

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

			2021	2022	2023	
Price [PLN]	59,9	P/E adj.	-	6,3	15,1	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	1 051	EV/EBITDA MSSF 16	11,7	5,0	5,7	
		EV/EBIT MSSF 16	-	9,8	14,1	
		P/BV	11,8	6,5	2,9	

Last recommendation BDM: BUY with target price 71,0 PLN/share (2024/11/29) [LINK](#)

BDM Comment: 3Q'24 as we expected, turned out to be the best quarter in the company's history. The reported results were close to our expectations and consensus, which we perceive as neutral. Due to further fleet expansion and increase in flight operations, the airline services revenues grew to PLN 1 188,2 million (+11% r/r). The drop in fuel prices in Q3'24 along with the lack of the need to use additional wet-lease contributed to a significant improvement in the company's y/y margin. The expansion of transport capacity resulted in a further increase in depreciation to PLN 76,5 million (+19% y/y). We were positively surprised by the result on other operating activities, which reached PLN 8,9 million (of which PLN 10,2 million relates to profit from the sale of fixed assets). During the period, the carrier's EBITDA reached PLN 257,4 million (+34% y/y), slightly exceeding our expectations. At the net profit level, the company reported PLN 185,6 million (+226% y/y). The results were boosted by FX differences from balance sheet valuation, which amounted to PLN 84,5 million (vs. PLN 62 million expected by BDM). On the other hand, a negative impact came from a loss on SWAP transactions, which reached PLN 33,9 million, higher than our assumption of PLN 22 million. The adjusted (for FX differences and SWAP transactions) net result amounted to PLN 135,0 million (+30,2% y/y) and was slightly below our expectations. We also note that operational cash flows significantly improved y/y in 3Q'24, reaching PLN 273,7 million (+50% y/y).

Q3'24 results [mln PLN]

	3Q'23	3Q'24	change y/y	3Q'24F BDM	dev.	3Q'24F cons.	dev.	1-3Q'23	1-3Q'24	change y/y
Sales	1 070,6	1 188,2	11,0%	1 214,8	-2,2%	1 034,0	14,9%	2 082,0	2 353,6	13,0%
Air services	1 042,9	1 160,1	11,2%	1 184,0	-2,0%	-	-	2 021,1	2 286,5	13,1%
On-board sales	27,6	28,1	1,6%	30,8	-8,8%	-	-	60,9	67,0	10,1%
Gross profit	142,3	190,3	33,8%	198,2	-4,0%	-	-	228,7	280,9	22,8%
Air services	133,2	186,0	39,6%	188,9	-1,5%	-	-	210,5	264,4	25,6%
On-board sales	8,3	4,5	-46,5%	9,3	-52,0%	-	-	17,4	15,7	-10,0%
EBITDA	192,8	257,4	33,5%	249,7	3,1%	255,5	0,7%	367,9	444,5	20,8%
EBIT	128,6	180,9	40,7%	179,7	0,7%	185,5	-2,5%	191,0	242,6	27,0%
Profit before tax	68,1	220,3	223,5%	214,5	2,7%	-	-	160,7	193,7	20,6%
Net profit	56,9	185,6	226,2%	183,3	1,3%	165,5	12,2%	130,4	161,5	23,8%
Net profit adj.*	133,9	101,2	-24,5%	121,0	-16,4%	-	-	133,8	112,4	-16,0%
Net profit adj.**	103,7	135,0	30,2%	143,0	-5,6%	-	-	164,0	146,3	-10,8%
Gross margin	13,3%	16,0%		16,3%		-		11,0%	11,9%	
EBITDA margin	18,0%	21,7%		20,6%		24,7%		17,7%	18,9%	
EBIT margin	12,0%	15,2%		14,8%		17,9%		9,2%	10,3%	
Net margin	5,3%	15,6%		15,2%		16,0%		6,3%	6,9%	
Net margin adj.*	12,5%	8,5%		9,9%		-		6,4%	4,8%	
Net margin adj.**	9,7%	11,4%		11,7%		-		7,9%	6,2%	

Source: BDM S.A., company; *-adj. of the impact of exchange differences from the balance sheet valuation;

** - adj. of the impact of exchange differences from the balance sheet valuation and SWAP valuation

- In Q3'24, the group generated PLN 1 188,2 million in revenue, which means an increase of approx. 11% y/y.
- In the area of airline services, the company generated turnover of PLN 1 160,1 million (+11% y/y) and PLN 28,1 million (+1,6% y/y) in on-board sales.
- Domestic revenue accounted for 80,9% of total airline services (+22,3% y/y) = PLN 961,3 million, while international revenue accounted for 16,7% = PLN 198,8 million (-22,6% y/y).
- In Q3'24, cost of sales increased by 7,5% y/y to PLN 997,8 million, with the main factor contributing to the higher level of costs compared to the same period last year being the increase in the cost of external services (+9,4% to PLN 485,4 million), salaries (+31,7% y/y to PLN 21,8 million) and materials and energy (+2,9% to the level of PLN 413,6million) as well as which is primarily related to the higher number of flight operations performed and conducted inspections of the fleet.
- The cost of external services in relation to airline services amounted to 41,8% and decreased both y/y and q/q (42,6% in Q3'23; 43,7% in Q2'24) and was close to our assumptions. The cost of materials and energy in relation to airline services revenue amounted to 35,7% vs. 38,6% in Q3'23, which was slightly lower than our forecasts.
- Due to the addition of new machines, depreciation increased (+19,1% y/y) to PLN 76,5 million and turned out to be higher than our assumptions.
- The gross result on the sale of the company amounted to PLN 190,3 million (+33,8% y/y).

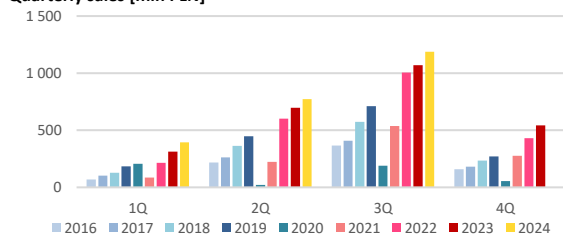
- Other operating activities generated PLN 8.9 million (of which PLN 10.2 million relates to profit from the sale of fixed assets).
- **At the EBITDA level, Enter Air reported a profit of PLN 257,4 million (+33,5% r/r) which was a slightly higher result than our forecasts.**
- The company's financial balance amounted to PLN 30,8 million (PLN 84,5 million of which were exchange differences from the balance sheet valuation vs PLN 62,0 million BDM) and due to higher exchange differences, it exceeded our assumptions. Interest costs from financial leases increased year-on-year by 30,0% to 23,2 million PLN.
- The result was boosted by a gain from the settlement of entities accounted for using the equity method (PLN +8,6 million - of which PLN 9,7 million relates to Chair Airlines AG, and PLN -1,1 million to Fly4) which was close to our expectations (PLN 9,2 million).
- **In the discussed period, the company generated a adj. net result of PLN 101,2 million (-24,5% y/y). Additionally adj. net result for SWAP transactions amounted to PLN 135.0 million (+30.2% y/y) and was close to our expectations, which we perceive as neutral.**
- In the discussed period, cash flow from operating activities amounted to PLN 273,7 million (+50,5% y/y), investment CF = PLN -11,1 million (CAPEX = PLN 64,8 mln), and financial CF = PLN -207,3 million (of which 77,2 million PLN dividend, 53,2 million PLN pertains to lease liability payments and PLN 86,5 million related to loan repayments). At the end of September 2024, the group had PLN 366,3 million in cash and other financial assets (PLN +72,2 million q/q).
- Net debt increased q/q by PLN 4,7 million to PLN 1 512,3 million.
- In October 2024, Enter Air Services received a maintenance organization certificate issued by the Civil Aviation Office, allowing it to conduct its own service in a hangar in Debrecen, Hungary. The single-station, modern building has been serving aircraft belonging to the Enter Air fleet since October, but the carrier does not rule out providing services also to external entities.
- Results conference – 29.11.2024 10:00 a.m.

Results in previous quarters [mln PLN]

	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22	2Q'22	3Q'22	4Q'22	1Q'23	2Q'23	3Q'23	4Q'23	1Q'24	2Q'24	3Q'24
Sales	85,0	222,7	536,9	275,7	215,1	602,6	1 006,1	431,9	313,8	697,7	1 070,6	543,9	392,9	772,6	1 188,2
<i>Air services</i>	80,7	212,5	515,2	261,6	206,8	587,2	981,5	412,0	301,9	676,3	1 042,9	525,5	375,5	751,0	1 160,1
<i>On-board sales</i>	4,3	10,2	21,6	14,2	8,4	15,4	24,6	19,9	11,9	21,4	27,6	18,5	17,4	21,6	28,1
Gross profit	-60,2	-6,0	155,5	-37,2	-22,2	68,7	164,0	5,6	-3,5	89,9	142,3	-7,1	-12,4	103,0	190,3
<i>Air services</i>	-61,0	-8,5	150,8	-40,3	-24,2	68,4	158,7	-1,6	-7,2	84,5	133,2	-11,3	-19,0	97,4	186,0
<i>On-board sales</i>	0,9	2,5	4,7	3,0	2,0	0,4	5,1	7,2	3,7	5,4	8,3	4,2	6,6	4,7	4,5
EBITDA MSSF 16	-17,7	44,9	206,1	-24,5	18,1	112,5	266,6	45,4	40,5	134,6	192,8	37,2	35,1	152,0	257,4
EBIT MSSF 16	-67,5	-8,4	146,5	-84,7	-36,2	58,6	211,7	-8,5	-13,2	75,6	128,6	-24,9	-25,9	87,6	180,9
Profit before tax	-142,1	25,4	92,5	-116,9	-82,2	-38,5	113,9	84,0	-17,0	109,6	68,1	79,9	-75,3	48,8	220,3
Net profit	-116,3	19,5	75,6	-96,0	-68,7	-31,0	104,0	67,9	-16,5	90,0	56,9	66,0	-64,3	40,1	185,6
Gross margin	-70,8%	-2,7%	29,0%	-13,5%	-10,3%	11,4%	16,3%	1,3%	-1,1%	12,9%	13,3%	-1,3%	-3,2%	13,3%	16,0%
EBITDA MSSF 16 margin	-20,8%	20,2%	38,4%	-8,9%	8,4%	18,7%	26,5%	10,5%	12,9%	19,3%	18,0%	6,8%	8,9%	19,7%	21,7%
EBIT MSSF 16 margin	-79,4%	-3,8%	27,3%	-30,7%	-16,8%	9,7%	21,0%	-2,0%	-4,2%	10,8%	12,0%	-4,6%	-6,6%	11,3%	15,2%
Net margin	-136,8%	8,8%	14,1%	-34,8%	-31,9%	-5,2%	10,3%	15,7%	-5,2%	12,9%	5,3%	12,1%	-16,4%	5,2%	15,6%

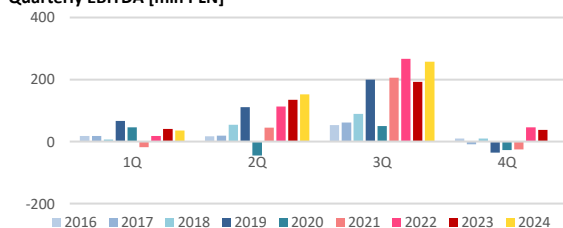
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



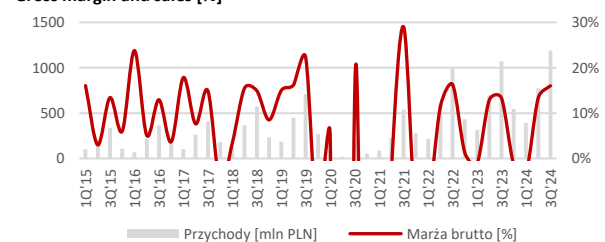
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]*



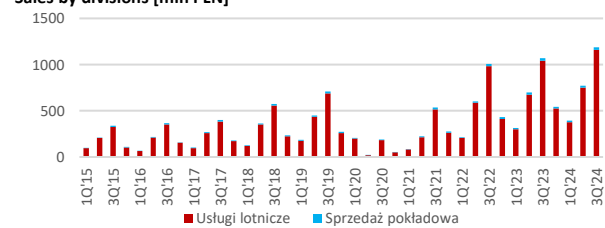
Źródło: Dom Maklerski BDM S.A., company; *according to IFRS 16 from '19

Gross margin and sales [%]



Źródło: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Źródło: 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.

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	71,0	Buy	77,5	29.10.2024*	08:50 CEST	60,0	80 763
Buy	77,5	Buy	59,8	10.06.2024*	13:30 CEST	62,3	84 406
Buy	59,8	Accumulate	52,3	29.08.2023*	08:30 CEST	43,5	68 722
Accumulate	52,3	Accumulate	24,0	23.05.2023*	11:55 CEST	46,2	65 734
Accumulate	24,0	Accumulate	25,3	26.10.2022*	11:10 CET	21,5	48 263
Accumulate	25,3	Buy**	41,6	11.07.2022*	08:00 CET	22,9	54 611
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

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Support Programme. ** - the author of reports on Enter Air in the years 2019-2021 was Adrian Górnik

Distribution of BDM's recommendations in Q4'24*:

	number	%	number	%
Buy	4	44%	0	0%
Accumulate	3	33%	0	0%
Hold	1	11%	0	0%
Reduce	1	11%	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 is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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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 29.11.2024 (08:20 CET). 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.

Detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included in a cyclical “Monthly Report”.

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- BDM is not a market maker or liquidity provider in the financial instruments of the issuer,
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