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Contact Information

Research Assistant: Lana Saadeh
lana.saadeh@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Research Department
Tel: +961 1 991 784

Middle East Airlines (MEA) is Lebanon's prime airlines. Established in 1945, it initiated its first flights to countries in close proximity such as Syria, Cyprus, Egypt, and other destinations in the Gulf, enjoying its heyday as a tourist carrier and global aviation hub. In 1963, MEA merged with Air Liban and added new destinations like Europe, Middle East, and West Africa. The central bank of Lebanon owns 99% of the Middle East Airlines, which operates on a commercial basis.

During the Lebanese Civil War, between 1975 and 1990, Beirut International Airport closed for a while. However, MEA managed to survive by leasing aircrafts, transferring staff to international airline companies, and operating charter flights from different bases such as Cyprus. By 1975, MEA had 23 planes. However, during the war 12 planes of MEA were destroyed, 7 of them in the 1982 Israeli invasion. With the return to normality in 1990, MEA succeeded in reestablishing services to all its previous destinations, strengthening and improving its network to Europe, Middle East and the Gulf. Due to its ability to keep functioning through such difficult situations, MEA earned its title "the world's most resilient airline" by the Times of London.

In addition to MEA, Trans Mediterranean Airways (TMA cargo) was established in 1953, as an all-cargo operator. The company grew rapidly to become one of the world's major cargo airlines with one of the largest international all cargo networks linking major cities in the five continents. It was the only Lebanese specialized all-cargo airline. Trans Mediterranean Airways (TMA) was the first all-cargo carrier to establish round the world services in both directions. However the Lebanese war adversely affected TMA's growth and operation, resulting in huge losses. Hence, it shut down in September 2014, after it incurred \$230M losses.

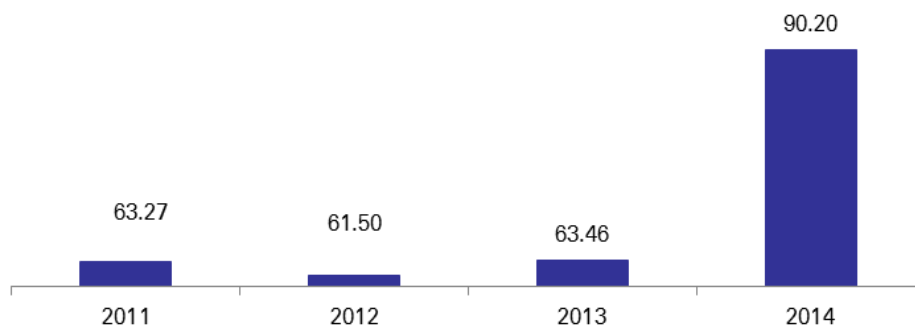
MEA's worldwide network includes all Middle East countries, Europe and 3 stations in Africa. Major destinations consist of France, with 3 flights/day in winter and 4 flights/day during summer, 2 flights/day to Dubai, in winter, and 3 flights/day in summer, and London and Istanbul, each with 2 flights/day during the whole year.

According to Bechara Saadeh, sales representative and Irbil's station manager, MEA cut services on unprofitable routes, such as destinations to Sao Paolo, Sydney and Madrid. Demand to travel to these cities was insufficient to break even, leading the company to incur losses. Its trips to these destinations were only once per week, while it needs a minimum of 3 flights per week to cover the costs.

To provide its services, MEA retains 20 airbus planes: 13 airbus 320, 2 airbus 321, and 5 airbus 330. The main difference between the various types of aircrafts owned is their capacity. For instance, airbus 320 accommodates 126 passengers, airbus 321 seats 149 passengers, and the airbus 330 has room for 244 passengers. 65% of MEA's planes are airbus 320, since its capacity is most demanded and its fuel consumption is more efficient compared to other aircrafts.

Moreover, these planes are utilized for different destinations. Airbus 330 is commonly used for long-distance flights such as London, Paris, and Abidjan, while airbus 320 and 321 are utilized for short- to medium-distance flights such as Athens, Larnaca, and Irbil.

MEA's Net Profits (\$M)



Source: MEA Website

Looking at the company's profits, MEA's net profits were increasing since 2012. In 2014, MEA recorded net profits of \$90.20 million, surging by 42.13%. Profits are forecasted to remain on an increasing trend due to higher demand and low costs. According to Mr Saadeh, demand for flights has been increasing in the past years, mainly for 2 reasons. First, the war in neighboring Syria transformed Beirut International Airport into a transit station for Syrians to travel from. Moreover, the decrease in fuel prices pushed down with it the prices of tickets, allowing middle-income people to travel more to Middle Eastern and European countries.

MEA is the only Lebanese airline to exclusively offer its services to passengers. This contract, which was signed in 2012, extends until 2024. However, it faces high competition from foreign airlines and chartered flights, mostly due to their competitive rates. For instance, MEA would charge \$400 for an economy ticket for a trip from Beirut to Irbil; whereas Fly Baghdad would only charge \$300-\$350 for the same ticket.

Despite its high rates, MEA has competitive advantages allowing it to earn client loyalty. First, there is a wide distance between the seats of its airplanes, of around 1 meter, compared to a 50 centimeter distance in the planes of other airlines.

Another advantage is that, 99% of the time, the arrivals and departures are punctual. In the unlikely scenario when a plane is late to depart, MEA offers its clients snacks, allows clients to make free international calls, and permits its clients to change their fare, free of extra charge.

In addition, MEA has maintained a reputation for technical excellence and high customer service standards. Flight attendants are required to know 3 languages: Arabic, English, and French. Hence, MEA has appealed to customer loyalty through high standards rather than reduced rates.

MEA succeeded in keeping its status as one of the safest airlines in the world. Since its establishment, only one accident occurred in Turkey, and was attributed to the Turkish military crew straying into Ankara Airport's approach while on instrument training.

Among different airlines operating at the Lebanese airport, MEA ranks the first in its aircraft movement, passengers on board and cargo. Up to May 2016, 38.05% of aircraft landing in/departing from the Lebanese airport were those of MEA, followed by 5.43% to Qatar Airways and 4.33% to Egypt Air.

Of the Rafic Hariri International Airport's (RHIA) passengers, 14.44% used MEA, 2.63% used Emirates, while 1.99% used Turkish Airlines.

As for cargo, 27.88% were delivered by MEA, 18.20% by Emirates and 12.15% by Qatar Airways.

Worth noting that MEA has joint ventures with Air France, Alitalia, Qatari Airlines and the Jordanian Airlines, allowing for more efficient operations and benefitting both consumers and airlines. This type of partnership allows airlines to align service offerings and share costs, revenues, profit and risks. Nevertheless, a setback to such agreements is to reduce competition and keep prices high.

Besides MEA's exclusivity to be the only Lebanese airlines to service passengers, there are many barriers to enter this market. First a very high capital is needed to start an airline. In addition, the airline should hire highly qualified personnel, and establish contracts with fuel suppliers and hotels.

As for the private jet industry, MEA established a new subsidiary in early 2016, Cedar Executive, which is dedicated to VIP Private Jet travel. There were 3 private jet companies already operating out of the Lebanese International Airport: Imperial Jet, Open Skies Aviation, and Executive Sky. The three companies have a combined fleet of eight jets.

Tourism has long been a cornerstone of the Lebanese economy. Likewise Middle East Airlines, through its ups and downs, has mirrored the sector's resilience. By prioritizing its good reputation, safety standards, and client relationship, MEA has truly lived up to its emblem and the sturdiness it implies: the Lebanese Cedar.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Lana Saadeh, Research Assistant
Tel: +961 1 991 784
lane.saadeh@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

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