

AIR ARABIA PJSC Q1 COMMENTARY 2018



Overview

Q1 2018

- UAE passenger numbers recorded 2.08m at a seat factor of 80% (2017 – 80%) following the management decision to deploy 2017 capacity increases away from the UAE.
- Revenue in the quarter ended 31.3.2018 increased by 8% to AED 877m .
- Operating profit in the quarter stood at AED 95m vs AED 71m in 2017 an increase of 34%.
- Net profit for the period increased to AED 110m vs AED 103m (2017), an increase of 7%.

Revenue

Overall revenue for the group increased from AED 810m in 2017 to AED 877m in the current quarter, an increase yoy of 8%.

Direct costs

Direct costs in the quarter increased in line with revenue by 8%.

G+A & Sales & Marketing costs

G+A and S+M expenses fell from AED 66m in 2017 to AED 58m in Q1 2018 a fall of 14%.

Non operating income

Non operating income fell by AED 16m to AED 15m in the quarter

Planned developments 2018/19

- 3 additional aircraft to join the group's fleet in April, May, June
- 2 aircraft to be deployed to Sharjah hub in May and June
- 1 aircraft to be deployed to Egypt hub in April

New routes announced

Sharjah Hub

- Qabala in Azerbaijan
- Izmir in Turkey
- Bodrum in Turkey
- Moscow (SVO) in Russia
- Grozny in Russia

Egypt Hub

- Milan in Italy

Regional and Market outlook

The regional aviation long term outlook remains a solid one and continues to witness sustainable growth driven by the underlying demand for air travel, major investments undertaken in aviation infrastructure as well as the region's hub position in connecting the world. Nonetheless, airlines in the region continue to face economic and political challenges which make the operating environment costly and unpredictable.

We have seen a positive improvement in yield margins in first quarter 2018 which is a positive indicator for the remaining year if such improvement continues. We believe that airlines, more than ever, are now driven to focus on cost control measures that are within hands to drive cost baseline lower coping up external challenges such as rising airport charges, fuel price volatility, and currency fluctuations in some markets as well as geo-political challenges.