Operator: Ladies and gentlemen, welcome to Jazeera Airways' Fourth Quarter 2019 Results Conference Call. Throughout the call, all participants are in a listen-only mode. Afterwards, there will be a question and answer session. I now pass the floor to your speaker, Mr. Sidharth Saboo. Sir, please go ahead.

Sidharth Saboo: Thank you. Hello, everyone. Thank you for joining us today. This is Sidharth Saboo. On behalf of Arqaam Capital, I'm delighted to welcome you to Jazeera Airways' Full Year 2019 Results Conference Call. I have with me here today, Mr. Rohit Ramachandran, CEO of Jazeera Airways and Mr. Krishnan Balakrishnan, company's CFO. With no further delay, I'll now turn over the call to Mr. Rohit.

Rohit Ramachandran: Thank you very much Sidharth. Good afternoon, everyone. It gives me great pleasure once again to welcome you to the Jazeera Airways earnings conference call for the closing of the fiscal year 2019. Our audited financials were released yesterday, along with the resolution of the board of directors meeting that also took place. I'm delighted to welcome you to our call today to discuss a record year for Jazeera Airways in which the company saw its highest ever operating revenue as well as profit. We continue to see this as a very positive sign that we are heading in the right direction and the market we operate in represented by key stake holders are rewarding us for the strategy that we are pursuing. In the coming one hour, we will follow the by now familiar format along the coming slides in order to dig deeper into the details of our operational and financial performance as well as look at our outlook for 2020 and the several interesting initiatives that are now giving us the results that we had forecasted. And at the very end, we will of course have a Q&A session.

I now invite you to move to slide number eight of the presentation. The airline business posted yet another quarter of growth and the number of passengers that it gathered was up by 29% over the fourth quarter of the previous year, which was 2018. And it was driven by an increase in load factor, the addition of three new aircraft to our fleet, and the introduction of seven new routes.

The aircraft utilization dropped slightly given that new aircraft deliveries during the quarter, there is usually a brief ramp up period until new additions, they integrate themselves into the operating schedule and catch up with the rest of the fleet. Yield or the average fare per person was under significant pressure during the quarter. This trend was driven by multiple factors, some of which were external, some of which were internal.

Externally, the fourth quarter of the year is usually weak, which drives aggressive promotions from almost all airlines in the region. We of course compete aggressively to protect our market share. Internally, and as planned earlier, we launched seven new routes during the fourth quarter after taking delivery of our three brand new A320neo aircraft. By virtue of that alone, our blended yield came under some pressure as we gradually support the growth of these newly launched routes to become mature and start contributing to the overall top line.

Now moving on to slide nine. On an annual basis, we continue to hit new heights in terms of the number of passengers we served. And during the year, we reached 2.4 million passengers in 2019, which is 25% above the 2 million that we reached in 2018. Load factors also improved to 77.5%, which is about 2.5% higher than the previous year. While the annualized utilization of aircraft was more or less the same as the previous year. Maybe slightly lower, which was driven by the deliveries of new aircraft, which I spoke about in the previous slide. The blended yield saw a modest 1.6% increase over 2018.

Operationally, we categorize 2019 as a very good year, which confirmed that our strategic initiatives are leading Jazeera in the right direction. Our growth in terms of fleet, number of passengers gathered, and destinations offered along with the improvements in our load factors, they laid the foundation for 2020 as well as beyond.

Moving to slide 10. Let us now discuss our financial performance. The fourth quarter of 2019 was a challenging one for the factors mentioned earlier. Mainly however, it was a very busy operational quarter as we took delivery of the three aircraft and immediately put them into operation on the new destinations that we planned. Our revenue growth in the fourth quarter was mainly a result of the ability to carry more passengers, which offset the negative contribution from the yield side.

It's worth noting that the drop in operating profit and the normalized net profit was as per our plan and as communicated earlier during our third quarter 2019 investor call. And given the addition of the fixed cost pertaining to the delivery of the new aircraft, we are quite satisfied with the reduction in the loss for the fourth quarter compared to 2018.

Moving on to slide 11, and this in my view is the most important one of the day. For the annual results, we are glad to see that all our operational achievements are being translated into a strong set of record financial results with a 26% increase in revenue, which came in at 104 million Kuwaiti dinars. This is the highest ever recorded in the company's history. Operating profit increased by 109% to 14 million dinars, while the net profit jumped 124% to 15 million dinars against the 6.7 million the previous year. Our results were further supported by a one-off gain recognized from the sale and leaseback of two engines during the year, a policy we are following to maintain our light asset face, which we have committed to. Krishnan will provide more on this in his discussion under the CFO summary.

Let's move on to slide 12. Our growth in ancillary revenue outpaced that of passengers to report an increase of 35% during the year, as passengers are gradually becoming more accustomed to our LCC offering. We have seen improvements across the board in all our ancillary offerings. For instance, our cargo revenue increased two and a half times the previous year, during the course of 2019.

Slide 14. I'd like to cover the Jazeera's key operational achievements during 2019. We are proud to announce that we started eight new routes during the year of which three are in Europe, two in the Middle East, and three in Asia. Seven out of these eight routes which we established during the year, it's the first time these points were being connected with our hub in Kuwait. While our operation to Gatwick was the first connection between the GCC and the UK operated by a local carrier. Further, we took delivery of three new aircraft which joined our fleet, in addition to the temporary 12-month lease of another aircraft bringing our herein total fleet size to 13.

Now, with all this growth, we need to invest in talent and our management team continue to grow in line with the growth of our operations. And we brought in four new senior executives to support this growth during the year. The first was the Chief Operating Officer, Mr. Shaheen Al Ghanem, who used to be the Director of Aviation Safety at the Kuwait DGCA, the regulator. We brought in a new VP in maintenance and engineering, who is spearheading our engineering services improvements and efficiencies. His name is Mr. Robert Woods and he joins us from previous similar senior responsibilities at Royal Brunei, Air Arabia, and Thomas Cook before that. And last but not the least, we also brought in a new CEO for Jazeera Terminal T5, to be fully dedicated to the management of Jazeera's facilities as well as monetization of the terminal. We are also in the process of recruiting a new vice president sales with a hardcore LCC background. He will be joining our team in early March.

Let's move over to slide 15, where we provide more details of some of these achievements. I think we have all ready discussed many of them during previous calls and a few of them I will explain in greater detail as we go along today's call, but this one slide summarizes some of the important ones.

Let's move to slide 17. In fact, slide 17 and 18 discuss the now familiar breakdown of our market share in every destination that we fly to, in addition to the evolution of our passengers geographically. As you can see, the developments we have been discussing over eight quarters now, are shaping up and we will continue to focus on strengthening our existing groups while adding new profitable ones to our portfolio. In this regard, our view remains solid and unchanged that there's a very large market for Jazeera to capture in terms of demographics. Also catchment areas and the segment demand that we aim to penetrate over the coming few years is strong and solid.

Let's move to the next slide, 19. Another shining star in 2019 was actually Jazeera Terminal T5. I'm glad to announce that T5 reported an annual revenue of 4.3 million dinars and a net profit of 1.2 million dinars, as our team managed to get across some very difficult hurdles that are now behind us. You will know what those are from our previous calls including certain regulatory and municipality approvals. I'm happy to say that that is all now done and behind us. During the year, last year, we managed to re receive all these approvals that were holding back leasing activity and we also managed to open a new immigration desk in the third quarter of last year to facilitate visa on arrival services for eligible GCC residents.

Further, the two lounges are now fully operational and all the other concessions and related contracts are also up and running. I'm also glad to inform you that we are seeing significant activity in retail and leasing and we'll have much more positive news in the coming two quarters.

Let me give you some of the highlights relating to the terminal because I know several investors would like more details. The DGC approvals and the municipality licenses, they came in finally in October in a complete form. As of December, two thirds of our leasable space on the land side was leased out and almost 100% of the leasable space in the air site is already leased out. The two lounges, they occupy almost 300 square meters, which is on a very lucrative profit share model. Just since October, about a further 500 square meters have been taken by some very good brands in Kuwait. This includes electronic stores, three additional F&B outlets, as well as an exchange company. We still have about one third of the available space in the terminal landside left to release. Our commercial teams are aggressively pursuing this opportunity and these areas we expect to be fully leased by middle of the year.

Let's move now to slide 21. Here we start our discussions on the outlook for this year. Our route growth plans will continue, but more importantly we are looking at increasing frequency on several of our existing very profitable routes. This is something that we weren't able to do so far given the shortage of aircraft in our fleet. To achieve this, we will take delivery of five new aircraft within the full year of 2020. And one leased airplane that I mentioned earlier will be returned to the lessor. This means we will close the year with 17 airplanes. Further information about these new additions will take place during the year as we go along.

We also started a very new, important initiative which we put in place from the 1st of January, 2020, which is to withdraw business class from Jazeera Airways altogether, and shift towards a more flexible ticketing system offering three economy class fare categories as you can see in the next slide, 22. These changes, they actually provide better revenue opportunities. In the case of removing the business class configurations, it adds eight additional seats to the saleable capacity of the aircraft and we can play to our strengths and retain the core LCC DNA that is necessary for the focus and simplicity of our business model. These efficiencies and the simplicity in the processes of our business model is what delivers to us the cost savings which we pass on to the customer as lower fares.

Let's now move to slide 23. Those of you who have been following Jazeera, know that we have been talking for quite a lot of time about recognizing cost savings through economies of scale. We are glad to say that 2020 will be the first year to effectively reap the benefits of our growing business and fleet. To that end, we have signed several key engineering agreements with global leaders in the respective products and services. Agreements that we could have never negotiated in the past with our smaller fleet size of seven or 10 airplanes. In fact, a large part of these agreements is based on the conviction, trust, and belief that our partners have in us as they see Jazeera becoming a significantly larger airline in the coming five years.

One such agreement is the 20-year contract signed with CFM, the engine manufacturer, of the lease engines on the A320 new aircraft and covers all maintenance costs during the entire lifetime of these engines while they remain in Jazeera's books. Under this contract, Jazeera will pay an hourly charge per engine flying hour, with a committed rate that is very competitive and that will remove operating cost uncertainty for the next 20 years.

Another one is the Airbus power by the hour contract, which covers a major portion of the components on Jazeera's fleet. Again, this contract also removes the uncertainty of the cost of repair and overall or escalation over the term of the aircraft life while with Jazeera and is expected to create savings in the range of 40% compared to what we used to pay for components.

Let's now move to slide 24. In this slide, we discuss yet another significant milestone related to the same cost saving initiatives I've been speaking about. During 2019, we hired a highly competitive and professional team of engineers led by our VP Engineering and Maintenance, who together managed to finally receive the Part 145 Approval and certification from DGCA Kuwait in January 2020. Which enables us to conduct line's maintenance activities on our own aircraft in-house for the first time in the airline's history. Previously, Kuwait Airways engineering has been managing Jazeera's line maintenance since inception. This contract was restructured for a paper use model effective 1st of April, 2020. This change is expected to generate cost savings in the range of 30% on this line maintenance item alone.

We are glad to announce that Jazeera's engineering team has already executed the required line maintenance activities or begun executing the line maintenance activities on one aircraft in our fleet and we'll gradually increase the number of aircraft that we take over from Kuwait Airways under our own maintenance. This process will take place over the next few weeks, culminating in the entire fleet being managed by us by June.

Let's now move to slide 26. I conclude my section with a quick discussion on the outlook for 2020. The overall picture for Jazeera remains positive and we are looking forward to another busy year. However, we have to be cautious of several factors shaping our operational ecosystem. As I'm sure you're all aware, the start of the New Year brought with it some geopolitical tensions in the Middle East. This included certain air space closures, which were subsequently reopened, but still uncertainty around the traffic to some of our key religious traffic destinations like Mashhad and Najaf. This was then followed a few weeks ago by the outbreak of coronavirus. All of this added to the fact that the first quarter, which is any way a slow quarter and it is indeed had a negative impact on traveling patterns and sentiment, perhaps to a lesser extent for Jazeera compared to other airlines in this region since we don't fly to China or anywhere near the far East, but it's impact is very pronounced on the market nonetheless.

Further as the business slows down, you immediately fall under pressure and with the established regional oversupply the impact is significant. This is going to be a tough quarter, but we have contingencies for this sort of an eventuality. We in the airline business have seen this before. In 2003 you had SARS then in between you had MRSA, in 2008 you had swine flu. With all these initiatives we know how to match the capacity that we deploy with the demand that exists on any particular route and a number of cost saving initiatives have been put in place during what we expect to be a challenging couple of months ahead.

Now before I end my section, allow me to share a few additional thoughts. I was talking to a large institutional investor yesterday who asked me, the profits have doubled, the fleet has doubled, the terminal is now up and running and the bottom line is healthy. Have we reached the end of the road? Is Jazeera Airways not fully tapped out? To answer this question, my friends, I would like to make a slight departure from my usual approach of letting the numbers do the talking, but on this occasion I would like to talk about the future because I believe it is important for you as investors to have visibility about the future. To answer the original question, have we reached the end of the road? No, we're just getting warmed up. Of course the overwhelming focus will be on bread and butter issues, the seed factors, the yields, the punctuality, the operational excellence, the terminal, et cetera. You know all this, because I speak about this quite often, but over the course of the next two years here is what you can expect.

You can expect a fleet of 25 airplanes flying to 50 destinations. This is over two years. You can expect Jazeera completely managing our own maintenance, including having a hanger and thereby significantly driving down costs further. You can expect a review of all other unit costs including we are looking at the feasibility of having our own ground handling. You can expect us to look at having our own duty free business, the expansion of our current terminal and very shortly thereafter, we're looking at having a totally new terminal project. You're aware of the development so far around the passenger service fees and that presents some interesting possibilities. For us, the expansion of traffic rights to India along with other key capacity restricted countries is a big priority, which I'm certain will bear very good results by the second half of this year. We're looking at dramatic initiatives to control fuel costs. We're looking at having our own catering company so we don't have to pay the high charges for very average quality provided by other local catering companies. We're looking at having our own flight training organization, which could include simulators.

Many of these strategic projects are personally being driven by our chairman, Mr Marwan Boodai. Every one of these projects has the objective of driving down costs, boosting revenue, enhancing operating excellence and sometimes all three. I would like to end on a personal note. Last week I completed three years as chief executive of Jazeera, during which I've had the pleasure of hosting these investor calls twelve times. The entire management team and I are very mindful of the trust reposed in us by investors and are focused on enhancing shareholder value, it's second only to flight safety. With that, I will now hand you over to our CFO Krishnan for a more detailed discussion of the financials and at the end I will be available to take any questions that you might have. Krishnan over to you.

Krishnan: Thank you Rohit. I'm very happy to be a part of this call. Thank you all for joining in. Let me take you straight to slide number 30. 28 and 29 cover the key parameters which have already been discussed by Rohit earlier. If you look at the slide number 30 our revenues for the quarter four went up by 12% and expenses went up by 14%. The reasons for the revenue being lower were already briefed by Rohit, primarily the yield decline that we saw. Our work operating expenses were well below the 22% capacity increase, which is a good sign and indicating the cost controls that we have in place yielding results. The operating profit was up by 22%, the net profit by 35% and the reason why the net profit is much higher is because of the sale and lease back profit which was mentioned about earlier. We did the sale of two engines that we own. One NEO engine and one CEO engine.

I'll then take you to slide number 31. For the financial year 19, we ended the year with a profit of 14.9 net after tax. The operating revenues went up by 26% and they expenses by 18%, whereas the capacity increase was also 18%, so the revenues outdid the capacity increase because of the higher seat factor and the better yield for the whole year, as compared to the previous year. The operating profit was 14.2 million and with the sale profits on the engine sale, we achieved a net profit of 14.9 million for the year. If I may then take you to slide number 33 which discusses balance sheet movements. The assets of the company increased by 104 million because of primarily the IFR 16 leased assets, which were recognized for the first time in 2019. That was 83 million. The cash increased by 17 million because of the operating profits in cash and also the recovery of cash from the lessors by replacing the cash reserves with letters of credit or bank guarantee.

We also saw an increase in the assets despite the fact that we did pay a 7 million dividend for the year and also the net investment after the sale, the net investment in further assets was about 300,000 KD. The liabilities went up by 101 million primarily because of the IFR 16 liabilities, which is 89 million KD and the replacement of the maintenance reserve with the bank guarantees increased the liabilities because we have to pay them and overall increase in the operations contributed to the increase in liability. With that, I end my section of the presentation and you may now ask questions.

Operator: Ladies and gentlemen, the question and answer session starts now. If you wish to ask a question, please press zero one on your telephone keypad. Please be informed that there might be a short silence while questions are being registered. Thank you. The first question comes from Nishit Lakhotia from SICO. Please go ahead.

Nishit Lakhotia: Yes, thank you for the call and congratulations on a good year and a very strong dividend payout was good surprise at the end of the year. I have a couple of questions. First on the macro environment, Rohit, you did touch upon the yield and the current situation within the region and on the geopolitics and the problem with the virus right now. I wanted to check what's your outlook with the multiple events? We might have Dubai Expo 2020 towards the end. You might have some traffic from there, but the competition is evolving and I would want to know how do you see the yields moving this year versus last year, which has been a very strong year, given that you're also launching a lot of new routes and deploying the aircraft as you're expanding quite significantly? That's my first question. Within that some color on the hedging as well. We didn't see any details of hedging in this quarter. If you have hedged, at what levels and given the rate has fallen quite a bit. That's my first question.

Second is on the fees. By taking out the business class, you've got eight new seats. What exactly are the number of seats right now in your CEO aircraft and the new aircraft? Is it around 165 in the CEO? Any more color on that? Also, going forward, I understand you can't literally fly full load to London, what kind of a seat load factor should we assume on those routes? That's my second question.

Third on the terminal, you briefly mentioned about the expansion. A bit more color on how much more now? What kind of expansion currently is happening within this current terminal and would I be assuming that your terminal will be nearing capacity next year after the inclusion of five more planes or that would not be the right assumption? A bit more on details on the terminal expansion, immediately on the current terminal. What if you don't get the Indian routes by second half next year? You have so many planes coming in. In terms of deploying the routes, you mentioned a few routes, but would that be enough or that can be an issue if the Indian routes traffic side does not come on time? Thank you.

Rohit Ramachandran: Right. Nishit, thank you very much for your five questions as I make a note of them. Good to hear from you as always. Let me tackle them in the order that you've asked them. The answer is yes, the first quarter, the year has begun with more challenges than one would expect in a typical Q1, which is anyway quite challenging. I mentioned the geopolitical aspect which saw it... Two or three of our routes temporarily affected. In general, there was a standard amount of over capacity as well, so on some of our routes we had yield going down slightly as we adopted an aggressive posture to protect our market share. This is all very normal in the airline business and we are used to dealing with them. The virus a new one and although the fundamentals should not really change because there has been no significant real problem related to the coronavirus in any of our key markets, I think sentiment has certainly affected the demand for some of the discretionary travel that people make.

Now having been through this before, as I mentioned with other similar outbreaks, I know that this normally takes about two to three months to sort itself out and the key for us as an entrepreneurial company and a responsible company, is to make sure that during these two or three months we adopt a defensive posture and make sure that we trim capacity on routes in order to reduce the variable costs associated with flying airplanes that are not very full, which we have already done. The result of the additional capacity that becomes available as a result of these tactical cancellations, we are deploying onto more profitable routes, which is why you would see some of the profitable routes in Saudi Arabia such as Riyadh and the newly launched Dammam and now seeing an increase in frequency because those routes are doing very, very well.

Talking about routes, I would also like to mention an interesting statistic that every single route that we have, including the eight new routes that we launched most recently, are profitable. They cover all their direct operating costs and contribute healthy to the company. The only exception to that was Al Ain, which had a fairly small loss of about 5,000 KD in the big and that was because Al Ain started only in the second half of December, so it's just a couple of weeks. I hope I've been able to address your question regarding the virus. By the way, one more thing I want to touch upon regarding this temporary drop in demand that we've seen because of market sentiment and that is we are very lucky to have the terminal. Compared to any other airline in this part of the world or any part of the world, when we have these kinds of temporary blips that appear for the core airline business, we have the benefit of unchanged support from the terminal side of the business and that's something that makes our overall earnings quite resilient.

Let's now move on to the hedge. You're right. We haven't disclosed details of the hedge because we don't normally disclose specifics regarding the hedge. Currently we have about 30% of our fuel for two years hedged at very attractive entry points and levels. I'm happy to say that our hedge so far for 2019, since we got into the hedge until now, has had a positive cash impact in the very high six figures, US dollars. I won't go into more detail than that because we don't look at the hedge as a mechanism to make money. We look at it as a risk mitigation strategy and a budgeting tool more than anything else.

Now let me talk about the seats. By removing the business class, it actually has two advantages. One is we go back to our core LCC DNA and it's really important for us to stay focused and disciplined rather than getting distracted with tinkering with the business model. We want to stay true to our DNA. Our economy class really is world class and it is with the leather seats and the seat pitch that we have in economy class, it's well accepted as a very high quality economy class. To be fair, compared to some of the regional competitors who have flatbeds and very, very advanced business class products earlier, we weren't really serious competition in the business class category. The second advantage is we are now playing to our strengths. Where we would have for example, 80% load factor in economy class and about 50% load factor in business class, why actually waste time and effort competing in a category where it is not our strength. To us, by removing our business class, we now get back... I must correct myself. It is six seats and not eight seats, into the overall capacity of the airplane.

We now have in our CEOs 168 seats total capacity and on our NEOs we have 174 seats. I'm happy to report even on London Gatwick where we have a few seats unsalable because of the payload parity on the distance, we have monetized those seats and overall the route did an operational break even, even though it's just three months old, the London Gatwick.

Coming to your question regarding the terminal. The terminal now is actually by this year-end reaching its original design capacity. We will exceed 3 million passengers and that that will max out if we remain unchanged, but as I mentioned during my little remarks on the terminal earlier, we are not sitting idle. We have just embarked on a major expansion of the terminal which will be ready pre-summer, by around May and this will increase the capacity of the terminal by around another million passengers or so. This includes one very large transit area. It includes another two round gates. It includes a third baggage carousel and all these initiatives will ensure that we are good for at least another couple of years.

Beyond that, and I don't want to go into too much detail now, I think we will cover that in a future call, we have the plan for a completely new green field terminal that we are talking about 10 million passengers and more. And that's going to happen in two to three years time. That's regarding the terminal.

Nishit: If I can just interrupt. Sorry, in the terminal with this expansion, what would your design capacity then move up to after the two more ground gates and extra baggage belt and transit area.

Rohit Ramachandran: By another million. So from three to four, it will move up to four.

Nishit: Okay. Okay. I got it.

Rohit Ramachandran: Moving on to India traffic rights, I think this is a very important necessary step for the evolution of traffic between Kuwait and India. The last bilateral was signed in 2007 and limits the seats just at 12,000 seats for carriers of each country. This is being taken up by the highest levels in Kuwait, with the highest level in India. By the highest level, I don't mean the second highest level. I do indeed mean the highest level. And I expect a positive outcome with this in the second half of the year.

Nevertheless, even without expansion into India, we have another 15 routes that we really want to launch and the business model and the business cases are so strong for these routes, but we are unable to launch them because of shortage of aircraft. So until the end of 2021, even without any expansion in India, we are very, very well covered.

I've had to take on an unplanned 8320neo in February, which was not part of the original plan because we have received approval for traffic rights to Bangladesh for example. So we've gone out, we've got this aircraft at very, very attractive terms. I have a team in Toulouse at the moment taking delivery of this aircraft. It was supposed to go to a Italian low cost airline, but the lessors, the owners of the aircraft felt more comfortable pulling it back from there and giving it to Jazeera based on the strong credit risk and the strong balance sheet that we currently have. I hope I've been able to adequately answer all your questions.

Nishit: Yes. Thank you so much. That was very helpful. Thank you.

Rohit Ramachandran: Pleasure.

Operator: Thank you. Your next question comes from Jonathan Millan from Waha Capital. Please go ahead.

Jonathan: Hi. Well, all of my questions have been pretty much answered. I know you don't want to give a pricing on the fuel hedge, but is it above or below the current fuel price? If it's possible to comment on that. And also what do you expect the terminal to deliver at say full capacity in terms of net profit? Would it be in the range of five million dinars.

Rohit Ramachandran: Thank you. Thank you Jonathan. And I'm glad I've been able to answer the majority of your questions. I suspect that I will not be able to give you a fully satisfactory answer to both your questions. Okay? But I will try my best to share as much information as I can. As I mentioned, I don't go into releasing or disclosing individual hedge prices and mob-to-market based on every price movement. But I can tell you that it is been very favorable since we entered the hedge and we are actually looking at the moment, we actually have board approval as well for increasing the hedge at or around current levels. So it's very favorable. But I won't go into the specific price of the hedge if you don't mind. Please forgive me.

Jonathan: No worries.

Rohit Ramachandran: Regarding the terminal as well, what is interesting is all the costs associated with the terminal are largely now in place. Right? And any additional revenue that comes in as a result of leasing out more space and the lounges, for example, delivering more revenue that flows through to the bottom line. So the figure, I won't give you a specific figure because I'll rather let the numbers do the talking rather than giving you projections. But the figure you mentioned, in my view, is pessimistic.

Jonathan: Okay. I mean, because I understand there's a even the leasing and all the other contracts at the terminal are based on say passenger traffic and, sorry, I mean I misspoke. I meant to say seven, eight million dinars, if we were to assume, say full capacity and this could be easily done over the next two years. So just, again, on the terminals, if we were to assume full capacity, given that it's a formula, wouldn't it be more in the range of seven, eight million dinars? I mean, and if you could give some guidance for 2020.

Rohit Ramachandran: I would say that's a reasonable assumption.

Jonathan: Okay. Do you usually give guidance for the year?

Rohit Ramachandran: No, we don't give guidance for the year, but I try and be as transparent as possible regarding the outlook. But I don't get into specific numbers.

Jonathan: Okay. And just one last question on the maintenance cost. I mean we can see how much maintenance cost as a percentage of total. Do you mean to say that the entire maintenance cost could be cut by up to one third?

Rohit Ramachandran: I believe that is exactly the objective and I'm hoping it can be a bit more than one third.

Jonathan: Okay, excellent. So your non-fuel cost per passenger or per plane should drop by the low to mid single digit in 2020, year on year. Non-fuel cost.

Rohit Ramachandran: That is exactly the objective. Yes.

Jonathan: Excellent. Thank you very much for your time and congratulations on a fantastic year.

Rohit Ramachandran: Thank you very much Jonathan. Really appreciate your good wishes.

Operator: Thank you very much. Ladies and gentlemen, let me remind you again, if you have any comments or questions, please press 01 on your telephone keypad to enter the queue. Thank you. The next question comes from NBK Capital. Please go ahead.

Rajat: Hello gentlemen, this is Rajat from NBA Capital. Just wanted to know a couple of things on the sharp decline in yield for Q4. How should we think about it? Is it more of competition or there are other factors at play here? Going into the dividends there has been a significant increase in the DPS. Just wanted to understand what exactly is the policy for payouts going forward.

I mean this, the dollar amount is very close to the retained earnings on the balance sheet. So that pretty much gives you a cap on how much you can pay. So how should we go about thinking about the dividends going forward, given the extensive expansion plans, you have over the next two years?

Coming to the rental business. Could you just share some data on the occupancy rates and how should we think about full rental potential and where could we see margin for this business going over the next couple of years? Thank you so much.

Rohit Ramachandran: Thank you for your questions, Rajat. I think I've spoken extensively regarding yield and quite transparently about how you yields correlate with demand and market sentiment. So I won't go into a lot of detail regarding that again. Let's talk about the dividends. The board of directors yesterday approved dividends of 67 and a half sales and we don't have a formal dividend policy, but we do have a recommendation in terms of dividends that after all capital, capex is allocated for any of the major projects, we don't like to keep excess cash on our books more than what is really necessary for running the business.

We much rather return that to shareholders. And as a consequence between 80-100% of our net profit, we'd like to return back to shareholders as dividends. Now you're right about your comments regarding the retained earnings and the reality is whatever excess cash we have as a result of the airline operations and so on, we would much rather return it to our shareholders and not necessarily invest it on their behalf.

Regarding the rentals of the terminal, as I mentioned earlier, two thirds of the land side real estate has been leased out at very favorable rates. 100% of the air side has been already leased out and I expect all the remaining space that exists in the land side of the terminal to be leased out by middle of the year. I hope that answers your question.

Rajat: Okay, so what ... just to go back to the dividends. So going forward, so the way we should look at it is that whatever profit you earn pretty much that you will be passing on to the shareholders, right? Because at any point, at any given year due to the regulations in Kuwait, you would be capped by the amount of retained earnings. So?

Rohit Ramachandran: That's correct.

Rajat: For the year. Okay. Thank you.

Rohit Ramachandran: Yes. As I mentioned, we also take into account the capex requirements for any strategic projects for the following year. However, you will also note that we have no debt on our books.

Rajat: Hi Rohit, Rajat here now. I lost you.

Rohit Ramachandran: Yeah, sorry about that. I think with all our cost control, Krishnan doesn't seem to have paid my phone bill. Anything else Rajat before I move on to the very last question because we have been on the call for more than an hour now.

Rajat: Where I actually lost you, it was at the end of your answer and you were just explaining that how you are planning to. So sort of my question was that should we think about, well whatever you make in terms of profit to be paid out every year. So you were explaining and I just lost you on the call.

Rohit Ramachandran: Yes. As I mentioned, you know, last year for example, the dividend pay-out was actually more than the profit because we found ourselves with more cash than we needed in our books. So it's very much regarding what we need in terms of cash for running the business as well as what we expect we will need for cash for strategic projects.

We also now plan to take into account for really big projects, different forms of financing. But so far we have not really seen the need to go outside our own reserves. And I think our history is a good track record based on which you can judge that we do prefer to give cash back to our shareholders as dividends.

Rajat: Okay. Thank you. Thank you so much Rohit.

Rohit Ramachandran: Pleasure. Can we have the last question now please?

Operator: Yes. The next question comes from Jagadishwar Pasunoori, Franklin Templeton. Please go ahead.

Jagadishwar: Yeah, hey, thanks a lot and congratulations on a very good set of results in the past year. Brief questions. So you will have 17 planes by the end of 2020. How many of them are Neos? And the second question is like what are the optimal utilization rates and load factors that you prefer?

Rohit Ramachandran: Right. Thank you very much. Both good questions. Every single new aircraft that we are bringing in this year is a neo. So I by the end of the year we will actually have more neos in our fleet then CEOs. This has multiple benefits. Number one, all the aircraft that we're getting are at a much lower average monthly lease rate than the existing aircraft. So it brings down the unit cost.

Secondly, we have these neos are actually much better performing in terms of fuel efficiency. We note an improvement of about 18% in terms of fuel burn compared to the average of our CEOs. And thirdly, and this is becoming more important across the industry and the world, the sustainability of the 8320neo is well known in terms of emissions, in terms of noise. All of these things bring us into a different category now that we also operate into Europe and so on.

In terms of utilization, we are, we aim to be in line with the best in the industry, not in the region but in the world. So you will notice that we always hover around the 14 hours per aircraft per day mark and we intend to continue doing that. This is the annual average so you will find during the summer months for example exceeding 15 and a half hours for short sprints during periods of high demand, but annually we would like to keep it around 14 to 14 and a half hours.

In terms of peak factors, I still believe there is room for another three to 4% growth as we strengthen our network, the new natural traffic flows develop and our sales teams get more and more aggressive in different parts of our network and so we've currently at about 77 and a half. I would certainly expect us to aim for and exceed the 80% mark and in maturity probably like to be around the 83%, 84% mark. I hope I've been able to answer your questions.

Jagadishwar: Yeah, great. Thanks a lot and good luck.

Rohit Ramachandran: Thank you very much. And with that, ladies and gentlemen, I will sign off. Thank you very much for listening today and I look forward to speaking with you in about three months' time. Bye.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect your lines. Thank you.