



Dom Maklerski BDM S.A.

ENTER AIR

ANALYTICAL REPORT - SUMMARY

We issue a Buy recommendation for Enter Air with a target price of 41,6 PLN/share (previous 41,8 PLN/share; we made some changes in CAPEX, which mitigated a negative impact of our forecasts' revision). The stock price was under pressure in previous months and the current valuation seems attractive to us. In our opinion, coming months should bring a return to air travel and improvement in company's profitability (in H2'21 and '22). We point out the company received the loan from PFR (c.a. 287 mln PLN), which in our opinion secures company's liquidity, a crisis-resistant business model and expected gains in market share. The main risk for Enter Air remains the negative impact of COVID-19 for financial results and it's impact on 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 – 121Boeing B737-800 and 2 Boeing 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 41,6 PLN and peer valuation (0% share in the final valuation), which indicates target price 24,9 PLN. We set the target price 41,6 PLN.

Forecasts and multiples

We expect that in Q3'21 the company will reach 601 PLNm of sales, c.a. 174 PLNm EBITDA MSSF 16 and 40 PLNm of net profit. In '21 we forecast c.a. 1,17 bln PLN of sales, 214 PLNm EBITDA (EBITDA MSR 17 = 72 PLNm) and 98 PLNm of net loss. In 2022 we estimate 1,37 bln PLN of sales, 252 PLNm EBITDA and 25 PLNm of net loss. Currently, Enter Air trades at EV/EBITDA'21 MSSF 16 = 8,1x and EV/EBITDA'22 IFRS 16 = 6,7x.

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	2020F	2021F	2022F	2023F
Revenues [PLNm]	810	955	1296	1615	471	1173	1372	1420
EBITDA MSSF 16 [PLNm]	-	-	-	342	24	214	252	273
EBITDA MSR 17 [PLNm]	97	90	159	203	-126	72	111	130
EBIT MSSF 16 [PLNm]	-	-	-	169	-151	4	42	85
EBIT MSR 17 [PLNm]	61	64	119	156	-171	-13	31	75
Net income [PLNm]	46	58	66	85	-154	-98	-25	12
Net debt MSSF 16 [PLNm]	176	303	472	1 017	1 243	1 153	1 118	1 268
Net debt MSR 17 [PLNm]	176	303	472	580	624	509	463	603
P/BV	2,6	2,2	1,8	1,6	2,8	5,2	6,8	6,0
P/E	12,3	9,8	8,6	6,7	-	-	-	49,4
EV/EBITDA MSSF 16	-	-	-	4,6	75,8	8,1	6,7	6,7
EV/EBITDA MSR 17	7,7	9,7	6,5	5,7	-	15,0	9,3	9,0
EV/EBIT MSSF 16	-	-	-	9,4	-	491,9	40,3	21,7
	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21F	Q4'21F
Revenues [PLNm]	207	21	189	54	85	223	601	265
EBITDA MSSF 16 [PLNm]	45	-45	50	-27	-18	45	174	13
EBITDA MSR 17 [PLNm]	16	-84	5	-63	-47	8	132	-21
EBIT MSSF 16 [PLNm]	2	-90	12	-75	-67	-8	120	-41
EBIT MSR 17 [PLNm]	5	-95	1	-82	-66	-14	109	-43
Net income [PLNm]	-77	-56	35	-56	-116	19	40	-40

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

BUY

(PREVIOUS: HOLD)

TARGET PRICE 41,6 PLN

7 OCTOBER 2021, 07:00 CEST

DCF valuation [PLN]	41,6
Peer valuation [PLN]	24,9
Target price [PLN]	41,6
Price upside/downside	+28,1%
Cost of capital	9,0%
Price [PLN]	32,5
Market cap [mln PLN]	570,2
Shares [mln. szt.]	17,5
Max. price 6M [PLN]	44,0
Min. price 6m [PLN]	30,2
Rate of return 3M	-9,0%
Rate of return 6M	-16,8%
Rate of return 9M	-18,0%
Shareholders (% of votes):	
ENT Investments Ltd	52,5%
NN PTE	10,4%
Investors TFI	8,1%
Generali OFE	7,1%
Pozostali	21,9%

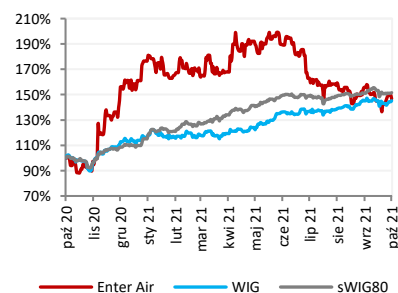
Adrian Górniak

adrian.gorniak@bdm.pl

tel. (0-32) 208-14-38

Dom Maklerski BDM S.A.

ul. 3-go Maja 23, 40-096 Katowice



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%	41,6
Peer valuation	0%	24,9
Target price [PLN]		41,6

Source: BDM S.A.

DCF valuation

	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Revenues [PLNm]	1 173,3	1 371,6	1 420,1	1 503,5	1 584,9	1 645,1	1 695,1	1 741,5	1 784,4	1 823,9
EBIT [PLNm]	3,5	41,9	84,7	119,5	139,3	148,9	152,7	152,5	152,5	152,2
Tax rate	17%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Tax on EBIT [PLNm]	0,6	8,0	16,1	22,7	26,5	28,3	29,0	29,0	29,0	28,9
NOPLAT [PLNm]	2,9	33,9	68,6	96,8	112,8	120,6	123,7	123,6	123,5	123,2
Amortization, including: [PLNm]	210,1	210,5	187,8	187,5	199,5	201,6	206,0	210,7	214,9	218,6
-right to use assets	124,9	129,6	132,8	135,2	137,7	140,8	144,7	148,6	151,8	154,3
CAPEX [PLNm]	-152,9	-159,8	-349,0	-361,7	-193,0	-202,5	-209,4	-213,8	-217,4	-220,6
- lease payments	-141,7	-140,9	-142,0	-145,1	-149,9	-156,1	-159,9	-161,3	-161,8	-162,0
Working capital movement [PLNm]	0,8	9,4	0,7	2,4	2,1	0,8	0,1	-0,2	-0,5	-0,7
Purchase of investment [PLNm]	-0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash flow from sold assets [PLNm]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCF [PLNm]	60,0	94,0	-91,8	-74,9	121,5	120,5	120,5	120,2	120,5	120,4
DFCF [PLNm]	59,3	88,6	-82,4	-64,1	98,7	92,8	87,8	82,8	78,2	73,5
Total DFCF [PLNm]	515,1									
Terminal value [PLNm]	2 325,4									
Discounted terminal value [PLNm]	1 418,8									
Enterprise value [PLNm]	1 933,9									
Net debt [PLNm]	1 243,5									
Minorities [PLNm]	0,0									
Shares of Chair Airlines [PLNm]	39,7									
Dividend [PLNm]	0,0									
Equity value [PLNm]	730,2									
Number of shares [mln]	17,5									
Value per share [PLN]	41,6									

Terminal growth rate: 1,0%

WACC calculation

	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
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	23,0%	24,2%	24,2%	25,7%	29,7%	34,1%	37,9%	41,9%	45,9%	50,0%
Cost of debt after tax	3,7%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%	3,6%
Contribution of debt	77,0%	75,8%	75,8%	74,3%	70,3%	65,9%	62,1%	58,1%	54,1%	50,0%
WACC	4,9%	4,9%	4,9%	5,0%	5,2%	5,5%	5,7%	5,9%	6,1%	6,3%

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	39,0	47,2	57,1	4,0%	46,4	55,9	67,6	4,0%	60,1	55,9	52,1
1,2	34,3	41,6	50,4	5,0%	34,3	41,6	50,4	5,0%	45,6	41,6	38,0
1,3	30,0	36,6	44,5	6,0%	24,5	30,2	37,1	6,0%	34,0	30,2	26,9

Source: BDM S.A.

Peer valuation

	EV/EBITDA	
	2022F	2023F
Ryanair	31,7	8,6
EasyJet	6,2	3,8
Wizz Air	21,7	6,5
TUI	5,3	4,5
Rainbow	6,7	5,7
Median	6,7	5,7
Enter Air	6,7	6,7
Premium/discount	-0,4%	17,4%
Valuation [PLN/share]	32,9	17,0
Year's contribution	50%	50%
Value per share [PLN]	24,9	

Source: BDM S.A., Bloomberg

RESEARCH DEPARTMENT:
Krystian Brymora

Director

tel. (+48) 501 238 443

e-mail: krystian.brymora@bdm.pl

[chemicals, energy, wood industry, strategy](#)
Michał Fidelus

Analyst

tel. (+48) 666 073 972

e-mail: michal.fidelus@bdm.pl

[banking, financial services](#)
Adrian Górniak

Analyst

tel. (+48) 668 516 977

e-mail: adrian.gorniak@bdm.pl

[real estate, retail, media](#)
Krzysztof Tkocz

Junior analyst

tel. (+48) 516 086 705

e-mail: krzysztof.tkocz@bdm.pl

[gaming](#)
INSTITUTIONAL SALES DEPARTMENT:
Leszek Mackiewicz

Director

tel. (022) 62-20-848

e-mail: leszek.mackiewicz@bdm.pl

Tomasz Ilczyszyn

tel. (022) 62-20-854

e-mail: tomasz.ilczyszyn@bdm.pl

Maciej Fink-Finowicki

tel. (022) 62-20-855

e-mail: maciej.fink-finowicki@bdm.pl

Piotr Komorowski

tel. (022) 62-20-851

e-mail: piotr.komorowski@bdm.pl

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

* 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.
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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'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	1 100%	3 100%	
Accumulate	0 0%	0 0%	
Hold	0 0%	0 0%	
Reduce	0 0%	0 0%	
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

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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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- The issuer does not hold shares exceeding 5 % of the BDM issued share capital,
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