



Dom Maklerski BDM S.A.

ENTER AIR

ANALYTICAL REPORT - SUMMARY

Thanks to strong demand for aviation services, Q3'23 brought a record number of air operations (+8% y/y), which, according to our estimates, also translated into the best quarterly performance in the company's history. We estimate that in Q3'24, Enter Air generated 249,7 million PLN EBITDA (+29,5% y/y) and 143,0 million PLN (+37,8% y/y) in adjusted net profit. We assume that in the entire 2024 the company will generate PLN 482,1 million EBITDA (+19% y/y) and an adjusted net profit of approximately 101,8 million PLN (+46% y/y). Based on recent information from management, we anticipate that the fleet size in 2025 will remain at a similar level y/y. The main reason for the lack of further capacity expansion is the high prices of used aircraft. However, we expect that the market situation will gradually improve in the coming quarters, allowing the company to contract around three new machines for 2026. We believe that the opening of the company's own hangar and the reduction of wet-lease usage will significantly enhance operational efficiency. Taking these factors into account, we are lowering our expectations regarding the company's transport capacity in the coming years, leading to a revision of our forecasts compared to our previous recommendation. After updating the model, we set a target price at 71,0 PLN, which implies maintaining the Buy recommendation.

Thanks to strong demand for aviation services, Q3'23 brought a record number of air operations (+8% y/y), which, according to our estimates, also translated into the best quarterly performance in the company's history. We would like to remind you that in the comparable period of Q3'23, delays in the delivery of the contracted aircraft forced the company to rent additional aircraft, which was associated with an additional cost of PLN 35 million. During the last results conference, the management emphasized that in this year's high season there was no need to use additional wet-lease. Taking this into account, along with the decrease in jet fuel prices throughout Q3'24, we expect a reduction in the ratio of materials, energy, and external services costs relative to revenues, which should lead to a significant improvement in the margin y/y. We estimate that in the entire Q3'24 Enter Air generated PLN 249,7 million EBITDA (+29,5% y/y) and PLN 143,0 million adj. net profit (+37,8% y/y).

Throughout 2024, we expect an increase in the number of flight operations by approximately 11-12% y/y, which should translate into revenues of around 3.0 billion PLN. We also project that the company will achieve a record EBITDA of 482,1 million PLN, which is an increase of 19% y/y.

Based on the latest information provided by management, we assume that the fleet size in 2025 will remain at a similar level y/y. The company plans to replace two of the four aircraft leased under wet lease with two new planes, which should support an increase in flight operations during the low season. At the same time, this change will impact profitability in this period, while generating greater savings in the high season. The main reason for the lack of further capacity expansion is the high prices of used aircraft. However, we expect that the market situation will gradually improve in the coming quarters, allowing the company to contract around three new machines for 2026. Taking these factors into account, we are lowering our expectations regarding the company's transport capacity in the coming years, leading to a revision of our forecasts compared to our previous recommendation.

We expect that, thanks to having its own hangar where the company can inspect 20% of its fleet, Enter's profitability will improve already during the current low season. We assume that these activities, combined with a reduction in wet-lease usage, will be key factors in enhancing the company's operational efficiency.

Recently, the company fully repaid its loan from PFR (approx. PLN 70 million in Q3'24) and paid a record dividend of PLN 4,4 per share. We expect the policy of redistributing profits to investors to continue in the coming years. We forecast that in 2025, DPS will be around PLN 2,5, implying a yield of 4,1%.

A potential area of risk involves the charges brought by the Office of Competition and Consumer Protection (UOKiK) against the company and the related possibility of imposing financial sanctions. According to the information provided in the announcement, the company faces fines of up to 10% of its turnover for each of the ten contested practices. Due to the company's intensive activities aimed at developing adequate solutions in each of these areas, and its proactive approach to modifying current practices, we expect that the potential penalty will be much milder.

	2021	2022	2023	2024F	2025F	2026F	2027F
Revenues [mln PLN]	1 120,3	2 255,8	2 625,9	2 974,8	3 129,9	3 438,1	3 664,2
EBITDA MSSSF16[mln PLN]	208,2	442,7	405,2	482,1	521,0	576,6	622,8
EBIT MSSSF16 [mln PLN]	-14,1	225,6	164,3	218,6	231,2	261,3	281,8
Gross income [mln PLN]	-141,1	77,1	240,5	151,0	153,3	178,7	193,2
Net income [mln PLN]	-117,1	72,3	196,4	132,1	124,2	144,7	156,5
P/BV	11,8	6,5	2,9	2,7	2,2	1,8	1,6
P/E	-	6,3	15,1	8,0	8,5	7,3	6,7
EV/EBITDA MSSSF16	11,7	5,0	5,7	5,0	4,8	4,5	4,3
EV/EBIT MSSSF16	-	9,8	14,1	11,1	10,8	9,9	9,5
DPS	0,0	0,0	0,0	4,4	2,5	2,5	2,8
DY	0,0%	0,0%	0,0%	7,3%	4,1%	4,1%	4,7%

BUY

(PREVIOUS: BUY)

TARGET PRICE 71,0 PLN

29 OCTOBER 2024, 08:50 CET

Target price [PLN]	71,0
Price upside	18%
Cost of capital	8,9%
Price [PLN]	60,0
Market cap [mln PLN]	1 053
Shares mln. szt.]	17,5
Max. price 6M [PLN]	73,0
Min. price 6m [PLN]	56,3
Rate of return 3M	5,1%
Rate of return 6M	-2,4%
Rate of return 9M	23,8%
Shareholders (% of votes):	
ENT Investments Ltd	51,5%
NN OFE	10,7%
Generali OFE	7,6%
TFI Allianz	5,6%
Others	24,6%

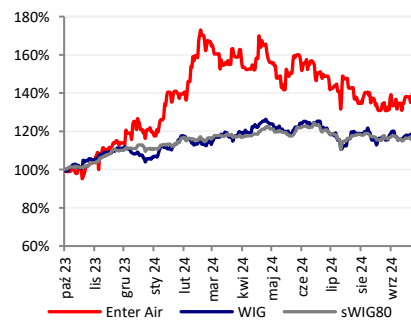
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Valuation summary

	Share	Valuation
DCF valuation	70%	81,5
Peer valuation	30%	46,5
Target price [PLN]		71,0

Source: BDM S.A.

DCF valuation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Revenues [mln PLN]	2 974,8	3 129,9	3 438,1	3 664,2	3 872,2	4 089,2	4 318,2	4 555,9	4 804,6	5 051,9
EBIT [mln PLN]	218,6	231,2	261,3	281,8	296,9	310,9	324,1	335,9	346,3	352,3
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Tax on EBIT [mln PLN]	41,5	43,9	49,7	53,5	56,4	59,1	61,6	63,8	65,8	66,9
NOPLAT [mln PLN]	177,1	187,3	211,7	228,3	240,5	251,8	262,6	272,0	280,5	285,3
Amortization [mln PLN]	263,4	289,8	315,3	341,0	366,6	392,3	418,0	443,8	469,5	495,3
CAPEX [mln PLN]	-306,9	-338,0	-369,3	-401,3	-427,8	-456,5	-486,1	-515,3	-544,9	-573,4
Working capital movement [mln PLN]	3,2	0,5	-0,8	0,6	0,1	-0,4	-0,3	-0,1	0,0	0,3
Purchase of investmen [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]	136,9	139,6	156,8	168,5	179,4	187,3	194,2	200,4	205,2	207,6
DFCF [mln PLN]	136,8	128,1	131,9	129,9	126,7	121,0	114,8	108,3	101,4	93,8
Total DFCF [mln PLN]	1 192,8									
Terminal value [mln PLN]	3 356,2									
Discounted terminal value [mln PLN]	1 516,3									
Enterprise value [mln PLN]	2 709,1									
Net debt 2023 [mln PLN]	1 339,4									
Other financial assets [mln PLN]	60,6									
Equity value [mln PLN]	1 430,3									
Number of shares [mln]	17,5									
Value per share [PLN]	81,5									

Terminal growth rate: 1,0%

WACC calculation

	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
Risk-free rate	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%
Risk premium	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
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	15,1%	15,1%	15,1%	15,1%	15,1%	15,1%	15,1%	15,1%	15,1%	15,1%
Contribution of equity	32,2%	33,3%	34,3%	35,1%	35,7%	36,3%	36,8%	37,3%	37,7%	38,0%
Cost of debt after tax	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%	5,9%
Contribution of debt	67,8%	66,7%	65,7%	64,9%	64,3%	63,7%	63,2%	62,7%	62,3%	62,0%
WACC	8,9%	9,0%	9,1%	9,1%	9,2%	9,3%	9,3%	9,3%	9,4%	9,4%

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	80,8	86,5		92,9	5,5%	84,9		90,9	97,8	5,5%	93,5
	1,2	76,3	81,5	87,4	6,5%	76,3	81,5	87,4	6,5%	84,1	81,5	79,1
	1,3	72,0	76,9	82,3	7,5%	68,5	73,1	78,3	7,5%	75,8	73,1	70,7

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2024P	2025P	2026P	2024P	2025P	2026P
Ryanair	10,3	12,7	10,3	5,8	6,7	5,4
EasyJet	8,7	7,5	7,0	2,8	2,4	2,3
Wizz Air	4,1	4,8	3,4	4,8	4,5	3,9
TUI	7,2	5,9	5,2	2,7	2,4	2,1
Rainbow	6,4	7,4	7,7	4,1	4,6	4,5
Mediana	7,2	7,4	7,0	4,1	4,5	3,9
Enter Air*	10,3	8,5	7,3	5,0	4,8	4,5
Premium/discount	44,5%	15,2%	4,1%	21,7%	6,5%	15,0%
Valuation [PLN/share]	41,5	52,1	57,7	35,4	51,3	40,8
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		50,4			42,5	
Multiple's contribution		50%			50%	
Value per share [PLN]		46,5				

Main risks: 1) COVID-19 and its consequences 2) Macroeconomic environment 3) Customer concentration 4) Market competition 5) Aircraft crash 6) Suspension of Boeing 737 MAX 8 7) Terrorist attacks and military conflicts 8) Natural disasters and epidemics 9) Changes in fuel prices 10) Seasonality of results 11) Interest rate risk 12) Delays in the delivery of contracted aircraft 13) Risk of financial penalty from the Office of Competition and Consumer Protection

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

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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 CET	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 Coverage Support Programme. **- the author of reports on Enter Air in the years 2019-2021 was Adrian Górniak

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 4Q'24*:			, 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%	0	0%
Sell	0	0%	0	0%

* 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.

The report has been prepared by Dom Maklerski BDM S.A. (hereinafter BDM S.A.) within the Exchange Analytical Coverage Support Programme (<https://www.gpw.pl/gpwp2>). BDM S.A. is a party to the „Agreement on the provision of analytical report services” concluded with the Warsaw Stock Exchange Company („GPW”), on the basis of which BDM provides services of analytical coverage of the Issuer for the term of the Agreement. Under the agreement BDM obtains remuneration from GPW. All materials prepared by BDM within the framework of co-operation are available at <https://www.bdm.pl/program-wsparcia-pokrycia-analitycznego-gpw>.

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For the first time this report has been made available to the public on 29.10.2024 (08:30 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.

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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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We have not identified significant conflicts of interest between BDM and persons associated with BDM and the financial instrument issuer. If a conflict of interest arises BDM shall manage it by applying the principles defined in the “Policy of management of conflicts of interest at the BDM S.A.”. We point out that as for 29.10.2024:

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- There is other significant financial interest that BDM or its related affiliates have in relation to the issuer of financial instruments*
- There are no significant connections between BDM or its related affiliates and the issuer of financial instruments,
- The person affiliated with BDM who was involved in the preparation of recommendations did not receive or purchase the shares of the issuer, to whom the recommendation relates directly or indirectly, prior to public offering of such shares,
- The person affiliated with BDM who was involved in the preparation of recommendations declares that they respect internal regulations and are subject to organizational and technical solutions and information barriers established by BDM to eliminate any conflicts of interest concerning recommendations and to avoid them,
- The person affiliated with BDM who was involved in the preparation of recommendations was not rewarded in any form by the issuer, to whom the recommendation relates directly or indirectly, or was not directly connected with any possible transactions concerning services defined in art. 69 §2 and 4 of the Act on Trading in Financial Instruments dated 25th July 2005.

*BDM is a party to the “ANALYTICAL REPORT PREPARATION SERVICES AGREEMENT” concluded with the WSE.

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.

BDM is subject to supervision by the Polish Financial Supervision Commission.

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.