

RECOMMENDATION

Buy**JSC «Air Astana» (AIRA)**Upside: **22%**Target Price: **1,050 KZT**Last price: **862 KZT****STOCK MARKET****DCF**

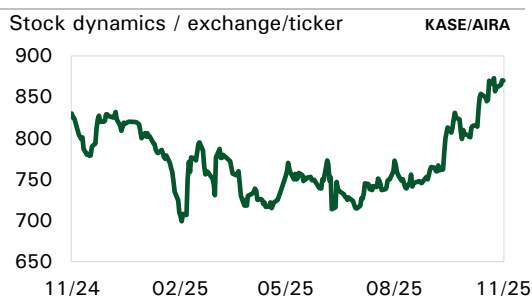
Kazakhstan | Airline

[flashnote/update](#)**Air Astana: Results for the 3rd quarter 2025**

Revenue, 9M '25 (billion KZT)	572
EBIT, 9M '25 (billion KZT)	47
Net Income, 9M '25 (billion KZT)	16
Net Debt, 9M '25 (billion KZT)	243

P/E, 9M '25 (x)	17.8x
EV/EBITDAR, 9M '25 (x)	3.2x
ROA (%)	2.9%
ROE (%)	6.6%
EBITDAR Margin (%)	24%
Net Margin (%)	2.9%

Market cap (billion KZT)	306
Shares issued (million units)	355
Free float (%)	42%
52-week min/max (KZT)	695-875
Current price (KZT)	862
Target Price (KZT)	1,050
Upside (%)	22%
Investment horizon	6-12 months
Planned price update frequency	Quarterly



Performance (%)	3 months	9 months	12 months
Absolute	13%	15%	5%
vs KASE	8%	-7%	-26%

Air Astana JSC released its financial results for the third quarter of 2025, which can be characterized as moderately negative due to a sharp increase in maintenance and engineering expenses caused by unscheduled removals of defective Pratt & Whitney engines. This led to a significant drop in net profit and margins in the income statement, although it did not have the same effect on cash generation. At the same time, revenue showed solid growth despite aircraft downtime. Our valuation model was updated to reflect new data on market share by brand, higher expected maintenance expenses, and an increased risk-free rate amid a rise in the base rate. Additionally, the model incorporates an increase in average revenue per passenger, which had a positive effect on valuation. As a result, our updated target price for one Air Astana share is KZT 1,050, implying 22% upside potential. Our recommendation remains "Buy."

(+) Revenue continues to show strong growth. Air Astana's total quarterly revenue reached KZT 235 billion, up 20% year-over-year (YoY). On a quarter-over-quarter (QoQ) basis, total revenue rose 25%, supported by the seasonally strong third quarter. For the third consecutive quarter, the Air Astana brand was the main driver of revenue growth, posting a 24% YoY increase, while FlyArystan's growth rate slowed slightly to 14% YoY. Overall revenue growth was primarily driven by a 25% YoY increase in passenger transportation income. Charter revenue declined 14% YoY to KZT 15.5 billion. Scheduled flight revenue rose 25% YoY, with the Asia and Middle East region showing the strongest growth at +51% YoY. Domestic route revenue increased 16% YoY, supported by both brands, whose domestic income rose 14–19% YoY. Overall, Kazakhstan's air passenger traffic grew 8.2% YoY in Q3 2025, while Air Astana's passenger traffic rose 7.1% YoY, indicating a slight decline in market share.

(+) Margin compression due to additional engine removals. Operating profit in Q3 amounted to KZT 24.1 billion, down 33% YoY, mainly due to a 79% YoY increase in maintenance and engineering expenses. The cost surge was driven by 14 additional unscheduled removals of defective Pratt & Whitney engines related to structural issues, which resulted in higher aircraft downtime during the peak summer season. The engine issue has now fully materialized, and the company expects to resolve it by the end of 2028. Other expense categories also rose significantly: airport and navigation costs up 37% YoY, passenger service costs up 33% YoY, sales expenses up 30% YoY, and staff and crew costs up 31% YoY. In total, operating expenses grew 32% YoY, outpacing

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revenue growth. On a cost per available seat kilometer (CASK) basis, expenses increased 2.1% YoY. Depreciation and amortization expenses continued to rise alongside fleet expansion. The quarterly EBITDAR margin stood at 23.9%, well below 30.9% a year earlier, though EBITDAR itself increased 6% YoY in tenge terms. As a result, primarily due to the unscheduled Pratt & Whitney engine removals, net profit for the quarter dropped 51% YoY to KZT 11 billion. Earnings per share for the first nine months of 2025 were KZT 46.3, down 35% YoY. Free cash flow, including lease payments and sale-leaseback operations, totaled KZT 18.9 billion in Q3, down by half from a year earlier — mostly due to higher sale-leaseback proceeds in 2024. However, cash generation from operating activities remained roughly unchanged from last year. As of end-September 2025, the company's cash balance reached a record KZT 296 billion.

Our opinion and valuation model changes. We consider Air Astana's Q3 report moderately negative. While revenue growth remained solid, the main issue was the increase in maintenance provisions resulting from the unscheduled removal of Pratt & Whitney engines. Excluding this factor, net profit for the first nine months of 2025 would likely have exceeded last year's level. EBITDAR margin declined, yet operating cash flow generation in Q3 was comparable to 2024 levels. Our valuation model has been updated to reflect the latest financial data. According to the company's latest presentation, FlyArystan's domestic market share rose to 40%, while Air Astana's declined to 26%, which is reflected in the model. We also account for higher average revenue per passenger in tenge and lower capital expenditures, both of which positively affected valuation. Conversely, we raised our maintenance cost forecasts through 2028 to account for ongoing engine issues and slightly increased the weighted average cost of capital (WACC) due to higher yields on 10-year Kazakhstan government bonds. As a result, our updated target price for one Air Astana share is **KZT 1,050**, offering **22% upside** from the last market price. **Recommendation – "Buy."**

Appendix

Illustration 1. Key changes in the latest version of the valuation model

Changes	Date of valuation		Change, %	Comments
	12.08.2025	14.11.2025		
FlyArystan passengers, 2026, million	4.4	5.0	+ 14%	Updated domestic market share data by brand in the latest presentation
Average revenue per passenger, 2026, th. KZT	74.2	76.5	+ 3.1%	Actual increase for the first nine months of 2025
Engineering and maintenance, 2026, billion KZT	76.3	87.5	+ 15%	Unexpected Pratt & Whitney engine removals

Freedom Broker estimates

Illustration 2. Previous recommendations and price targets from Freedom Broker. (B - "buy", H - "hold", S - "sell")

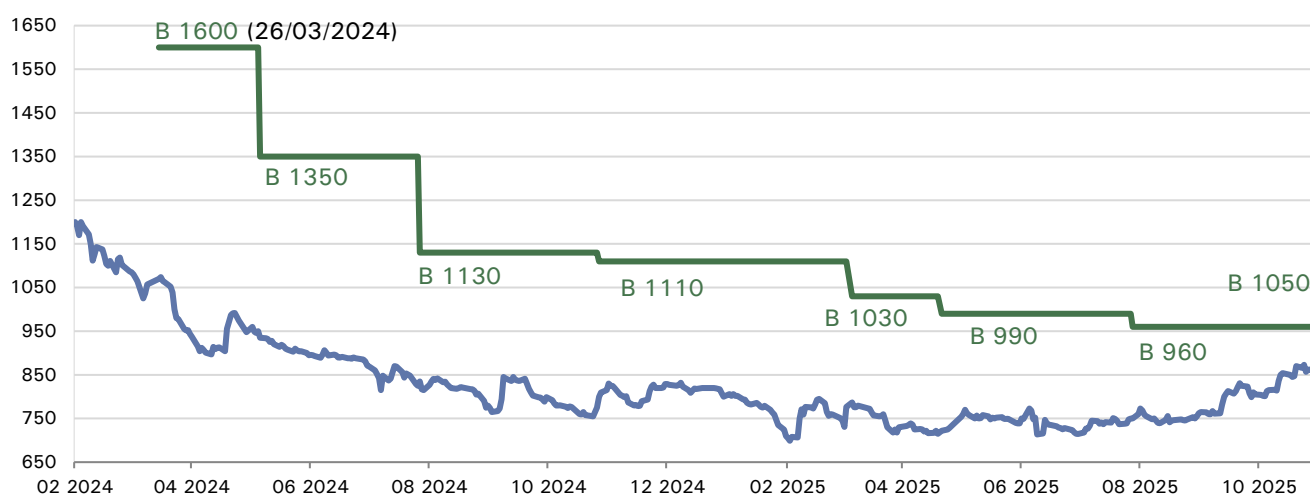


Illustration 3. P/E and EV/EBITDAR multiples according to Freedom Broker estimates



Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities

Recommendation	Quantity	Percentage
Buy	7	70%
Hold	2	20%
Sell	1	10%

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- Buy: A stock that, at the time of rating, is expected to increase in price by more than 20 percent over the next 6-12 months.
 - Hold: A stock that, at the time of rating, is expected to move in price in the range of minus 10 percent to plus 10 percent over the next 6-12 months.
 - Sell: A stock that, at the time of rating, is expected to decline in price by more than 10 percent over the next 6-12 months.
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