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Jazeera Airways (JAZK.KW)**April 07, 2009**

- Jazeera Airways 4Q2008 net income was very strong despite it being much weaker on the operating level than our forecasts.
- The KD 3 million net income in 4Q2008 was exceptionally high, due to a onetime gain of KD 5.6 million on the sale and leaseback of six aircraft. Also included in 4Q2008 net income is a foreign currency loss of KD 2.3 million (in the first 9-month of 2008 the foreign currency gain had reached KD 1.1 million).
- If we were to exclude the onetime gain on sale of aircraft, the 4Q2008 would have had a net loss of KD 2.6 million; while for FY2008 the net loss would have been KD 1.1 million. Further, if we were also to exclude the negative effect of foreign currency the net income will be almost zero for FY2008 compared to an adjusted FY2007 net loss of KD 380 thousand (FY2007 had a favorable currency impact of KD 2.7 million).
- The operating performance in 4Q2008 was completely off from our forecasts which reflected a load factor of 76.6% and an operating EBITDAR of KD 5.2 million, while Jazeera Airways achieved an EBITDAR of KD 2 million and a load factor of 59% in 4Q2008. We were anticipating that 4Q2008 would have the best performance of the year in term of load factors and at the same time benefit from lower fuel costs (according to management fuel prices reduced only towards the end of the year and the real impact will be felt in 1Q2009).
- Our last update on Jazeera issued on 20 November 2008 recommended to buy the stock when it was trading at KD 0.216; as our fair value estimate was KD 0.310 (a 44% upside potential). Currently Jazeera Airways is trading at KD 0.320 (as of 7 April 2009); hence we believe our old forecasts are fully priced in.
- We will update our models to incorporate the latest operational results and the sale and lease back of aircraft, and issue a new fair value estimate and recommendation

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- Jazeera Airways Update - 20 Nov. 2008
- Jazeera Airways Initiation of Coverage – 05 Feb. 2008