

# Rainbow Tours S.A.



Price target: PLN 136.60

Update

Rating: BUY

We believe that Rainbow Tours' (RBW) business develops much better than we had previously forecast. After beating our estimates on profit level in 2023, the company is on track to report record-high profits for Q1. Latest statistics show a 37.4% and 25.3% respectively higher number of bookings for the winter '23/24 (is reflected in RBW's Jan-Mar 2024 results) and summer season '24 (Apr-Oct results). As real wages in Poland increase at >10% y-o-y, unemployment is at a historically low rate of 3.9% and RBW keeps its costs under control, we now forecast that the company will report a net income of PLN 40.6m (+104.9% y-o-y) for Q1/24. In full-year 2024E, we now expect a net income of PLN 190.5m, +10.2% y-o-y and 89.2% above our previous estimate. In the long run, RBW should benefit especially from the fact that still only 6.9% of Poles spend their holidays abroad and Polish tourist destinations e.g. at the Baltic Sea can nowadays be even more expensive than in Southern Europe. Our new 12-months PT (80% DCF, 20% peer group) for the stock is PLN 136.60/share (previously: PLN 92.10), which implies an upside of 27.7%. On our new estimates, RBW is currently trading at a P/E 2024E of 8.2x compared to a 3y average of 12.7x.

In 2023, RBW's results beat our profit estimates and the company generated a record-high net cash of PLN 185m. Revenues increased by 37.6% y-o-y to PLN 3.3bn (our estimate: PLN 3.3bn), EBIT by 555% to PLN 215m (PLN 202.7m) and net income by 704% to PLN 172.8m (PLN 156.1m). Operating and free cash flow improved from PLN 82.5m and PLN 62.4m respectively in 2022 to PLN 256.1m and PLN 237.4m. ROCE equalled 53.4% (2022: 8.9%), which is significantly above peers.

Based on the reported bookings so far, we believe that in Q1/24 Rainbow Tours generated revenues of PLN 727.9m (+30.9% y-o-y), an EBIT of PLN 46.4m (+91.4%) and net income of PLN 40.6m (+104.9%). Given latest published information on RBW, for full-year 2024E we now forecast an average price per booking of PLN 5,276 (previously: PLN 4,695), a total number of bookings of 763,852 (previously: 793,374) and a higher EBIT margin (5.8% vs. 3.6% before).

in PLNm	2021	2022	2023	2024E	2025E	2026E
Net sales	1,279.42	2,393.31	3,293.39	4,066.33	4,680.89	5,395.08
EBITDA	39.33	54.42	236.89	257.94	270.40	286.90
EBIT	19.89	32.83	215.01	235.85	248.09	264.36
Net income	17.27	21.50	172.84	190.46	200.35	213.50
EPS	1.19	1.53	11.94	13.09	13.77	14.67
DPS	1.50	0.50	6.29	2.79	5.51	5.87
Dividend yield	1.40%	0.47%	5.88%	2.61%	5.15%	5.48%
RoE	17.18%	19.53%	108.41%	74.29%	51.94%	40.11%
Net gearing	25.80%	3.43%	-89.39%	-81.41%	-80.82%	-79.04%
EV/Sales	1.03x	0.55x	0.40x	0.32x	0.28x	0.24x
EV/EBITDA	33.52x	24.23x	5.57x	5.11x	4.88x	4.60x
P/E	90.15x	69.93x	8.96x	8.18x	7.77x	7.29x

## Company profile

Rainbow Tours is the third-largest travel operator in Poland.

Date of publication	14 May 2024 / 6:30 am
Website	www.r.pl
Sector	Travel
Country	Poland
ISIN	PLRNBWT00031
Reuters	RBW.WA
Bloomberg	RBW.PW

## Share information

Last price	107.00
No of shares (m)	14.05
Market cap. (PLNm)	1503.38
Market cap. (EURm)	348.01
52-week range	PLN 108.40 / PLN 32
Average volume	34,314

## Performance

4-weeks	42.10%
13-weeks	68.77%
26-weeks	155.43%
52-weeks	215.09%
YTD	81.32%

## Shareholder structure

Slawomir Wysmyk*	12.84%
NN Pension Fund	11.81%
Flyoo Sp. z o.o.*	8.80%
Elephant Rock Family Foundation*	7.49%
Aironi Quattro Family Foundation*	7.11%
Generali Pension Fund	6.93%
Free float	45.02%

\* Mr Wysmyk and persons behind the investment vehicles are founders of Rainbow Tours or Members of its Management/Supervisory Board

## Financial calendar

Q1/24 report	May 24, 2024
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## Analyst

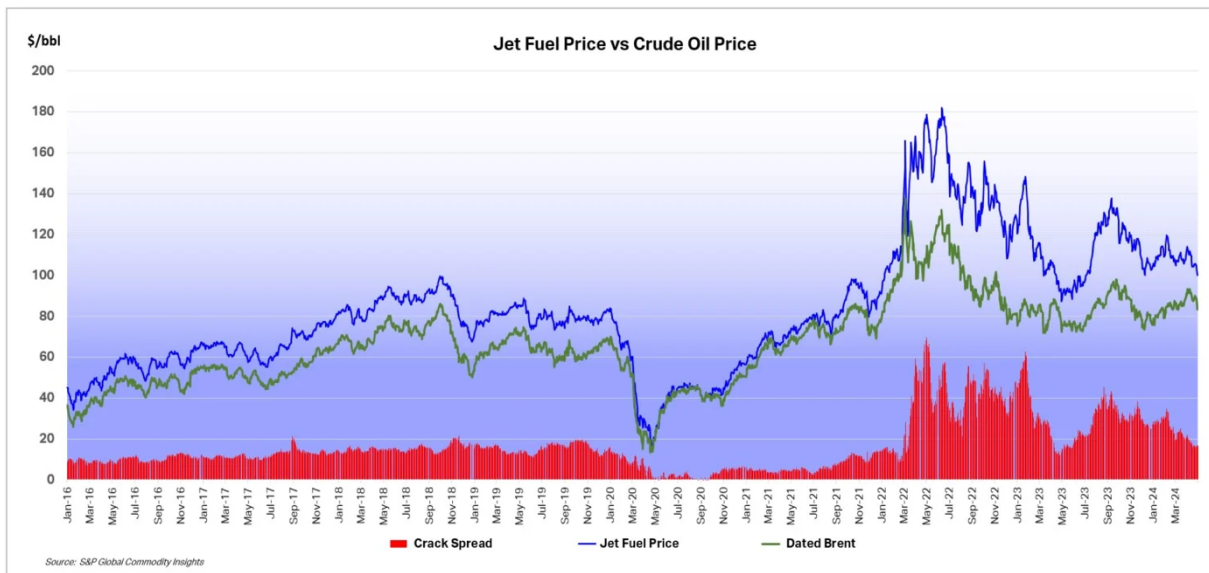
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## Our forecasts

### Revenues and Profitability

We have decided to increase our estimates for 2024E significantly, which due to the base effect also positively affects our forecasts for the following years. The reasons are: 1. very strong pre-sales for the winter 2023/24 (+37.4% y-o-y to 124,245 clients) and summer season 2024 (+25.3% to 307,619 clients) 2. a strengthening PLN 3. an increasing share of E-Commerce sales (28% in Jan 2024 vs. 16% in Jan 2022) and 4. a strong cost discipline. In our view, the prospects for Rainbow Tours in Poland remain excellent due to a still low share of Poles who spend their holidays abroad, an increasing number of people who go on organized holidays twice a year and relative unattractiveness of domestic tourist destinations e.g. the Baltic Sea compared to Southern Europe (high prices, relatively low quality of hotels, unpredictable weather). Moreover, based on the Net Promoter Score (NPS) Rainbow Tours scores much better in customer surveys than its main peers: Rainbow Tours – 42% of customers would recommend the company to their friends, TUI - 32%, Itaka - 33%.

### Jet Fuel Prices (blue line) vs. Crude Oil Price (green line) – 01/2016 until 05/2024

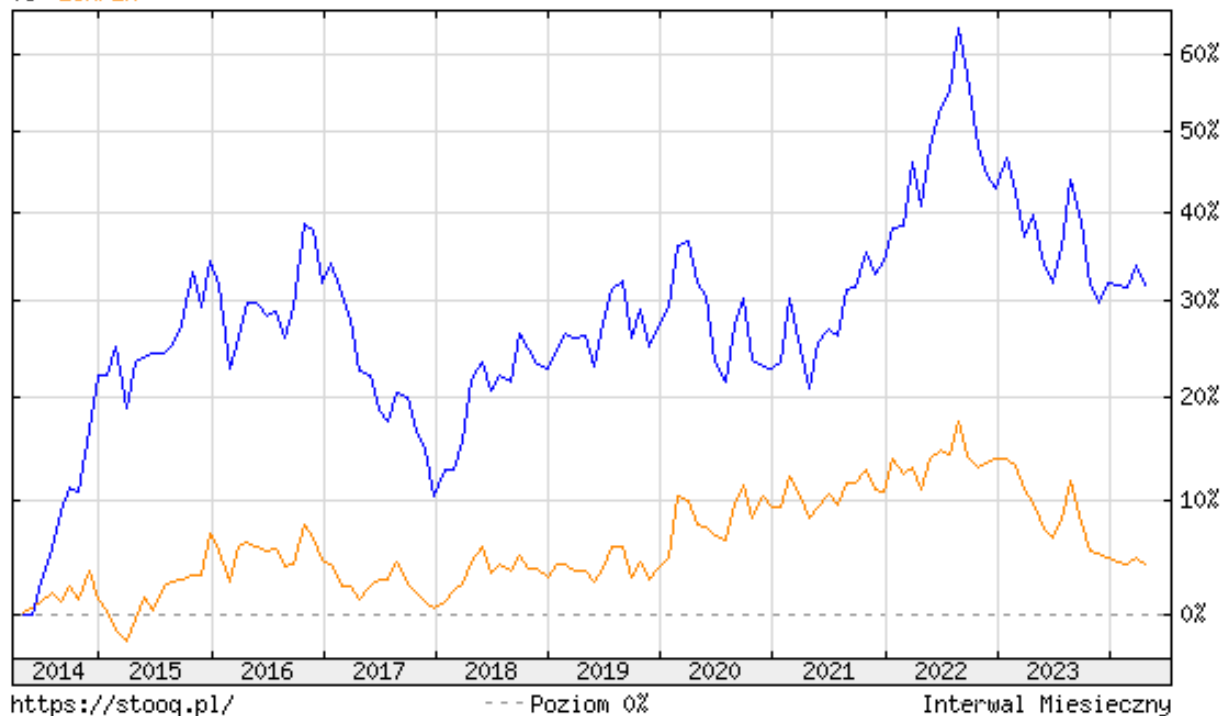


Source: IATA, East Value Research GmbH

**USD-PLN vs. EUR-PLN rate – 05/2014 until 05/2024**USDPLN - 10 lat  
vs EURPLN

10 Maj 2024 22:00 CEST

(C)Stooq



Source: Stooq, East Value Research GmbH

Our updated forecasts for Rainbow Tours' business segments look as follows:

*Touristic events:* This segment is the most important one for Rainbow Tours and covers vacations and events that are organized by the company itself. In 2023, it accounted for 99% of the company's total sales.

Currently, we expect that in 2024E the number of bookings will reach 763,852 (+20% y-o-y, previously: 793,374) and the average price per booking PLN 5,276 (previously: PLN 4,695). In the long run, we believe that the number of bookings will grow at a CAGR of 10.7% (14%) and the average price at 3% (3.2%). Despite an increasing share of high-margin E-Commerce sales, we expect that the gross margin will decline from 16.1% (previously: 12.9%) in 2024E to 12% in the future. The reasons are competitive pressure and increasing fuel costs.

*Hotel business:* This segment covers the business of the 71.5%-owned Greek subsidiary White Olive A.E., which currently operates 4 hotels on the islands Zakynthos, Rhodes and Crete.

As we have not included any new hotels in our calculation, we believe that the segment's revenues will slightly decline in the coming years. Our forecasts are based on the total number of rooms of 621, an average capacity utilization per year of 70% - remember that the holiday season starts in May and ends in October – an average room rate of EUR 40 and a long-term average PLN-EUR rate of PLN 4.20 (2024E: PLN 4.30). For the segment's gross margin, we have conservatively estimated an increase from -30.4% in 2023 to c. 3% by 2032E.

*Others:* This segment covers RBW's operations related to trainings and brokerage (flights, bus travel, ferries, travel packages of other travel operators). As management plans to focus on own touristic events, which generate far better margins, we expect that this segment will only increase at a CAGR of 1% in the coming years. The gross margin should increase to a target value of >5% (2023: 4.2%)

in PLNm	2024E	2025E	2026E
<b>Touristic events</b>	<b>4,030.29</b>	<b>4,649.34</b>	<b>5,363.48</b>
<i>Share in total sales</i>	99.1%	99.3%	99.4%
Gross margin	16.1%	15.4%	14.9%
Number of bookings	763,852	855,514	958,175
Average price per booking	5,276	5,435	5,598
<b>Hotel business</b>	<b>31.19</b>	<b>26.66</b>	<b>26.66</b>
<i>Share in total sales</i>	0.8%	0.6%	0.5%
Gross margin	-15.0%	1.0%	2.0%
Number of rooms	621	621	621
Avg. capacity utilisation	80.0%	70.0%	70.0%
Avg. Room rate	40	40	40
Avg. FX rate	4.30	4.20	4.20
<b>Others (incl. brokerage of flights, bus trips, travel)</b>	<b>4.85</b>	<b>4.90</b>	<b>4.95</b>
<i>Share in total sales</i>	0.1%	0.1%	0.1%
Gross margin	4.4%	4.6%	4.8%
<b>Total net sales</b>	<b>4,066.33</b>	<b>4,680.89</b>	<b>5,395.08</b>
(change y-o-y)	23.5%	15.1%	15.3%

Source: East Value Research GmbH

	2024E		2025E		2026E	
in PLNm	new	old	new	old	new	old
<b>Net sales</b>	<b>4066.33</b>	<b>3760.73</b>	<b>4680.89</b>	<b>4328.43</b>	<b>5395.08</b>	<b>4984.74</b>
<b>EBITDA</b>	<b>257.94</b>	<b>155.34</b>	<b>270.40</b>	<b>162.88</b>	<b>286.90</b>	<b>169.67</b>
<i>EBITDA margin</i>	6.3%	4.1%	5.8%	3.8%	5.3%	3.4%
<b>EBIT</b>	<b>235.85</b>	<b>134.63</b>	<b>248.09</b>	<b>141.97</b>	<b>264.36</b>	<b>148.55</b>
<i>EBIT margin</i>	5.8%	3.6%	5.3%	3.3%	4.9%	3.0%
<b>Net income</b>	<b>190.46</b>	<b>100.68</b>	<b>200.35</b>	<b>106.27</b>	<b>213.50</b>	<b>112.85</b>
<i>Net margin</i>	4.7%	2.7%	4.3%	2.5%	4.0%	2.3%

Source: East Value Research GmbH

in PLNm	Q1/21	Q2/21	Q3/21	Q4/21	2021	Q1/22	Q2/22	Q3/22	Q4/22	2022
<b>Net sales</b>	<b>75.41</b>	<b>244.21</b>	<b>687.52</b>	<b>272.28</b>	<b>1279.42</b>	<b>315.76</b>	<b>504.72</b>	<b>1133.06</b>	<b>439.77</b>	<b>2393.31</b>
<i>y-o-y change</i>	-72.5%	3197.9%	401.3%	1591.9%	194.5%	318.7%	106.7%	64.8%	61.5%	87.1%
<b>EBITDA</b>	<b>-4.73</b>	<b>-1.44</b>	<b>62.23</b>	<b>-16.73</b>	<b>39.33</b>	<b>-1.29</b>	<b>1.44</b>	<b>68.79</b>	<b>-14.52</b>	<b>54.42</b>
<i>EBITDA margin</i>	-6.3%	-0.6%	9.1%	-6.1%	3.1%	-0.4%	0.3%	6.1%	-3.3%	2.3%
<b>EBIT</b>	<b>-9.65</b>	<b>-6.09</b>	<b>57.88</b>	<b>-22.25</b>	<b>19.89</b>	<b>-7.85</b>	<b>-5.23</b>	<b>62.02</b>	<b>-16.12</b>	<b>32.83</b>
<i>EBIT margin</i>	-12.8%	-2.5%	8.4%	-8.2%	1.6%	-2.5%	-1.0%	5.5%	-3.7%	1.4%
<b>Net income</b>	<b>-9.22</b>	<b>-5.34</b>	<b>49.22</b>	<b>-17.39</b>	<b>17.27</b>	<b>-6.37</b>	<b>-5.31</b>	<b>49.50</b>	<b>-16.32</b>	<b>21.50</b>
<i>Net margin</i>	-12.2%	-2.2%	7.2%	-6.4%	1.3%	-2.0%	-1.1%	4.4%	-3.7%	0.9%

in PLNm	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24E
<b>Net sales</b>	<b>556.03</b>	<b>709.05</b>	<b>1434.04</b>	<b>594.26</b>	<b>3293.39</b>	<b>727.90</b>
<i>y-o-y change</i>	76.1%	40.5%	26.6%	35.1%	37.6%	30.9%
<b>EBITDA</b>	<b>30.58</b>	<b>49.62</b>	<b>146.40</b>	<b>10.28</b>	<b>236.89</b>	<b>55.32</b>
<i>EBITDA margin</i>	5.5%	7.0%	10.2%	1.7%	7.2%	7.6%
<b>EBIT</b>	<b>24.27</b>	<b>43.24</b>	<b>142.62</b>	<b>4.89</b>	<b>215.01</b>	<b>46.44</b>
<i>EBIT margin</i>	4.4%	6.1%	9.9%	0.8%	6.5%	6.4%
<b>Net income</b>	<b>19.82</b>	<b>34.71</b>	<b>110.83</b>	<b>7.48</b>	<b>172.84</b>	<b>40.62</b>
<i>Net margin</i>	3.6%	4.9%	7.7%	1.3%	5.2%	5.6%

Source: Company information, East Value Research GmbH

### CAPEX and Working capital

For 2024E, we have assumed gross CAPEX of PLN 23.1m (previously: PLN 21.4m), which will likely mainly be spent on hotel equipment and own booking software. From 2025E, we expect yearly gross CAPEX to be in the range of 0.3-0.5% (0.2%-0.6%) of annual sales.

When it comes to working capital, we have forecast that its share in total sales will increase from -6.2% to >4% in the long run.

## Valuation

Our new 12-months PT (80% DCF, 20% peer group) for RBW's stock equals PLN 136.60 (previously: PLN 92.40), which implies an upside of 27.7% at present. We reiterate our BUY rating for the stock.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 5.8% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: 4y average unlevered beta of companies from the Recreation sector of 0.89x (Source: www.damodaran.com)
- (3) *Equity risk premium (Poland)*: 5.8% (Source: www.damodaran.com)
- (4) *Effective tax rate*: 19%
- (5) *Target equity ratio*: 100%
- (6) *After-tax debt costs*: 8.1%
- (7) *WACC = Equity costs*: 11%
- (8) Free cash flows and residual values are discounted to May 13, 2024

## DCF model

in PLNm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E			
<b>Net sales</b>	<b>4,066.33</b>	<b>4,680.89</b>	<b>5,395.08</b>	<b>6,108.47</b>	<b>6,916.74</b>	<b>7,832.50</b>	<b>8,669.18</b>	<b>9,595.59</b>	<b>10,621.35</b>			
(y-o-y change)	23.5%	15.1%	15.3%	13.2%	13.2%	13.2%	10.7%	10.7%	10.7%			
<b>Operating profit</b>	<b>235.85</b>	<b>248.09</b>	<b>264.36</b>	<b>274.88</b>	<b>276.67</b>	<b>274.14</b>	<b>260.08</b>	<b>220.70</b>	<b>228.25</b>			
(operating margin)	5.8%	5.3%	4.9%	4.5%	4.0%	3.5%	3.0%	2.3%	2.1%			
<b>NOPLAT</b>	<b>191.04</b>	<b>200.95</b>	<b>214.13</b>	<b>222.65</b>	<b>224.10</b>	<b>222.05</b>	<b>210.66</b>	<b>178.77</b>	<b>184.88</b>			
+ Depreciation & amortisation	22.10	22.32	22.54	22.77	22.99	23.22	23.46	23.69	23.93			
= Net operating cash flow	213.13	223.27	236.67	245.42	247.10	245.27	234.12	202.46	208.81			
- Total investments (Capex and WC)	-95.29	-67.85	-74.14	-89.15	-98.62	-114.26	-117.75	-128.61	-108.88			
Capital expenditures	-23.11	-23.13	-23.48	-23.71	-24.06	-24.43	-24.56	-24.91	-25.28			
Working capital	-72.18	-44.72	-50.66	-65.44	-74.57	-89.83	-93.19	-103.70	-83.60			
= Free cash flow (FCF)	117.84	155.42	162.53	156.27	148.47	131.02	116.37	73.84	99.93			
<b>PV of FCF's</b>	<b>110.25</b>	<b>130.96</b>	<b>123.34</b>	<b>106.80</b>	<b>91.39</b>	<b>72.63</b>	<b>58.09</b>	<b>33.20</b>	<b>40.46</b>			
PV of FCFs in explicit period	767.12											
PV of FCFs in terminal period	755.95											
<b>Enterprise value (EV)</b>	<b>1,523.08</b>											
+ Net cash / - net debt (31 December 2023)	184.95											
<b>Shareholder value</b>	<b>1,708.02</b>											
<b>Number of shares outstanding (m)</b>	<b>14.55</b>											
						<b>Terminal EBIT margin</b>						
						<b>-0.9%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>2.1%</b>	<b>3.1%</b>	<b>4.1%</b>	<b>5.1%</b>
<b>WACC</b>	<b>11.0%</b>											
Cost of equity	11.0%	<b>7.0%</b>	1.71	75.61	149.51	223.41	149.51	75.61	1.71			
Pre-tax cost of debt	10.0%	<b>8.0%</b>	17.66	74.56	131.46	188.36	131.46	74.56	17.66			
Normal tax rate	19.0%	<b>9.0%</b>	28.17	73.25	118.33	163.41	118.33	73.25	28.17			
After-tax cost of debt	8.1%	<b>10.0%</b>	35.33	71.81	108.29	144.77	108.29	71.81	35.33			
Share of equity	100.0%	<b>11.0%</b>	40.32	70.32	100.32	<b>130.33</b>	100.32	70.32	40.32			
Share of debt	0.0%	<b>12.0%</b>	43.82	68.82	93.82	118.83	93.82	68.82	43.82			
<b>Fair value per share in PLN</b>	<b>117.37</b>	<b>13.0%</b>	46.29	67.34	88.40	109.46	88.40	67.34	46.29			
<b>Fair value per share in PLN (in 12 months)</b>	<b>130.33</b>	<b>14.0%</b>	48.00	65.90	83.79	101.68	83.79	65.90	48.00			

Source: East Value Research GmbH

## Peer Group Analysis

Our peer group analysis includes tour operators e.g. TUI, Voyageurs du Monde and companies that provide online travel services such as Booking Holdings and Expedia.

In Poland, Rainbow's main competitors are Itaka Holdings and TUI Poland. Itaka, the leading Polish tour operator based in Opole, is privately owned by four Polish investors, including its founders. In contrast to Rainbow Tours, it generates c. 12% of its revenues abroad, through its subsidiaries in the Czech Republic, Lithuania, Latvia, Slovakia, and Hungary. TUI Poland is a subsidiary of the listed TUI Group designated to operate in the Polish market. With c. 900,000 clients served, it has the largest customer base in Poland.

- (1) *TUI AG*: TUI, which is headquartered in Hanover/Germany, is the world's largest tour operator company. TUI offers a broad suite of travel products, including boat cruises, airline tickets, hotel rentals, travel packages. The TUI Group operates and owns 126 aircraft, 360 hotels and 16 cruise ships. The German company serves >21m clients annually and has over 65k employees. The TUI AG comprises 266 direct and indirect subsidiaries as well as 20 affiliated companies and 27 joint ventures. In its latest financial year ending in 09/2023, TUI generated revenues of EUR 20.7bn and an EBITDA margin of 4.3%. Its ROCE equalled 5.9%. Currently, TUI has a market cap of EUR 3.5bn.
- (2) *Booking Holdings Inc.:* Booking Holding, which is based in Norwalk/USA, is the world's leading online travel company, offering comprehensive platforms that facilitate travel purchases between travel service suppliers and travellers. With over 21k employees, it provides services to customers from >220 countries through six recognisable brands. Booking was ranked 340<sup>th</sup> on the 2022 Fortune 500 list. In 2023, Booking generated revenues of USD 21.4bn, an EBITDA margin of 30.1% and ROCE of 42.5%. The company currently has a market cap of USD 127.4bn.
- (3) *Voyageurs du Monde SA:* Voyageurs du Monde, which is based in Paris/France, is a leading French tour operator that specializes in tailor-made individual and adventure travel and cycling holidays. The French company has 43 sales outlets in various countries (mostly Europe) and has >1,700 employees. In 2023, Voyageurs generated revenues of EUR 693.6m, an EBITDA margin of 9.2% and ROCE of 13.6%. Its current market cap equals EUR 616.6m.
- (4) *Despegar.com Corp.:* Despegar, which is based in Buenos Aires/Argentina, is a leading online travel company in Latin America. In its offer it has airline tickets, travel packages, hotels/rental houses, car rentals and destination services rentals offered in both as a pre-pay (merchant) and pay at destination (agency) model. With over 4.5k employees, it serves almost 4m customers annually across 20 countries. In 2023, Despegar generated revenues of USD 706m, an EBITDA margin of 15.4% and a ROCE of 23.8%. Currently, the company has a market cap of USD 818.5m.

- (5) *Lastminute.com NV*: Lastminute, which is headquartered in Amsterdam/the Netherlands, is an European online travel and leisure retailer. Lastminute sells a variety of travel related products and services, including holiday packages, transportation tickets, hotel and vacation rentals, adventure experiences, and ancillaries. With over 1,700 employees, the company focuses on holiday packages in five core market, located in Western Europe. In 2023, Lastminute group reported revenues of CHF 309.7m, an EBITDA margin of 5.1% and ROCE of 11.4%. Currently, the company is worth CHF 235.4m.
- (6) *Expedia Group Inc.*: Expedia, which is based in Seattle/USA, is a global online travel provider. It operates and owns various online travel websites and travel metasearch engines, including Trivago, Hotels.com and Orbitz. It creates travel products and services, including airplane tickets, boat cruises, travel packages, cars rentals, accommodations, and adventure experiences. With >200 travel sites in >70 countries, it offers over 3m bookable properties and >220 unique activities. In 2023, Expedia generated revenues of USD 12.8bn, an EBITDA margin of 12.7% and a ROCE of 11.8%. Currently, the company is worth USD 15bn.
- (7) *Jet2 PLC*: Jet2, which is based in Leeds/UK, engages in the leisure travel business primarily in the United Kingdom. The company operates scheduled holiday flights to leisure destinations in the Mediterranean, the Canary Islands, and European Leisure Cities. It is also involved in the package holiday and non-ticket retail activities, as well as passenger and charter aircraft operations. In addition, it engages in the aircraft leasing and financing services. In 2022/23, Jet2 generated revenues of GBP 5bn, an EBITDA margin of 10.2% and a ROCE of 13%. Currently, it is valued at GBP 3bn.

Company	EV/Sales			EV/EBITDA			P/E		P/BVPS	EBITDA margin	Net gearing	
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	Latest	Last FY	Latest	
TUI AG (EUR)	0.33x	0.32x	0.31x	3.61x	3.40x	3.22x	6.72x	5.63x	4.87x	5.71x	4.32%	647.38%
Booking Holdings Inc. (USD)	5.55x	5.10x	4.67x	16.28x	14.43x	12.87x	21.31x	18.09x	15.87x	neg	30.09%	neg
Voyageurs du Monde SA (EUR)	0.52x	0.50x	0.47x	6.08x	5.85x	5.25x	17.95x	17.03x	16.62x	2.99x	9.21%	-112.65%
Despegar.com Corp. (USD)	0.80x	0.71x	0.64x	4.31x	3.55x	3.10x	14.81x	11.70x	10.07x	neg	15.38%	neg
Lastminute.com NV (CHF)	0.61x	0.55x	0.50x	4.04x	3.33x	2.91x	19.64x	11.96x	9.61x	5.40x	5.10%	-59.95%
Expedia Group Inc. (USD)	1.10x	1.03x	0.96x	5.25x	4.73x	4.37x	9.50x	7.67x	6.34x	16.81x	12.71%	30.34%
Jet2 PLC (GBP)	0.18x	0.16x	0.15x	1.70x	1.57x	1.45x	8.22x	7.94x	7.51x	1.85x	10.19%	-113.78%
<b>Median</b>	<b>0.61x</b>	<b>0.55x</b>	<b>0.50x</b>	<b>4.31x</b>	<b>3.55x</b>	<b>3.22x</b>	<b>14.81x</b>	<b>11.70x</b>	<b>9.61x</b>	<b>5.40x</b>	<b>10.19%</b>	<b>-59.95%</b>
Rainbow Tours S.A. (PLN)	0.34x	0.29x	0.25x	5.32x	5.07x	4.78x	8.18x	7.77x	7.29x	5.97x	7.19%	-70.97%
<b>Premium/Discount</b>	<b>-44.4%</b>	<b>-46.8%</b>	<b>-49.2%</b>	<b>23.4%</b>	<b>43.0%</b>	<b>48.6%</b>	<b>-44.8%</b>	<b>-33.6%</b>	<b>-24.1%</b>			
<b>Fair value per share Rainbow Tours (PLN)</b>	<b>145.61</b>											

Source: CapitalIQ, marketscreener.com, bankier.pl, East Value Research GmbH

As the table below shows, Rainbow Tours performs very well in comparison to its direct local peers when it comes to web site traffic and app ratings. Only itaka.pl had more site visits between October and December 2023.



	Feb 2024-Apr 2024		Nov 2023-Jan 2024		App ratings	
	Total visits	Country rank	Total visits	Country rank	iOS	Android
r.pl	9.66m	307	9m	276	4.8/5	4.8/5
itaka.pl	10.69m	279	9.75m	253	4.4/5	4.8/5
tui.pl	8.47m	337	7.87m	296	4.8/5	4.2/5
coraltravel.pl	2.93m	999	2.67m	926	4.5/5	4.6/5

Source: Similarweb.com, Google search, East Value Research GmbH

### Price target calculation

Valuation method	Fair value	Weight
DCF model	117.37	80%
Peer-group-based fair value	145.61	20%
<b>Weighted average (present value)</b>	<b>123.02</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>136.60</b>	

Source: East Value Research GmbH

## Profit and loss statement

in PLNm	2021	2022	2023	2024E	2025E	2026E
<b>Revenues</b>	<b>1,279.42</b>	<b>2,393.31</b>	<b>3,293.39</b>	<b>4,066.33</b>	<b>4,680.89</b>	<b>5,395.08</b>
Cost of goods sold	-1,114.75	-2,116.88	-2,724.09	-3,421.92	-3,964.40	-4,595.15
<b>Gross profit</b>	<b>164.68</b>	<b>276.43</b>	<b>569.31</b>	<b>644.41</b>	<b>716.49</b>	<b>799.93</b>
Other operating income	31.15	6.01	10.90	10.36	9.84	9.35
Distribution costs	-120.15	-172.39	-255.62	-300.91	-346.39	-399.24
Administration costs	-34.70	-48.52	-76.82	-85.39	-98.30	-113.30
Other operating expenses	-1.65	-7.10	-10.88	-10.52	-11.24	-9.84
<b>EBITDA</b>	<b>39.33</b>	<b>54.42</b>	<b>236.89</b>	<b>257.94</b>	<b>270.40</b>	<b>286.90</b>
Depreciation	-19.45	-21.59	-21.88	-22.10	-22.32	-22.54
<b>Operating income</b>	<b>19.89</b>	<b>32.83</b>	<b>215.01</b>	<b>235.85</b>	<b>248.09</b>	<b>264.36</b>
Net financial result	-2.93	-4.08	0.44	0.54	0.64	0.74
Gain/Loss from at-equity investments	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>16.96</b>	<b>28.75</b>	<b>215.45</b>	<b>236.39</b>	<b>248.73</b>	<b>265.10</b>
Income taxes	-0.48	-6.42	-41.69	-44.91	-47.26	-50.37
Minorities	0.79	-0.83	-0.92	-1.02	-1.12	-1.23
<b>Net income / loss</b>	<b>17.27</b>	<b>21.50</b>	<b>172.84</b>	<b>190.46</b>	<b>200.35</b>	<b>213.50</b>
EPS	1.19	1.53	11.94	13.09	13.77	14.67
DPS	1.50	0.50	6.29	2.79	5.51	5.87
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-87.13 %	-88.45 %	-82.71 %	-84.15 %	-84.69 %	-85.17 %
Gross profit	12.87 %	11.55 %	17.29 %	15.85 %	15.31 %	14.83 %
Other operating income	2.43 %	0.25 %	0.33 %	0.25 %	0.21 %	0.17 %
Distribution costs	-9.39 %	-7.20 %	-7.76 %	-7.40 %	-7.40 %	-7.40 %
Administration costs	-2.71 %	-2.03 %	-2.33 %	-2.10 %	-2.10 %	-2.10 %
Other operating expenses	-0.13 %	-0.30 %	-0.33 %	-0.26 %	-0.24 %	-0.18 %
EBITDA	3.07 %	2.27 %	7.19 %	6.34 %	5.78 %	5.32 %
Depreciation	-1.52 %	-0.90 %	-0.66 %	-0.54 %	-0.48 %	-0.42 %
Operating income	1.55 %	1.37 %	6.53 %	5.80 %	5.30 %	4.90 %
Net financial result	-0.23 %	-0.17 %	0.01 %	0.01 %	0.01 %	0.01 %
Gain/Loss from at-equity investments	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	1.33 %	1.20 %	6.54 %	5.81 %	5.31 %	4.91 %
Income taxes	-0.04 %	-0.27 %	-1.27 %	-1.10 %	-1.01 %	-0.93 %
Minorities	0.06 %	-0.03 %	-0.03 %	-0.02 %	-0.02 %	-0.02 %
Net income / loss	1.35 %	0.90 %	5.25 %	4.68 %	4.28 %	3.96 %

## Balance sheet

in PLNm	2021	2022	2023	2024E	2025E	2026E
<b>Revenues</b>	<b>1,279.42</b>	<b>2,393.31</b>	<b>3,293.39</b>	<b>4,066.33</b>	<b>4,680.89</b>	<b>5,395.08</b>
Cost of goods sold	-1,114.75	-2,116.88	-2,724.09	-3,421.92	-3,964.40	-4,595.15
<b>Gross profit</b>	<b>164.68</b>	<b>276.43</b>	<b>569.31</b>	<b>644.41</b>	<b>716.49</b>	<b>799.93</b>
Other operating income	31.15	6.01	10.90	10.36	9.84	9.35
Distribution costs	-120.15	-172.39	-255.62	-300.91	-346.39	-399.24
Administration costs	-34.70	-48.52	-76.82	-85.39	-98.30	-113.30
Other operating expenses	-1.65	-7.10	-10.88	-10.52	-11.24	-9.84
<b>EBITDA</b>	<b>39.33</b>	<b>54.42</b>	<b>236.89</b>	<b>257.94</b>	<b>270.40</b>	<b>286.90</b>
Depreciation	-19.45	-21.59	-21.88	-22.10	-22.32	-22.54
<b>Operating income</b>	<b>19.89</b>	<b>32.83</b>	<b>215.01</b>	<b>235.85</b>	<b>248.09</b>	<b>264.36</b>
Net financial result	-2.93	-4.08	0.44	0.54	0.64	0.74
Gain/Loss from at-equity investments	0.00	0.00	0.00	0.00	0.00	0.00
<b>EBT</b>	<b>16.96</b>	<b>28.75</b>	<b>215.45</b>	<b>236.39</b>	<b>248.73</b>	<b>265.10</b>
Income taxes	-0.48	-6.42	-41.69	-44.91	-47.26	-50.37
Minorities	0.79	-0.83	-0.92	-1.02	-1.12	-1.23
<b>Net income / loss</b>	<b>17.27</b>	<b>21.50</b>	<b>172.84</b>	<b>190.46</b>	<b>200.35</b>	<b>213.50</b>
EPS	1.19	1.53	11.94	13.09	13.77	14.67
DPS	1.50	0.50	6.29	2.79	5.51	5.87
<b>Share in total sales</b>						
Revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-87.13 %	-88.45 %	-82.71 %	-84.15 %	-84.69 %	-85.17 %
Gross profit	12.87 %	11.55 %	17.29 %	15.85 %	15.31 %	14.83 %
Other operating income	2.43 %	0.25 %	0.33 %	0.25 %	0.21 %	0.17 %
Distribution costs	-9.39 %	-7.20 %	-7.76 %	-7.40 %	-7.40 %	-7.40 %
Administration costs	-2.71 %	-2.03 %	-2.33 %	-2.10 %	-2.10 %	-2.10 %
Other operating expenses	-0.13 %	-0.30 %	-0.33 %	-0.26 %	-0.24 %	-0.18 %
EBITDA	3.07 %	2.27 %	7.19 %	6.34 %	5.78 %	5.32 %
Depreciation	-1.52 %	-0.90 %	-0.66 %	-0.54 %	-0.48 %	-0.42 %
Operating income	1.55 %	1.37 %	6.53 %	5.80 %	5.30 %	4.90 %
Net financial result	-0.23 %	-0.17 %	0.01 %	0.01 %	0.01 %	0.01 %
Gain/Loss from at-equity investments	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
EBT	1.33 %	1.20 %	6.54 %	5.81 %	5.31 %	4.91 %
Income taxes	-0.04 %	-0.27 %	-1.27 %	-1.10 %	-1.01 %	-0.93 %
Minorities	0.06 %	-0.03 %	-0.03 %	-0.02 %	-0.02 %	-0.02 %
Net income / loss	1.35 %	0.90 %	5.25 %	4.68 %	4.28 %	3.96 %

## Cash Flow Statement

in PLNm	2021	2022	2023	2024E	2025E	2026E
Net income / loss	17.27	21.50	172.84	190.46	200.35	213.50
Depreciation	19.45	21.59	21.88	22.10	22.32	22.54
Change of working capital	121.75	3.80	-5.09	-72.18	-44.72	-50.66
Others	-13.45	35.64	66.48	-38.78	-13.50	-15.69
<b>Net operating cash flow</b>	<b>145.02</b>	<b>82.52</b>	<b>256.10</b>	<b>101.60</b>	<b>164.45</b>	<b>169.69</b>
<b>Cash flow from investing</b>	<b>-44.36</b>	<b>-20.17</b>	<b>-18.74</b>	<b>-23.11</b>	<b>-23.13</b>	<b>-23.48</b>
Free cash flow	100.66	62.35	237.36	78.48	141.32	146.21
<b>Cash flow from financing</b>	<b>-45.53</b>	<b>-3.87</b>	<b>-104.15</b>	<b>-29.45</b>	<b>-29.00</b>	<b>-64.09</b>
Change of cash	55.13	58.48	133.21	49.03	112.31	82.12
Cash at the beginning of the period	28.81	83.93	142.42	275.63	324.66	436.97
Cash at the end of the period	83.93	142.42	275.63	324.66	436.97	519.10

## Financial ratios

	2021	2022	2023	2024E	2025E	2026E
<b>Profitability and balance sheet quality</b>						
Gross margin	12.87%	11.55%	17.29%	15.85%	15.31%	14.83%
EBITDA margin	3.07%	2.27%	7.19%	6.34%	5.78%	5.32%
EBIT margin	1.55%	1.37%	6.53%	5.80%	5.30%	4.90%
Net margin	1.35%	0.90%	5.25%	4.68%	4.28%	3.96%
Return on equity (ROE)	17.18%	19.53%	108.41%	74.29%	51.94%	40.11%
Return on assets (ROA)	3.64%	3.52%	17.53%	17.56%	15.66%	14.62%
Return on capital employed (ROCE)	7.23%	8.87%	53.42%	45.61%	35.01%	30.43%
Economic Value Added (in PLNm)	-10.19	-6.23	137.58	144.81	137.60	136.47
Net debt (in PLNm)	27.92	3.84	-184.95	-248.98	-376.29	-473.41
Net gearing	25.80%	3.43%	-89.39%	-81.41%	-80.82%	-79.04%
Equity ratio	19.50%	15.42%	21.04%	28.28%	36.50%	41.17%
Current ratio	0.97	1.00	0.98	1.15	1.36	1.50
Quick ratio	0.37	0.39	0.48	0.61	0.80	0.93
Net interest cover	-6.79	-8.05	488.67	436.75	387.64	357.24
Net debt/EBITDA	0.71	0.07	-0.78	-0.97	-1.39	-1.65
Tangible BVPS	7.12	7.65	13.98	20.70	31.68	40.85
Capex/Sales	3.64%	1.20%	0.44%	0.57%	0.49%	0.44%
Working capital/Sales	-7.10%	-3.47%	-6.22%	-3.26%	-1.88%	-0.69%
Cash Conversion Cycle (in days)	-21	-8	-6	-5	-4	-3
<b>Trading multiples</b>						
EV/Sales	1.03	0.55	0.40	0.32	0.28	0.24
EV/EBITDA	33.52	24.23	5.57	5.11	4.88	4.60
EV/EBIT	66.29	40.16	6.13	5.59	5.31	4.99
P/Tangible BVPS	15.02	14.00	7.65	5.17	3.38	2.62
P/E	90.15	69.93	8.96	8.18	7.77	7.29
P/FCF	14.94	24.11	6.33	19.16	10.64	10.28

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The respective supervisory authority is:

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