

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

			2019	2020	2021F	
Price [PLN]	26,2	P/E	5,4	-	-	Analyst: Adrian Górnica gorniak@bdm.pl tel.: 668 516 977
MC [mln PLN]	459,6	EV/EBITDA IFRS 16	4,3	71,2	6,6	
		EV/EBIT IFRS 16	8,8	-	68,0	
		P/BV	1,3	2,2	3,3	

Last recommendation BDM: Buy with target price 41,6 PLN/share (07.10.2021) [LINK](#)

BDM comment: The results of Enter Air in Q3'21 were higher than in Q3'20 (strong growth of EBITDA and net profit) and were above our expectations (despite the c.a. 10% lower sales than our assumptions; lower consumption of materials and energy). That's why, we consider the results as positive. The company has boosted its sales (we estimate Enter Air realized c.a. 75-80% of flights in a reference to Q3'19), due to enduring COVID-restrictions (in our opinion, COVID-19 is still the biggest risk for future results). We point out the company received the loan from PFR (c.a 287 mln PLN), what secures in our opinion company's liquidity (c.a. 363 PLNm of cash EoP).

Q3'21 results [mln PLN]

	Q3'20	Q3'21	zmiana r/r	Q3'21F BDM	dev.
Sales	189	537	183,7%	601	-10,6%
Gross profit	27	155	-	147	5,8%
SG&A	8	9	10,8%	26	-65,1%
Other op.income/expenses	-7	0	-	0	-
EBITDA MSSF 16	50	206	-	174	18,8%
EBIT MSSF 16	12	147	-	120	21,9%
Financial income/expense, net	19	-60	-	-71	-
Profit before tax	33	93	-	49	89,2%
Net profit	35	76	-	40	91,0%
Gross margin	14,4%	29,0%		24,5%	
EBITDA MSSF 16 margin	26,5%	38,4%		28,9%	
EBIT MSSF 16 margin	6,3%	27,3%		20,0%	
Net margin	18,5%	14,1%		6,6%	

Source: BDM S.A., company, PAP

- In Q3'21 the group achieved 537 PLNm of sales (+184% y/y). Gross profit rose to 155 PLNm. Enter Air reported 206 PLNm of EBITDA. Net profit was close to 76 PLNm. The results were higher y/y because of enduring COVID-restrictions, despite the negative foreign exchange differences (-60 mln PLN).
- Sales of "Air services" segment was around 515 PLNm, while "On-board sales" division generated 22 PLNm 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 226 PLNm (vs 74 PLNm 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 PLNm);
 - The group got financial help from PFR (287 PLNm);
 - 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 company's conference call will take place on the 3rd December at 10:00.

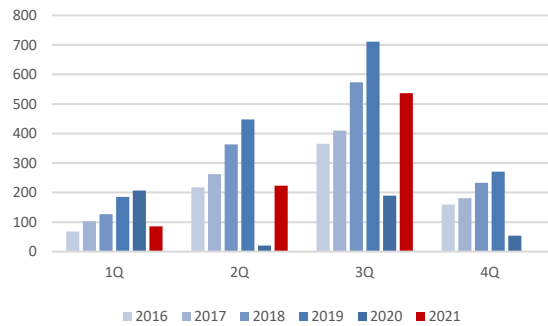


Results in previous quarters [mIn PLN]

Results Q [mIn PLN]	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	2018	2019	2020
Sales	185	448	711	271	207	21	189	54	85	223	537	1 296	1 615	471
Air services	177	434	689	260	200	20	183	50	81	212	515	1 252	1 560	453
On-board sales	9	14	21	12	7	0	6	4	4	10	22	44	55	17
Gross profit	28	73	157	-46	10	-83	27	-78	-60	-6	155	166	212	-124
SG&A	8	10	8	12	7	7	8	5	9	8	9	34	38	28
Other op.income/expenses	0	0	0	-6	0	1	-7	9	1	6	0	0	-7	2
EBITDA MSSF 16	66	111	200	-35	45	-45	50	-27	-18	45	206	159	342	24
EBIT MSSF 16	20	62	149	-62	2	-90	12	-75	-67	-8	147	119	169	-151
Profit before tax	-11	67	70	-18	-95	-66	33	-60	-142	25	93	85	108	-188
Net profit	-9	54	60	-19	-77	-56	35	-56	-116	19	76	66	85	-154
Net debt (cash)	1210	1132	1085	1017	1142	1231	1227	1243	1380	1258	1142	472	1 017	1 243
Sales change y/y	46,4%	23,2%	24,0%	16,4%	11,8%	-95,4%	-73,4%	-80,2%	-59,0%	983,0%	183,7%	37,3%	26,4%	-69,0%
Net profit change y/y	-	177,0%	-5,7%	-	751,9%	-203,8%	-41,3%	187,5%	50,9%	-134,8%	116,4%	16,7%	32,9%	-193,9%
Gross margin	-	33,2%	90,1%	-	4,6%	-	14,4%	-	-	-	29,0%	12,8%	13,1%	-
EBITDA margin*	15,0%	16,2%	22,1%	-	21,9%	-	26,5%	-	-	20,2%	38,4%	12,3%	21,2%	5,1%
Net margin	35,9%	24,7%	28,1%	-	-	-	18,5%	-	-	8,8%	14,1%	5,1%	5,3%	-

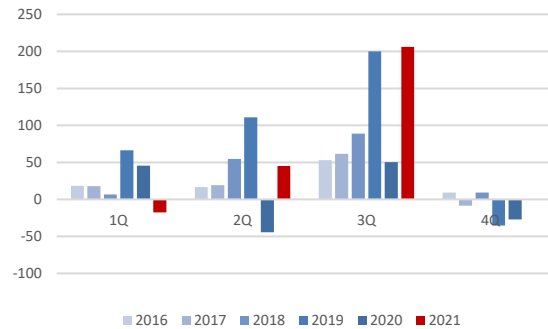
Źródło: BDM S.A., spółka, PAP; according to IFRS 16 from '19

Quarterly sales [mIn PLN]



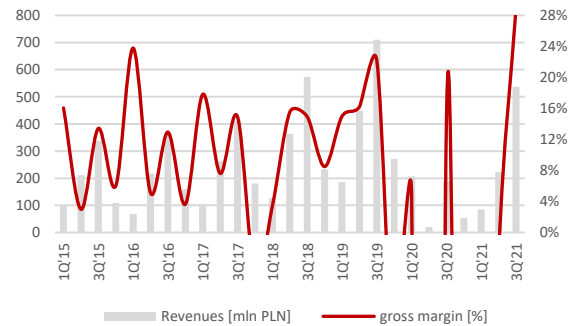
Source: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mIn PLN]



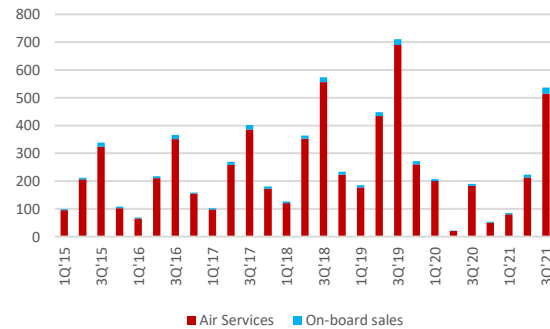
Source: Dom Maklerski BDM S.A., company; according to IFRS 16 from '19

Gross margin and sales



Source: Dom Maklerski BDM S.A., company

Sales by divisions [mIn 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	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

Distribution of BDM's recommendations in Q4'21*:

	number	%	number	%
Buy	2	100%	3	100%
Accumulate	0	0%	0	0%
Hold	0	0%	0	0%
Reduce	0	0%	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

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