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Air Arabia (AIRA.DU)

March 27, 2008

- Air Arabia announced yesterday the purchase of two Airbus A320 planes.
- Management has confirmed that one of the planes that were purchased is a plane the company has been leasing. Thus, the fleet size of Air Arabia has increased by only one plane following this announcement to 12.
- The purchase of the second plane is inline with the fleet expansion strategy the management has previously set for 2008. The only aspect that took us by surprise in this transaction is that the plane was bought rather than leased. According to management, Air Arabia opted to purchase the plane due to favorable pricing.
- We forecast the addition of three planes to Air Arabia's fleet in 2008, of which two are expected in the first half of the year.
- We believe this will have no material effect on our EBITDAR forecast for 2008, but might have a slight impact on net income. Accordingly, we are not changing our outlook on Air Arabia and we reiterate our "Hold" recommendation based on a fair value of AED 1.76 per share.

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Related Research

- Air Arabia Update – 19 August 2008
- Air Arabia Update – 29 May 2008