

## Rainbow Tours

Buy || TP PLN 230/sh

**EBITDA in 1Q25 amounted to PLN 76mn (+48% y/y vs -4% to our and +8% to consensus).****Dariusz Dziubiński**  
dariusz.dziubinski@pekao.com.pl**Rainbow Tours published its 1Q25 figures with following highlights (PLN mn):**

- Revenue: 870mn (+21% y/y)
- Gross profit: 151mn (+25% y/y).
- **Gross margin: 14.4% (+0.6 pp. y/y).**
- **SG&A costs: -81mn (+9% y/y). SG&A costs ratio: -9.3% (+1.0 pp. y/y).**
- Net profit on sales: 70mn (+51% y/y).
- EBITDA: 76mn (+48% y/y).
- Financial costs: +2mn vs +1mn in last year.
- OCF: +19mn vs -55mn in last year.
- CAPEX: -6mn vs -18mn in last year.
- **Deferred revenue: 394mn (+7% y/y).**
- Net cash (PLN mn): 236mn.
- FCF (PLN mn): +7mn and -77mn in 1Q. FCF LTM: 232mn (FCF yield (%): 10%).
- Pre-sales of travel tours from the "Summer 2025" season offer (tours conducted in the months of April-October 2025) from the start of pre-sales to May 15, 2025 amounted to 369 042 people (+9.8% y/y / +33k y/y / vs +75k at the end of May 2024).

**Our view: NEUTRAL**

*At current valuation levels, our view of the results is neutral. Results exceeded market expectations and were slightly below ours. Compared to our assumptions, the improvement in gross margin in 1Q25 was slower than expected (+0.6 pp. y/y vs +1.5 pp. y/y our assumptions). However, the company still had room for improvement of +0.6 pp y/y and, with high SG&A cost discipline (+9% y/y), **was once again able to achieve positive operating leverage effect and improve its EBITDA margin by +1.6 pp y/y.** However, it seems that 1Q25 may add to the results for the whole of 2025 in nominal terms, **but the outlook for the coming quarters is not so good.** A slow decline in tour prices can be observed (-2% y/y), which, **with good but slowing volume growth dynamics**, may mean a slowdown in revenue growth in 2Q-3Q and, given last year's high gross margin, result in a year-on-year decline in operating results. **In summary, we believe that our assumptions from the last report in terms of volume growth and revenue growth are currently slightly optimistic.** In the context of medium- to long-term growth, we view the company's recent expansion into new countries and expansion of its hotel base positively. **We believe that current valuation multiples are attractive in the medium term, but the momentum in earnings should change significantly.***

**Rainbow Tours reported 1Q25 results:**

PLN mn	1Q24	2Q24	3Q24	4Q24	1Q25e	Y/Y	Q/Q	Pekao fcst	vs. Pekao fcst	consensus	vs. consensus
Revenues	721.6	885.8	1736.7	723.9	869.8	21%	20%	873.1	0%	836	4%
Gross profit	120.7	166.7	345.0	115.2	151.0	25%	31%	159.1	-5%		
SG&A expenses	-74.2	-92.4	-134.6	-82.6	-80.7	9%	-2%	-86.0	-6%		
Net profit on sales	46.5	74.2	210.4	32.6	70.3	51%	115%	73.1	-4%		
EBITDA	51.1	77.1	215.7	32.2	75.6	48%	135%	79.1	-4%	70.0	8%
EBIT	46.0	71.6	209.8	26.3	69.8	52%	165%	72.6	-4%	62.1	12%
Net profit	39.0	58.0	153.2	31.6	59.5	53%	88%	60.7	-2%	49.8	20%
<b>Profitability ratios</b>											
Gross margin (%)	16.7%	18.8%	19.9%	15.9%	17.4%	0.6%		18.2%			
change yoy	0.9%	1.6%	1.3%	3.9%	0.6%			1.5%			
SG&A %	-10.3%	-10.4%	-7.7%	-11.4%	-9.3%	1.0%		-9.8%			
change yoy	1.1%	0.4%	0.9%	0.1%	1.0%			0.4%			
EBIT margin	6.4%	8.1%	12.1%	3.6%	8.0%	1.6%		8.3%			
change yoy	2.0%	2.0%	2.1%	2.8%	1.6%			1.9%			
<b>BS and Cash Flow</b>											
Net debt ex Lease	-131	-256	-384	-256	-236						
ND / EBITDA ex Lease	-	-	-	-	-						
OCF IFRS 16	-55	147	149	22	19						
OCF ex Lease	-58	144	146	19	12						
CAPEX	-18	-21	-5	-58	-6						
FCF	-77	123	141	-39	7						
FCF LTM	240	414	300	149	232						
FCF LTM (% yield)	10.3%	17.8%	12.9%	6.4%	10.0%						
<b>Valuation ratios</b>											
EV/EBITDA (TTM)	3.2	4.1	3.2	3.9	5.0						
PE (TTM)	4.9	6.5	5.9	6.2	7.4						

Source: Company, Pekao Equity Research

## SECTOR ANALYSTS

**Director & Chief Analyst**  
**Mining, Construction & Real Estate**  
Tomasz Duda  
[tomasz.duda2@pekao.com.pl](mailto:tomasz.duda2@pekao.com.pl)

**Deputy Head of Research**  
**IT, Video Games**  
Emil Popławski  
[emil.poplawski@pekao.com.pl](mailto:emil.poplawski@pekao.com.pl)

**Banking & Financials (Poland)**  
Michał Fidelus  
[michal.fidelus@pekao.com.pl](mailto:michal.fidelus@pekao.com.pl)

**Banking & Financials (CEE)**  
Adam Motała  
[adam.motala@pekao.com.pl](mailto:adam.motala@pekao.com.pl)

**Chemicals, Oil & Gas**  
Krzysztof Kozieł, CFA  
[krzysztof.koziel@pekao.com.pl](mailto:krzysztof.koziel@pekao.com.pl)

**Consumer**  
Dariusz Dziubiński  
[dariusz.dziubinski@pekao.com.pl](mailto:dariusz.dziubinski@pekao.com.pl)

**Telecommunication, E-commerce**  
Konrad Musiał  
[konrad.musial@pekao.com.pl](mailto:konrad.musial@pekao.com.pl)

**Real Estate**  
Michał Hanc  
[Michal.hanc@pekao.com.pl](mailto:Michal.hanc@pekao.com.pl)

**Foreign Markets**  
Patryk Olszanowski, CFA  
[patryk.olszanowski@pekao.com.pl](mailto:patryk.olszanowski@pekao.com.pl)

Damian Szparaga, CFA  
[damian.szparaga@pekao.com.pl](mailto:damian.szparaga@pekao.com.pl)

Lukas Cinikas  
[lukas.cinikas@pekao.com.pl](mailto:lukas.cinikas@pekao.com.pl)

## INVESTMENT ANALYSIS OFFICE

**Market Projections**  
Piotr Kaźmierkiewicz  
[piotr.kazmierkiewicz@pekao.com.pl](mailto:piotr.kazmierkiewicz@pekao.com.pl)

**Technical Analyst**  
Bartosz Kulesza  
[bartosz.kulesza@pekao.com.pl](mailto:bartosz.kulesza@pekao.com.pl)

## CONTACT AND PUBLICATION ADDRESS

**Pekao Brokerage Office**  
ul. Żubra 1  
01-066 Warsaw  
Poland  
[bm@pekao.com.pl](mailto:bm@pekao.com.pl)

**Sales**  
Poland  
+48 22 586 23 99

**Sales Trading**  
Poland  
+48 22 586 28 83

**Internet**  
[www.pekao.com.pl/biuro-maklerskie](http://www.pekao.com.pl/biuro-maklerskie)

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