

RECOMMENDATION

Hold

Air Astana JSC (AIRA)

Upside Potential: **13%**
Target Price: **KZT 780**
Current Price: **KZT 688**

STOCK MARKET

DCF

Kazakhstan | Air Transport



FLASH NOTE/ UPDATE

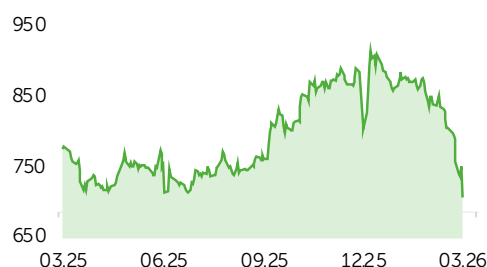
Air Astana: Q4 2025 Results

Revenue, '25 (KZT billion)	758
EBIT, '25 (KZT billion)	46
Net Profit, '25 (KZT billion)	7,1
Net Debt, '25 (KZT billion)	292

P/E, '25 (x)	34.5x
EV/EBITDAR, '25 (x)	3.2x
ROA (%)	0.7%
ROE (%)	3.3%
EBITDAR margin (%)	22%
Net Profit Margin (%)	1%

Market Cap (KZT billion)	244
Shares Issued (Million)	355
Outstanding (%)	49%
52-Week Min/Max (KZT)	681-937
Current Price (KZT)	688
Target Price (KZT)	780
Upside Potential (%)	13%
Investment Horizon	6-12 months
Planned Price Update Frequency	quarterly

Stock Performance | Exchange/Ticker KASE/AIRA



Yield (%)	3-mec	6-mec	12-mec
Absolute	-12%	-7%	-9%
vs KASE	-24%	-18%	-48%

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Air Astana JSC published its financial results for Q4 and the full year 2025. We assess the report as negative: the growth rate of operating expenses significantly exceeded revenue dynamics, leading to operating and net losses for the quarter. The main pressure came from unplanned removals of Pratt & Whitney engines due to design defects. These issues resulted in the grounding of up to 13 aircraft during the peak period and a loss of \$42.3 million in EBITDAR for the year. At the same time, in Q4, ASK revenues showed growth for the first time in a year, and engineering and maintenance costs likely began to normalise. In our valuation model, we have increased the expected fuel costs amid high oil prices. We also expect further negative impact from engine issues, given new design defects. Additionally, we have lowered the overall forecast passenger traffic in the country and the WACC rate. The updated target price per share is KZT 780, with a 13% upside potential. Recommendation: Hold.

Core Valuation Factors. The main risk is the impact of Pratt & Whitney engine issues and outpacing growth of the cost base. In 2025, the company performed 22 aircraft groundings (A/G) due to design defects, in addition to the previously identified issue with powdered metal contamination. Analysis of forecasts from other airlines using similar engines indicates a full return of the aircraft fleet to service by the end of 2027. Aircraft groundings reduced available carrying capacity and led to an increase in ASK costs (+17.3% YoY in Q4, up to 7.23 cents). Additionally, the fleet expansion from 57 to 62 aircraft over the year increased depreciation & amortisation (+37% YoY) and personnel costs (+30% YoY). The accumulated volume of engines requiring repair will persist until the end of 2028, continuing to limit carrying capacity. However, in the H1 2026, the company plans to send a volume of engines for repair comparable to the entire 2025 level, and has reserved 4 additional engines. The main positive factor is the growth in ASK revenue. In Q4 alone, ASK revenue growth amounted to 9.8% YoY, reaching 7.18 cents. In previous quarters, this indicator had been declining, but growth became possible thanks to tariff adjustments and a focus on high-margin international routes. As a result, international ASK grew by 11.2% in Q4, while domestic declined by 1.4%.

Revenue: Growth Continues Despite Aircraft Groundings.

Quarterly revenue amounted to KZT 186.5 billion (+19% YoY). The main growth was driven by passenger transportation revenue (+18% YoY). The situation varies by brand. Air Astana delivered a strong quarter: passenger revenue grew by 24% YoY to KZT 132.9 billion, supported by the expansion of the international network and a reallocation of capacity in favour of high-yield international routes. In contrast, FlyArystan saw a 2% YoY decline in passenger transportation revenue (KZT 35.4 billion). By route segment, the key driver was the «Asia and Middle East» region (+32% YoY to KZT 76.7 billion). Domestic routes grew by 11% YoY, and CIS routes by 12% YoY, while revenue from European routes declined slightly by 4% YoY. The company also reported KZT 12.6 billion gain from sale-and-leaseback transactions. For the full year 2025, total revenue reached KZT 758.3 billion (+23% YoY). During this period, Air Astana's passenger transportation revenue grew by 27% YoY, and FlyArystan's by 12% YoY. Annual passenger traffic increased by 8% YoY to 9.7 million passengers, and ASK revenue grew by 14%, driven by international routes.

Margin: Loss amid Cost Pressure. In Q4, operating expenses amounted to KZT 187.8 billion (+29% YoY), significantly outpacing revenue growth. The most significant cost drivers were: depreciation & amortisation (+37% YoY), personnel costs (+30% YoY), passenger services (+26% YoY), and selling expenses (+22% YoY). Engineering and maintenance costs, meanwhile, grew by only 16% YoY, slowing down compared to Q3 (+79% YoY), which may indicate the beginning of normalisation. Other operating expenses amounted to KZT 5.4 billion, compared to income of KZT 1.9 billion a year earlier, while property, plant and equipment (PPE) impairment added KZT 3.0 billion. ASK costs rose by 17.3% YoY to 7.23 cents, slightly exceeding ASK revenue, resulting in a negative spread. As a result, quarterly EBITDAR was KZT 30.9 billion (-12% YoY), with the margin declining to 16.5%. Quarterly net loss amounted to KZT 9.3 billion. For the full year 2025, the EBITDAR margin decreased to 22.1%, down from 24.4%, and net profit fell by 72% YoY to KZT 7.1 billion.

Our Opinion and Changes to the Valuation Model. The Q4 report revealed the scale of pressure on margin: the cost base is growing significantly faster than revenue, and the impact of aircraft groundings (A/G) and fleet expansion is creating double pressure on unit costs. A positive signal is the growth in ASK revenue in Q4, which confirms management's ability to offset the pressure through tariff policy and reallocation of capacity to international routes. The acceleration of engine repairs in the first half of 2026 is also encouraging, although a full resolution of the issue is not expected until the end of 2028. However, in our valuation model, we are factoring in the continued negative impact of engine issues over the next two years. This has become one of the main negative developments leading to a reduction in our target price. We have also lowered the expected passenger traffic in Kazakhstan, but, on the other hand, we have reduced the WACC. We also note the negative impact of the military conflict in the Middle East, which has led to higher energy prices - most likely, this will also affect fuel costs. As a result, our updated target price for one Air Astana share is **KZT 780**, implying an upside **potential of 13 % relative** to the latest market price. **Recommendation: Hold.**

REFERENCE INFORMATION

Figure 1. Key Changes to the Latest Version of the Valuation Model

Changes to Assumptions	Valuation Date		Growth,%	Remarks
	14.11.2025	26.03.2026		
Passenger traffic in Kazakhstan, 2026, million people	16.8	16.5	-1.8%	Lower actual growth rates compared to previous expectations
WACC, %	19.5	17.7	-1.8 p.p.	Decrease in the yield on 10-year government bonds of the Republic of Kazakhstan
EBITDAR margin, 2026,%	21	17	-4 p.p.	Increase in projected fuel costs and the adverse effect of defective engines on revenues

Previous recommendations and target prices by Freedom Broker.
 (B – “Buy”, H – “Hold”, S – “Sell”)

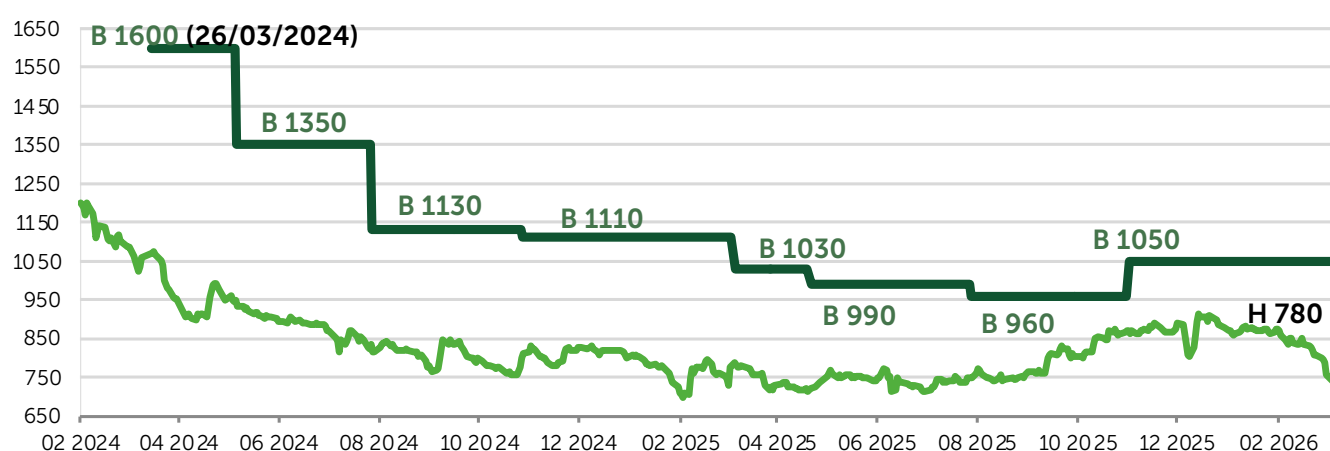


Figure 3. P/E and EV/EBITDAR price multiples based on Freedom Broker's calculations



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

Recommendation	Number	Share, %
Buy	7	70%
Hold	2	20%
Sell	1	10%

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- Buy. A stock for which, at the time of rating assignment, an increase in price of more than 20% is expected over the next 6–12 months
- Hold. A stock for which, at the time of rating assignment, a price change in the range from –10% to +10% is expected over the next 6–12 months
- Sell. A stock for which, at the time of rating assignment, a decrease in price of more than 10% is expected over the next 6–12 months