

August 09, 2009

AIR ARABIA (AIRA.DU)

- Air Arabia's total revenues reached AED 922 million in 1H2009, a 6% increase from the same period last year. This result is 3.7% lower than our forecast of AED 957 million for 1H2009.
- The number of passengers flying with Air Arabia increased by 20%, year-on-year, in 1H2009 to 1.9 million. As anticipated, load factor dropped from 86% in 1H2008 but remained at a solid level of 80% in 1H2009. The load factor achieved in 1H2009 is below our forecast of 82% for the period.
- Air Arabia achieved an EBITDA of AED 130.3 million for 1H2009, a result that is lower than our forecast by 15%. (We do not have a breakdown of operating costs for 1H2009, thus we cannot assess Air Arabia's performance at the EDITDAR level)
- Air Arabia's net income increased by 21%, year-on-year, in 1H2009 to reach AED 193 million. Included in net income is an interest income of AED 84 million in 1H2009 (1H2008 had AED 79.5 million in interest income).
- Though Air Arabia's performance in 1H2009 falls below our expectation, we still regard the airline's performance to be solid as it is dealing with several external forces like the global economic downturn, competition from new entrants, and threats from swine flu.
- For now we maintain our fair value target of AED 1.30 per share, which represents an upside potential of 24% from the share's closing price on August 6, 2009. Accordingly, our recommendation on the stock is a "Buy."

Samir Murad, CFA

T. +965 259 5145

E. samir.murad@nbkcapital.com

RELATED RESEARCH

- Air Arabia update - 31 May 2009
- Air Arabia update - 20 Nov. 2008

NBK CAPITAL**Kuwait****Head Office**

17th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O.Box 4950, Safat 13050
Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6905

MENA Research

19th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq,
P.O.Box 4950, Safat 13050, Kuwait
Tel: +965 2224 6663
Fax: +965 2224 6905
E: menaresearch@nbkcapital.com.kw

Brokerage

8th Floor, Dar Al-Awadi Building
Ahmed Al-Jaber Street, Sharq
P.O.Box 4950, Safat 13050, Kuwait
Tel: +965 2224 6964
Fax: +965 2224 6978
E: brokerage@nbkcapital.com

United Arab Emirates**NBK Capital Limited**

Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506, Dubai,
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Turkey**NBK Capital**

Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
Tel: +90 212 276 5400
Fax: +90 212 276 5401

DISCLAIMER

This document and its contents are prepared for your personal information purposes only and do not constitute an offer, or the solicitation of an offer, to buy or sell a security or enter into any other agreement. Projections of potential risk or return are illustrative, and should not be taken as limitations of the maximum possible loss or gain. The information and any views expressed are given as of the date of writing and are subject to change. While the information has been obtained from sources believed to be reliable, we do not represent that it is accurate or complete and it should not be relied on as such. Watani Investment Company (NBK Capital), its affiliates and subsidiaries accept no liability for any direct, indirect or consequential loss arising from use of this document or its contents. At any time, the employees of NBK Capital and its affiliates and subsidiaries may, at their discretion, hold a position, subject to change, in any securities or instruments referred to, or provide services to the issuer of those securities or instruments.

© COPYRIGHT NOTICE

This is a publication of NBK Capital. No part of this publication may be reproduced or duplicated without the prior consent of NBK Capital.