



AIR ARABIA PROFIT DIVES AS COMPETITION SQUEEZES MARGIN

News / Airlines, Finance



The Sharjah-based carrier Air Arabia reported a 13 per cent drop in net profit in the fourth quarter, as competition put pressure on margins and a gloomy geopolitical environment weighed on the sector.

The only publicly listed airline in the UAE reported a net profit of Dh59 million in the three months to December, compared with Dh68m in the corresponding quarter of 2014. For the full year 2015, the low-cost carrier's net profit was Dh531m, 6 per cent lower than a year earlier despite a rise in passenger numbers and its continued expansion.

"The impact of low oil prices continues to have its effect on the wider global economy, while pressure on yields and geopolitical uncertainty continued to weigh on the aviation industry," said Sheikh Abdullah Bin Mohammad Al Thani, chairman of Air Arabia.

"Despite these challenges, Air Arabia once again delivered a strong set of numbers and remains well positioned for further growth in 2016."

Air Arabia flew more than 7.6 million passengers last year, a 12 per cent increase year-on-year. In the fourth quarter alone, the airline flew 2 million passengers, up 17 per cent on the same quarter in 2014. Its average seat load factor – passengers carried as a percentage of available seats – was at 79 per cent for last year.

During 2015 Air Arabia added 23 routes to its network, including Urumqi, the largest city in western China. The airline also added a fifth international hub with the set-up of Air Arabia Jordan and opened a fixed-base operation at Amman Queen Alia International Airport.

Revenue was higher for both the full year and the fourth quarter, according to the carrier.

However, an analyst said lower oil prices have added to competitive pressure on ticket prices.

“Like many airlines, Air Arabia had to reduce its fares because of the drop in oil prices, which is the highest expense for an airline,” said Sebastien Henin, head of asset management at Abu-Dhabi based The National Investor.

Fuel prices, which contribute to about a third of the airlines’ expenses, have dropped alongside crude oil’s fall to less than \$30 per barrel this year compared to near \$114 per barrel in the summer of 2014.

Air Arabia has yet to feel the benefit of lower fuel costs because of the impact of hedging when oil was higher, which the company’s chief executive Adel Ali said in September would continue to tell on earnings for two more quarters.

Mr Henin said a full disclosure from the company is needed to confirm the extent of the impact from its hedging policy into 2016.

Air Arabia’s board of directors proposed Dh0.09 per share as a dividend payout for 2015.

Year to date shares of Air Arabia, listed on the Dubai Financial Market, are down 8 per cent. The stock last traded at Dh1.25. It was suspended yesterday.

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