

August 16, 2009

## JAZEERA AIRWAYS (JAZK.KW)

- Jazeera Airways has released limited information on its performance in 1H2009. The results showed were below our expectations.
- According to management statements in the press, the airliner posted results of KD 20 million in revenue in 1H2009. This represents a 10% decline in comparison to the same time, last year. Furthermore, the results were 22.7% below our forecasted revenue of KD 25.9 million for 1H2009.
- Management explained that the slowdown in revenues was a result of shifting from a dual hub network (Dubai and Kuwait) into a single hub network (located only in Kuwait). We do not have the operating statistics to determine what led to this result; however, we believe it is a combination of a drop in yields and load factors.
- In our forecasts we have accounted for declines in yields and load factors. Our estimates included 12.2% decline in yields from 2Q2008 to 2Q2009, along with a decline in load factors to 64% in 2Q2009, from 67% in 2Q2008. Despite the conservative outlook, our forecast was still 22.7% higher than Jazeera's achieved revenue.
- Jazeera Airways posted a net loss of KD 2.2 million for the 1H2009 compared to a net loss of KD 0.15 million in 1H2008. Although the results displayed have been rather disappointing, not enough information has been provided to make a final judgment.
- It is important to note that Jazeera Airways increased the number of operating aircrafts by 2 since last quarter. As of 2Q2009, it now operates a total of 10 aircrafts.
- Since our last update, when Jazeera was trading very close to our fair value of KD 0.330, the stock price has declined by 20% to KD 0.264. We will be revising our forecasts to account for the latest performance

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