

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

			2020	2021F	
Price [PLN]	27,0	P/E	-	-	Analyst: Krzysztof Tkocz krzysztof.tkocz@bdm.pl tel.: (+48) 516 086 705
MC [mln PLN]	473,7	EV/EBITDA MSSF 16	71,8	8,9	
		EV/EBIT MSSF 16	-	-	
		P/BV	2,3	5,3	

BDM Comment: In Q1'22, the company generated PLN 215.1m in revenues (+ 153.1% y/y), and the number of flights performed significantly increased (the significant increase in revenues y/y was related to the outgoing Covid-19 pandemic, and the contracting in 2022 suggests that Poles willingly return to planning holidays abroad after the restrictions are lifted). In the area of air services, the company achieved PLN 206.8 million of turnover (+ 156.1% y/y), and in the part of on-board sales PLN 8.4 million (+ 94.2% y/y). In the discussed period, **the cost of sales** increased by 65.3% y/y to the level of PLN 237.3 million, and the main factor contributing to the higher level of costs compared to the corresponding period of the previous year is primarily the increase in the costs of consumption of materials and energy (+245,1% y/y) due to the greater number of air operations performed. The company's **gross profit** amounted to PLN -22.2m (vs. PLN -60.2m in Q1'21), which is below our expectations. In the reporting period, the company recorded PLN 36.6 million of other operating income related to the reversal of the impairment loss on fixed assets. On the other hand, other operating costs amounted to PLN 40.9 million and are related only to the loss on the sale of the aircraft (Boeing 737-800) in January 2022. At the **EBITDA** level, Enter Air reported a profit of PLN 18.1m (vs PLN 17.7m loss in Q1'21) - the difference from our forecasts is due, among others, to from significantly lower depreciation (PLN 54.3m vs PLN 63.2m BDM). Foreign exchange differences in Q1'22 reduced the result by PLN 29.1 million, and the result of settlement of entities accounted for using the equity method amounted to PLN -6.4 million (the amount relates to ENT's share in the result of an associate - Chair Airlines AG, which is lower than ours expectations and what we perceive negatively). In the reporting period, the company generated a **net profit** of PLN -68.7m. Losses achieved in the first quarter are a natural phenomenon resulting from the seasonality of Enter Air's operations (resulting from fixed depreciation costs and lower sales revenues in the winter season, with the simultaneous peak expenditure on maintenance in preparation for the upcoming summer season). **Operating cash flow** amounted to PLN -35.3m (vs. PLN -50.6m in the previous year). At the end of March '22, the group had PLN 202.1 million in cash. In the summer season, the company will use the entire available fleet of 25 aircraft (23 Boeing 737-800 aircraft and 2 737 MAX 8 aircraft) and due to the high demand from tour operators and inquiries significantly exceeding the transport capacity, also two additional machines rented on the basis of lease. **At the moment, there has been no decline in demand for holiday trips, despite rising oil prices and currency fluctuations caused by the conflict in Ukraine.**

Q1'22 results [mln PLN]

	1Q'21	1Q'22	change y/y	1Q'22F BDM	dev.
Sales	85,0	215,1	153,1%	223,3	-3,7%
Air services	80,7	206,8	156,1%	214,3	-3,5%
On-board sales	4,3	8,4	97,2%	9,0	-6,8%
Gross profit	-60,2	-22,2	-	-15,6	-
Air services	-61,0	-24,2	-	-16,0	-
On-board sales	0,9	2,0	130,3%	0,5	330,6%
EBITDA MSSF 16	-17,7	18,1	-	34,7	-47,8%
EBIT MSSF 16	-67,5	-36,2	-	-25,4	-
Profit before tax	-142,1	-82,2	-	-59,6	-
Net profit	-116,3	-68,7	-	-48,3	-
Gross margin	-145,5%	-10,3%		-7,0%	
EBITDA MSSF 16 margin	-50,7%	8,4%		16,9%	
EBIT MSSF 16 margin	-139,1%	-16,8%		-11,4%	
Net margin	-104,6%	-31,9%		-18,4%	

Source: BDM S.A., company

- In Q1'22, the group generated PLN 215.1m in revenues, which means an increase by approx. 153.1% y / y, and the number of flights performed significantly increased (the significant increase in revenues y / y was related to the receding Covid pandemic). 19, and the contracting in 2022 suggests that Poles willingly return to planning holidays abroad after the restrictions are lifted).
- In the discussed period, the cost of sales increased by 65.3% y / y to the level of PLN 237.3 million, and the main factor contributing to the higher level of costs compared to the corresponding period of the previous year is primarily the increase in the costs of materials and energy consumption (+ 245.1% y / y) due to the greater number of air operations performed.
- The company's gross result amounted to PLN -22.2 million (vs PLN -60.2 million in Q1'21). In the reporting period, the company recorded PLN 36.6 million of other operating income related to the reversal of the impairment loss on fixed assets. On the other hand, other operating costs amounted to PLN 40.9 million and are related only to the loss on the sale of the aircraft (Boeing 737-800) in January 2022.
- At the EBITDA level, Enter Air reported a profit of PLN 18.1m (vs. PLN 17.7m loss in Q1'21). Exchange rate differences in Q1'22 reduced the result by PLN 29.1 million, and the result of the settlement of entities valued using the equity method was PLN -6.4 million (the amount relates to ENT's share in the result of an associate - Chair Airlines AG).
- In the reporting period, the company generated a net profit of PLN -68.7 million. Losses achieved in the first quarter are a natural phenomenon resulting from the seasonality of Enter Air's operations (resulting from fixed depreciation costs and lower sales revenues in the winter season, with the simultaneous peak expenditure on maintenance in preparation for the upcoming summer season).

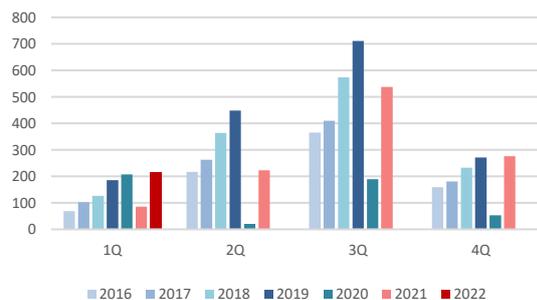
- In the area of air services, the company achieved PLN 206.8 million of turnover (+ 156.1% y / y), and in the part of on-board sales, PLN 8.4 million (+ 94.2% y / y).
- Cash flow from operating activities amounted to PLN -35.3 million (compared to PLN -50.6 million in the previous year). At the end of March '22, the group had PLN 202.1 million in cash.
- In Q1'22, the company negotiated further deferrals of payments with leasing companies.
- The average employment at the end of March '22 in the company was 480 people vs 436 in 2021.
- **In the summer season, the company will use the entire available fleet of 25 aircraft (23 Boeing 737-800 aircraft and 2 737 MAX 8 aircraft) and due to the high demand from tour operators and inquiries significantly exceeding the transport capacity, also two additional machines rented on a vet-lease.**
- In May 2022, Enter Air signed charter contracts for the Summer 2022 and Winter 2022/23 seasons with its long-term partners TUI Poland (with an estimated value of PLN 543.3 million) and Rainbow Tours (with an estimated value of PLN 159.5 million). The carrier cooperates with the largest tour operators in Poland, including, in addition to the above-mentioned, Itaka Holdings and Coral Travel.
- According to ULC data, Enter Air transported 915 thousand. passengers in charter traffic and 800 thousand. in regular traffic, i.e. a total of 1,715,000 passengers, which, despite the limited ability to operate due to subsequent Covid-19 waves (especially in March-April and November-December 2021), was the third best result in the company's history, after the record-breaking 2019 - 2,461,000. passengers and 2018 - 1,956 thousand. passengers.
- In February 2022, war broke out in Ukraine. Ukraine and Russia are not holiday destinations and Enter Air did not perform charter operations to those regions, but the conflict increased uncertainty as to the stability of the Eastern European region. Due to military operations, the entire area of the airspace over Ukraine is closed, which means that flights from Poland to the Persian Gulf region or to Turkey have extended routes in order to avoid closed airspace. It is currently difficult to estimate how long hostilities will last and what their range will be. **At the moment, there has been no decline in demand for holiday trips, despite rising oil prices and currency fluctuations caused by the conflict in Ukraine.**

Results in previous quarters [mln PLN]

	1Q'18	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19	1Q'20	2Q'20	3Q'20	4Q'20	1Q'21	2Q'21	3Q'21	4Q'21	1Q'22
Sales	126,5	363,5	573,2	233,0	185,2	447,8	710,5	271,1	207,1	20,6	189,3	53,6	85,0	222,7	536,9	275,7	215,1
Air services	120,8	351,8	555,6	223,7	176,7	434,2	689,4	259,6	199,9	20,4	183,1	49,9	80,7	212,5	515,2	261,6	206,8
On-board sales	5,7	11,7	17,6	9,3	8,5	13,6	21,1	11,5	7,3	0,1	6,2	3,6	4,3	10,2	21,6	14,2	8,4
Gross profit	4,3	56,4	85,6	19,8	27,7	72,5	157,4	-45,5	9,5	-83,2	27,2	-77,9	-60,2	-6,0	155,5	-37,2	-22,2
Air services	3,2	54,1	81,7	18,8	25,5	69,4	153,6	-45,4	7,7	-82,9	26,5	-79,1	-61,0	-8,5	150,8	-40,3	-24,2
On-board sales	1,1	2,3	3,9	1,0	2,2	3,2	3,7	-0,1	1,8	-0,3	0,8	1,1	0,9	2,5	4,7	3,0	2,0
EBITDA MSSF 16	-	-	-	-	66,5	110,8	199,9	-35,4	45,4	-44,6	50,2	-27,2	-17,7	44,9	206,1	-24,5	18,1
EBIT MSSF 16	-	-	-	-	20,2	61,7	149,0	-62,4	2,1	-90,0	11,9	-74,5	-67,5	-8,4	146,5	-84,7	-36,2
Profit before tax	-5,1	22,9	81,6	-14,8	-11,0	66,8	70,4	-18,4	-94,7	-66,0	32,9	-60,2	-142,1	25,4	92,5	-116,9	-82,2
Net profit	-4,0	19,5	63,2	-12,3	-9,0	54,0	59,5	-19,5	-77,0	-56,0	34,9	-56,0	-116,3	19,5	75,6	-96,0	-68,7
Gross margin	3,4%	15,5%	14,9%	8,5%	15,0%	16,2%	22,1%	-16,8%	4,6%	-404,8%	14,4%	-145,5%	-70,8%	-2,7%	29,0%	-13,5%	-10,3%
EBITDA MSSF 16 margin	-	-	-	-	35,9%	24,7%	28,1%	-13,1%	21,9%	-216,8%	26,5%	-50,7%	-20,8%	20,2%	38,4%	-8,9%	8,4%
EBIT MSSF 16 margin	-	-	-	-	10,9%	13,8%	21,0%	-23,0%	1,0%	-437,6%	6,3%	-139,1%	-79,4%	-3,8%	27,3%	-30,7%	-16,8%
Net margin	-3,2%	5,4%	11,0%	-5,3%	-4,9%	12,1%	8,4%	-7,2%	-37,2%	-272,4%	18,5%	-104,6%	-136,8%	8,8%	14,1%	-34,8%	-31,9%

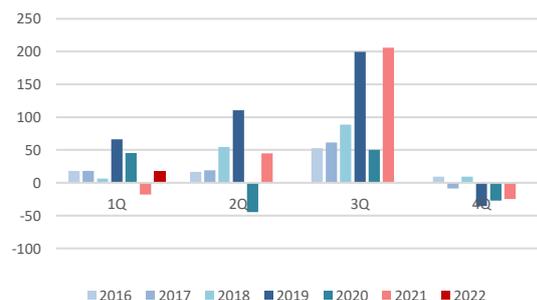
Źródło: BDM S.A., company

Quarterly sales [mln PLN]



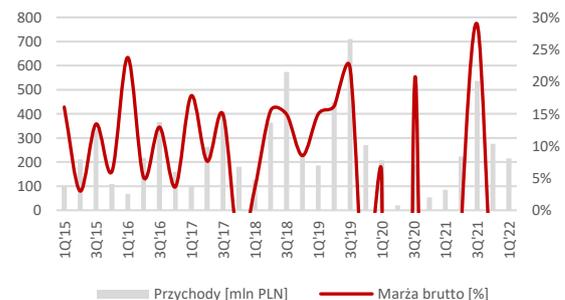
Źródło: Dom Maklerski BDM S.A., company

Quarterly EBITDA [mln PLN]*



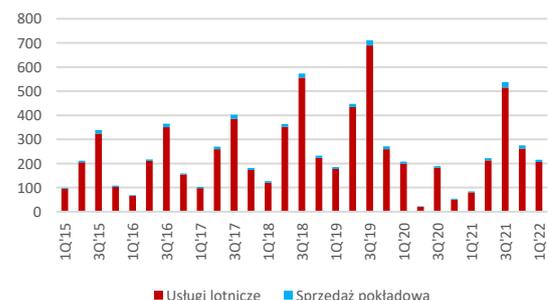
Źródło: Dom Maklerski BDM S.A., company; *according to IFRS 16 from '19

Gross margin and sales [%]



Źródło: Dom Maklerski BDM S.A., company

Sales by divisions [mln PLN]



Źródło: Dom Maklerski BDM S.A., company



Dom Maklerski BDM S.A.

ANALYST COMMENT – ENTER AIR

Q1'22 RESULTS

2022/05/30, 20:20 CEST

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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

A Legal note:

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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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