

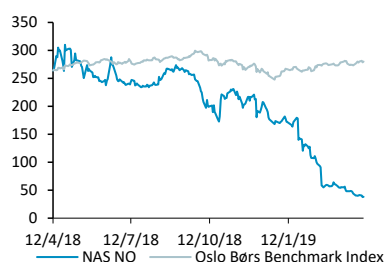
Norwegian Air Shuttle

Sell

Key Data

Share price (NOK)	38.1
Target price (NOK)	35.0
Bloomberg	NAS NO
Market capitalisation (NOKm)	5,197m
Enterprise value (NOKm)	77,019m
Shares outstanding (m)	136m
Shares fully diluted (m)	136m
Average daily volume (000s)	1747
Free float (%)	85

Share Price (12m)



Share Price Performance

	1m	6m	12m
Price	n/a	-77.8	-78
Rel. Index	n/a	n/a	-84.6

Analysts

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Keep Sell before Q1 2019 results - estimates updated with IFRS 16

We make no change to our recommendation/tp ahead of the Q1 2019 results ([Sell report](#)). We still find NAS expensive on EV/Sales when including operational leases in EV (this will become more visible in peer tables when estimates are updated with IFRS 16) and we expect the cash drain to continue in 2019. Our estimates are updated with IFRS 16 effects. Due to the change in accounting policies for operational leases, consensus estimates in Bloomberg for Q1 2019 seems outdated. Key focus areas when NAS reports Q1 will be pre-sold tickets (we expect NOK10.4bn), update on MAX problems/costs and update on cost-cutting programme (executing on a cost-cutting programme when the MAX aircraft is grounded could be harder to achieve). We expect production growth guidance for 2019 to be revised down.

Cash drain expected to continue in 2019

Note that change in capex has limited effect on our cash flow below as capex equal loan proceeds. EUR250m maturing end-2019 is not included in cash flow below.

	2018	2019	2020	2021
RASK	0.33	0.34	0.34	
ASK	108,509	114,862	123,689	
CASK	0.42	0.41	0.41	
Passenger revenue	35,899	38,760	42,574	
Ancillary revenue	6,865	7,233	8,022	
Other revenue	1,577	2,597	2,852	
Total revenue	44,341	48,590	53,448	
Cost	38,764	41,336	44,996	
EBITDA	5,576	7,254	8,452	
Change WC	572	596	682	
Tax paid	180	161	166	
Operational CF	6,329	8,012	9,300	
Capex*	(13,816)	(21,523)	(15,726)	
Loan proceeds	13,816	21,523	15,726	
Principal repayments	(3,922)	(2,307)	(2,318)	
Lease (depreciation)	(3,581)	(3,530)	(3,311)	
Financing costs paid	(2,505)	(2,910)	(3,385)	
Equity issue	3,000	-	-	
Cash gain Sale aircraft	400			
Change in cash	(280)	(736)	286	
Cash beginning of period	1,922	1,642	906	
Cash end of period	1,922	1,642	906	1,192
Equity end of period	1,687	2,493	1,722	1,557

* Inclusive PDP and capitalised interest cost.

Company Overview (NOK)

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenues	30,948	40,266	44,341	48,590	53,448
Recurring EBITDA	(223)	(1,189)	4,680	7,254	8,452
Recurring net profit	(1,992)	(3,735)	(1,494)	(771)	(165)
Recurring EPS (NOK)	(55.7)	(82.2)	(11.0)	(5.7)	(1.2)
Recurring PER (x)	N/A	N/A	N/A	N/A	N/A
EV/recurring EBITDA (x)	(11.8)	(17.3)	510.0	53.5	34.1
FCF yield (%)	(6.3)	(14.8)	(9.7)	(14.5)	(6.3)
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Price/book (x)	0.7	1.0	2.1	3.0	3.3
Recurring ROE (%)	(190.9)	(198.0)	(71.5)	(36.6)	(10.1)
Recurring ROA (%)	(10.5)	(4.3)	(0.8)	1.6	2.5
Net debt (cash)/assets (%)	37,232.4	n/a	1,287.6	1,213.1	1,154.3
EBITDA interest payable coverage (x)	n/a	n/a	0.1	0.6	0.9
RASK	34.2	32.8	33.1	33.7	34.4
Load	87.5	85.8	86.1	86.0	86.0
CASK ex fuel other losses/gain	33.2	29.1	24.1	24.0	24.3

Source: SpareBank 1 Markets and Company Data

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Keep Sell before Q1 2019 results - estimates updated with IFRS 16

The EUR250m bond that matured end-2019 is not included in the cash flow below.

NAS: Cash drain expected to continue in 2019

Exhibit 1.

	2018	2019	2020	2021	Comments
RASK		0.33	0.34	0.34	1% growth 2019 and 2% growth 2020
ASK		108,509	114,862	123,689	9% growth in 2019 and 5% in 2020
CASK		0.42	0.41	0.41	2019 CASK ex fuel within guidance
Passenger revenue		35,899	38,760	42,574	Load 86% (same as in 2018)
Ancillary revenue		6,865	7,233	8,022	Ancillary per pass up 6% in 2019 and 3% in 2020
Other revenue		1,577	2,597	2,852	
Total revenue		44,341	48,590	53,448	
Cost		38,764	41,336	44,996	
EBITDA		5,576	7,254	8,452	
Change WC		572	596	682	
Tax paid		180	161	166	
Operational CF		6,329	8,012	9,300	
Capex*		(13,816)	(21,523)	(15,726)	Prospectus guidance adjusted for postponements
Loan proceeds		13,816	21,523	15,726	Loan proceeds equal capex (same as 2012 to 2016)
Principal repayments		(3,922)	(2,307)	(2,318)	Excluding EUR250m bond
Lease (depreciation)		(3,581)	(3,530)	(3,311)	
Financing costs paid		(2,505)	(2,910)	(3,385)	Including lease interest costs
Equity issue		3,000	-	-	
Cash gain Sale aircraft		400			2 * A320neo + 2 * 737-800
Change in cash		(280)	(736)	286	
Cash beginning of period		1,922	1,642	906	
Cash end of period	1,922	1,642	906	1,192	
Equity end of period	1,687	2,493	1,722	1,557	

* Inclusive PDP and capitalised interest cost.

Source: SpareBank 1 Markets.

Our Q1 2019 estimate include a one-off of NOK700m related to IFRS16 (included after EBIT) and a hedge/currency gain of NOK896m included in EBITDA.

NAS: No consensus for Q1 2019

Exhibit 2.

Norwegian Air Shuttle NOKm	4Q17 Rep.	1Q18 Rep.	2Q18 Rep.	3Q18 Rep.	4Q18 Rep.	1Q19E SB1M	1Q19E Cons.*	Diff. Abs.	Rel.
Revenue	7,844	6,993	10,228	13,387	9,658	8,023	8,007	16	0%
EBITDA	-652	-1,891	538	2,266	-3,096	(53)	(1,219)	1,167	96%
EBITDA-margin	-8.3%	-27.0%	5.3%	16.9%	-32.1%	-0.7%	-15.2%		
EBIT	-1,026	-2,226	154	1,816	-3,593	(1,225)	(2,082)	857	41%
Pre-tax profit						(2,520)	(2,233)	(287)	-13%
Net profit						(1,890)	(2,033)	143	7%
EPS (ord)						(13.9)	(24.7)	11	44%
Underlying EBIT						(2,121)			

Norwegian Air Shuttle NOK	4Q17 Rep.	1Q18 Rep.	2Q18 Rep.	3Q18 Rep.	4Q18 Rep.	1Q19E SB1M	1Q19E Cons.**	Diff. Abs.	Rel.
RASK	0.31	0.28	0.32	0.40	0.30	0.27			
ASK	19,704	19,995	25,633	27,534	26,058	23,458			
Yield	0.36	0.33	0.37	0.44	0.37	0.33			
RPK	16,807	16,887	22,242	24,927	21,068	18,994			
Load factor	0.85	0.85	0.87	0.91	0.81	0.81			
Passengers ('000)	8,070	7,480	9,970	10,860	9,040	8,115			
Ancillary rev PAX	153	162	162	177	169	180			
CASK	0.44	0.44	0.40	0.42	0.42	0.43			
CASK ex fuel	0.34	0.33	0.27	0.28	0.29	0.27			

Source: SpareBank 1 Markets and * Bloomberg.

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Estimates updated with IFRS 16 and postponement of aircraft delivery for 2019 and 2020.

Our estimates does not include extra cost related to grounding of the MAX aircraft and our unit costs excluding fuel and agio is in line with company guidance. We see downside risk to costs estimates.

NAS: Estimates updated with IFRS 16

Exhibit 3.

Norwegian Air Shuttle Group total	New estimates			Old estimates			Change		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Operating revenues	44,341	48,590	53,448	44,293	49,351	54,192	48	(761)	(744)
EBITDA	5,576	7,254	8,452	1,090	2,992	4,622	4,487	4,262	3,830
EBITDA-margin	12.6%	14.9%	15.8%	2.5%	6.1%	8.5%			
EBIT	151	1,741	3,010	(757)	1,007	2,487	908	734	522
EBIT-margin	0.3 %	3.6 %	5.6 %	-1.7 %	2.0 %	4.6 %			
Net profit	(2,194)	(771)	(165)	(2,215)	(907)	(348)	21	136	183
EPS	(24)	(6)	(1)	(24)	(7)	(3)	0.2	1.0	1.3
EPS changes in percent							(1%)	(15%)	(53%)
EBIT change in percent							601%	42%	17%
EBIT ex hedge	(745)	1,741	3,010	(1,674)	1,007	2,487	929	734	522
RASK	0.33	0.34	0.34	0.33	0.34	0.34	0.00	0.00	0.00
RASK growth	1%	2%	2%	1%	2%	2%			
ASK	108,509	114,862	123,689	108,645	116,793	125,553	(136)	(1,931)	(1,864)
ASK growth	9%	6%	8%	10%	8%	8%	0%	-2%	0%
Yield	0.38	0.39	0.40	0.39	0.39	0.40	(0.00)	0.00	0.00
RPK	93,445	98,781	106,372	93,090	100,442	107,975	355	(1,661)	(1,603)
Load factor	0.86	0.86	0.86	0.86	0.86	0.86	0.00	-	-
Passengers ('000)	38,631	39,512	42,549	38,381	40,177	43,190	250	(664)	(641)
Ancillary rev PAX	178	183	189	178	183	189	0	0	0
Unit cost	0.42	0.41	0.41	0.41	0.41	0.41	0.00	0.00	0.00
Unit cost ex fuel/agio	0.29	0.29	0.29	0.29	0.29	0.29	0.00	0.00	0.00
Fuel cost									
mt	2,098,339	2,136,430	2,300,609	2,100,965	2,172,354	2,335,280	(2,627)	(35,924)	(34,671)
Fuel price (incl handling)	751	758	766	735	742	750	(16)	(16)	(16)
USDNOK	8.53	8.50	8.50	8.68	8.70	8.70	0.1	0.2	0.2
NOKm	13,465	13,774	14,981	13,431	14,033	15,236	(34)	259	256
Key ratios	New estimates			Old estimates			Change		
	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Capex (NOKm)	13,816	21,523	15,726	16,503	24,875	15,626	(2,687)	(3,351)	100
Depreciation (NOKm)	5,425	5,513	5,442	1,847	1,985	2,134	3,578	3,528	3,308

Source: SpareBank 1 Markets.

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Income Statement (NOK)

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenues (m)	30,948	40,266	44,341	48,590	53,448
Cost of goods sold (m)	(24,022)	(32,964)	(28,320)	(29,890)	(32,406)
Gross profit (m)	6,927	7,302	16,021	18,700	21,042
Operating costs (m)	(6,867)	(9,485)	(10,444)	(11,445)	(12,590)
EBITDA (m)	60	(2,183)	5,576	7,254	8,452
Depreciation & amortisation (m)	(2,061)	(1,668)	(5,425)	(5,513)	(5,442)
Impairments (m)	0	0	0	0	0
EBIT (m)	(2,001)	(3,851)	151	1,741	3,010
Net interest (m)	(887)	(1,042)	(2,505)	(2,910)	(3,385)
Associates (m)	129	129	129	141	155
Other pre-tax items (m)	0	2,274	(700)	0	0
Pre-tax profit (m)	(2,759)	(2,490)	(2,926)	(1,028)	(220)
Tax (m)	769	1,036	731	257	55
Minorities (m)	(1)	(7)	0	0	0
Other post-tax items (m)	0	0	0	0	0
Net profit (m)	(1,992)	(1,461)	(2,194)	(771)	(165)
Recurring EBITDA (m)	(223)	(1,189)	4,680	7,254	8,452
Recurring EBIT (m)	(2,284)	(2,857)	(745)	1,741	3,010
Recurring net profit (m)	(1,992)	(3,735)	(1,494)	(771)	(165)

Source: SpareBank 1 Markets and Company Data

Balance Sheet (NOK)

Year end: Dec	2017	2018	2019E	2020E	2021E
Tangible fixed assets (m)	32,283	74,323	82,118	98,128	108,411
Intangible assets (m)	1,220	2,886	2,886	2,886	2,886
Other non-current assets (m)	0	0	0	0	0
Cash & equivalents (m)	4,040	1,922	1,347	972	1,376
Other current assets (m)	1,625	2,935	3,232	3,542	3,896
Total assets (m)	43,707	88,985	97,754	114,525	126,291
Short-term debt (m)	4,245	11,559	7,978	4,448	1,137
Other current liabilities (m)	5,844	9,403	10,354	11,346	12,481
Long-term debt (m)	22,060	55,280	65,174	84,390	97,798
Other long-term liabilities (m)	2,966	4,132	4,132	4,132	4,132
Total liabilities (m)	41,608	87,281	95,244	112,786	124,716
Total equity (m)	2,098	1,705	2,510	1,739	1,574
Total liabilities & equity (m)	43,707	88,985	97,754	114,525	126,291
Capital employed (m)	28,403	68,544	75,662	90,711	100,509
Net working capital (m)	(1,954)	13	14	15	17
Net debt (cash) (m)	22,265	64,917	71,804	88,000	97,559

Source: SpareBank 1 Markets and Company Data

Cash Flow (NOK)

Year end: Dec	2017	2018	2019E	2020E	2021E
Cash flow EBITDA (m)	60	(2,183)	5,576	7,254	8,452
Change in working capital (m)	1,009	95	572	596	682
Other non-cash items (m)	0	0	0	0	0
Operating cash flow (m)	1,069	(2,088)	6,148	7,851	9,134
Cash interest paid (m)	(959)	(1,160)	(2,520)	(2,916)	(3,385)
Cash taxes paid (m)	1,002	1,036	180	161	166
Net cash from operating activities (m)	1,112	(2,211)	3,809	5,096	5,915
Capex (m)	(3,557)	(8,782)	(13,816)	(21,523)	(15,726)
Net acquisitions (m)	1,993	(35,426)	595	0	0
Other net investing cash flows (m)	0	0	0	0	0
Cash from investing activities (m)	(1,564)	(44,208)	(13,221)	(21,523)	(15,726)
Increase (decrease) in equity (m)	39	1,062	3,000	0	0
Increase (decrease) in debt (m)	2,830	40,534	6,313	15,686	10,097
Dividends & minority distribution (m)	0	(2)	0	0	0
Other financing cash flows (m)	810	2,520	(557)	147	155
Cash from financing activities (m)	2,168	44,115	8,756	15,833	10,252
Forex & discontinued operations (m)					
Net change in cash & equivalents (m)	1,716	(2,304)	(656)	(595)	441
FCF (m)	(1,486)	(9,834)	(7,487)	(13,512)	(6,426)

Source: SpareBank 1 Markets and Company Data

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Performance & Returns

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenue growth (%)	n/a	30.1	10.1	9.6	10.0
Recurring EBITDA growth (%)	n/a	n/a	n/a	55.0	16.5
Recurring EBIT growth (%)	n/a	n/a	n/a	n/a	72.9
Recurring EPS growth (%)	n/a	n/a	n/a	n/a	n/a
Gross margin (%)	22.4	18.1	36.1	38.5	39.4
Recurring EBITDA margin (%)	(0.7)	(3.0)	10.6	14.9	15.8
Recurring EBIT margin (%)	(7.4)	(7.1)	(1.7)	3.6	5.6
Reported net margin (%)	(6.4)	(3.6)	(4.9)	(1.6)	(0.3)
Reported ROE (%)	(190.9)	(77.5)	(105.0)	(36.6)	(10.1)
Recurring ROA (%)	(10.5)	(4.3)	(0.8)	1.6	2.5
ROAIC (%)	(6.4)	(5.4)	0.4	2.2	3.2
ROACE (%)	(16.1)	(5.9)	(1.0)	2.1	3.1
ROACE - WACC (%)	(16.1)	(5.9)	(1.0)	2.1	3.1

Source: SpareBank 1 Markets and Company Data

Leverage & Solvency

Year end: Dec	2017	2018	2019E	2020E	2021E
Working capital as % of sales	(6.3)	0.0	0.0	0.0	0.0
Net debt (cash)/EBITDA (x)	372.3	n/a	12.9	12.1	11.5
Net debt (cash)/equity (%)	1,061.0	3,808.6	2,860.5	5,059.7	6,197.4
EBITDA net interest coverage (x)	0.1	n/a	2.2	2.5	2.5
Current ratio (x)	0.6	0.4	0.5	0.5	0.6
Dividend cover (cash flow) (x)	n/a	n/a	n/a	n/a	n/a

Source: SpareBank 1 Markets and Company Data

Valuation

Year end: Dec	2017	2018	2019E	2020E	2021E
EV/revenue (x)	0.8	1.7	1.7	1.9	1.9
EV/recurring EBITDA (x)	(11.8)	(17.3)	510.0	53.5	34.1
EV/recurring EBIT (x)	(10.4)	(23.3)	(103.4)	53.5	34.1
EV/capital employed (x)	0.8	1.0	1.0	1.0	1.0
EV/invested capital (x)	0.8	0.9	1.0	1.0	1.0
Recurring PER (x)	N/A	N/A	N/A	N/A	N/A
Price/book (x)	0.7	1.0	2.1	3.0	3.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	(6.3)	(14.8)	(9.7)	(14.5)	(6.3)

Source: SpareBank 1 Markets and Company Data

Per Share Data

Year end: Dec	2017	2018	2019E	2020E	2021E
Reported EPS (NOK)	(55.7)	(32.2)	(16.1)	(5.7)	(1.2)
Recurring EPS (NOK)	(55.7)	(82.2)	(11.0)	(5.7)	(1.2)
Dividend per share (NOK)					
Equity FCFPS (NOK)	(68.4)	(241.9)	(73.4)	(120.5)	(72.0)
BV/share (NOK)	58.3	37.1	18.3	12.6	11.4

Source: SpareBank 1 Markets and Company Data

11 April 2019

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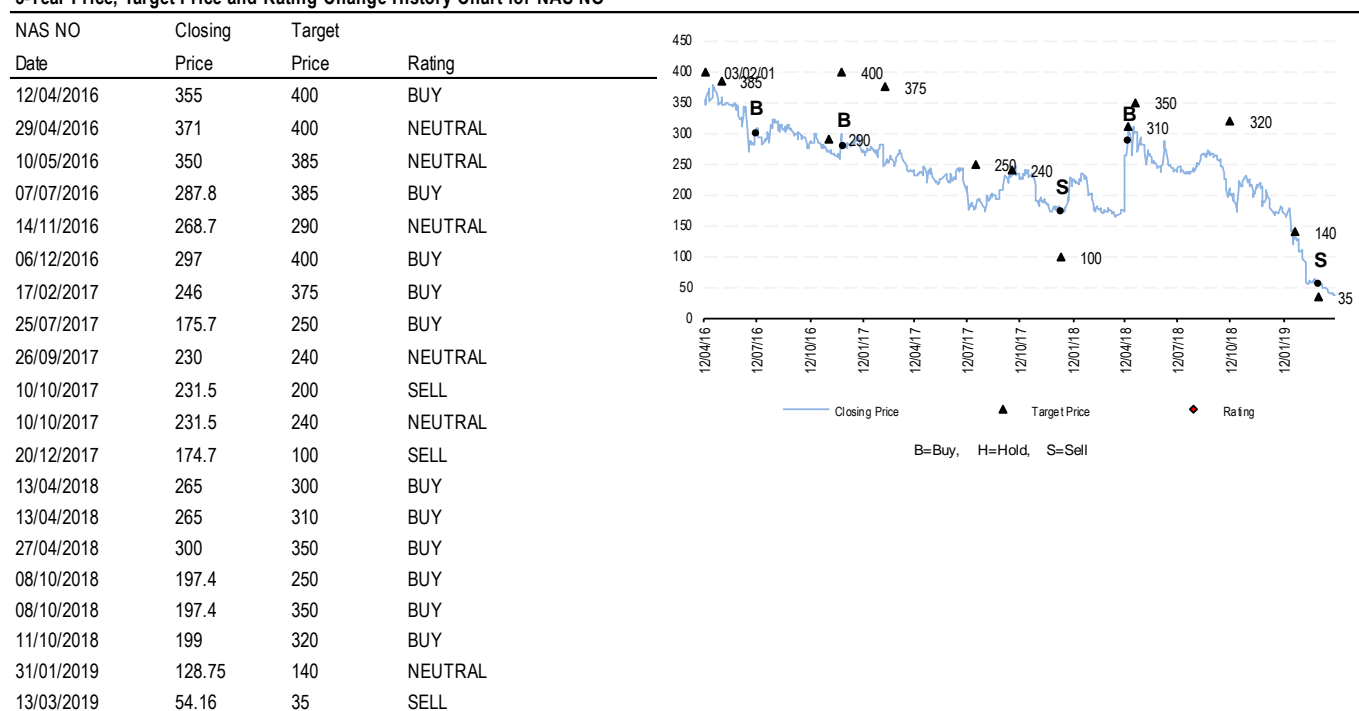
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For an overview of previous recommendations regarding the financial instruments or issuer subject to this report, consult the chart below:

3-Year Price, Target Price and Rating Change History Chart for NAS NO**Planned updates**

Important: All disclosure information can be found on page 7 of this document.

Company Report

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Current recommendations of the Research Department		
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Neutral	24.0%	6.1%
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Total	100%	

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