KAMCO Research

Jazeera Airways

Research Update — Sector – Aviation

Outperform

CMP 21-Mar-2016	KWD 0.870
Target Price	KWD 1.017
Upside/Downside	+16.9%

Investment Thesis

Revisiting our model to reflect the new structure, retain 'Outperform' rating:

We have revised our model on Jazeera Airways to reflect the new initiatives announced by the company in terms of customer service, expansion and inorganic growth. We believe that an asset-light strategy provides adequate flexibility to the company to maneuver capacity shortage during the peak demand season and to add additional routes when the market opportunities arises. Nevertheless, we highlight the fact that the company is yet to catch up with its competitors in terms of number of routes and increase operational efficiency in terms of load factor and yields.

A debt-free model offers additional cushion:

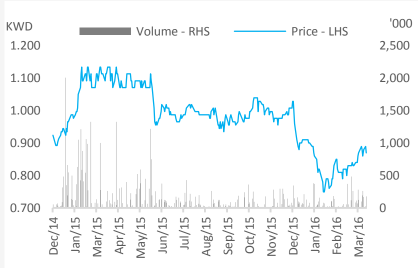
In a major overhaul of its existing asset base, the company sold off all its aircrafts in a sale and lease back arrangement for KWD 148.5 Mn incurring a one-time loss at the end of 2014. The company used the proceeds to repay its existing debt. We believe that a debt free model offers additional incentives and a less risky business profile to investors as also seen in the extraordinary dividends announced after the disposal of the aircrafts. Moreover, as the company has been open about inorganic growth by eyeing a pie of the national career whenever it happens, raising new debt should not be an obstacle for the company. However, as the company stated, the deal is yet to take place and as an alternative growth route, it is eyeing a joint venture partnership with an international carrier to operate long haul flights to Europe, America and Far East destinations.

Operational efficiency remains a drag:

Jazeera reported a 9.4% decline in yield during 2015 to KWD 48 coupled with only a marginal improvement in load factor at 69%. These indicators remain at a significantly low level when compared to competitors, especially with respect to load factor that is close to or even above 80% in the case of international as well as regional low cost carriers. The no hedge policy of Jazeera acted as a strong cushion during the past 15 months, and has helped the company to reduce fuel cost and generate profits even at such low load factors. Owing to the low oil price environment, the company managed to push its operating profit margin by 180 bps during 2015.

Valuation – DCF based price target of KWD 1.017, upside of 16.9%:

Our new price target of KWD 1.017 reflects the company's potential to expand its business and a focus towards improving operational efficiency. The announcement of future partnerships should be incremental to our target price but it would be too preliminary to include it in our assumptions.



Price Perf.	1M	3M	12M
Absolute	10.0%	-3.3%	-22.4%
Relative	8.5%	2.9%	-4.1%

Stock Data	
Bloomberg Ticker	JAZEERA KK
Reuters Ticker	JAZK.KW
Last Price (KWD)	0.870
YTD Change	-3.3%
M-Cap (KWD Mn)	174.00
M-Cap (USD Mn)	577.68
52-week range (KWD)	1.040 - 0.750
52-week Avg. Daily Volume (Mn)	0.10
52-week Avg. Daily Value (KWD Mn)	0.19

Sources : KAMCO Research, Bloomberg

Key Indicators	2015	2016e	2017e	2018e	2019e	2020e
Passengers (Mn)	1.22	1.26	1.28	1.31	1.32	1.33
Revenue (KWD Mn)	58.6	62.0	65.0	68.2	70.8	73.5
Load Factor	69.0%	70.0%	71.0%	72.0%	73.0%	74.0%
EBITDA Margin	26.3%	25.7%	23.7%	23.7%	23.6%	23.6%
EBITDAR Margin	32.0%	31.3%	29.3%	29.3%	29.3%	29.3%
Net Margin	26.2%	23.7%	21.8%	21.8%	21.7%	21.6%
P/E	11.7	11.8	12.3	11.7	11.3	10.9
P/BV	5.7	4.0	3.2	2.6	2.2	1.9
Div. Yield	7.6%	1.7%	1.7%	1.7%	1.7%	1.7%

Sources: KAMCO Research, Bloomberg and Company Financials

Faisal Hasan, CFA
Head - Investment Research
+ (965) 2233 6907
faisal.hasan@kamconline.com

Junaid Ansari
Assistant Vice President
+ (965) 2233 6912
junaid.ansari@kamconline.com

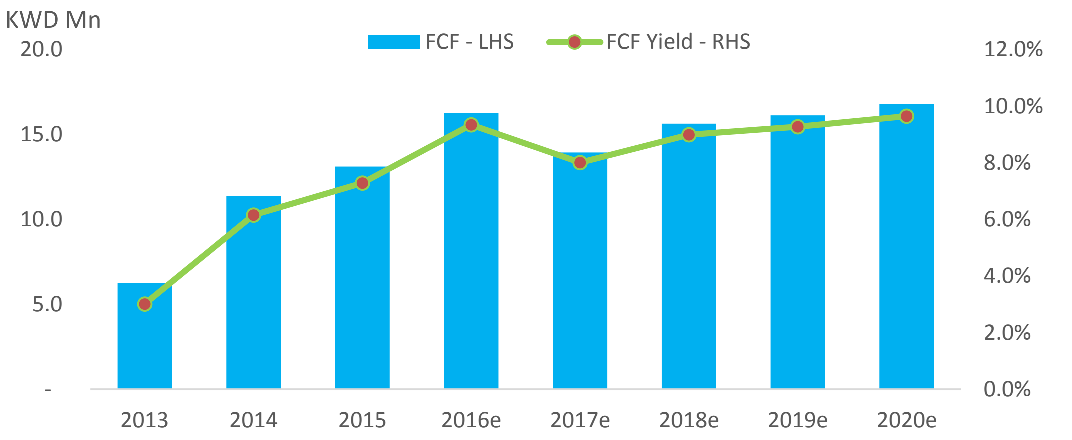
Change in Asset Structure

Jazeera Airways sold its aircraft assets in a sale and lease back arrangement at the end of 2014 for a total sum of KWD 148.5 Mn. The proceeds were used to pay off the existing debt in addition to reducing the company's share capital from KWD 42 Mn to KWD 20 Mn. The company also paid a special dividend of KWD 20 Mn during the year bringing total shareholder payment to almost KWD 52.7 Mn during 2015.

Cash flow positive

The absence of investments in aircrafts and debt on the balance sheet would help the company in stabilizing cash flows in the future. The only operating expense it will have is the maintenance of other assets which are minimal. Moreover, we believe that zero debt on the balance sheet provides the company with adequate flexibility to acquire new assets, especially when it has stated plans to boost customer service and attract and gain new customers by way of a number of new initiatives. The company has said that it may use the excess cash on the balance sheet to take advantage of any new opportunities that arises in the market without taking on additional loans.

Free Cash Flow (FCF) vs. Yield



Source: KAMCO Research

Higher shareholder returns

The return to shareholders are expected to increase in the future as measured in terms of higher return on investment and higher return on shareholder equity. Dividend yield reached almost 11% for 2014 and almost 8% for 2015 (including special dividends). With the extra cash on hand, the company may pay higher dividends in future as well.

Focus on core operation

The asset-light model of the company would help them to focus on the core business of airline operations. The company sees greater opportunities in the domestic market with flights from Kuwait and targets to acquire a larger share of business in the near term. Jazeera is already in talks with international players to enter the long haul segment after the talks to acquire a stake in Kuwait Airways did not work out. However, the joint venture talks are in a very preliminary stage and may kick off from 2018.

Operating Performance

Post the sale of its aircrafts, the company will not get the advantages arising out of diversification in the form of leasing income and income from airline operations. However, the renewed focus on the core airline business will help the company generate higher returns.

Operating performance – Key metrics

Key Indicators	2015	2016e	2017e	2018e	2019e	2020e
Passengers (Mn)	1.22	1.26	1.28	1.31	1.32	1.33
Passenger Rev(KWD Mn)	58.6	62.0	65.0	68.2	70.8	73.5
Load Factor	69.0%	70.0%	71.0%	72.0%	73.0%	74.0%
Yield	48.0	49.4	50.9	52.5	54.0	55.6

Source: KAMCO Research, Company Financials

Fleet size set to remain the same going forward

The company has clearly stated that it does not intend to induct any additional aircrafts in the future. It only said that they may purchase/lease one aircraft depending upon the market opportunities. We believe that this decision augurs well with the company's aim to increase load factors and yields that continue to remain well below industry averages. In addition, the expected joint venture that the company targets to complete by 2018, will not involve purchase of any aircrafts. The company only intends to take advantage of long haul traffic increase emanating from Kuwait in partnership with an international airline company.

Load factor below industry average

Jazeera's load factor continues to remain well below industry averages. During the conference call, the company said they target to improve it to mid-70's in the near term, but it does not aim to reach levels reached by international players like Ryanair because of the differences in market structure. We have factored in a gradual improvement in load factor over the forecast period driven by a concerted effort to target higher number of customers.

Yield to improve going forward

Jazeera's yield has remained significantly low during the past few years due to the declining oil prices. However, with increasing oil prices, we don't expect any further decline in yields going forward. Accordingly, we have factored in marginal increase in yields going forward. We do take into account increasing competition from other low cost carriers in the region.

Passenger growth to be in line with efficiency improvement

The company witnessed lackluster passenger growth over the past couple of years. During 2015, passengers carried increased by a higher 5% as compared to marginal growth of 2% and 1% during 2014 and 2013. However, the company intends to increase seats within the existing set of aircrafts by improving efficiency.

We expect passenger growth to accelerate in the coming years driven by a more customer-centric approach as highlighted by the company. Some of the initiatives that the company announced include a dedicated business lounge for the company, a remote check-in facility and peripheral services as well as in-flight broadband. Most of these efforts are expected to be implemented by as early as late 2016. We believe that these services would result in meaningful increase in passenger count.

In terms of market opportunities, the data published by DGCA, Kuwait highlights a strong growth in passengers over the near term. The company was in constant talks with the government in Kuwait to acquire a stake in the privatization process of the national carrier Kuwait Airways. However, due to the lack of progress on this front, Jazeera has entered into talks with international players for long-haul flights to Americas, Europe and the Far East. We believe that although such a partnership would be a low-margin business, it would give the company a break and a foothold in the international long-haul market, thereby boosting its topline and diversifying concentration risks associated with geopolitical issues.

No hedging policy to continue in future

Jazeera witnessed a windfall gain with the fall in oil prices owing to its no hedge policy. Although this exposes the company to a risk of higher fuel costs, the existing policy has been beneficial to the company as compared to its competitors that incurred heavy hedging losses. Jazeera intends to continue with its no hedge policy in future primarily because the company's fuel purchase cycle is merely two weeks which provides the operations with a natural hedge against higher fuel costs.

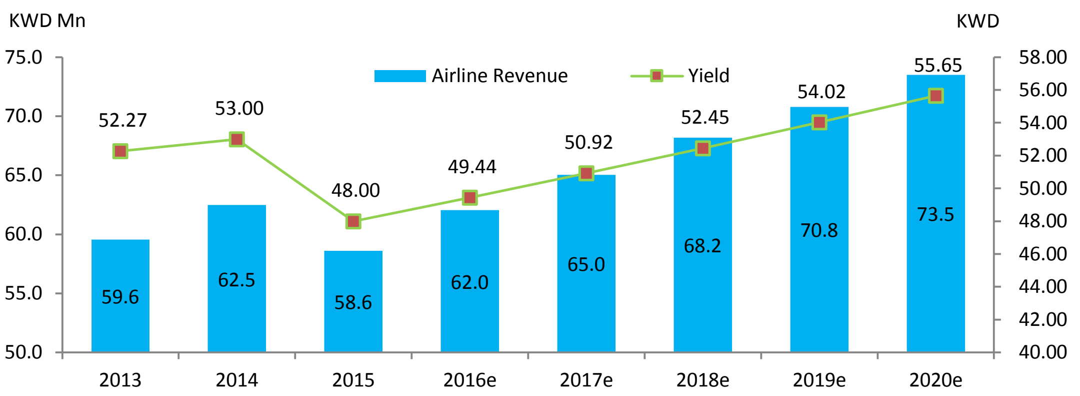
Financial Performance and Forecasts

The drivers of performance improvement has seen a significant shift from our last report. The company now operates an asset-light model with no debt on the balance sheet. We believe that given the current situation of ample availability of leased aircrafts in the market, as acknowledged by the company, it is better to operate the business on leased aircrafts. It gives the company the ability and flexibility to add new routes with minimal delay and risk coupled with minimal increase in operating cost.

Marginal revenue growth in the short-term

Yield and revenue growth has seen a strong correlation over the past few years. The decline in yields and revenue during 2015 was primarily due to the fall in oil prices. However, we believe that the general trend in oil prices would be positive going forward as seen in the oil price trend since the start of the year resulting in higher yields and revenues. Moreover, revenue growth is also expected to be positive due to increase in seats within the existing set of aircrafts as a result of efficiency improvement as highlighted by the company. In addition, the various customer centric measures that the company plans to take in the next few years would also result in higher revenues per available seat.

Yield vs. Revenue Growth



Source: KAMCO Research, Company Financials

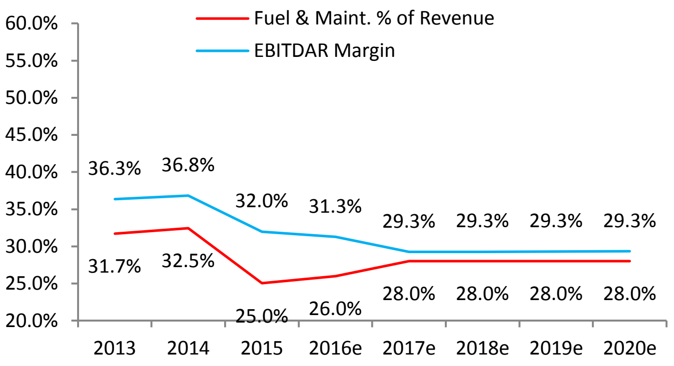
Financial Indicators	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
Income Statement (KWD Mn)								
Total Revenue	**65.56**	**68.88**	**58.60**	**62.04**	**65.04**	**68.19**	**70.80**	**73.51**
Growth	*4.7%*	*5.1%*	*-14.9%*	*5.9%*	*4.8%*	*4.8%*	*3.8%*	*3.8%*
Aircraft Fuel & Maintenance	17.60	18.93	13.57	16.13	18.21	19.09	19.82	20.58
Fuel & Maint. % of Revenue	*31.7%*	*32.5%*	*25.0%*	*26.0%*	*28.0%*	*28.0%*	*28.0%*	*28.0%*
Other Costs Costs	31.7	32.5	27.8	28.0	29.1	30.5	31.7	33.0
Gross Profit	**16.29**	**17.46**	**17.23**	**17.95**	**17.71**	**18.56**	**19.22**	**19.91**
Gross Profit Margin	24.9%	25.3%	29.4%	28.9%	27.2%	27.2%	27.2%	27.1%
EBIT	**14.10**	**14.63**	**15.14**	**15.42**	**14.84**	**15.54**	**16.08**	**16.65**
EBIT Margin	21.5%	21.2%	25.8%	24.9%	22.8%	22.8%	22.7%	22.7%
EBITDAR	**23.82**	**25.38**	**18.73**	**19.40**	**19.04**	**19.96**	**20.75**	**21.56**
EBITDAR Margin	36.3%	36.8%	32.0%	31.3%	29.3%	29.3%	29.3%	29.3%
Net Profit	**16.67**	**(2.89)**	**15.38**	**14.73**	**14.17**	**14.84**	**15.36**	**15.90**
Net Margin	25.4%	N/A	26.2%	23.7%	21.8%	21.8%	21.7%	21.6%

Source: KAMCO Research, Company Financials

Gross margin peaked in 2015

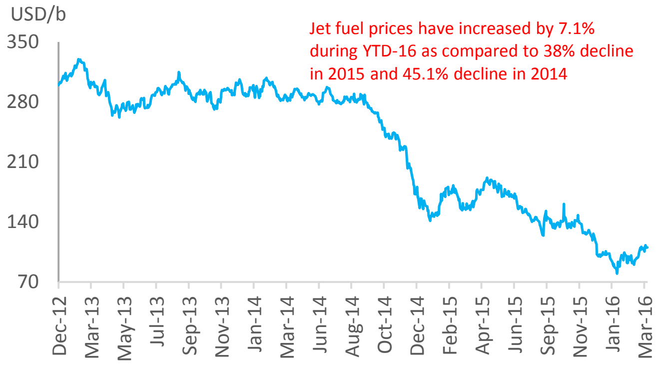
Gross profit margin increased to 29.4% during 2015 on the back of the decline in oil prices. The company has a no fuel hedging policy which paid off during a declining oil price scenario. For the forecast period, we expect a gradual decline in gross margin as a result of an expected increase in oil prices although efficiency improvement in the form of higher number of seats as well as cost control measures would offset some of the impact from the oil price increase.

Fuel Cost vs. Margin



Sources: KAMCO Research, Company Financials

Jet Fuel Prices (USD/b)



Sources: Bloomberg, KAMCO Research

Jet fuel prices have already started trending upwards and are expected to continue to rise over the next couple of years. However, this will have limited impact on margins as the company plans to increase revenues backed by higher efficiency, more seats and by way of peripheral revenues through value added services like a dedicated lounge, remote check-in facilities. We expect EBITDAR margin to decline to just below 30% in our forecast period resulting in a corresponding decline in net margin.

Valuation & Recommendation

“Outperform” rating with a Price Target of KWD 1.017 representing an upside of 16.9%

We have valued Jazeera Airways using Discounted Cash Flow (DCF) and relative valuation based on peer EV/EBITDAR multiple. We have assigned 75% weight to the DCF-based valuation and 25% weight to the relative valuation in order to calculate our fair value estimate. Jazeera Airways has significant spare capacity with load factor of just below 70% as compared to more than 80% in the case of other low cost carriers in the region as well as globally which the company aims to increase in the near term. This gives the company’s valuation a significant upside for the forecast period.

Valuation Method	Value (KWD)	Weight (%)
Discounted Cash Flow (DCF)	1.193	75%
EV/EBITDAR	0.487	25%
Weighted Average Fair Value	**1.017**	
Current Market Price	**0.870**	
Upside / Downside	**16.9%**	

DCF Model

Our DCF valuation is based on explicit forecast of free cash flow for the next five fiscal years (2016e-2020e) and a terminal value afterward. Our discount factor is based on a modified Capital Asset Pricing Model which takes into account various risk premiums pertaining to equity market risk, company specific risk, as well as industry related risk factors on top of the risk free rate. The forecasted cash flows over the projected horizon are discounted back using a weighted average cost of capital of 9.79%. We assumed a terminal growth rate of 3.0% in computing the terminal value considering the long term growth in the economy and its impact on the sector and the company.

DCF Valuation	Fair Value of Equity (KWD Mn)	Fair Value per Share (KWD)
Present Value of FCF (2016e - 2020e)	59.8	0.299
Present Value of Terminal Value	148.0	0.740
Present Value of Cash Flows	207.8	1.039
Investments (FY-15)	-	-
Cash (FY-15)	30.9	0.154
Debt (FY-15)	-	-
Enterprise Value	238.7	1.193
Equity Fair Value	**238.7**	**1.193**

Based on the above assumption, we arrived at the estimated fair value for Jazeera Airways equity at KWD 238.7 Mn, which considering 200 Mn outstanding shares, translates to per share fair value price of KWD 1.193. The company is expected to generate positive free cash flows during the forecast period led by higher load factors and efficiency improvement measures. Further, the company’s strong cash balance provides a cushion for exploiting future opportunities in the market.

Sensitivity Analysis

The sensitivity analysis for the change in fair value share price to the changes in WACC and the terminal growth rate is mentioned in the below table:

		Weighted Average Cost of Capital				
		8.0%	9.0%	9.8%	11.0%	12.0%
Terminal Growth Rate	1.50%	1.359	1.197	1.098	0.976	0.897
	2.00%	1.438	1.254	1.143	1.008	0.922
	2.50%	1.532	1.319	**1.193**	1.044	0.950
	3.00%	1.644	1.395	1.252	1.085	0.982
	3.50%	1.781	1.486	1.320	1.131	1.017

Relative Valuation

For peer-based valuation, we have used the industry mean EV/EBITDAR multiple of 5.2x resulting in a share price of KWD 0.487.

	M-Cap (USD Mn)	Current EV (USD Mn)	EBITDAR 2016e (USD Mn)	Net Profit 2016e (USD Mn)	EV/EBITDAR 2016e (x)	P/E 2016e (x)
Southwest Airlines Co	27,647.6	27,939.6	5,955.2	2,728.4	4.7	10.1
Ryanair Holdings PLC	19,900.1	19,474.1	2,218.8	1,435.6	8.8	12.2
easyJet plc	8,624.2	8,082.2	1,449.2	837.0	5.6	9.6
JetBlue Airways Corp	6,473.0	7,440.0	2,015.9	866.5	3.7	8.0
Spirit Airlines Inc	3,413.5	3,256.2	856.1	305.6	3.8	11.2
Allegiant Travel Co	2,855.4	3,164.4	499.6	229.3	6.3	12.1
WestJet Airlines Ltd	1,804.7	1,767.3	716.5	216.6	2.5	8.1
Volara	1,743.6	1,541.6	433.0	123.7	3.6	16.0
Air Arabia PJSC	**1,702.7**	**2,137.8**	**279.1**	**146.6**	**7.7**	**11.2**
Norwegian Air Shuttle ASA	1,293.0	3,346.8	648.5	114.7	5.2	10.0
Cebu Air Inc	1,122.5	1,801.9	399.6	164.5	4.5	6.8
Tiger Airways Holdings Ltd	833.9	844.0	108.5	15.0	7.8	23.5
Jazeera Airways Co KSCP	**579.3**	**426.9**	**64.4**	**48.9**	**6.6**	**11.8**
AirAsia X Bhd	299.2	572.6	204.3	3.1	2.8	51.0
Total	**78,292.6**	**81,795.3**	**15,848.7**	**7,235.5**	**5.2**	**10.8**

Source: Reuters, KAMCO Research

Keeping in mind the mature markets in which a majority of the peer group members operate and the wide variation in their leverage ratios, we decided to use the EV/EBITDAR multiple for relative valuation. We believe that the EV/EBITDAR multiple adequately covers the leverage aspect of the valuation.

Key Risks to our Valuation and Outlook

Joint venture with an international player would be negative for margins

We believe that the company's expansion by partnering with an international player for long haul flights would be negative for margins but positive for topline. Nevertheless it will be a positive move for the company to establish its brand in the international market and bring in incremental revenues. In addition, it will lower concentration associated with business in the Middle East market by diversifying it to a geopolitically stable developed markets.

Decline in economic activity in the GCC could lower leisure spend

Economic growth in the GCC region has been severely affected by the decline in oil prices over the past 18 months. This will have its fair share of impact on leisure travelers during the holiday season. However, since Jazeera Airways operates short haul flights, its business may not be hit as long haul leisure travelers would switch to low cost local destinations.

Stabilizing regional geopolitical situation should be a positive

Any sign of easing of the regional conflict would be positive for Jazeera Airways as it will help the company to resume its services to such destinations and also shorten the time required to reach existing destinations. Moreover, the company will not have to add additional capacity to serve this demand as the company's load factor continues to remain at significantly low level.

Kuwait continues to remain an underserved market

We expect strong demand for LCCs in the GCC region. The demand in Kuwait is expected to outweigh demand in other regions as we believe that the Kuwaiti aviation market is largely underserved, especially by LCCs. There is a huge embedded demand from budget travelers, and after the closure of Wataniya Airlines, base fares between some of the high demand destinations from Kuwait, like Lebanon, has increased phenomenally.

Financial Indicators

Balance Sheet	2014	2015	2016e	2017e	2018e	2019e	2020e
Assets							
Cash, Bank Balances & Time Deposits	64.8	30.9	44.1	55.0	67.6	80.7	94.4
Inventories, Trade and Other Receivables	2.4	1.9	2.4	2.5	2.6	2.7	2.8
Non current assets classified as held for sale	148.5	-	-	-	-	-	-
Current Assets	**215.7**	**32.7**	**46.5**	**57.5**	**70.2**	**83.4**	**97.3**
Property and Equipment	2.0	5.1	5.5	5.7	6.0	6.2	6.3
Advance for Maintenance	7.3	8.7	8.8	8.8	8.9	9.0	9.1
Security Deposit with a Lessor	1.4	3.0	2.9	2.9	2.8	2.7	2.7
Non-Current Assets	**11.9**	**16.8**	**17.1**	**17.4**	**17.7**	**17.9**	**18.1**
Total Assets	**227.6**	**49.5**	**63.6**	**74.9**	**87.9**	**101.3**	**115.4**
Liabilities							
Term Loans	116.3	-	-	-	-	-	-
Due to Banks	0.3	-	-	-	-	-	-
Deferred Revenue	6.3	5.2	6.2	6.2	6.5	6.7	7.0
Trade and Other Payables	11.4	8.3	11.2	11.1	11.6	12.0	12.5
Liab. associated with assets classified as held for sale	23.5	-	-	-	-	-	-
Current Liabilities	**157.7**	**13.5**	**17.3**	**17.2**	**18.0**	**18.7**	**19.5**
Post Employment Benefits	2.4	2.7	2.9	3.2	3.6	3.9	4.3
Lease Maintenance Provision	-	1.7	-	-	-	-	-
Non-Current Liabilities	**2.4**	**4.4**	**2.9**	**3.2**	**3.6**	**3.9**	**4.3**
Total Liabilities	**160.1**	**17.9**	**20.3**	**20.4**	**21.6**	**22.6**	**23.8**
Shareholders' Equity							
Share Capital	42.0	20.0	20.0	20.0	20.0	20.0	20.0
Legal Reserve	4.5	1.6	1.6	1.6	1.6	1.6	1.6
Retained Earnings	20.0	7.6	19.3	30.5	42.3	54.7	67.6
Foreign Currency Translation Reserve	1.0	2.4	2.4	2.4	2.4	2.4	2.4
Total Shareholders Equity	**67.5**	**31.6**	**43.3**	**54.5**	**66.3**	**78.7**	**91.6**
Total Equity & Liability	**227.6**	**49.5**	**63.6**	**74.9**	**87.9**	**101.3**	**115.4**

Income Statement	2014	2015	2016e	2017e	2018e	2019e	2020e
Revenue	**62.5**	**58.6**	**62.0**	**65.0**	**68.2**	**70.8**	**73.5**
Operating Costs	(45.0)	(41.4)	(44.1)	(47.3)	(49.6)	(51.6)	(53.6)
Gross Profit	**17.5**	**17.2**	**18.0**	**17.7**	**18.6**	**19.2**	**19.9**
General & Administrative Expense	(4.2)	(3.7)	(4.0)	(4.4)	(4.7)	(4.9)	(5.1)
Operating Profit	**13.3**	**13.6**	**13.9**	**13.3**	**13.9**	**14.4**	**14.9**
Finance Costs	(0.7)	(0.3)	-	-	-	-	-
Other Income / (Loss)	1.3	1.0	0.8	0.9	0.9	1.0	1.1
Net (Loss)/Profit from Discontinued Op.	(16.9)	1.2	-	-	-	-	-
Net Profit	**(2.9)**	**15.4**	**14.7**	**14.2**	**14.8**	**15.4**	**15.9**

Cash Flow Statement	2014	2015	2016e	2017e	2018e	2019e	2020e
Cash Flow from Operating Activities	23.4	16.7	17.1	14.8	16.5	17.0	17.6
Cash Flow from Investing Activities	(11.1)	134.8	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Cash Flow from Financing Activities	6.8	(174.6)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Change in Cash	19.1	(23.1)	13.2	10.9	12.6	13.1	13.7
Net Cash at End	**52.5**	**30.9**	**44.1**	**55.0**	**67.6**	**80.7**	**94.4**

Sources: KAMCO Research, Company Financials

Key Financial Ratios

Key Ratios	2014	2015	2016e	2017e	2018e	2019e	2020e
Profitability Ratios							
Revenue Growth	4.9%	-6.2%	5.9%	4.8%	4.8%	3.8%	3.8%
EBITDA Growth	7.5%	-31.5%	3.2%	-3.3%	4.8%	3.7%	3.7%
Net Profit Growth	N/A	N/A	-4.3%	-3.8%	4.7%	3.5%	3.5%
Gross Profit Margin	27.9%	29.4%	28.9%	27.2%	27.2%	27.2%	27.1%
EBITDA Margin	36.1%	26.3%	25.7%	23.7%	23.7%	23.6%	23.6%
EBITDAR Margin	40.6%	32.0%	31.3%	29.3%	29.3%	29.3%	29.3%
Operating Margin	21.3%	23.1%	22.5%	20.4%	20.4%	20.3%	20.2%
Net Profit Margin	N/A	26.2%	23.7%	21.8%	21.8%	21.7%	21.6%
Asset Structure & Liquidity Ratios							
Current Ratio (x)	1.37	2.43	2.68	3.34	3.89	4.45	5.00
Quick Ratio (x)	0.42	2.41	2.67	3.33	3.88	4.44	4.98
Debt-to-Equity (x)	1.7	-	-	-	-	-	-
Debt-to-EBITDA (x)	5.2	-	-	-	-	-	-
ROAA (%)	N/A	11.1%	26.0%	20.5%	18.2%	16.2%	14.7%
ROAE (%)	N/A	31.1%	39.3%	29.0%	24.6%	21.2%	18.7%
Valuation Ratios							
Price (KWD)	0.440	0.900	0.870	0.870	0.870	0.870	0.870
Number of Shares (Mn)	420.0	200.0	200.0	200.0	200.0	200.0	200.0
M-Cap (KWD Mn)	184.8	180.0	174.0	174.0	174.0	174.0	174.0
EPS (KWD)	-0.007	0.077	0.074	0.071	0.074	0.077	0.080
Book Value Per Share (KWD)	0.161	0.158	0.217	0.272	0.332	0.393	0.458
P/E Ratio (x)	N/A	11.7	11.8	12.3	11.7	11.3	10.9
P/BV Ratio (x)	2.7	5.7	4.0	3.2	2.6	2.2	1.9
EV/EBITDA (x)	10.5	9.7	8.2	7.7	6.6	5.6	4.6
EV/EBITDAR (x)	9.3	8.0	6.7	6.3	5.3	4.5	3.7
Divident Payout (%)	N/A	89.2%	20.4%	21.2%	20.2%	19.5%	18.9%
Dividend Yield (%)	10.8%	7.6%	1.7%	1.7%	1.7%	1.7%	1.7%

Sources: KAMCO Research, Company Financials

Disclaimer & Important Disclosures

KAMCO** is authorized and fully regulated by the Capital Markets Authority ("**CMA, Kuwait**") and partially regulated by the Central Bank of Kuwait **("CBK")

This document is provided for informational purposes only. Nothing contained in this document constitutes investment, an offer to invest , legal, tax or other advice or guidance and should be disregarded when considering or making investment decisions. In preparing this document, KAMCO did not take into account the investment objectives, financial situation and particular needs of any particular person. Accordingly, before acting on this document, investors should independently evaluate the investments and strategies referred to herein and make their own determination of whether it is appropriate in light of their own financial circumstances and objectives. The entire content of this document is subject to copyright with all rights reserved. This research and the information contained herein may not be reproduced, distributed or transmitted in Kuwait or in any other jurisdiction to any other person or incorporated in any way into another document or other material without our prior written consent.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the sector, companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

KAMCO Ratings

KAMCO investment research is based on the analysis of regional and country economics, industries and company fundamentals. KAMCO company research reflects a long-term (12-month) target price for a company or stock. The ratings bands are:

- ***Outperform:** Target Price represents expected returns >= 10% in the next 12 months*
- ***Neutral:** Target Price represents expected returns between -10% and +10% in the next 12 months*
- ***Underperform:** Target Price represents an expected return of <-10% in the next 12 months*

In certain circumstances, ratings may differ from those implied by a fair value target using the criteria above. KAMCO policy is to maintain up-to-date fair value targets on the companies under its coverage, reflecting any material changes to the analyst's outlook on a company. Share price volatility may cause a stock to move outside the rating range implied by KAMCO's fair value target. Analysts may not necessarily change their ratings if this happens, but are expected to disclose the rationale behind their view to KAMCO clients.

Any terms and conditions proposed by you which are in addition to or which conflict with this Disclaimer are expressly rejected by KAMCO and shall be of no force or effect. The information contained in this document is based on current trade, statistical and other public information we consider reliable. We do not represent or warrant that such information is fair, accurate or complete and it should not be relied upon as such. KAMCO has no obligation to update, modify or amend this document or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The publication is provided for informational uses only and is not intended for trading purposes. The information on publications does not give rise to any legally binding obligation and/or agreement, including without limitation any obligation to update such information. You shall be responsible for conducting your own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this or other such document. Moreover, the provision of certain data/information in the publication may be subject to the terms and conditions of other agreements to which KAMCO is a party.

Nothing in this document should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service. This document is directed at Professional Clients and not Retail Clients within the meaning of CMA rules. Any other persons in receipt of this document must not rely upon or otherwise act upon it. Entities and individuals into whose possession this document comes are required to inform themselves about, and observe such restrictions and should not rely upon or otherwise act upon this document where it is unlawful to make to such person such an offer or invitation or recommendation without compliance with any authorization, registration or other legal requirements.

Risk Warnings

Any prices, valuations or forecasts are indicative and are not intended to predict actual results, which may differ substantially from those reflected. The value of an investment may go up as well as down. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including, without limitation, foreseeable or unforeseeable changes in interest rates, foreign exchange rates, default rates, prepayment rates, political or financial conditions, etc.).

Past performance is not indicative of future results. Any opinions, estimates, valuations or projections (target prices and ratings in particular) are inherently imprecise and a matter of judgment. They are statements of opinion and not of fact, based on current expectations, estimates and projections, and rely on beliefs and assumptions. Actual outcomes and returns may differ materially from what is expressed or forecasted. There are no guarantees of future performance. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document does not propose to identify or to suggest all of the risks (direct or indirect) which may be associated with the investments and strategies referred to herein.

Conflict of Interest

KAMCO and its affiliates provide full investment banking services, and they and their directors, officers and employees, may take positions which conflict with the views expressed in this document. Salespeople, traders, and other professionals of KAMCO may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that reflect opinions that are contrary to the opinions expressed in this document. Our asset management area, our proprietary trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this document. KAMCO may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this document. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other KAMCO business areas, including investment banking personnel. United Gulf Bank, Bahrain owns majority of KAMCO's shareholding and this ownership may create, or may create the appearance of, conflicts of interest.

No Liability & Warranty

KAMCO makes neither implied nor expressed representations or warranties and, to the fullest extent permitted by applicable law, we hereby expressly disclaim any and all express, implied and statutory representations and warranties of any kind, including, without limitation, any warranty as to accuracy, timeliness, completeness, and fitness for a particular purpose and/or non-infringement. KAMCO will accept no liability in any event including (without limitation) your reliance on the information contained in this document, any negligence for any damages or loss of any kind, including (without limitation) direct, indirect, incidental, special or consequential damages, expenses or losses arising out of, or in connection with your use or inability to use this document, or in connection with any error, omission, defect, computer virus or system failure, or loss of any profit, goodwill or reputation, even if expressly advised of the possibility of such loss or damages, arising out of or in connection with your use of this document. We do not exclude our duties or liabilities under binding applicable law.

KAMCO Investment Company - K.S.C. (Public)
Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq
P.O. BOX : 28873, Safat 13149, State of Kuwait
Tel: (+965) 1852626 Fax: (+965) 22492395
Email : Kamcoird@kamconline.com
Website : http://www.kamconline.com