

Air Transport

Jazeera Airways – Initiate with Buy

BUY: 12M TP @ 2.196

Valuation Summary (TTM)

Price (KWD)	1.817
PER TTM (x)	19.9
P/Book (x)	10.9
Dividend Yield (%)	5.5
Free Float (%)	31%
Shares O/S (mn)	220
YTD Return (%)	-5%
Beta	1.1

(mn)	KWd	USD
Market Cap	433	1,414
Total Assets	543	1,773

Price performance (%)	1M	3M	12M
Jazeera Airways Co KSCP	1%	11%	-6%
Boursa Kuwait All Share Pri	0%	-3%	-15%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (KWD ,000)	222	363	404
Avg Daily Volume (,000)	119	210	233

52 week	High	Low	CTL*
Price (KWD)	2.10	1.52	19.0

* CTL is % change in CMP to 52wk low

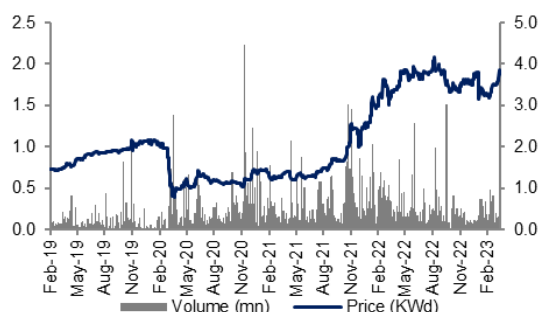
Major shareholders

BOODAI GROUP	54%
Jassim Mohammed AL M	9.4%
Norges Bank	4.8%
Others	31.4%

Other details

Exchange	Kuwait
Sector	Airlines
Index weight (%)	1.0%

Key ratios	2020	2021	2022
EPS (KWD)	-0.129	0.033	0.091
BVPS (KWD)	0.059	0.137	0.166
DPS (KWD)	0.000	0.032	0.080
Payout ratio (%)	0%	96%	88%



Jazeera Airways has grown to become the favorite choice for business and leisure travelers from Kuwait. It currently operates a fleet of 20 aircrafts flying to 58 destinations. The management has guided doubling the fleet size, passengers carried and destinations over the next five years. We believe the company is currently in a sweet spot; it will benefit from the rising passenger traffic and from the additional revenues from terminal operations (T5). The year 2022 was a record year with 3.6mn passengers being flown and revenue growth of 127%. Profits increased to KWD 20mn a growth of 184% compared to the same period last year. We believe as the gradual expansion of the fleet size takes place over the years revenue and EBIDTA will grow at 9.6% and 12% CAGR respectively over 2022-26e. Improvement in operating margins will lead to profit growth of 13.8% CAGR 2022-26e. At current price the stock trades at 16.3x FY23e PE and 9.9x EV/EBIDTA. While the valuations may appear on the higher side when compared to a standalone airline company, the embedded value also considers the terminal operations which warrants a premium. Considering the prospects of the company, quality of earnings growth, and the limited options to play the upside in the air transport industry, we initiate coverage on Jazeera Airways with a BUY. The recently announced dividend of KWD 0.080 provides a yield of 4.4% at the current market price. We use DCF method to arrive at a target price of KWD 2.196 per share which implies an upside of 20.8%.

Market share gains as air traffic normalizes: Over the last decade Jazeera has gradually increased its passenger market share in Kuwait International Airport. As of 2022, the company had a market share of 30% and more recently for the month of January 2023 the market share rose to a high of 50%. We believe superior quality of service, facilities at T5 and choice of destinations have played an important role in enticing passengers. Further being a low-cost carrier makes the airlines a preferred choice to the middle-income travelers from South Asia which forms the bulk of the air traffic. As the legacy issues related to covid fade and normalization of traffic takes place, we believe Jazeera will stand to gain in terms of passenger, revenue and profit growth.

Expansion of fleet size: The successful operations since 2005 and current gain in market share has provided good reason for the company to expand its fleet size. The management has guided increasing the number of aircrafts to 35 by 2026, doubling the destinations to 100 (c.58) and targeting a passenger traffic of 6.0mn by 2026e from the current 3.6mn. We believe the expansion is coming in at an appropriate time when both macro and micro level indicators are turning positive. We estimate a revenue growth of 9.6% and profit growth of 13.8% CAGR over 2022-26e.

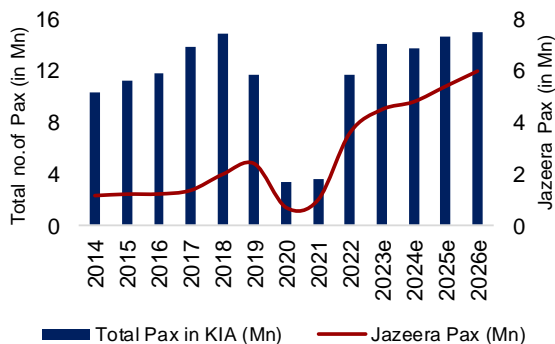
Terminal revenue will provide additional fillip: Terminal 5 (T5) is exclusively operated by Jazeera airways. Operations at T5 have contributed 6% to the topline and 39% to the profit in 2022. We believe this offers a significant advantage as an airline operator, enabling entry barriers and is unique to Jazeera Airways. Passenger fees, Duty free income and rentals from leasing form part of this high margin segment. We expect contribution from T5 to continue complimenting passenger growth.

Valuation: We are positive on the expansion plan, high cash position and asset light model followed by the company. Further the combination of passenger growth and T5 income warrants premium compared to peers. Based on these factors we believe the stock is undervalued at current price and warrants a re-rating. We provide a rating of BUY with a 12M target price of KWD 2.196 per share. The target price is 20.8% higher than the current market price, besides the dividend yield of 4.4%.

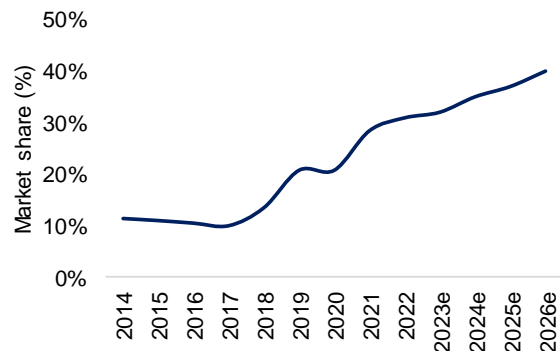
Market share gains and normalcy of operations:

Jazeera Airways was incorporated as the second airline from Kuwait ending a 50-year dependency on Kuwait Airways. Jazeera is the only privately operated airline in the region. It is also the only private airline to operate from a dedicated terminal. The initial strategy of the airline was to compliment the long-haul incumbent Kuwait Airways as an alternative and as a Low-Cost Carrier (LCC). However superior service, on time operations and dedicated terminal facility has made Jazeera the favorite choice for both leisure and business travelers. The company has built a good brand over the years, has two class cabins for business and economy travelers and offers services at competitive prices.

Kuwait air traffic normalises



Rapid gain in market share for Jazeera



Source: Company reports, US research

Jazeera has captured 30% of the market share with a small fleet...

As of 2022, Jazeera airways commands 30% of the Kuwait air passenger market share with 20 aircrafts under its fleet (about half of Kuwait Airways). Market share has grown despite the small fleet and short destinations. The strategy of the company to target profitable routes and maximize sweating of the aircraft with quick turnaround time has been successful. The core regions targeted by Jazeera are Saudi and South Asia. It has continuously added destinations in both these sectors over the last decade, which has helped gain market share. The expatriates especially from India, Pakistan and Bangladesh residing in Kuwait form the bulk of the passengers for Jazeera.

Air passenger traffic has normalized globally, and Middle east is one of the fastest growing regions in the world. IATA expects the Middle east region to be the fastest growing second only to North America. In 2022, Jazeera carried a record 3.2mn passengers. This was the highest ever passenger count in the history of the company. It also flew more than 10k passengers on chartered trips for the FIFA world cup.

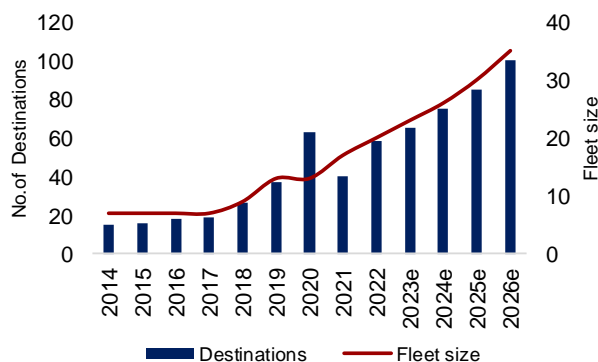
We believe in 2023 the growth in traffic would continue and it will surpass the previous peaks. As Jazeera plans to expand and add more destinations, catering to the rising demand, we expect market share to grow to 40% by 2026e. As a vindication of the growth, Jazeera had a market share of 50% of the traffic in the month of Jan 2023.

Expansion of fleet will lead to revenue growth:

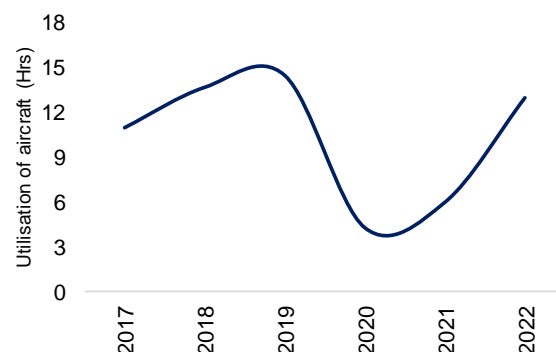
Jazeera Airways has witnessed a continuous increase in passenger growth since its inception. Passenger growth witnessed 3x increase from 2016 to 2022, while the fleet size also grew from 7 in 2016 to 20 in 2022. We believe the hyper growth phase will continue supported by the overall positive trend in macro factors and acceptance of Jazeera as a preferred choice. Over the next five years, the management has guided increasing the fleet size to 35 (c.20), reaching 100 destinations (c.58) and targeting a load factor of 80% (c.77%).

Jazeera's expansion plans come in at the right time ...

Rise in destinations along with fleet size

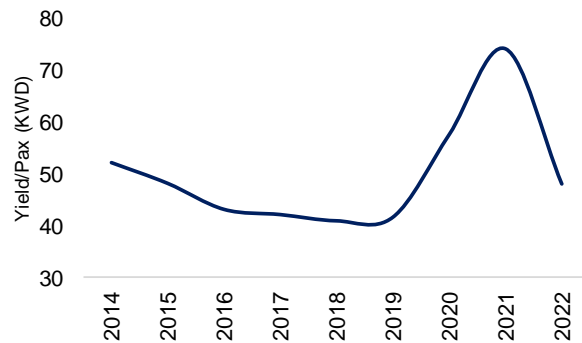


Utilisation levels back to par

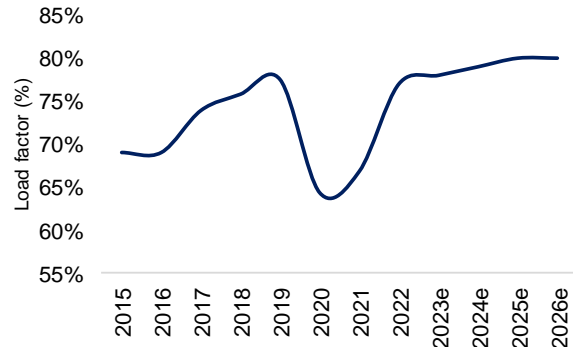


Source: Company reports, US research

Yield had spiked post covid normalised now



Load factor to reach 80%



Source: Company reports, US research

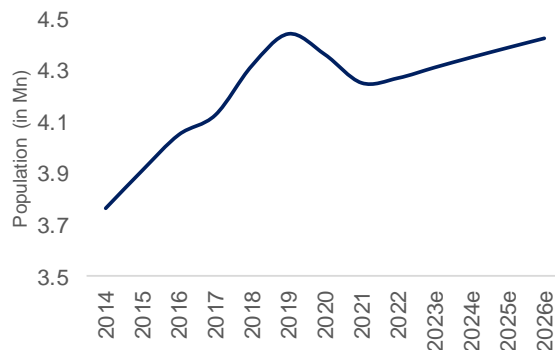
Jazeera has targeted to nearly double the fleet size, destinations, and passenger traffic over the next five years...

To support the expansion plan, the company placed an order of KD 1.3bn with Airbus in January 2022 to purchase 28 new aircrafts which included 20 new A320neos and 8 A321neos. Along with adding new aircraft to its fleet the company is also aggressively opening new destinations in Europe and Asia. In 2019 it launched its first flight to a European destination, London's Gatwick Airport. In 2022, it started direct flights to Dushanbe, Bishkek and Xian in China. More recently the company opened new destinations in Europe – Belgrade (Serbia), Munich, Tirana (Albania), Prague, Larnaca (Cyprus) and Sarajevo (Bosnia).

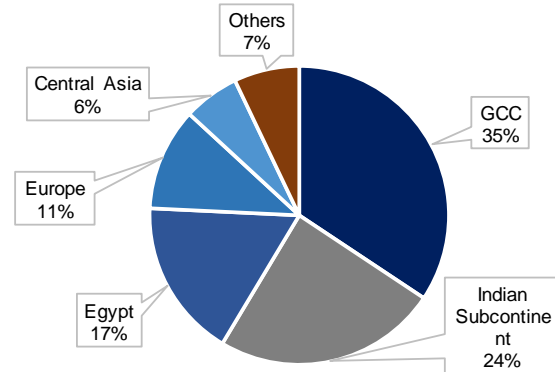
Positive trends in population of Kuwait are a major advantage for air passenger traffic. On one side Kuwait is a rich country with a high per capita income, while on the other there is a majority of expat population largely belonging to the middle class who prefer low-cost travel.

Bulk of the travel takes place to Saudi Arabia and India. The Saudi traffic largely relies on religious tourism and Jazeera operates 60 flights a week to various destinations in the country. The Indian travel is related to the yearly trip to home countries and short-term employment contracts that keep air traffic from these passengers continuously high. This is unlikely to change soon considering the country's dependence on foreign labour.

Population trends positive for Kuwait



Majority of travel to India and Saudi



Source: Company reports, US research

India a key growth region for the company, increase in seat allocation to provide impetus to growth...

India contributes to 15% of the company's revenue and it is the single largest country exposure. The Indian diaspora in Kuwait has grown from 300k in 2007 to 1.1mn in 2022 taking the demand for flying to India as a destination higher. In the last five years, Jazeera has gone from one location in India to currently serving 8 cities with 30 flights a week. The air service agreement between India and Kuwait signed in 2007 entitled 12,000 seats per week to carriers of both countries out of which Jazeera currently operates 2,000 seats. The Kuwaiti government has sought extra 38,000 weekly seats and rights to operate in five more cities. The management has consistently insisted that the limit set in 2007 will have to be revised upwards as demand has witnessed a multifold increase during the period. If such an upward revision takes place, we believe Jazeera will be a big beneficiary.

We are confident that the increasing fleet size and rising count of destinations will augur well for passenger growth. The management expects the total number of passengers to grow by 13.5% CAGR (2022-26e) and to 6.0mn by 2026. Our base case estimate of the passenger revenue considering the growth prospects and discounting for the vagaries in the business, lower yields and competition from players outside Kuwait arrive at a conservative 9.9% CAGR (2022-26e).

Terminal revenue is a unique feature for Jazeera Airways...

Terminal revenue offers a unique and stable income stream:

Airline operators throughout the world generate majority of their income from air tickets and related ancillary business such as cargo, baggage, hotel accommodations etc. However, Jazeera Airways is distinct from other players in the industry. It operates its own terminal -Terminal 5 (T5) and is the first private airline company to do so. The Terminal started operations from May 2018, and has been built for a passenger traffic capacity of up to 4.5mn.

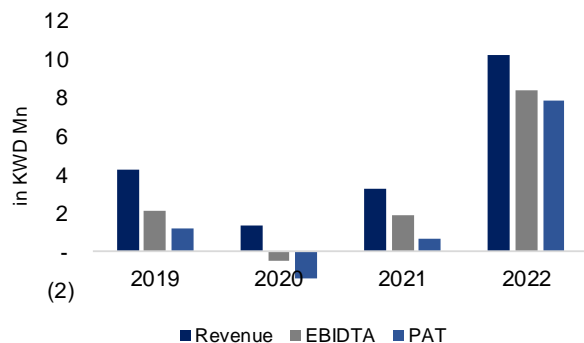
T5 contributes to 6% of top line and 39% of profits...

Passenger service fee is an important component of T5 revenue. The airline charges KWD 3 on every departure and KWD 2 on arrivals. The improvement in passenger traffic will have a direct positive impact on this revenue stream. In terms of leasing space, 95% of the available leasing space has been occupied. Duty free is another important component of T5 revenue and contributed KWD 1.3mn to the profits in 2022. The company has plans to establish the Duty-free model in other geographies as well. Though T5 has been in operation since 2018, it achieved steady state only in 2022 with full-fledged services in place. In 2022, on an overall basis, T5 generated a revenue of KWD 10.2mn contributing 6% to the total revenues and KWD 7.8mn as profit which is 39% of the total profits of the company in 2022. Terminal's EBITDA stood at KWD 8.4mn in 2022 as compared to KWD 1.9mn in 2021.

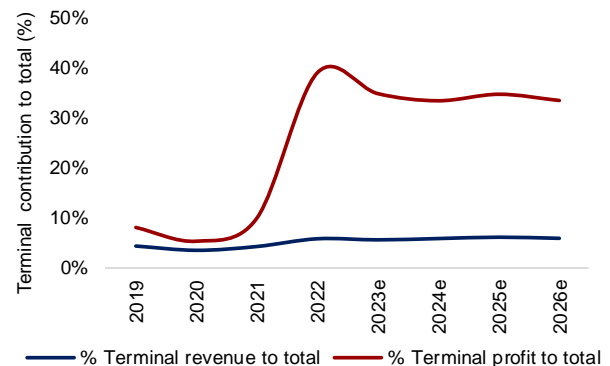
T5 provides several facilities for passenger comfort unavailable in the main terminal...

T5 was built to compliment the rising traffic at the main terminal at Kuwait International Airport. Passengers avoid the traffic at the main terminal by accessing T5, which offers centralised security screening and 22 check-in counters enabling passengers to reach their respective gate in less than 10 minutes. T5 offers Duty-free, high-quality food and beverage options, and free wifi. Jazeera passengers have a dedicated car park which is connected to the terminal via a sky bridge. Additional facilities such as valet parking is also available at a cost of KWD 2.5 per day. To support the rising passenger traffic, the company has upgraded the terminal with additional boarding gates, aero-bridges and a large transit hall. Jazeera has a VIP terminal, which facilitates for private boarding and landing.

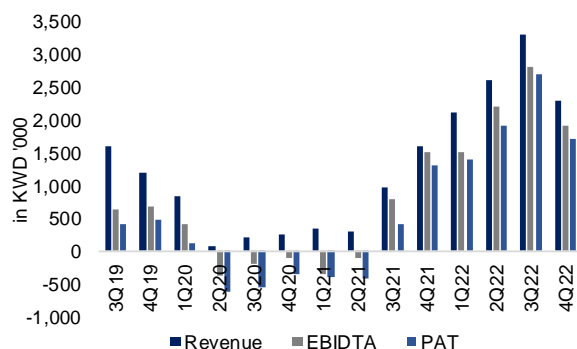
Terminal achieved steady state in 2022



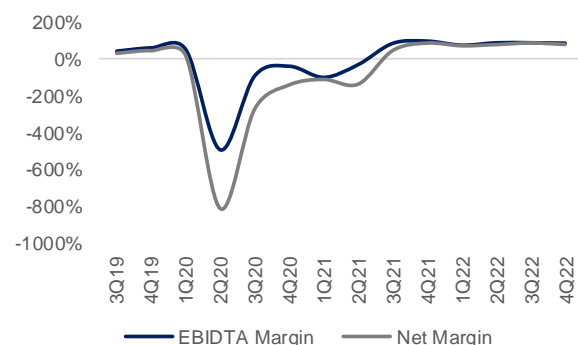
Contribution from terminal significant



Terminal traffic takes off post covid



Margin trends revert to peak levels



Source: Company reports, US research

T5 is a high margin business and a factor of passenger traffic growth. We expect T5 to achieve full capacity of 4.5mn passengers by end of 2023. We forecast revenue contribution from T5 to remain about 5.5-6% through 2023-26e and with a 70% net margin it is expected to contribute to 33-35% of the total net profit. With the progressive fleet expansion of 35 aircraft by 2026, the passenger traffic is expected to grow to 5.4mn by 2025, for which the current T5 capacity would be insufficient. Jazeera is in plans to set up another dedicated Terminal 6 for which the approval from the DGCA is in process. The size of T6 is expected to be 4X the size of T5 and the construction is estimated to take 2-3 years. We are not factoring in the expansion of T6 terminal in our estimates until we receive further clarification on the same.

In-house training to save costs and provide a repository of pilots...

In-housing training to aid in additional revenue and cost savings:

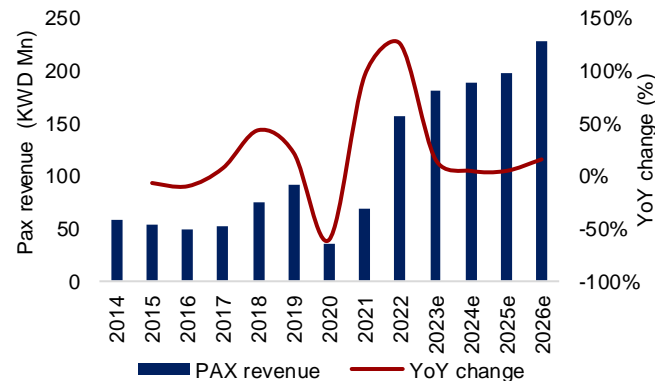
Jazeera had received certification as an "Approved Training Organization", from Kuwait's Directorate General of Civil Aviation (DGCA) in 2022. The airline conducts training programs for pilots and cabin crews from its headquarters in Kuwait. A new simulator has been ordered for delivery in 3Q23. The project cost is estimated at KWD 4.5mn and the company is expected to charge fees for training. The management expects this venture to be standalone and turn profitable from the second year of operation. Jazeera also plans to collaborate with a European Union Aviation Safety Agency (EASA) approved training organization to launch its own Multi-Pilot License (MPL) program. Jazeera has 233 pilots on its rolls who require regular training, the cost of which is borne by the company. The inhouse facility is also expected to provide a 10-15% savings in training costs.

Pax growth will lead the topline while other sources will aid growth...

Revenue buoyancy to continue, operating metrics to remain stable leading to higher net profits and dividend payouts:

In 2022 Jazeera recorded revenue of KWD 182mn (highest ever in its history). In terms of segmental revenues Passenger revenue contributed 86%, Terminal revenue 6%, ancillary revenue 7% and cargo revenue a miniscule 1% to the total revenue. We expect passenger revenue to increase by 9.9% CAGR (2022-26e) driven by stable passenger yields and volume growth. Revenue from terminal operations is expected to grow by 10% CAGR (2022-26e) and ancillary revenue to grow at 5% CAGR (2022-26e).

PAX revenue to grow at CAGR 10% (2022-26e)



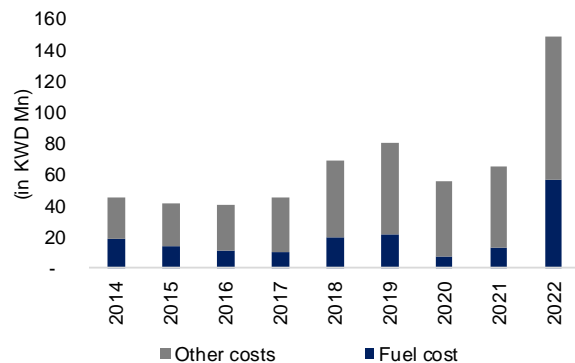
Source: Company reports, US research

Fuel is the major factor that impacts gross margins...

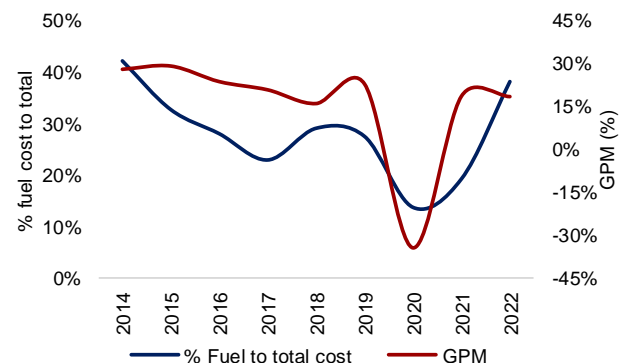
Gross margin was at 18.4% in 2022 and we expect only a marginal increase going forward. Fuel cost contributed to 38% of the total direct costs in 2022 and is the major driver of gross margins. The company has a zero hedging policy and higher fuel costs are passed on to the customer as much as possible. This leads to constriction of the yield as witnessed in 4Q22 when there is a lag in adjusting the ticket price in response to change in fuel price.

EBIDTA margins are in the higher range at 25-28% when compared to other international players which is at 12-15%. We do not expect significant change in EBIDTA margins during our forecast period and expect EBIDTA to grow at 12% CAGR (2022-26e). While improvements in technology and automation of process have led to higher efficiency in operations, continuous recruitment is leading to higher staff costs. During 2022, which was a record year the staff cost increased from KWD 4 Mn in 1Q22 to KWD 5.8 Mn in 4Q22. We believe hiring is on account of the company's expansion strategy and the company is proactively acquiring talent in advance.

Fuel is the single biggest cost item



...higher costs passed to customers protecting GPM



Source: Company reports, US research

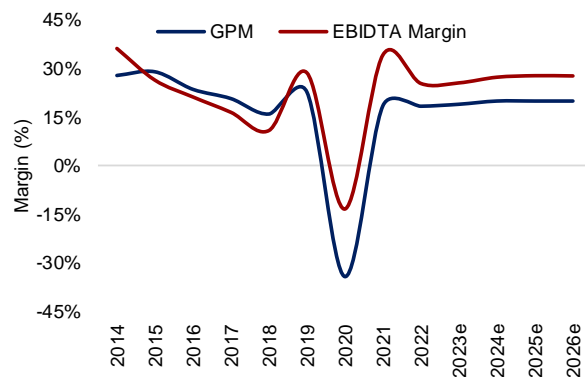
Jazeera operates on a sale and lease back model; as of 2022, the balance sheet carries both dry and wet lease liabilities to the tune of KWD 155mn. In sale and leaseback transactions, Jazeera sells either new or mid-life aircraft/engines and immediately leases them back, this is accounted in the right of use asset. The right of use asset consists of Aircraft, engines, and lease hold land and represent 50% of the total asset size. The leasing cost has been consistent at 4% and is included in the financing cost. We do not expect this component to increase till deliveries of new aircrafts are taken in 2026. Leasing cost will be in the range of KWD 6-7mn till 2025 and expected rise thereafter. The fixed assets consist of 16% of the total assets. The increase in fixed assets from KWD 32Mn in 2021 to KWD 57 Mn in 2022 was due to the KWD 52 Mn payment made towards purchase of aircraft.

Cash rich, operates on sale and lease back model ...

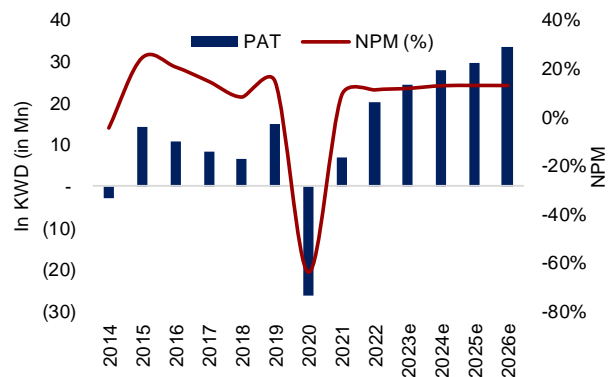
During July 2021, the company raised funds for its expansion via rights issue. The rights issue took place at a price of KWD 0.500 per share (face value of 100 fils and premium of 400 fils) for 20 Mn shares. It led to an increase in the share capital of the company to KWD 22 Mn and raised KWD 10 Mn. Jazeera is currently a cash rich company with minimal bank borrowings. It reported KWD 52mn in cash which was about 20% of the total assets and 13% of the market cap.

The higher utilisation of aircrafts leading to 137% increase in operating profits, and advance from air tickets served as a good source of cash generation in 2022. The high cash flow witnessed in 2022 enabled the company to pay an advance of KWD 25mn to Airbus and restart dividend payment post a hiatus of 2 years. The company also received a covid grant from the government to the tune of KWD 2.8 Mn.

Normalcy in margins, expected to hold steady



PAT expected to follow top line growth

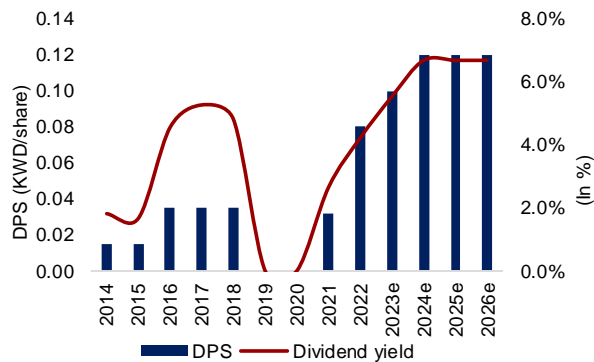


Source: Company reports, US research

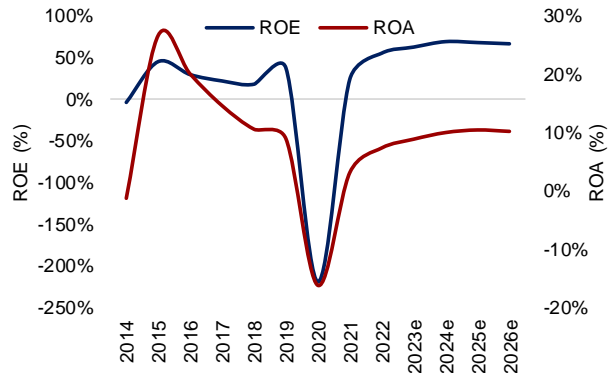
Airline industry was one of the worst affected during covid. Jazeera reported losses to the tune of KWD 26.4 Mn in 2020. Net margins have gradually moved higher since then and as of 2022 surpassed double digits to reach 11%. Record profits in 2022 and further expansion of fleet will lead to growth in net profit without further dilution in equity. This we expect will lead to significantly high ROE going forward. Our base case forecast for ROE is in the range of 60-65% over the next four years, while ROA will hold near mid double digit of 13-14%.

Based on the superior performance in 2022 and the high cash levels, the board has decided to increase the dividend pay out to 90% translating into a DPS of 80 fils to be paid in 2023. This implies a dividend yield of 4.4% at current prices. We expect the management to maintain the pay-out ratio at 90% during our forecast period thereby increasing the yield to 6.7% going forward.

Dividend yield expected at 6.7%



ROE and ROA to stabilise going forward



Source: Company reports, US research

Valuation

DCF fair value per share
KWD 2.083 / share
offers 16.4% upside

We have used the Discounted Cash Flow (DCF) method to arrive at fair value for the company. The DCF method was applied on the forecasted financial through 2023-2026e. We considered the cost of equity of 15.3% derived from risk free rate of 6.0%, Equity Risk Premium of 8%, and beta of 1.166 for valuation. We arrive at a WACC of 14.14% for the company. We assume a terminal growth rate of 1% post the forecast period. Our DCF valuation of Jazeera Airways provides an intrinsic value of KWD 2.196 per share which is 20.8% higher from the current price.

DCF Method (in KWD Mn)	FY23e	FY24e	FY25e	FY26e
Post-tax operating profit (NOPAT)	30.9	34.5	36.1	41.3
Add: Depreciation & amortization	20.8	23.5	25.7	29.2
Less: Change in working capital	-5.4	0.8	-2.2	8.3
Less: Capex	-5.0	-5.0	-5.0	-30.0
Free Cash Flow to Firm	41.3	53.7	54.7	48.8
PV of Free Cash Flows	38.0	43.6	39.2	30.9
Sum of present values of FCFs				151.7
Free cash flow (t+1)				49.3
Terminal value				455.4
Present value of terminal value				288.2
EV				439.9
Less:				2.9
Net debt				-46.0
Minorities				-
Equity value				483.0
Fair value per share (KWD)				2.196

Valuation Parameters	
Risk free rate	4.0%
Adjusted Beta	1.30
Equity risk premium	8.0%
Cost of equity	14.4%
Terminal growth rate	1.0%
After tax cost of debt	3.40%
Target D/E	10.00%
WACC	13.26%

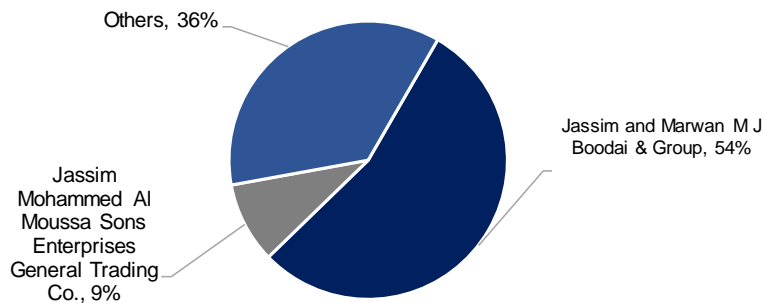
Key risks:

1. Sharp slowdown in the economy
2. Significantly high cost of fuel
3. Cash burn strategy adopted by competitors
4. Changes in regulation
5. Escalation of Russia Ukraine war

Company Profile

Founded in 2004, Jazeera Airways is a Kuwaiti based LCC and the first non-government owned airline in the Middle East. It is one of the two publicly listed airlines in GCC. Jazeera Airways operates regionally and internationally across the Middle East, Central & South Asia, Africa and Europe. The airline has grown since its launch to become Kuwait's second national airline with a passenger market share of 30% in the Kuwait International Airport. Jazeera is the first private airline company in Middle East to operate a dedicated Terminal (T5) at Kuwait International Airport. It features a dedicated check-in hall for Jazeera passengers, a business class lounge, direct access to Jazeera boarding gates, and a car park with 350 spaces connected by a sky bridge. Currently the company operates from a single hub operating from Kuwait International Airport and manages a fleet of 20 aircrafts and flies to 58 destinations. Jazeera employs about 1200 people which include 233 pilots, 576 support staff and 418 cabin crew members.

Shareholding pattern of Jazeera Airways



BOARD OF DIRECTORS

S.NO	NAME	POSITION	CATEGORY
1	Marwan Marzouq Jassim Boodai	Chairman	Non-Executive
2	Mohammad Jassim Mohammad Almousa	Vice Chairman	Non-Executive
3	Hani Mohammad Shawqi Younes	Director	Non-Executive
4	Bertrand Philippe Grabowski	Director	Independent
5	Dermot Edward Mannion	Director	Non-Executive
6	Marzouq Jassim Marzouq Boodai	Director	Non-Executive
7	Seham Haitham Alsayed Ahmad Alhussaini	Director	Independent
8	Mishaal Musaeb Abdulaziz Alosaimi	Director	Non-Executive

Source: <https://www.boursakuwait.com.kw/>

Income statement (in KWD Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Revenue	103.7	41.4	80.4	182.1	208.5	218.6	229.4	262.4
Direct Costs	80.1	55.7	65.5	148.6	168.9	174.9	183.5	209.9
Gross Profit	23.6	-14.3	14.9	33.5	39.6	43.7	45.9	52.5
Other operating Income	0.5	0.3	0.9	1.0	1.0	1.1	1.1	1.3
Administrative and general expens	6.9	6.4	4.1	6.7	8.3	8.7	9.2	10.5
EBIT	17.2	-20.4	11.7	27.8	32.3	36.1	37.8	43.3
EBITDA	29.6	-5.5	27.4	46.1	53.1	59.5	63.5	72.5
Finance costs	2.7	4.5	5.2	6.3	6.7	6.7	6.8	7.9
Other expenses/(income)	0.8	-1.5	0.9	-0.5	-0.3	-0.3	-0.3	-0.3
PBT	15.4	-26.4	7.4	21.0	25.4	29.1	30.8	35.2
Zakat	0.1	-	0.1	0.2	0.3	0.3	0.3	0.4
Contribution to KFAS	0.1	-	0.1	0.2	0.2	0.3	0.3	0.3
National Labour Support Tax (NLS)	0.2	-	0.2	0.5	0.6	0.7	0.8	0.9
PAT	14.9	-26.4	7.1	20.1	24.3	27.9	29.5	33.6

Balance sheet (in KWD Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Property, plant and equipment	20.8	20.5	21.2	44.2	47.0	49.6	52.1	78.6
Right-of-use assets	82.7	93.8	126.2	145.1	156.4	165.3	167.1	171.5
Other non current assets	14.7	2.7	3.3	9.1	6.9	6.9	6.9	6.9
Total non-current assets	118.2	117.0	150.7	198.4	210.3	221.8	226.1	256.9
Current inventories	0.3	0.4	1.2	2.4	3.8	3.9	4.1	4.7
Security deposits	1.2	1.3	1.3	0.3	0.3	0.3	0.3	0.3
Trade and other current receivabl	23.2	24.3	21.9	18.7	21.9	23.0	24.1	27.6
Cash and bank balances	23.8	19.7	50.1	52.3	36.9	28.6	26.8	39.4
Total current assets	48.5	45.7	74.5	73.7	62.9	55.8	55.4	72.0
TOTAL ASSETS	166.7	162.6	225.2	272.1	273.2	277.6	281.5	328.9
Share capital	20.0	20.0	22.0	22.0	22.0	22.0	22.0	22.0
Reserves	6.7	-1.0	0.7	2.8	2.8	2.8	2.8	2.8
Retained earnings	13.6	-7.0	7.3	11.7	14.1	15.6	18.7	25.9
Total equity	40.2	12.0	30.1	36.5	39.0	40.4	43.5	50.7
Post employment benefits	2.5	2.5	2.3	2.9	3.8	3.9	4.1	4.7
Murabaha payables	-	6.1	5.3	4.4	4.0	3.0	2.5	2.0
Maintenance payables	8.6	11.3	10.7	19.4	18.9	19.6	19.3	23.5
Lease liabilities	76.9	89.6	116.1	133.4	138.1	139.7	141.4	165.1
Other non current liabilities	85.5	100.9	126.8	152.8	157.0	159.3	160.6	188.6
Total non-current liabilities	87.9	109.6	134.4	160.2	164.8	166.2	167.3	195.4
Maintenance payables	3.6	6.7	11.2	7.5	5.0	5.0	5.0	5.0
Current lease liabilities	12.0	16.0	20.7	22.5	24.4	24.6	24.9	29.1
Trade and other current payables	18.1	12.8	21.6	29.2	35.1	36.4	35.8	43.7
Other current liabilities	4.7	5.6	7.2	16.2	5.0	5.0	5.0	5.0
Total current liabilities	38.5	41.1	60.7	75.4	69.5	71.0	70.7	82.8
Total liabilities	126.4	150.6	195.1	235.6	234.3	237.2	238.0	278.2
Total equity and liabilities	166.7	162.6	225.2	272.1	273.2	277.6	281.5	328.9

Cash Flow (in KWD Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Cash from operations	36.1	-4.9	44.9	61.1	44.9	60.1	61.1	80.5
Investing cash flow	-18.9	5.3	-27.7	-5.1	-5.0	-5.0	-5.0	-30.0
Financing cash flow	-19.1	-1.8	-8.9	-37.8	-45.5	-54.5	-58.7	-54.8
Change in cash	17.3	15.1	47.0	40.9	7.3	4.5	2.3	17.4
Beginning cash	6.5	4.6	3.1	11.4	29.6	24.0	24.6	22.0
Ending cash	23.8	19.7	50.1	52.3	36.9	28.6	26.8	39.4






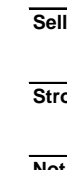
Ratio Analysis	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Per Share								
EPS (KWD)	0.075	-0.132	0.032	0.091	0.110	0.127	0.134	0.153
BVPS (KWD)	0.201	0.060	0.137	0.166	0.177	0.184	0.198	0.231
DPS (KWD)	-	-	0.032	0.080	0.099	0.120	0.120	0.120
FCF per share (KWD)	0.086	0.002	0.078	0.255	0.182	0.250	0.255	0.230
Valuation								
Market Cap (KWD ,Mn)	215.2	143.0	266.0	418.0	396.0	396.0	396.0	396.0
EV (KWD, Mn)	280.4	240.5	358.9	527.9	525.5	534.7	538.0	552.9
EBITDA (KWD, Mn)	29.6	-5.5	27.4	46.1	53.1	59.5	63.5	72.5
P/E (x)	14.40	-5.42	37.57	20.81	16.31	14.22	13.43	11.77
EV/EBITDA (x)	9.46	-43.77	13.10	11.45	9.89	8.98	8.47	7.63
Price/Book (x)	5.35	11.94	8.84	11.44	10.17	9.80	9.10	7.80
Dividend Yield (%)	0.0%	0.0%	2.6%	4.2%	5.5%	6.7%	6.7%	6.7%
Price to sales (x)	2.08	3.46	3.31	2.30	1.90	1.81	1.73	1.51
EV to sales (x)	2.70	5.81	4.46	2.90	2.52	2.45	2.35	2.11
Liquidity								
Cash Ratio (x)	0.62	0.48	0.82	0.69	0.53	0.40	0.38	0.48
Current Ratio (x)	1.26	1.11	1.23	0.98	0.91	0.79	0.78	0.87
Quick Ratio (x)	1.25	1.10	1.21	0.95	0.85	0.73	0.72	0.81
Returns Ratio								
ROA (%)	9.0%	-16.2%	3.1%	7.4%	8.9%	10.0%	10.5%	10.2%
ROE (%)	37.1%	-220.4%	23.5%	55.0%	62.3%	68.9%	67.8%	66.3%
ROCE (%)	11.7%	-21.7%	4.3%	10.2%	11.9%	13.5%	14.0%	13.7%
Cash Cycle								
Inventory turnover (x)	256.14	145.61	54.72	61.25	45.00	44.44	44.44	44.44
Accounts Payable turnover (x)	4.42	4.35	3.03	5.09	4.81	4.81	5.13	4.81
Receivables turnover (x)	4.46	1.70	3.67	9.74	9.52	9.52	9.52	9.52
Inventory days	1.43	2.51	6.67	5.96	8.11	8.21	8.21	8.21
Payable Days	82.57	83.87	120.38	71.71	75.92	75.92	71.18	75.92
Receivables days	81.82	214.39	99.51	37.47	38.33	38.33	38.33	38.33
Cash Cycle	0.67	133.03	-14.20	-28.28	-29.48	-29.38	-24.64	-29.38
Profitability Ratio								
Net Margins (%)	14.4%	-63.8%	8.8%	11.0%	11.6%	12.7%	12.9%	12.8%
EBITDA Margins (%)	28.6%	-13.3%	34.1%	25.3%	25.5%	27.2%	27.7%	27.6%
PBT Margins (%)	14.9%	-63.8%	9.2%	11.5%	12.2%	13.3%	13.4%	13.4%
EBIT Margins (%)	16.6%	-49.3%	14.6%	15.3%	15.5%	16.5%	16.5%	16.5%
Effective Tax Rate (%)	3.0%	0.0%	4.4%	4.5%	4.4%	4.4%	4.4%	4.4%
Leverage								
Total Debt (KWD ,Mn)	89.0	117.1	142.9	162.1	166.5	167.3	168.8	196.3
Net Debt (KWD ,Mn)	65.2	97.5	92.9	109.9	129.5	138.7	142.0	156.9
Debt/Capital (x)	4.45	5.86	6.50	7.37	7.57	7.61	7.67	8.92
Debt/Total Assets (x)	0.53	0.72	0.63	0.60	0.61	0.60	0.60	0.60
Debt/Equity (x)	2.21	9.78	4.75	4.44	4.27	4.14	3.88	3.87

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Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	Strong Buy This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
 Buy	Buy This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
 Hold	Hold This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
 Neutral	Neutral This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
 Sell	Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
 Strong Sell	Strong Sell This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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