

RECOMMENDATION

**Hold**

**Air Astana JSC (AIRA)**

Upside: **9%**  
Target Price: **KZT 740**  
Last price: **KZT 680**

**STOCK MARKET**

EDCF  
**Kazakhstan** | Air Transport



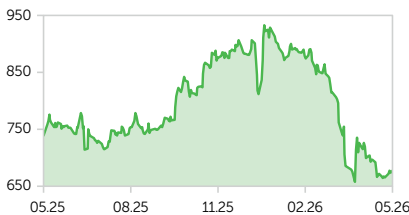
FLASHNOTE /UPDATE

**Air Astana: Q1 2026 Results**

Revenue, 3M '26 (KZT billion)	165
EBIT, 3M '26 (KZT billion)	-7,1
Net Profit, 3M '26 (KZT billion)	-11
Net Debt, 3M '26 (KZT billion)	283
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P/E, 3M '26 (x)	830x
EV/EBITDAR, 3M '26 (x)	3,3x
ROA (%)	0%
ROE (%)	0,1%
EBITDAR margin (%)	15%
Net Profit Margin (%)	-6,7%

Market Cap (KZT billion)	241
Shares Issued (Million)	355
Outstanding (%)	49%
52-Week Min/Max (KZT)	650-937
Current Price (KZT)	680
Target Price (KZT)	740
Upside Potential (%)	9%
Investment Horizon	6-12 months
Planned Price Update Frequency	quarterly

Stock dynamics | exchange/ticker NASDAQ/KSPI



Yield (%)	3 months	9 months	12 months
Absolute	-21%	-21%	-8%
vs KASE	-24%	-33%	-44%

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Air Astana JSC has published its financial results for Q1 2026. The report is assessed as moderately negative. Despite solid revenue growth, operating expenses have increased at a significantly faster pace, resulting in a net loss. Cost pressure persists due to issues with Pratt & Whitney engines. The revenue-expense spread on ASK has turned negative. EBITDAR declined by 22% YoY, and the margin decreased from 20.5% to 14.6%. As a result, the quarterly net loss has increased significantly compared to the previous year. Positive signals include: continued growth in international passenger traffic; recovery of seat load factor to 83.3%; and swift redeployment of capacity from Gulf routes to Asian and Indian destinations. In our valuation model, we have lowered the forecasted passenger traffic for the country and for the company, and slightly reduced margin assumptions. On the other hand, we note a slight increase in average revenue per passenger (ARPP). As a result, the updated target price for one share is KZT 740, with a 9% upside potential. Recommendation: Hold.

**Core Valuation Factors.** The main pressure factor remains the issues with Pratt & Whitney engines and the outpacing growth of the cost base relative to capacity. In Q1, the company recorded only 2 aircraft service difficulties (ASD) compared to 22 for the full year 2025. However, we view this as a seasonal effect of low load factors during the winter period, rather than a signal of improved reliability. Management's statement regarding a comparable volume of scheduled maintenance in H1 2026 relative to the full year 2025 indicates continued pressure on available seat kilometres capacity during the peak season. The backlog of engines requiring repair is expected to persist until the end of 2028. To mitigate the issue, the company has secured 6 additional engines (4 on lease and 2 owned). The key positive factor has been the continued revenue growth per ASK. Management notes that in March, load factor and average fares exceeded the plan by 9 percentage points (pp) and 10%, respectively, driven by recovery in yield, increased demand during the Ramadan and Nauryz periods, and a fuel surcharge increase effective from March 2026. International passenger traffic grew by 12.8% YoY, while domestic traffic declined by 8.7% YoY. This aligns with the strategy of reallocating capacity in favour of high-margin international routes. In March 2026, the company launched a direct Almaty–Shanghai route (three times per week), increasing the number of weekly flights

between Kazakhstan and China to 23 (vs 11 in Q1 2025), with a plan to raise this figure to 50 by the end of June.

### Revenue: Growth in International Routes, Weakening of the

**Sale-and-Leaseback Segment.** Quarterly revenue amounted to KZT 165 billion (+11% YoY). Passenger revenue grew by 13% YoY to KZT 156.5 billion, with scheduled services up 12% YoY, charter flights up 31% YoY, reflecting increased demand for alternative destinations following the suspension of flights to the Middle East. Performance by brand varies: Air Astana saw passenger revenue grow by 15% YoY to KZT 126 billion, driven by international routes, FlyArystan grew by only 8% YoY to KZT 30.6 billion—the trend of slowing growth for the low-cost carrier (LCC) continues. By route segment, the key growth driver remained the Asia and Middle East region (+16% YoY to 82 KZT billion). Revenue from CIS routes grew by 24% YoY, domestic routes increased by 10% YoY, while revenue from European routes showed modest growth of 6% YoY. Cargo operations declined by 4% YoY to KZT 2.8 billion.

**Margin: Widening Gap Between Cost and Revenue Growth.** Operating expenses in Q1 amounted to KZT 172 billion (+18% YoY), outpacing revenue growth by 7 pp. The main contributors to cost growth were engineering and technical maintenance: +30% YoY, personnel expenses: +22% YoY, passenger service costs: +27% YoY, and depreciation and amortisation: +14% YoY. Fuel expenses increased moderately by 8% YoY. This was due to the fact that 70% of fuel is sourced domestically in Kazakhstan, while international fuel supplies were fully hedged at \$70 per barrel. Brand-specific performance: Air Astana: operating expenses rose by 17% YoY, while revenue increased by 14% YoY, resulting in an operating loss of KZT 4.9 billion, compared to a profit of KZT 4.8 billion a year earlier; FlyArystan: operating expenses grew by 16% YoY with revenue up only 8% YoY; the operating loss deepened to KZT 3.3 billion, compared to KZT 2.9 billion previously. ASK cost increased by 20% YoY to 7.30 cents, exceeding ASK revenue of 7.01 cents. This has solidified a negative spread. EBITDAR amounted to KZT 24 billion (–22% YoY), with the margin declining to 14.6%. Cash and cash equivalents decreased to \$442 million, compared to \$514 million a year earlier. The cash-to-revenue ratio stood at 29.6%, down from 38.4% a year earlier, approaching the lower bound of the median guidance of 25%. Net debt/EBITDAR ratio increased from 1.4x to 1.9x.

**Our Opinion and Changes to the Valuation Model.** The first-quarter results broadly align with our base case scenario: margin pressure from engineering and technical maintenance costs remains, and the full-service brand's transition into an operating loss confirms the validity of our conservative stance on the company. Positive aspects of the report include: continued growth in ASK revenue, recovery of the seat load factor to 83.3%, and redeployment of capacity to alternative routes, demonstrating the company's strategic agility. However, visibility on margin normalisation remains limited until the end of 2027. In our valuation model, we have lowered the forecasted passenger traffic for the country and for the company, and slightly reduced margin assumptions for 2026 amid continued high oil prices and the lack of a price hedge for the second half of the year. As a result, our updated target price for one Air Astana share is **KZT 740, with a 9 % upside** potential relative to the latest market price.

**Recommendation: "Hold".**

APPENDIX

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

Changes	Date of valuation		Growth, %	Remarks
	26-mar-2026	12-may-2026		
Passenger traffic in Kazakhstan, 2026, million people	16,5	16,2	-1,8%	Actual growth rates lower than previously expected
Group passenger traffic, 2026, million people	10,3	9,9	-3,9%	Decrease in Group passenger traffic and slight increase in overall passenger traffic in the country

Illustration 2. Figure 2. Previous recommendations and target prices by Freedom Broker. (B - "buy", H - "hold", S - "sell")

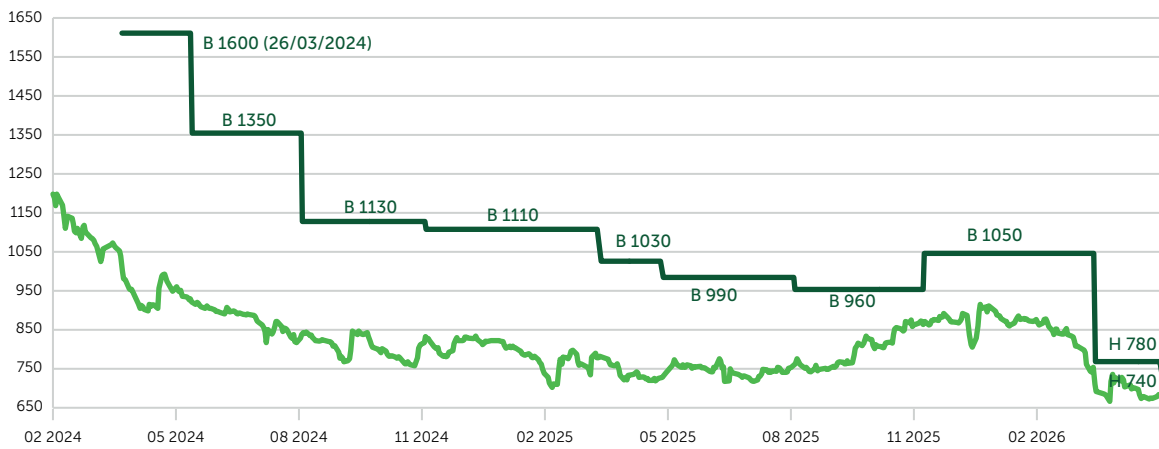


Illustration 3. Figure 3. P/E and P/B price multiples based on Freedom Broker's calculations



Illustration 4. Percentage of current Freedom Broker ratings for KASE index companies

Recommendation	Quantity	Percentage
Buy	3	30%
Hold	6	60%
Sell	1	10%

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#### Rating system

- 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.