

Icelandair Group hf. – Earnings forecast Q411 (Record number of passengers and high oil prices)

- Icelandair Group will publish its financial results for the fourth quarter in the week of 6-10 February. The first and fourth quarters are always the poorest quarters at the company, both in terms of turnover and earnings. Looking at the company's transportation figures for Q4 2011, revenue looks set to grow significantly compared with last year. Arion Research estimates that Icelandair Group will generate revenue of ISK 20 billion in the fourth quarter and that EBITDA will total ISK 400 million. The earnings forecast of Icelandair Group's management from last November projects EBITDA for the fourth quarter of virtually zero or that it will be negative by up to ISK 500 million - which will result in an EBITDA margin of ISK 10-10.5 billion for 2011 as a whole. Arion Research's forecast is slightly higher, estimating EBITDA in 2011 of ISK 11 billion.

Marel hf. – Earnings forecast Q411 (Promises to be a good year)

- Marel publishes its 2011 Q4 results on 1 February 2012. Arion Research expects a strong set of results as the company's order book has never been in better shape than it was at the end of the third quarter. We forecast revenue of approximately €186 million and EBITDA of €28 million, or around 15% of revenue.

Record number of passengers and high oil prices

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Earnings forecast							
	Q1 2011	Q2 2011	Q3 2011	Q4 2011E	2011E	2012E	
Sales	16,0	25,0	35,9	20,0	96,9	104,2	
% growth	-1,6%	14,4%	11,2%	9,2%	9,2%	7,5%	
EBITDA	-0,2	2,1	8,7	0,4	11	13,1	
% of sales	-1,2%	8,3%	24,1%	2,1%	11,3%	12,6%	
EBIT	-1,4	0,6	7,1	-1,5	4,8	6,3	
% of sales	-9,0%	2,5%	19,8%	-7,4%	4,9%	6,0%	
Earnings	-1,1	0,4	5,4	-1,5	3,1	3,6	

Source: Arion Research, Icelandair Group - amounts are in ISK billion

Increase in passenger numbers. Arion Research expects revenue to grow significantly at Icelandair in the fourth quarter; figures show an 11% increase in the number of Icelandair passengers from the same quarter last year. Icelandair transported approximately 350,000 passengers in Q4 2011, compared with 315,000 in Q4 2010. The airline had a record number of passengers in 2011, with almost 1.75 million passengers choosing Icelandair, an 18% increase over the previous year. The previous record was set in 2007, when 1.6 million passengers flew with Icelandair.

Rise in fuel prices is major factor. Fuel prices have a strong impact on Icelandair Group's financial results. Aviation fuel dropped in price by 2.5% during the quarter but the company's oil hedges during Q4 were extremely limited. Given the latest estimate from the company on its oil hedges and the development of fuel prices in Q4, Arion Research estimates that fuel costs will be approximately ISK 4.5 billion during the quarter and ISK 21.5 billion in 2011 overall, a 44% increase from 2010.

Increase capacity in 2012. The company has announced plans to expand its business this year and it will increase its capacity by 14% when it begins flying to a new destination in May, Denver, Colorado. This increase in capacity comes at the same time as overseas airlines have been cutting back in the face of a worsening economic outlook. Arion Research is reasonably confident, however, that the company will reach its targets (see discussion in the Q3 earnings forecast from 28 October) and forecasts 7.5% revenue growth at Icelandair Group this year.

Promises to be a good year

Marel publishes its 2011 Q4 results on 1 February 2012. Arion Research expects a strong set of results as the company's order book has never been in better shape than it was at the end of the third quarter. We forecast revenue of approximately €186 million and EBITDA of €28 million, or around 15% of revenue.

Earnings forecast						
	Q1 2011	Q2 2011	Q3 2011	Q4 2011E	2011E	2012E
Sales	153,5	161,9	169,1	185,6	670,1	696,9
	19,1%	19,0%	13,1%	10,7%	15,1%	4,0%
EBITDA	23,8	9,8	25,8	28	87,5	105,2
% of sales	15,5%	6,1%	15,3%	15,1%	13,1%	15,1%
EBIT	17,1	3,9	19,5	21,6	62	76,7
% of sales	11,2%	2,4%	11,5%	11,6%	9,3%	11,0%
Earnings	8,80	0,20	10,50	12,60	32,10	45,40

Source: Arion Research, Marel hf. - amounts are in EUR millions

Strong order book at end of Q3. Marel's order book has never been as strong as it was at the end of Q3 2011, when it stood at €204 million. New orders in Q3 amounted to €197 million. The strength of the order book is bound to ensure that the prospects for the fourth quarter remain bright, continuing an excellent year. However, the results are highly dependent on new orders and the completion of key projects during each quarter.

Vigorous growth during the year. We forecast 10.7% revenue growth in Q4 2011 compared with the same quarter of 2010. This would represent annual revenue growth of 15.1% and EBITDA for 2011 of €88 million (taking into account one-off expenses relating to pension funds in Q2). Marel has performed well this year, generating earnings of €19.5 million during the first 9 months of the year, compared with €8 million for the same period in 2010. Arion Research forecasts earnings of €32.1 million for 2011, more than doubling the €13.5 million earned in 2010.

Market conditions. The robust order book at the end of Q3 is a good indicator of the short-term pipeline but the deteriorating global economic outlook and widespread uncertainty on the markets could dampen the long-term outlook. Although Marel is slightly less reliant on developments on the European and US markets than it used to be, since an increasing proportion of orders now originate from countries such as China and Brazil, the company remains highly dependent on the economies of these regions as they are the source of the majority of its revenue. The ISM production index hints that the US market has been showing signs of recovery in recent months, while the situation in Europe appears to be static. The markets are currently rather jittery as sovereign credit ratings have been downgraded and the economic outlook is increasingly bleak. This could negatively affect corporate funding strategies and could therefore adversely affect new orders with Marel in the medium term.

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