

# First Look Note | 4Q24

UAE Equity Research

Sector: Transportation

Market: DFM

# **Air Arabia PJSC**

Robust passenger demand boosted the top-line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.43	AED 3.50	2.0%	HOLD

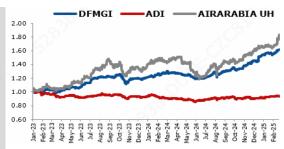
- The Company's seat load factor stood at 83% in 4Q24, compared to 81% in 4Q23.
- Added ten new aircraft and nine leased aircraft in FY24 and now operates 81 aircraft including 72 Airbus A320 and 9 Airbus A321.
- The Airline's turnover grew 10.7% YOY to AED 6.6 Bn in 2024.
- EBITDA grew from AED 361 Mn in 4Q23 to AED 398 Mn in 4Q24 mainly due to higher revenue and lower G&A expense.
- Air Arabia's net cash flow from operations increased from AED 600 Mn in 4Q23 to AED 692 Mn in 4Q24 owing to improved working capital management.

# **4Q24 Net Profit lower than our estimate**

Air Arabia's (AIRARABIA PJSC/the Company) net profit grew 38.3% YOY to AED 311 Mn in 4Q24, lower than our estimate of AED 356 Mn. The increase in net profit was attributable to higher revenue growth, decline in G&A expenses, finance cost, and positive contribution from share of profit on equity accounted investment partially offset by an increase in direct costs, selling and marketing expenses and income tax expense.

#### **P&L Highlights**

Air Arabia's revenue grew 7.1% YOY to AED 1,655 Mn in 4Q24 primarily driven by an 11.6% YOY increase in the number of passengers across its operating hubs to 4.8 Mn in 4Q24 as well as an improvement in the seat load factor. The seat load factor stood at 83% in 4024, compared to 81% in 4023, reflecting a robust passenger demand. Moreover, AIRARABIA's direct cost rose 8.8% YOY to AED 1,297 Mn in 4Q24. Thus, gross profit grew 1.3% YOY to AED 358 Mn in 4Q24. Gross profit margin declined from 22.9% in 4Q23 to 21.6% in 4Q24. Air Arabia's selling and marketing expenses rose 17.1% YOY to AED 31 Mn in 4024. However, G&A expenses declined 48.2% YOY to AED 70 Mn in 4024. The Company's EBITDA grew from AED 361 Mn in 4Q23 to AED 398 Mn in 4Q24 mainly due to higher revenue and lower G&A expense. Moreover, the EBITDA margin increased marginally from 23.3% in 4Q23 to 24.1% in 4Q24. Operating profit rose significantly from AED 192 Mn in 4Q23 to AED 257 Mn in 4Q24. Operating profit margin increased from 12.5% in 4Q23 to 15.6% in 4Q24. Air Arabia's finance income grew 9.4% YOY to AED 68 Mn, whereas finance cost declined 21.1% YOY to AED 20 Mn in 4Q24 due to a decline in total debt including leases. Other income declined significantly from AED 25 Mn in 4Q23 to AED 13 Mn in 4Q24. Share of profit from equity-accounted investments recorded



Stock Informatio	n
Market Cap (AED, mn)	16,006.78
Paid Up Capital (mn)	4,666.70
52 Week High	3.50
52 Week Low	2.22
3M Avg. daily value (AED)	9,839,680

4Q24 Result Review	(AED, mn)
Total Assets	15,361
Total Liabilities	7,409
Total Equity	7,952
EBITDA	398
Net Profit	311

Financial Ratios	
Dividend Yield (12m)	5.83
Dividend Pay-out (%)	63.62
Price-Earnings Ratio(x)	10.90
Price-to-Book Ratio (x)	2.01
Book Value (AED)	1.70
Return-on Equity (%)	18.95

Stock Performan	ce
5 Days	2.39%
1 Months	11.00%
3 Months	16.67%
6 Months	29.92%
1 Year	18.28%
Month to Date (MTD%)	11.00%
Quarter to Date (QTD%)	11.36%
Year to Date (YTD%)	11.36%



to AED 32 Mn in 4Q24 compared to a loss of AED 30 Mn in 4Q23. Thus, profit before tax and NCI grew from AED 225 Mn in 4Q23 to AED 352 Mn in 4Q24. The income tax expense amounted to AED 41 Mn in 4Q24 owing to the introduction of corporate tax in the UAE impacting the bottom line.

#### **Balance Sheet Highlights**

Air Arabia's borrowings reduced from AED 134 Mn in 3Q24 to AED 15 Mn in 4Q24. Lease liabilities grew marginally from AED 2.0 Bn in 3Q24 to AED 2.1 Bn in 4Q24. The Company's cash and bank balance grew from AED 4.9 Bn in 3Q24 to AED 5.3 Bn in 4Q24. Moreover, Air Arabia's net cash flow from operations increased from AED 600 Mn in 4Q23 to AED 692 Mn in 4Q24 owing to improved working capital management.

### **Target Price and Rating**

We maintain our HOLD rating on Air Arabia with a revised target price of AED 3.50. The Company reported growth in profitability driven by higher revenue owing to increased passengers, increased share of profit from equity accounted investments, and lower G&A expenses in 4Q24. The aviation industry continued to navigate inflationary pressures driven by persistent supply chain disruptions, currency fluctuations, and fuel price volatility. Despite these challenges, Air Arabia effectively expanded its network, increased operational capacity, and sustained a robust operating margin. The Company remains a key beneficiary of strong growth in air passenger demand experienced globally, the number of passengers served across all its hubs rose 12.4% YOY to AED 18.8 Mn in 2024 coupled with an improvement in the seat load factor from 80% in 2023 to 82% in 2024. Air Arabia added ten new aircraft and nine leased aircraft in 2024 and now operates 81 aircraft including 72 Airbus A320 and 9 Airbus A321. Moreover, Air Arabia added 31 new routes to its existing network in 2024 which will likely benefit the airline by attracting additional passengers and enhancing its presence in various markets. The Airline's turnover also grew 10.7% YOY to AED 6.6 Bn in 2024. The Company also proposed dividend of AED 0.25 per share, generating a dividend yield of 7.2% in 2024. Hence, based on our analysis, we maintain our HOLD rating on the stock.

#### Air Arabia - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	22.2	13.1	10.3	10.9	10.1
РВ	3.6	2.6	2.3	2.1	2.0	1.9
EV/EBITDA	32.5	9.7	6.7	5.8	6.1	5.4
Dividend yield	NA	2.5%	4.4%	5.8%	7.3%	7.3%

FABS Estimates & Co Data



# Air Arabia - P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	1,545	1,787	1,655	1,648	0.4%	7.1%	-7.4%	6,000	6,639	10.7%
Direct costs	-1,192	-1,342	-1,297	-1,177	10.2%	8.8%	-3.4%	-4,343	-5,076	16.9%
Gross profit	353	445	358	471	-24.0%	1.3%	-19.5%	1,657	1,563	-5.7%
Selling & mkt expense	-26	-28	-31	-26	16.6%	17.1%	11.2%	-89	-104	16.9%
G&A expenses	-135	-60	-70	-126	-44.8%	-48.2%	17.3%	-329	-275	-16.5%
EBITDA	361	529	398	503	-20.8%	10.4%	-24.8%	1,886	1,833	-2.8%
EBIT	192	358	257	318	-19.1%	33.8%	-28.0%	1,239	1,184	-4.4%
Finance income	62	66	68	69	-1.6%	9.4%	3.2%	210	251	19.4%
Finance costs	-25	-19	-20	-19	1.4%	-21.1%	0.2%	-102	-82	-19.9%
Other income	25	62	13	14	-6.9%	-48.0%	-78.9%	113	132	16.0%
Share of profit on eq invt	-30	98	32	7	NM	NM	-67.1%	88	125	41.6%
Profit before NCI	225	564	352	389	-9.7%	56.3%	-37.7%	1,548	1,609	4.0%
Tax	0	-39	-41	-34	18.9%	NM	3.8%	0	-142	NM
Non-controlling int.	0	0	0	-1	NM	NM	NM	1	1	NM
Net Profit	225	525	311	356	-12.6%	38.3%	-40.8%	1,547	1,467	-5.2%

FABS estimate & Co Data

#### Air Arabia - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross Profit	22.9%	24.9%	21.6%	-124	-326	27.6%	23.5%	-407
EBITDA	23.3%	29.6%	24.1%	73	-555	31.4%	27.6%	-383
Operating Profit	12.5%	20.0%	15.6%	310	-446	20.6%	17.8%	-281
Net Profit	14.6%	29.4%	18.8%	424	-1,059	25.8%	22.1%	-369

FABS estimate & Co Data



# Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value Air Arabia. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	3.54	70.0%	2.48
Relative Valuation (RV)	3.39	30.0%	1.02
Weighted Average Valuation (AED)			3.50
Current market price (AED)			3.43
Upside/Downside (%)			+2.0%

# 1) DCF Method:

Air Arabia is valued using free cash flow to equity since the Company is nearly debt-free. We have discounted the cash flow using the cost of equity of 9.7%. Cost of equity is calculated by using 10-year government bond yield of 5.7%, beta of 1.00 and country risk premium of 4.0%. Government bond yield is calculated after adding Dubai's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	4,167
Terminal value (AED, Mn)	12,367
FV to Common shareholders (AED, Mn)	16,534
No. of share (Mn)	4,667
Current Market Price (AED)	3.43
Fair Value per share (AED)	3.54

#### **DCF Method**

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	1,590	1,606	1,628	1,639	1,626
D&A	689	745	803	864	927
Capex	-981	-947	-907	-871	-813
Net change in working capital	-352	-152	-240	-242	-276
Free Cash Flow to Equity (FCFE)	946	1,252	1,285	1,391	1,463
Discounting Factor	0.92	0.84	0.77	0.70	0.64
Discounted FCFE	218	1,055	987	973	934

Source: FAB Securities



# 2) Relative Valuation:

We have used local and international peers to value Air Arabia and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 6.2x in line with peers.

Company	Market cap	EV/EBITDA (x)		P/E (x)	
Company	(USD Mn)	2025F	2026F	2025F	2026F
Pegasus Hava Tasimacigli anonim sirketi	3,352	7.2	5.3	9.8	9.0
Jetblue Airways corporation	2,556	9.5	7.7	NM	NM
Capital A Berhad	852	6.2	5.7	6.1	5.2
Chorus Aviation Inc.	389	4.3	5.0	9.7	11.8
Allegiant Travel Company	1,525	5.7	4.9	11.2	9.1
Average		6.6x	5.7x	9.2x	8.8x
Median		6.2x	5.3x	9.7x	9.0x
Max		7.2x	5.7x	10.1x	9.8x
Min		5.7x	5.0x	8.8x	8.1x

Source: FAB Securities



# **Research Rating Methodology:**

Rating Upside/Downside potential

BUY
ACCUMULATE
HOLD
REDUCE
SELL
Higher than +15%
Between +10% to +15%
Lower than +10% to -5%
Between -5% to -15%
Lower than -15%

#### **FAB Securities Contacts:**

**Research Analyst** 

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

**Sales & Execution**Abu Dhabi Head Office

Trading Desk +971-2-6161700/1

+971-2-6161777

Institutional Desk +971-4-4245765

#### **DISCLAIMER**

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Comnodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.

Online Trading Link