

# الجزيرة. Jazeera.

Corporate Presentation 2019



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# Agenda

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- ◆ Background
- ◆ Financial Performance
- ◆ Operational Performance
- ◆ FY18-20 Business Plan
- ◆ Market Analysis

# Background

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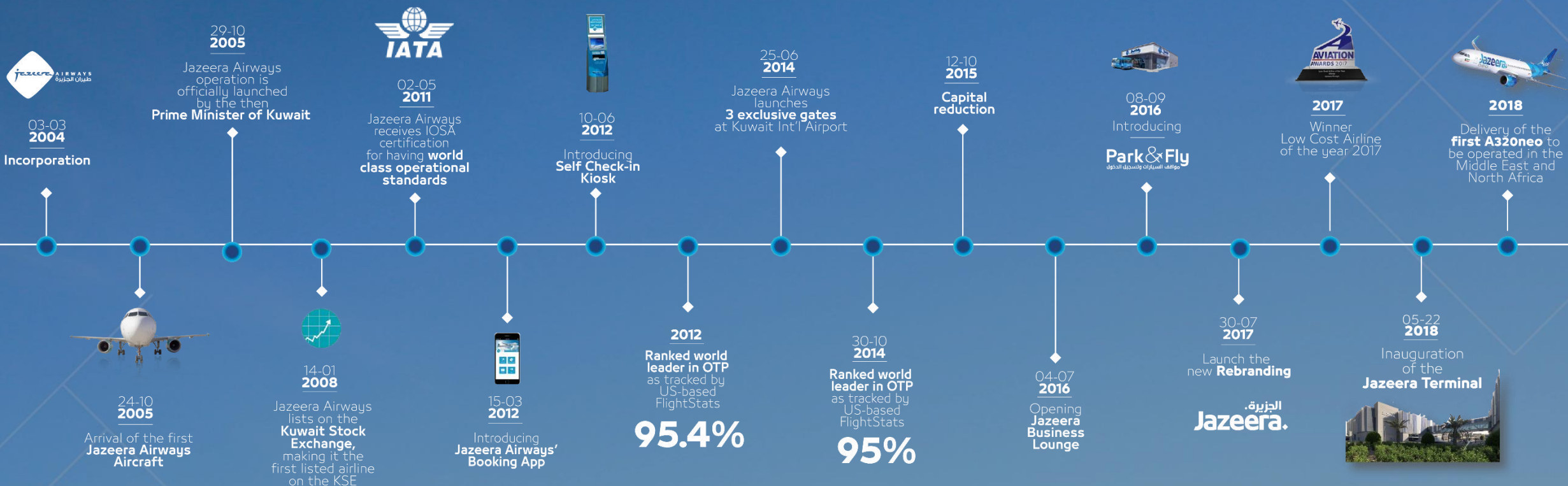


# Background

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- A low cost Kuwaiti flag carrier that commenced operations in 2005 and has since emerged as a leading operator in the region.
- Listed on Boursa Kuwait, and operates regionally and internationally serving top destinations in the Middle East, the Indian Subcontinent and Europe from Kuwait.
- Operates a fleet of Airbus A320 and A320neo aircraft with a two-class cabin while maintaining global recognition for on-time performance in the Middle East.
- Continuously launching a stream of value-added facilities to enable smart travel by introducing remote check-in facilities and digitizing customer experience.
- Developed and currently operates a designated terminal, "Jazeera Terminal", at the Kuwait International Airport to accommodate the rising number of passengers.
- One of the very few non-government-owned airlines in the Middle East.

# Milestones



# Network



# Financial Performance

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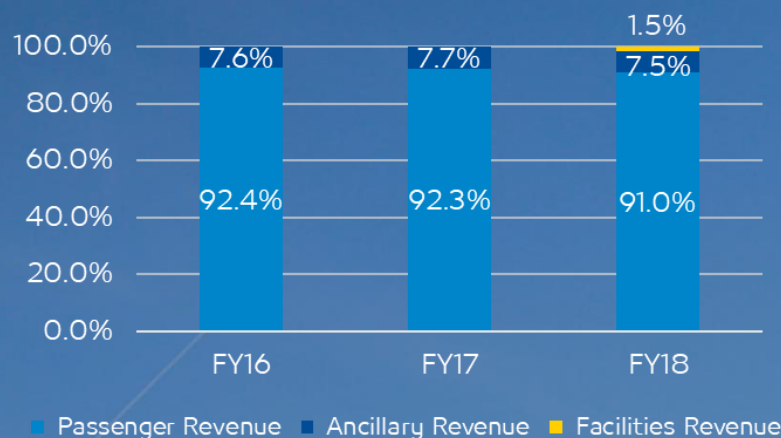
# FY16-18 Financial Performance

(KWD mn)	FY16	FY17	FY18	YoY CHANGE
<b>Passenger Revenue</b>	48.8	52.3	74.9	<b>43.2%</b>
<b>Ancillary Revenue</b>	4.0	4.3	6.0	<b>38.9%</b>
<b>Facilities Revenue</b>	0.0	0.0	1.2	
<b>Total Revenue</b>	52.8	56.7	82.4	<b>45.3%</b>
<b>EBITDAR</b>	18.5	17.8	19.8	<b>11.7%</b>
<b>Adjusted EBITDAR</b>	18.5	17.8	21.8	<b>22.9%</b>
<b>EBITDA</b>	9.4	8.5	8.3	<b>-3.4%</b>
<b>Adjusted EBITDA</b>	9.4	8.5	10.3	<b>20.0%</b>
<b>EBIT</b>	8.8	7.7	6.8	<b>-12.1%</b>
<b>Adjusted EBIT</b>	8.8	7.7	8.8	<b>13.9%</b>
<b>Reported Net Profit</b>	10.8	8.2	6.7	<b>-18.7%</b>
<b>Adjusted Net Profit</b>	8.4	8.2	8.7	<b>5.7%</b>

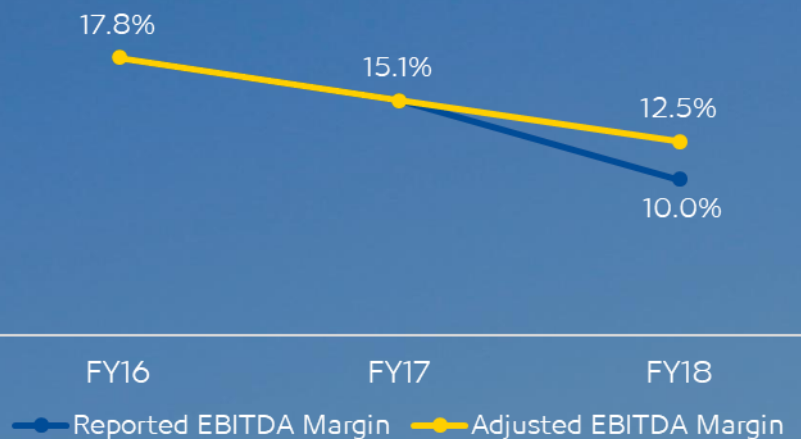
- Adjustments in FY18 are made for KWD1.5 mn one offs related to irregular events in 2018 and KWD534k operating loss related to facilities operations during the first seven months of operations
- Adjustments in FY16 are made for foreign currency reclassification and income from discontinued operations

# FY16-18 Financial Performance

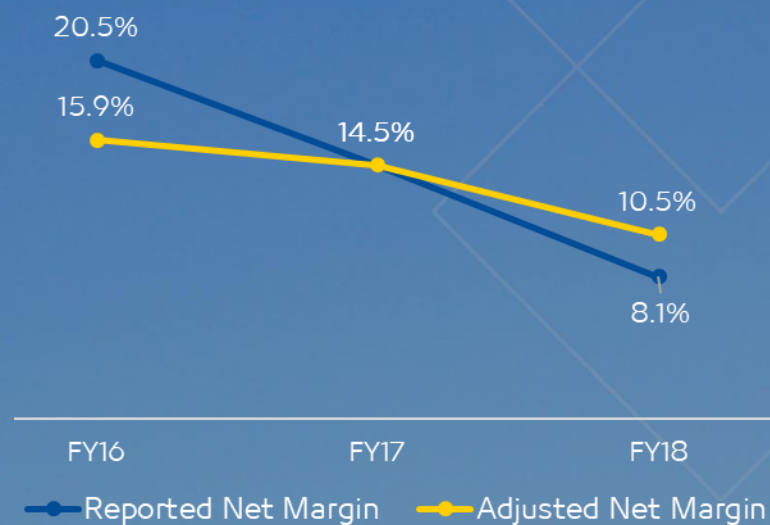
## REVENUE BREAKDOWN FY16-18



## REPORTED AND ADJUSTED EBITDA MARGINS FY16-18



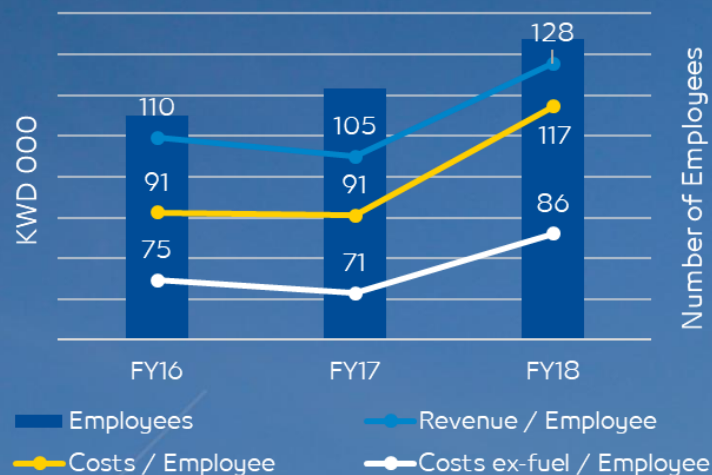
## REPORTED AND ADJUSTED NET MARGINS FY16-18



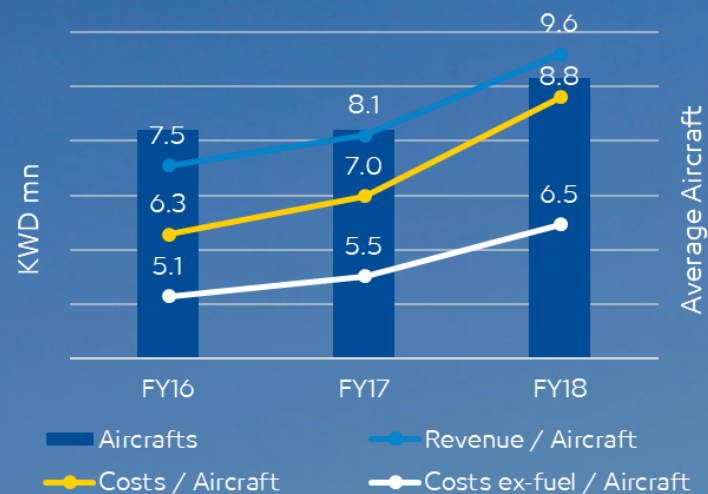
FY18 witnessed the first material contribution from the facilities segment as the "Jazeera Terminal" was operational for seven months.

# Financial KPIs

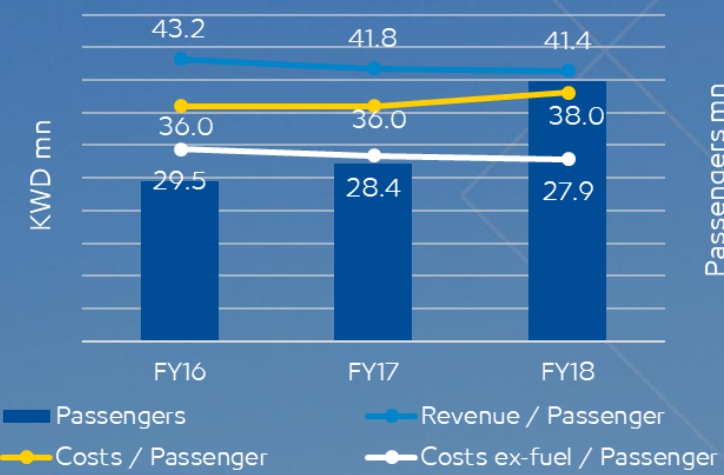
## REVENUE AND COST / EMPLOYEE FY16-18



## REVENUE AND COST / AIRCRAFT FY16-18



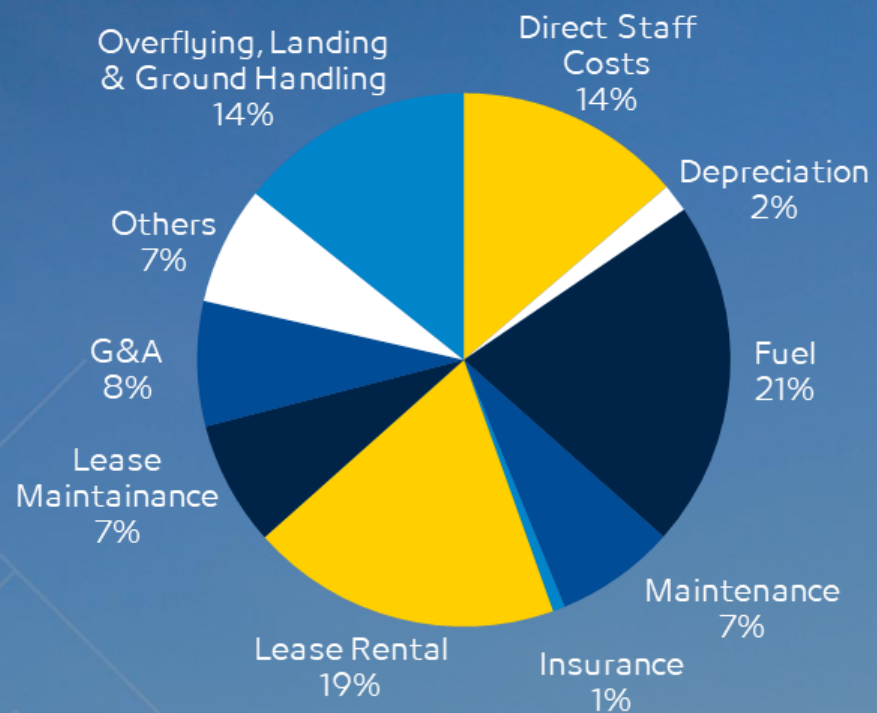
## REVENUE AND COST / PASSENGER FY16-18



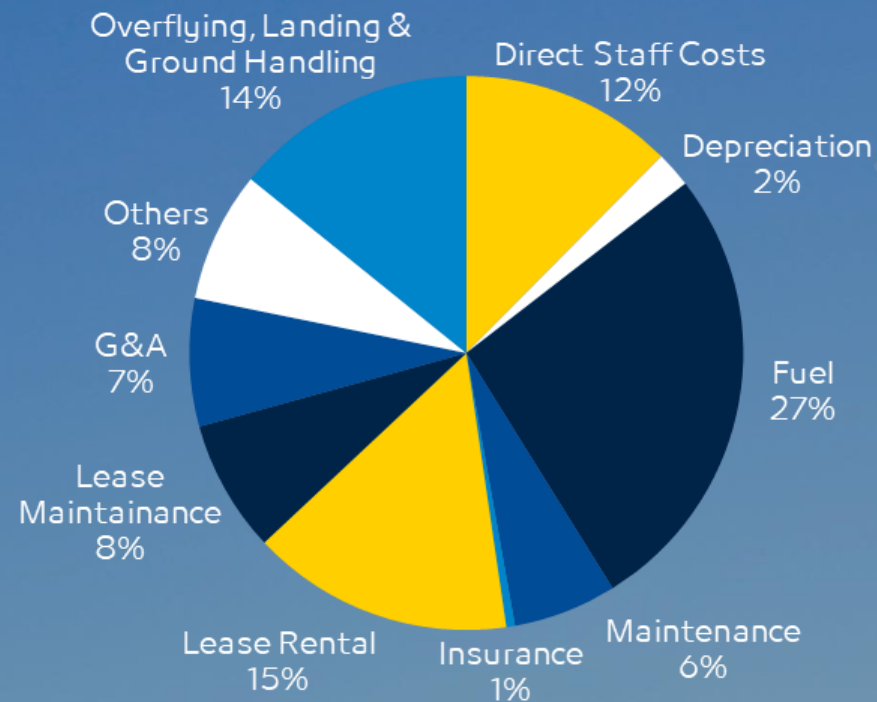
- Total revenue per employee and per aircraft increased significantly driven by better utilization of assets.
- Total revenue per passenger declined slightly in FY18 due to the ongoing pressure by regional operators and the minor contribution from the terminal.
- Cost increase was driven by more hiring during the year to support the planned growth, escalation in fuel prices, terminal opening expenses and the irregular one-offs that took place during the year.

# Costs Breakdown

**TOTAL COSTS  
BREAKDOWN FY17**

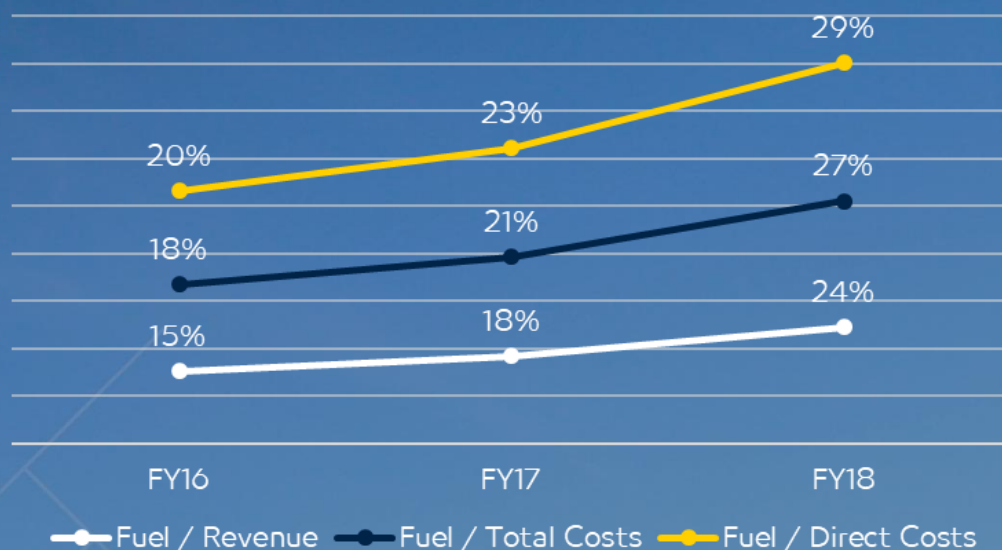


**TOTAL COSTS  
BREAKDOWN FY18**

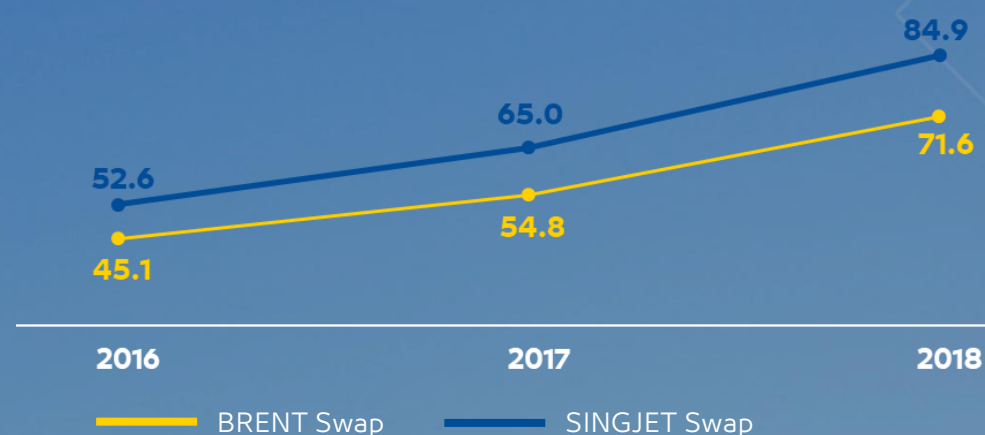


# Fuel

## FUEL AS PERCENT OF REVENUE AND COSTS FY16-18



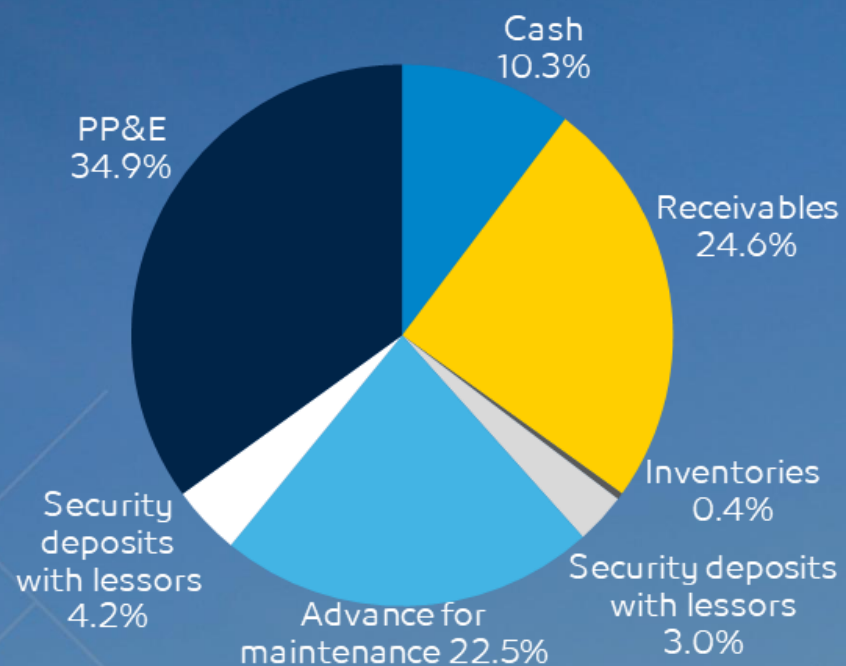
## BRENT AND SINGJET PRICES (USD/BBL) FY16-18



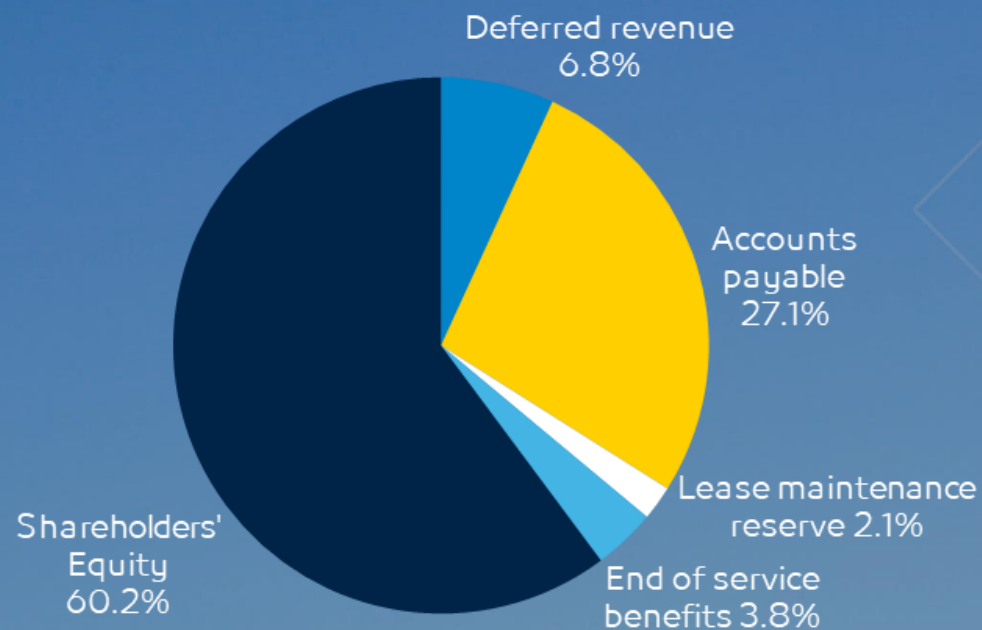
- The large increase in fuel prices during FY17 and FY18 drove the cost of fuel as a percent of revenue to 24% in FY18, above the five-year average of 20%

# Capital Structure

## ASSETS BREAKDOWN FY18

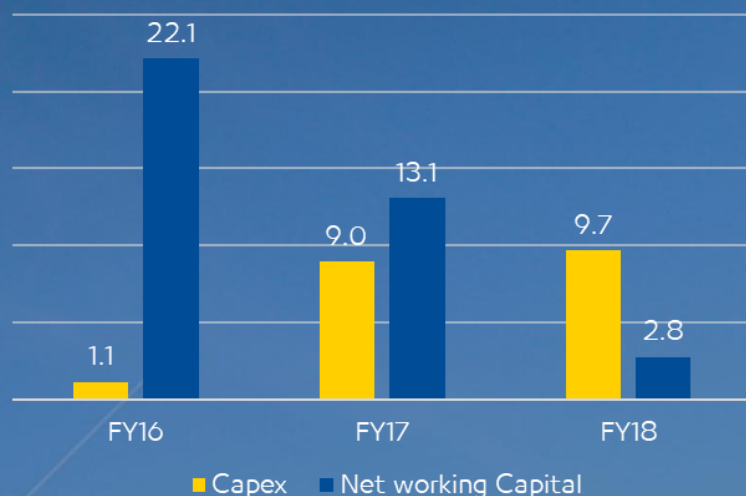


## FUNDING BREAKDOWN FY18



# Capital Structure

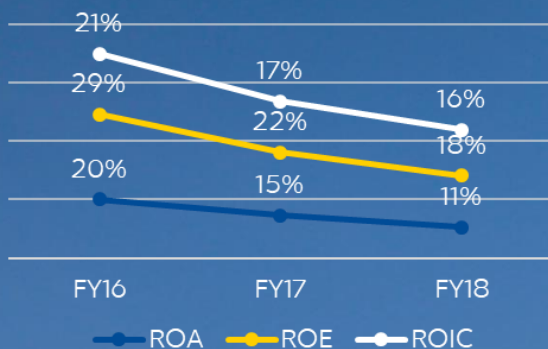
## CAPEX & NET WORKING CAPITAL FY16 - 18



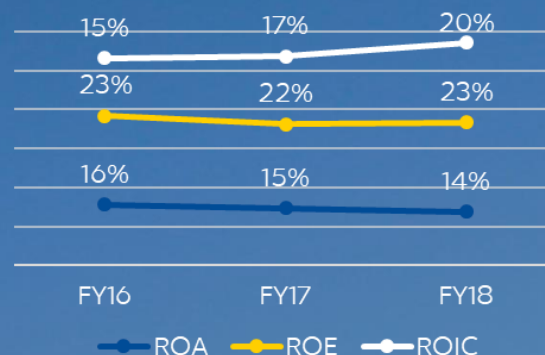
- Net fixed assets increased over the period FY16 - 18 on the back of large investments directed towards the construction of Jazeera Terminal and the purchase of spare engines.
- Receivables saw a temporary augmentation at the end of FY18 due to a large amount of maintenance reserve claims being processed by lessors.
- Despite the heavy capex requirements, equity still represents 60% of total funding with no debt exposure.
- Net working capital decline expected to reverse the trend as the capex cycle is completed.

# Financial Ratios

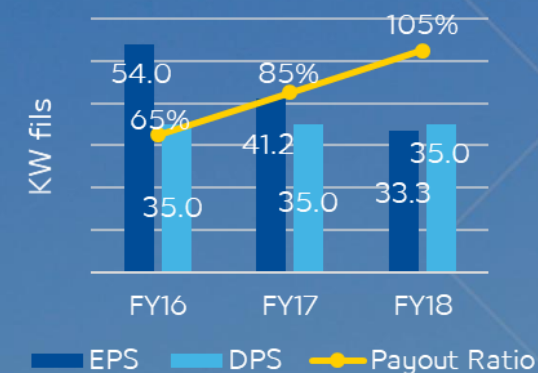
### REPORTED ROA, ROE & ROIC FY16-18



### ADJUSTED ROA, ROE & ROIC FY16-18



### EPS, DPS & PAYOUT RATIO FY16-18



- FY18 EPS increases by 30% accounting for the one-off adjustments and the impact of the terminal operational loss in 2018. Applying the same adjustments, FY18 payout ratio will be 81%.
- Current ratio decline as cash is utilized to fund the construction of Jazeera Terminal.
- Cash conversion days decreased due to temporary increase in receivables but remains negative given Jazeera's operational model.

	FY16	FY17	FY18
<b>Current Ratio (x)</b>	2.7	1.9	1.1
<b>Cash Ratio (x)</b>	2.3	1.6	0.3
<b>Working Capital (mn)</b>	22.1	13.1	2.8
<b>Total Assets Turnover (x)</b>	1.0	1.0	1.3
<b>Debt / Equity (%)</b>	0.0%	0.0%	0.0%
<b>Cash Conversion Cycle (days)</b>	-58.8	-48.0	-27.7



# Summary Financial Statements <sup>الجزيرة</sup> Jazeera.

Income Statement (KWD mn)	FY16	FY17	FY18
Passenger revenue	48.8	52.3	74.9
Ancillary revenue	4.0	4.3	6.2
Terminal revenue	0.0	0.0	1.2
<b>Revenue</b>	<b>52.8</b>	<b>56.6</b>	<b>82.4</b>
Direct costs	(39.9)	(44.4)	(68.5)
<b>Gross profit</b>	<b>12.9</b>	<b>12.3</b>	<b>13.9</b>
SG&A	(3.5)	(3.7)	(5.6)
<b>EBITDAR</b>	<b>18.5</b>	<b>17.8</b>	<b>19.8</b>
<b>EBITDA</b>	<b>9.4</b>	<b>8.5</b>	<b>8.3</b>
Depreciation and Amortization	(0.6)	(0.8)	(1.5)
<b>EBIT</b>	<b>8.8</b>	<b>7.7</b>	<b>6.8</b>
<b>Net profit /(loss)</b>	<b>10.8</b>	<b>8.2</b>	<b>6.7</b>

Balance Sheet (KWD mn)	FY16	FY17	FY18
Cash	29.4	22.8	6.5
Total Current Assets	35.2	27.0	24.1
Net fixed assets	5.6	13.8	22.0
<b>Total Assets</b>	<b>53.7</b>	<b>56.2</b>	<b>62.9</b>
Debt	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>16.8</b>	<b>18.0</b>	<b>25.0</b>
<b>Shareholders' Equity</b>	<b>37.0</b>	<b>38.2</b>	<b>37.8</b>

Cash Flow Statement (KWD mn)	FY16	FY17	FY18
<b>CF from Operations</b>	<b>4.0</b>	<b>9.0</b>	<b>3.5</b>
<b>CF from Investing</b>	<b>(2.4)</b>	<b>(8.7)</b>	<b>(12.5)</b>
<b>CF from Financing</b>	<b>(3.0)</b>	<b>(7.0)</b>	<b>(7.0)</b>
Change in cash	(1.4)	(6.7)	(16.0)
<b>Ending Cash</b>	<b>29.4</b>	<b>22.8</b>	<b>6.5</b>

# Operational Performance

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# FY18 Operational Headlines

## Jazeera Terminal

Launched in May 2018, the Jazeera Terminal provides more room to develop service.

## First A320neo

Took delivery of the first A320neo to be operated in the Middle East, and the first of four in order.

## New Destinations

Aggressively expanded in FY18 to serve destinations in the Indian Subcontinent, serving a large customer-base.

## Ancillary Revenue

Expanded the offering, introducing complementary services and value-added products.

## Commercial Highlights

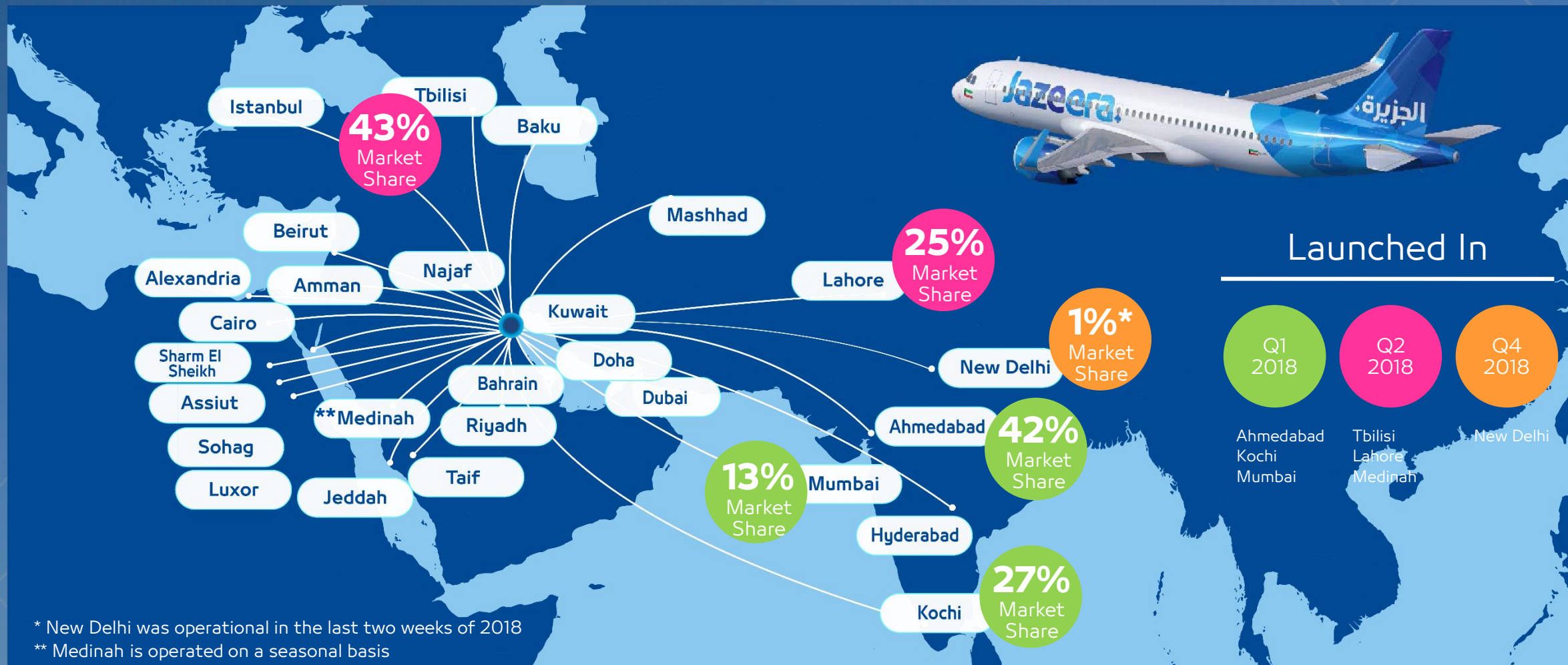
### E-Commerce Sales

+11.8% Vs. FY17

### Ancillary Revenue

+40.8% Vs. FY17

# FY18 New Destinations



\* New Delhi was operational in the last two weeks of 2018

\*\* Medinah is operated on a seasonal basis

# The Indian Subcontinent

Six new destinations within the Indian Subcontinent.

Hyderabad

Mumbai

Ahmedabad

Lahore

Kochi

New Delhi

First destination launched in Q4 2017.

Serving

**Customer Segments**

**Growth Opportunities**

More than one million Indian residents in Kuwait.

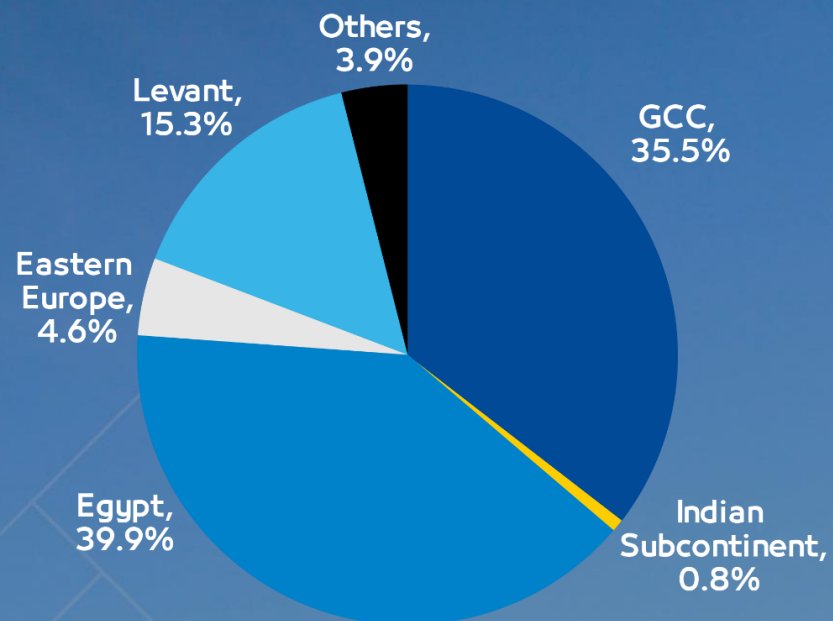
More destination to be served in coming years.

More than eight million Indian residents in the GCC.

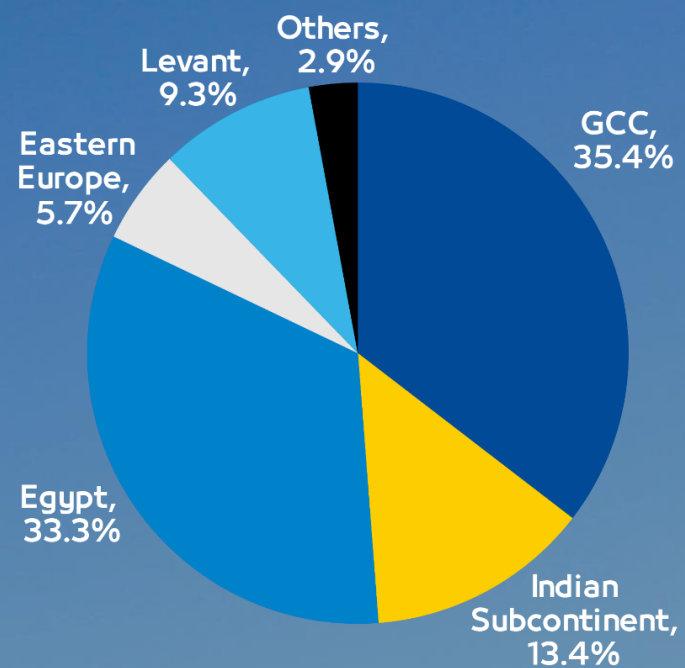
Connection flights throughout Jazeera destination network.

# Traffic Breakdown

FY2017 DESTINATION TRAFFIC BREAKDOWN



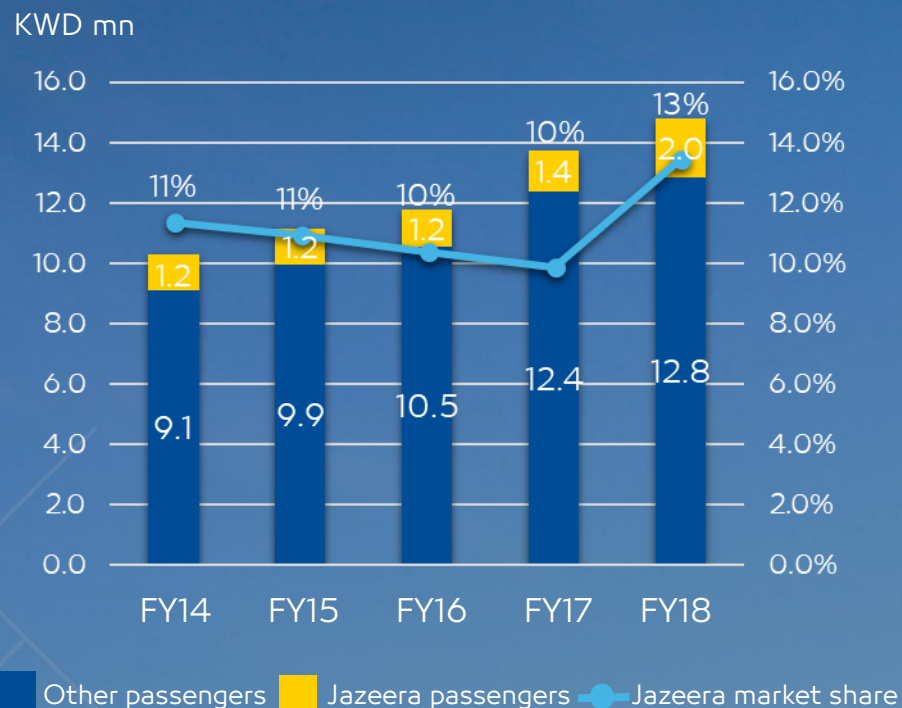
FY2018 DESTINATION TRAFFIC BREAKDOWN



- Growth in the Indian Subcontinent contributed significantly to FY18 passengers' growth as most destinations operated at high load factors as the market responded positively and immediately to the offering.
- Egypt remains a major market for Jazeera with six destinations covering different passenger segments

# Passengers Growth

## JAZEERA MARKET SHARE FY14-18



FY18 market share is the highest in over five years.

## KUWAIT INTERNATIONAL AIRPORT TRAFFIC FY4-18



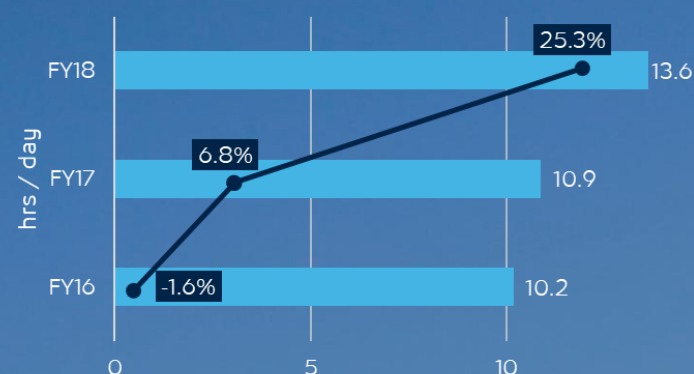
The sustainable growth in Kuwait traffic offers a solid ground for growth.

# Key Operational Indicators

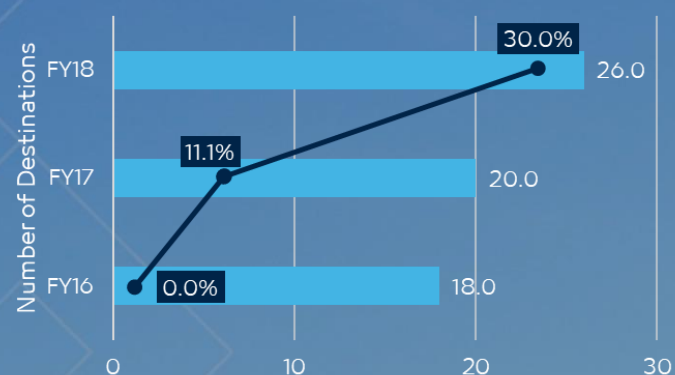
## PASSENGERS FY16-18



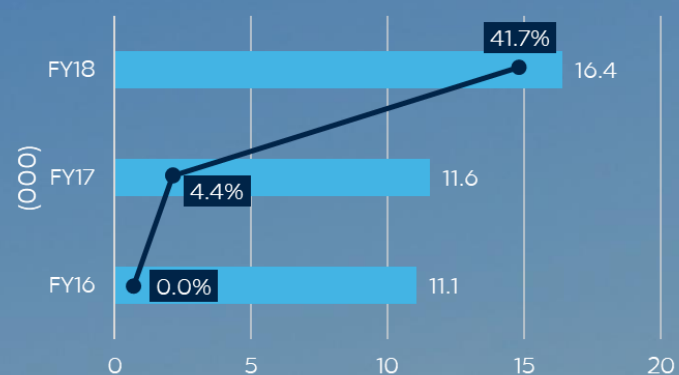
## UTILIZATION FY16-18



## DESTINATIONS FY16-18



## SECTORS FY16-18

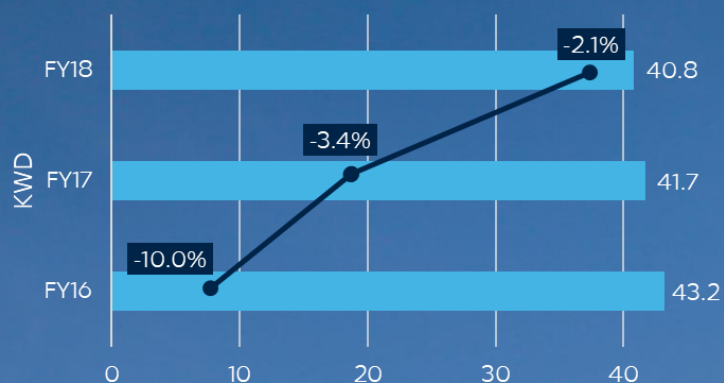


- Improved asset deployment through higher daily utilization hours enabled Jazeera to serve more sectors, increasing frequency to key destinations while starting new ones.
- The combined impact was the ability to achieve a 46% growth in the number of passengers.

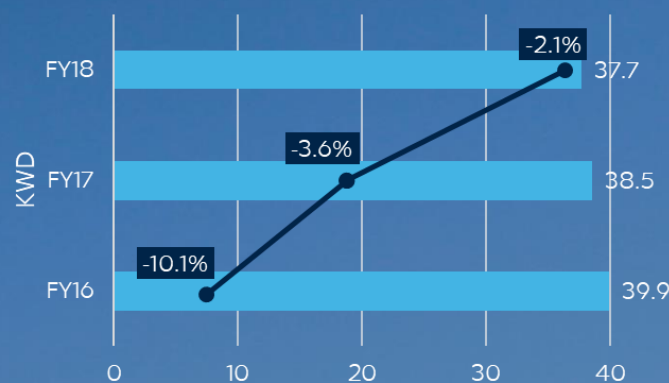


# Key Operational Indicators

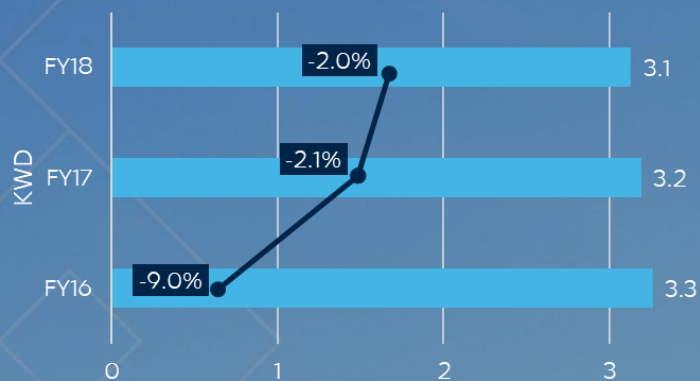
## TOTAL YIELD FY16-18



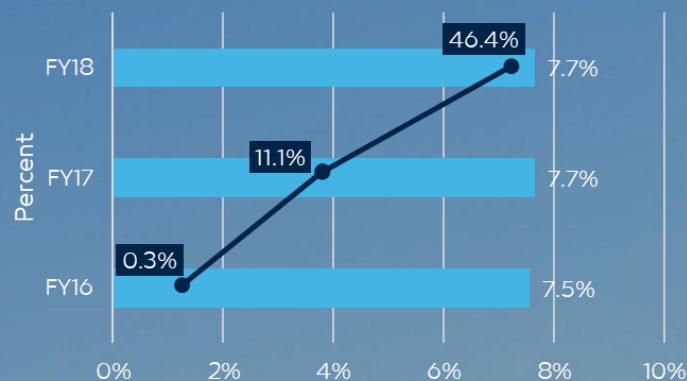
## PASSENGER YIELD FY16-18



## ANCILLARY YIELD FY16-18



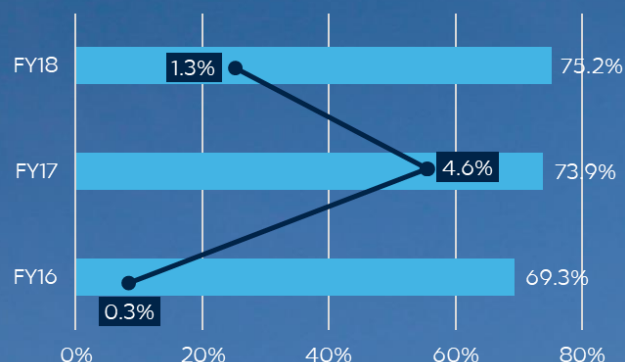
## ANCILLARY REVENUE / AIRLINE REVENUE FY16-18



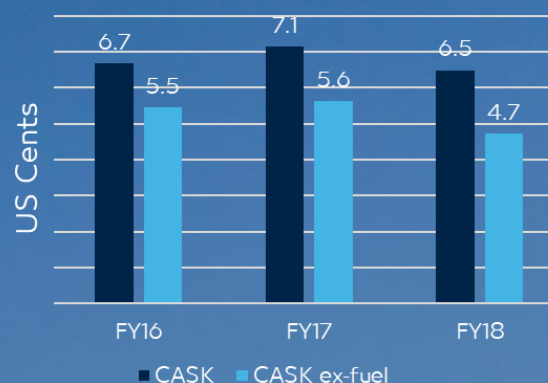
- The ongoing pressure from regional players in terms of pricing along with the introduction of new routes at promotional rates continued to erode yields during FY18.
- The year on year rate of decrease in total yields continued to slow down significantly, pointing to a potential bottoming out of the trend.
- Ancillary revenue grew in line with passenger revenue maintaining its share of contribution.

# Key Operational Indicators

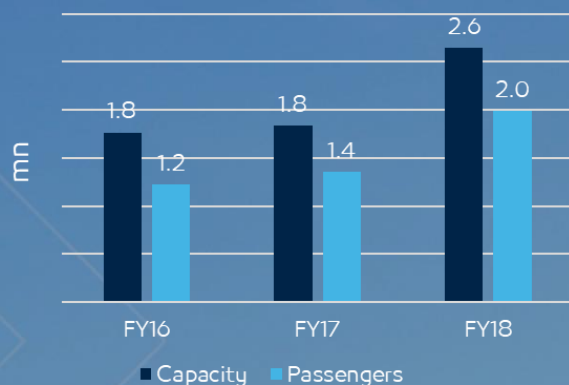
**LOAD FACTOR  
FY16-18**



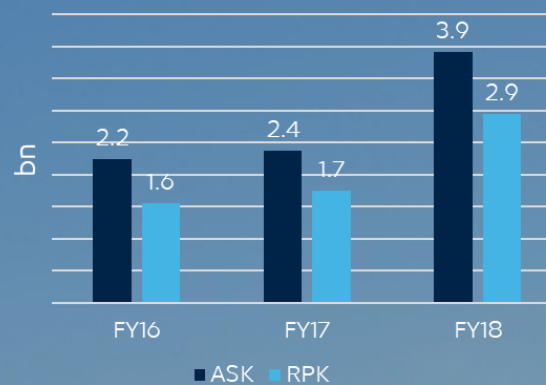
**CASK & CASK EX-FUEL  
FY16-18**



**CAPACITY & PASSENGERS  
FY16-18**



**ASK & RPK  
FY16-18**



- The expansionary framework continued in FY18 and is witnessed in the large increase in capacity offered and ASK.
- This was accompanied by tight monitoring of load factor, which increased from 69% in FY16 to 75% in FY18.
- Cost containment as a key target was reflected in the declining CASK & CASK ex-fuel.

# Fleet



Current fleet of 9 aircraft, up from 7 at the end of 2017.



The latest addition was the first A320neo to be delivered in the region.

## ▶ The A320neo offers:

- ▶ Significant fuel savings up to 18% over traditional engines.
- ▶ Allows more flying time expanding flying radius to +6hrs.
- ▶ Improved customer experience due to lower noise.



Contracts signed for 3 new A320neos to be added to the fleet in 2019.

# Jazeera Facilities



# Jazeera Facilities

## Sahaab Aviation Services (SAS)

### Jazeera Terminal

Terminal 5, operational since May 2018.



### Park & Fly

Introduced in FY16, and provides ample parking spaces for long-term parking and remote check-in.



### Jazeera City

Location of Jazeera Airways and SAS headquarters.



# Revenue Streams

## Jazeera Terminal

Aeronautical	Parking	Retail	Concessions
<ul style="list-style-type: none"> <li>Check-in charges</li> <li>Airport and passenger charges</li> <li>Bridges can accommodate other airlines</li> </ul>		<ul style="list-style-type: none"> <li>Duty Free</li> <li>Other retail stores</li> </ul>	

## Jazeera Park & Fly

Check-in Fees	Parking
<ul style="list-style-type: none"> <li>An innovative solution in response to the need of long term parking in KIA.</li> <li>Offers a remote check in facility</li> </ul>	

## Jazeera City

HQ	Flagship Building
Customer relations and sales desk	

- Kuwait International Airport has a natural monopoly being the only aviation outlet in Kuwait.
- All required CAPEX already incurred during FY17-18 via 100% internal funding.

# Jazeera Terminal

- The flagship of Jazeera Facilities and the first privately owned terminal in the region
- A dedicated terminal attached to the main terminal of Kuwait International Airport and connected to Jazeera Gates
- Allows Jazeera to take full control over the customer experience from parking to gates then on board of the flight
- Concession life of 20 years starting May 2018
- Kuwait international Airport has a natural monopoly being the only aviation outlet in Kuwait
- All required capex already incurred during FY17-18 via 100% internal funding.

**1.2 million passengers  
carried from inauguration  
to end FY18**



Proximity to Kuwait International Airport

Total size: 4,750 square meters

Retail and duty free: 2,500 square meters

12 check-in counters

8 self-check-in kiosks

1,200 bags per hour capacity

350 parking spaces, connect to T5 by air-conditioned glass bridge

Up to 3.5 million passengers annually



# FY18-20 Business Plan

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# FY18-20 Business Plan

## Airline

Fleet	Destinations	Load Factor	Utilization
<ul style="list-style-type: none"> <li>• 2017: 7 Aircrafts</li> <li>• 2020: 15 Aircrafts</li> <li>• Fleet of leased A320 to remain the sole aircraft body utilized.</li> <li>• New aircraft are A320neo that create close to 18% fuel savings.</li> </ul>	<ul style="list-style-type: none"> <li>• 2017: 20</li> <li>• 2020: 40</li> <li>• High traffic destinations within our flying radius of +6.5 hours.</li> <li>• Further penetrate European and Indian subcontinent markets.</li> <li>• Expand and increase frequency in existing markets like the GCC.</li> </ul>	<ul style="list-style-type: none"> <li>• FY17: 73.9%</li> <li>• FY20: +75.0%</li> <li>• Maintain a minimum load factor of 75%.</li> <li>• Diversify customer base to capture more segments.</li> </ul>	<ul style="list-style-type: none"> <li>• FY17: 10.9 hours</li> <li>• FY20: +14.0 hours</li> <li>• Focus on efficient asset utilization.</li> <li>• Support growth and cost efficiencies via maximizing aircraft use.</li> </ul>

# FY18-20 Business Plan

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## Facilities

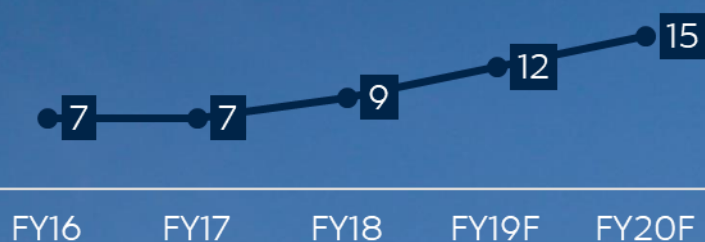
Ramp up Jazeera Terminal  
and streamline operations

Seek further expansions to  
add more capacity

Continue to evaluate other  
potential opportunities along  
the supply chain

# FY18-20 Business Plan

## Fleet

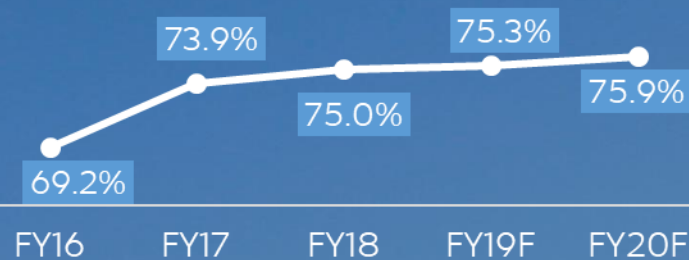


Target achieved

3 new A320neo in order, to be delivered in FY19

FY20 target as planned

## Load Factor



Target achieved

FY19 target as planned

FY20 target as planned

## Destinations



Target achieved

FY19: Focus on high traffic target destinations such as London and Dhaka

FY20 target as planned

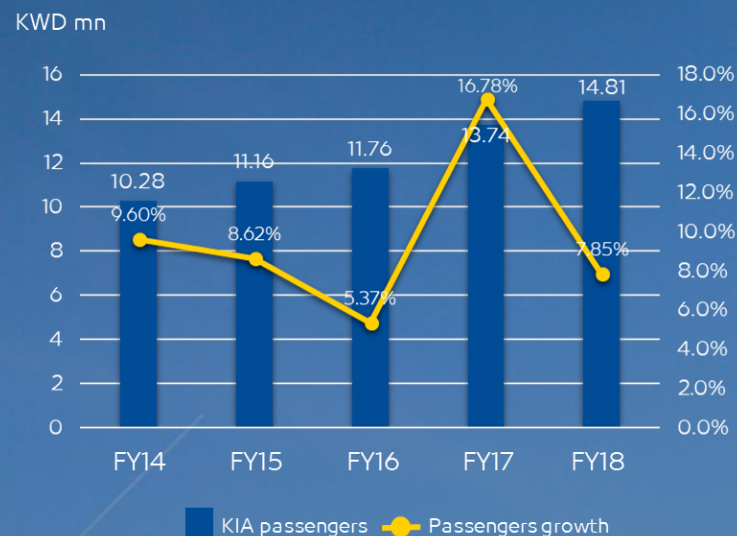
# Market Analysis

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# Market Performance

## KUWAIT INTERNATIONAL AIRPORT TRAFFIC FY14-18 \*



## KUWAIT EXPENDITURE ON OUTBOUND TRAVEL FY14-18 \*\*



## TRAVEL SEGMENTS BOOKED FROM KUWAIT FY14-18 \*\*\*



- Persistent growth in Kuwait International Airport traffic reporting a FY14-18 CAGR of 9.6%.
- Similarly, segments booked from Kuwait continue to show steady increases with a 5-year CAGR of 9.7%.
- Expenditure on outbound travel, which reflects the country's high tendency to travel, grew at FY14-18 CAGR of 4.7%.

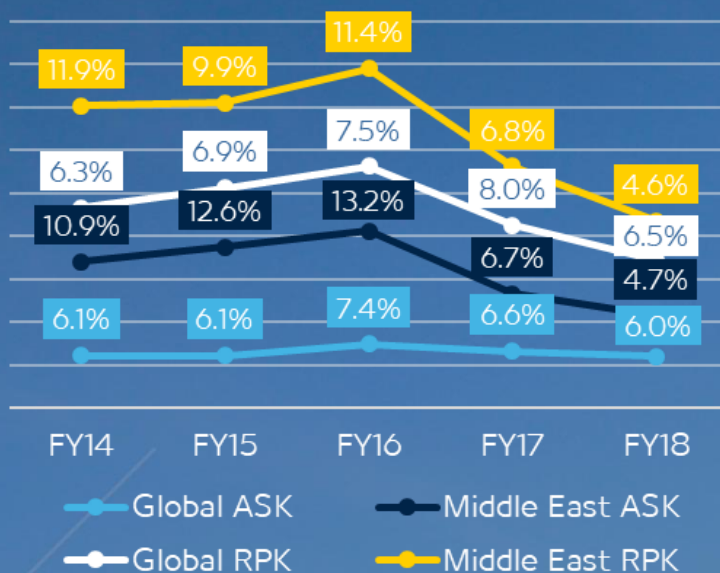
\* Source: Kuwait Directorate of Civil Aviation

\*\* Source: World Travel and Tourism Council

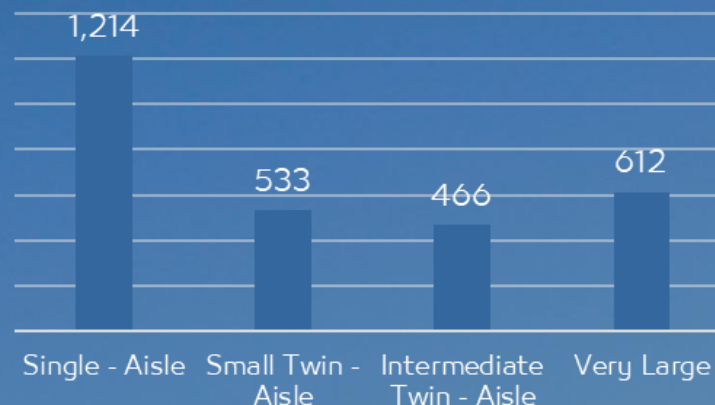
\*\*\* Source: Market Information Data Tapes

# Market Performance

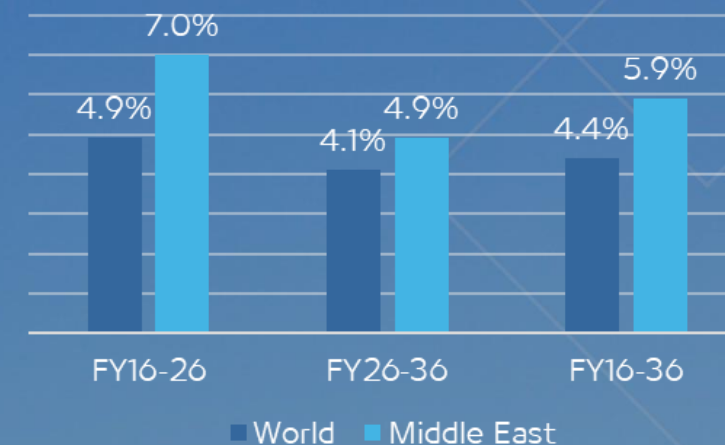
### TRAFFIC AND CAPACITY FY14-18 \*



### NEW DELIVERIES BY SEGMENT FY17-37 \*\*



### TOTAL FORECASTED TRAFFIC GROWTH FY16-36 \*\*



- According to Airbus, more than 40% of the world's population is within reach of the Middle East using a single-aisled aircraft such as the A320neo model.
- The Middle East is expected to receive a total of 2,825 new aircraft between 2018 and 2037, of which 2,010 will be new additions to the existing capacity.
- Regional capacity supply has been increasing against the global trend, putting load factors under pressure.

\* Source: IATA Statistical Factsheet

\*\* Source: Airbus Global Market Forecasts 2018-2037

# Key Contacts

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Thank you