSF 16	-	-	-	10,3	-	24,4	16,6	16,2
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21P	Q2'21P	Q3'21P	Q4'21P
Revenues [mln PLN]	207	21	189	54	71	221	532	213
EBITDA MSSF 16 [mln PLN]	45	-45	50	-27	17	76	146	0
EBITDA MSR 17 [mln PLN]	16	-84	5	-63	-13	36	101	-37
EBIT MSSF 16 [mln PLN]	2	-90	12	-75	-22	37	107	-41
EBIT MSR 17 [mln PLN]	5	-95	1	-82	-23	26	91	-47
Net income [mln PLN]	-77	-56	35	-56	-24	14	71	-49

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

# HOLD

(PREVIOUS: BUY)

## TARGET PRICE 41,8 PLN

13 MAY 2021, 07:00 CEST

DCF valuation [PLN]	41,8
Peer valuation [PLN]	39,4
<b>Target price [PLN]</b>	<b>41,8</b>
Price upside/downside	+1,6%
Cost of capital	9,0%
Price [PLN]	41,2
Market cap [mln PLN]	721,9
Shares [mln. szt.]	17,5
Max. price 6M [PLN]	44,0
Min. price 6m [PLN]	26,2
Rate of return 3M	+8,2%
Rate of return 6M	+61,5%
Rate of return 9M	+54,9%
Shareholders (% of votes):	
ENT Investments Ltd	52,5%
NN PTE	10,4%
Investors TFI	8,1%
Generali OFE	7,1%
Pozostali	21,9%

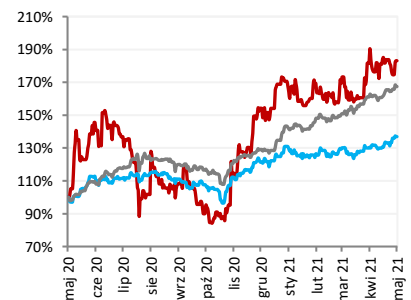
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This report has been prepared in compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (on market abuse), Commission Delegated Regulation (EU) 2016/958 and Commission Delegated Regulation (EU) 2017/565. Detailed contents of legal notes is located on the last page of this report. The report has been prepared and made available for distribution by BDM. GPW shall be a copyright holder to this report from the date of its publication. The report can be published and made available without limitation by GPW through any mass communication media as decided by GPW.

**This document is a summary of a full version of the report prepared in Polish. In case of any disputes the Polish version shall prevail.**

**Valuation summary**

	Share	Valuation
DCF valuation	100%	41,8
Peer valuation	0%	39,4
<b>Target price [PLN]</b>		<b>41,8</b>

Source: BDM S.A.

**DCF valuation**

	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P
Revenues [mln PLN]	1 037,6	1 294,2	1 407,0	1 515,5	1 607,2	1 668,3	1 719,0	1 766,1	1 809,6	1 849,7
EBIT [mln PLN]	80,3	127,8	141,1	148,9	153,6	155,2	155,6	154,1	153,0	152,1
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Tax on EBIT [mln PLN]	15,3	24,3	26,8	28,3	29,2	29,5	29,6	29,3	29,1	28,9
NOPLAT [mln PLN]	65,1	103,5	114,3	120,6	124,4	125,7	126,0	124,8	123,9	123,2
Amortization, including: [mln PLN]	158,1	161,6	172,4	183,2	192,9	202,1	210,8	218,5	225,0	230,5
-right to use assets	116,3	120,0	130,8	141,2	150,8	159,9	168,1	175,1	181,1	185,8
CAPEX [mln PLN]	-160,7	-362,2	-382,2	-229,4	-236,1	-240,5	-243,5	-245,4	-247,2	-248,3
- lease payments	-150,3	-168,7	-178,7	-185,8	-193,1	-197,5	-200,8	-202,5	-203,2	-203,4
Working capital movement [mln PLN]	-7,0	12,8	4,3	3,8	2,6	0,8	0,1	-0,2	-0,5	-0,7
Purchase of investment [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from sold assets [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCF [mln PLN]	55,6	-84,3	-91,2	78,1	83,8	88,0	93,5	97,7	101,3	104,6
DFCF [mln PLN]	53,9	-78,0	-80,4	65,6	66,8	66,7	67,2	66,4	65,2	63,6
Total DFCF [mln PLN]	357,1									
Terminal value [mln PLN]	2 596,2									
Discounted terminal value [mln PLN]	1 580,0									
Enterprise value [mln PLN]	1 937,1									
Net debt [mln PLN]	1 243,5									
Minorities [mln PLN]	0,0									
Shares of Chair Airlines [mln PLN]	39,7									
Dividend [mln PLN]	0,0									
<b>Equity value [mln PLN]</b>	<b>733,4</b>									
Number of shares [mln]	17,5									
<b>Value per share [PLN]</b>	<b>41,8</b>									

Terminal growth rate: 1,0%

**WACC calculation**

	2021P	2022P	2023P	2024P	2025P	2026P	2027P	2028P	2029P	2030P
Risk-free rate	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Risk premium	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Beta	1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2	1,2
Credit premium	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Cost of equity	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
Contribution of equity	21,8%	23,2%	24,1%	26,6%	29,2%	31,9%	33,9%	35,8%	37,7%	39,5%
Cost of debt after tax	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%
Contribution of debt	78,2%	76,8%	75,9%	73,4%	70,8%	68,1%	66,1%	64,2%	62,3%	60,5%
<b>WACC</b>	<b>4,8%</b>	<b>4,9%</b>	<b>4,9%</b>	<b>5,1%</b>	<b>5,2%</b>	<b>5,4%</b>	<b>5,5%</b>	<b>5,6%</b>	<b>5,7%</b>	<b>5,8%</b>

Source: BDM S.A.

**Sensitivity analysis**

beta	Terminal growth rate			Risk premium	Terminal growth rate			Risk premium	Beta		
	0,5%	1,0%	1,5%		0,5%	1,0%	1,5%		1,1	1,2	1,3
1,1	37,4	47,2	59,5	4,0%	44,5	55,7	70,0	4,0%	59,7	55,7	52,0
1,2	32,8	41,8	52,9	5,0%	32,8	41,8	52,9	5,0%	45,7	41,8	38,2
1,3	28,6	36,8	46,8	6,0%	23,2	30,4	39,2	6,0%	34,2	30,4	27,0

Source: BDM S.A.

**Peer valuation**

	P/E		EV/EBITDA	
	2022	2023	2022	2023
Ryanair	226,8	13,1	25,6	8,2
EasyJet	26,0	11,3	7,4	5,4
Wizz Air	959,7	10,3	13,3	6,0
TUI	14,5	10,0	5,7	5,0
Rainbow	18,6	14,4	8,7	7,4
<b>Mediana</b>	<b>26,0</b>	<b>11,3</b>	<b>8,7</b>	<b>6,0</b>
Enter Air	22,0	17,4	7,3	7,3
Premia/dyskonto grupa	-15,3%	53,1%	-16,0%	21,5%
<b>Wycena wg wskaźnika</b>	<b>48,6</b>	<b>26,9</b>	<b>64,2</b>	<b>18,1</b>
Waga roku	50%	50%	50%	50%
<b>Wycena wg wskaźników</b>	<b>37,7</b>		<b>41,1</b>	
Waga wskaźnika	50%		50%	
<b>Wycena końcowa [PLN]</b>	<b>39,4</b>			

Source: BDM S.A., Bloomberg

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**Ratings and price targets history:**

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
<b>Hold</b>	<b>41,8</b>	<b>Buy</b>	<b>28,3</b>	<b>13.05.2021*</b>	<b>07:00 CEST</b>	<b>41,2</b>	<b>62 214</b>
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 Coverage Support Programme

**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.

**The strengths and weaknesses of the valuation methods used in the report:**

DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).  
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.  
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 2Q'21*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
numbers	%	numbers	%
Buy	2 33%	0	0%
Accumulate	2 33%	0	0%
Hold	1 17%	0	0%
Reduce	1 17%	1	100%
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](http://www.bdm.pl)

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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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For the first time this report has been made available to the public on 13.05.2021 (07:00 CEST). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

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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- BDM is not a holder of net long or short positions exceeding the threshold of 0,5 % of the total issued share capital of the issuer,
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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
- BDM has not been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer;
- BDM is not a party to an agreement with the issuer relating to the provision of investment banking services pursuant to art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25<sup>th</sup> July 2005,
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According to the best knowledge of the party recommending upon the publication of the report there are no other connections between BDM and the company described in this report that the party preparing this report would know of. However, the investor should be aware that the list disclosing conflicts of interest is long and that in the future there may occur situations leading to conflicts of interest which have not been identified or disclosed at the moment of publication of the report concerned. Especially, the investor should assume that BDM may submit an offer for services to a company or other companies mentioned in this report.

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