Aramex

Equity Research Update | **Sector - Transportation**

Strategic tilt + M&A push – Downgrade to Neutral

Combating weak industry unit economics with defendable scale

The cross-border express business of Aramex (ARMX) continues to witness headwinds, due to weak industry unit economics. Moreover, domestic express logistics remains a commoditized offering, as new entrants force larger players to compete on pricing. We therefore cut ARMX's group EPS forecasts by around 42% and 33% respectively for 2021E and 2022E, reflecting lower GP and EBIT margins for the Courier segment. Separately, the company's strategy to increase revenue contribution from B2B Logistics is more defendable in our view, as it relies on strong relationships with strategic partners like ADQ. We downgrade ARMX's stock to Neutral, and wait for either Courier margins to improve, or for B2B segments' revenues to significantly beat our forecasts, to turn incrementally positive. Potential value accretive M&A should also support the company's market share aspirations.

Securing 'Courier' market share while sustaining margins now tougher

For International Express, we expect price competition to return, as airline capacity constraints alleviate, and passenger air traffic returns to normalcy towards 2023 or 2024. Volumes however should continue to remain strong, as e-tailers are likely to continue to utilize third-party logistics or run hybrid models, until they attain significant scale. As a result, we forecast Courier segment revenues to grow at a CAGR of 9.8% from AED 3.94 Bn in 2020 to AED 5.22 Bn in 2023E, led by strong volume growth, and higher pricing (in response to higher line-haul costs). GP margins should come in at 29.5% for 2021E, and thereafter improve to 31.5% by 2023E. Margins for the segment will remain lower than in 2019 (38%), ascribed to the partial pass-through of higher costs, and competition over our forecast period.

The time for M&A is now; ADQ strategic support to drive Logistics cluster

Strategic support from ADQ should aid ARMX's Logistics cluster, and we expect the company to derive significant revenue growth and market share in oil & gas, pharma and healthcare through this partnership. Further, the company aims to broaden its warehouse footprint, and provide more warehouses for individual e-tailers, as this would enable ARMX to control the last mile delivery solutions for e-tailers. Separately, Aramex's potential M&A pursuit is essential in our view, especially within the context of increasing competition and industry pricing pressure in its larger Courier segment. For the potential acquisition of MNG Kargo, we are positive on the opportunity to foray into the Turkish CEP market, and the target's competitive positioning as one of the top players in the market, from our preliminary analysis.

Valuation & Risks – Revised TP of AED 3.90/share

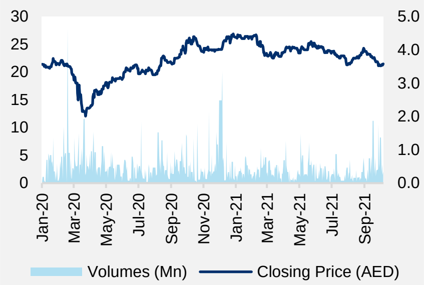
Our revised TP of AED 3.90/share is based on a blend of DCF and 2022E EV/EBITDA multiple of 7.5x. *Key upside risks:* 1) Quicker turnaround in airline capacity bottlenecks & line-haul costs; 2) Faster ramp-up of B2B business via strategic partnerships; 3) Execution of value-accretive M&A *Key downside risks:* 1) Continued cross-border airline capacity constraints & high line-haul costs 2) Lower pricing for logistics services 3) FX risks

Key Financials	2019	2020	2021E	2022E	2023E
Revenue (AED Mn)	5,068	5,510	6,524	6,995	7,423
GP Margins (%)	32.7%	27.8%	25.4%	26.2%	27.0%
EBITDA (AED Mn)	953	769	804	900	997
EPS (AED)	0.324	0.167	0.185	0.218	0.273
DPS (AED)	0.165	0.130	0.130	0.153	0.164
PE (x)	11.0	26.2	19.3	16.4	13.1
EV/EBITDA (x)	6.3	8.9	6.7	6.0	5.4
Div. yield (%)	4.6%	3.8%	3.6%	4.3%	4.6%

Sources: Kamco Invest Research, and Aramex

Neutral

CMP 06-Oct-21:	**AED 3.58**
Target Price:	**AED 3.90**
Upside/Downside:	**+8.9%**



Price Perf.	1M	3M	12M
Absolute	-7.3%	-7.7%	-16.2%
Relative	-1.9%	-6.6%	-39.8%

Stock Data	
Bloomberg Ticker	ARMX DB
Reuters Ticker	ARMX.DU
Last Price (AED)	3.58
MCap (AED Mn)	5,241
MCap (USD Mn)	1,428
EV (AED Mn)	5,417
Stock Perfromance - YTD (%)	-18.3%
PE - 2021E (x)	19.3
EV/EBITDA - 2021E (x)	6.7
Dividend yield - 2021E (%)	3.6%
52-Week Range (AED)	3.50 / 4.49

Sources: KAMCO Invest Research & Bloomberg

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Valuation and Risks

Target price cut to AED 3.90/share; Downgrade to 'Neutral'

We reworked our ARMX forecasts to reflect the ongoing lower margin environment in the company's Courier segment, and modeled the company's strategy to focus and increase revenue contribution from its B2B Logistics Cluster from ~30% currently. We cut our group EPS forecasts by around 42% and 33% respectively for 2021E and 2022E, reflecting lower GP and EBIT margins of the Courier segment. Our revised TP of AED 3.90/share (previous AED 4.15/share) is based on a 70:30 blend of DCF and 2022E EV/EBITDA valuation. With limited upside, we downgrade ARMX's stock to Neutral, and wait for either Courier margins to improve, or for B2B segments' revenues to significantly beat our forecasts, to turn incrementally positive. We also monitor the ARMX's M&A activity, as potential value accretive acquisitions support the company's market share aspirations.

Weighted Average Fair Value

	Fair value per share (AED)	Weight (%)	Weighted Value (AED)
DCF	3.80	70%	2.66
EV/EBITDA (2022E)	4.12	30%	1.24
Weighted Average Fair Value per Share			**3.90**
Current market price			3.58
Upside/Downside			***8.9%***

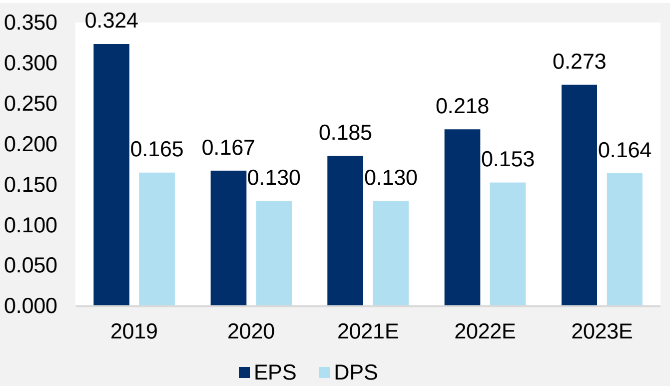
Sources: Kamco Invest Research and Bloomberg

In our DCF valuation, we have assumed a terminal growth rate of 2.0%, and an average WACC of 6.7% over our forecast period, which we believe adequately represents the sustainable long-term growth rate for the company, given the nature of technological advancement and disruption in the sector. For the terminal value, we have assumed a return on new investment capital (RONIC) that is comparable to the terminal year WACC.

Further drop in ARMX share price makes dividend argument interesting

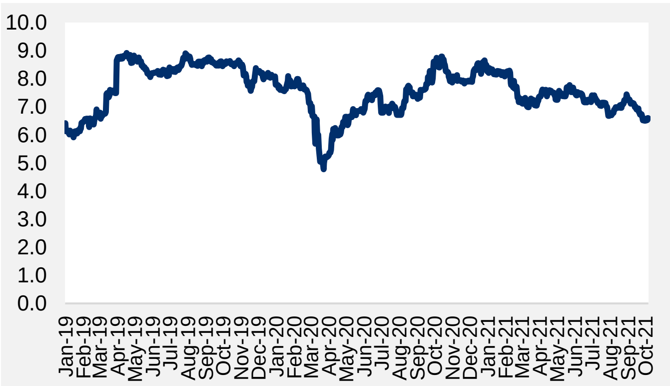
The stock is down around 18% YTD, and further negative price action without fundamental catalysts could make the stock interesting from a dividend yield perspective, in our view. Although, the company seems focused on its M&A plans, we maintain our dividend forecasts, until early evidence of a dividend cut is apparent. We forecast DPS of AED 0.130/share and AED 0.153/share for 2021E and 2022E respectively, at a DPO of 70%, which represents dividend yields of 3.6% and 4.3% respectively, on current market prices. Separately, we apply a 2022E EV/EBITDA multiple of 7.5x, which is in-line with global peers, and ARMX's average 1-Yr forward multiple since the start of 2019.

ARMX EPS & DPS – AED/share



Source: Kamco Invest Research, Aramex

ARMX 1-Yr forward EV/EBITDA (x)



Source: Kamco Invest Research, Bloomberg

Upside/downside risks to our rating & forecasts include:

Upside risks:

- Better than expected economic growth, faster re-opening of economies and trade lanes
- Quicker turnaround in airline capacity bottlenecks, and line-haul costs
- Faster ramp-up of B2B business via strategic partnerships and alliances
- Execution of value-accretive M&A transactions

Downside risks:

- Slower global recovery and post Covid-19 re-opening of economies and trade
- Continuation of cross-border airline capacity constraints, keeping line-haul costs high
- Higher competition, lower pricing leverage, that is not fully compensated by volume growth
- Rise of further restrictions from border security and increasing customs duty in the region
- Lower consumer confidence, leading to lower-than-expected B2C volumes
- FX related risks for existing operations, and potential M&A targets

Investment Thesis

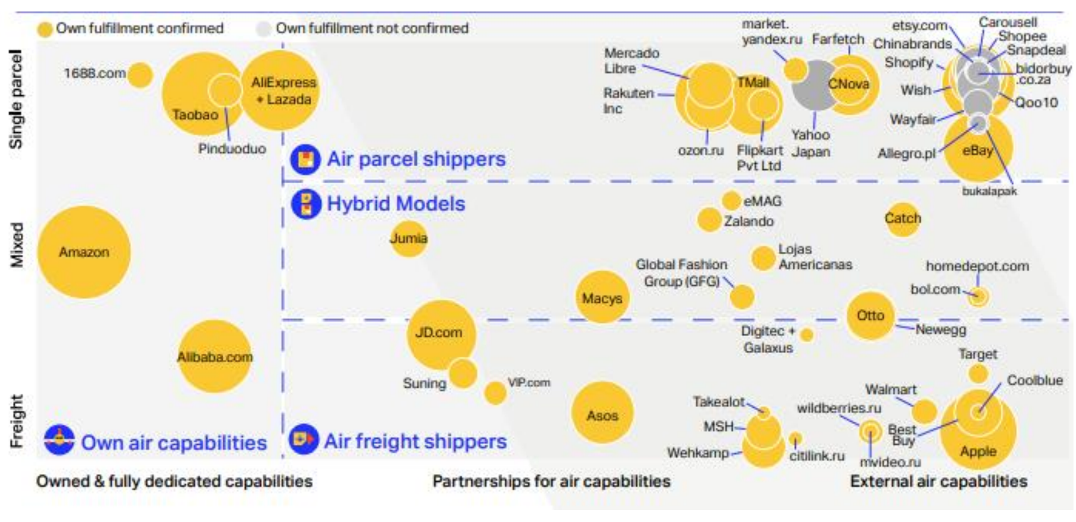
Securing 'Courier' market share while sustaining margins now tougher

Respite from unbridled line-haul costs unlikely in the near term: We highlighted the effect of the significant jump in airline line-haul costs on Aramex's International Express business, due to impact of Covid-19 in our previous update (*Front runner in a game of scale – Jun 2020*). Costs soared by almost 4x-6x during 2020 from capacity constraints, and negatively impacted volumes and margins of cross-border express shipment service providers, such as Aramex. Line-haul costs remain high in 2021 with only marginal improvement, as passenger travel still remains significantly below pre-pandemic levels, pushing shipment operators such as Aramex to look for other options to secure capacity. Aramex reiterated that it intends to remain asset light, but would be flexible enough to run hybrid models to secure capacity until constraints alleviate. However, they cited that costs considerations make charter flights the least efficient for its operations. Airlines on the other hand, while raising prices significantly to make up for lower cargo yields and lost revenues from lower passenger travel, are continuously exploring P2F (passenger-to-freight) conversions for some of their older aircrafts. IATA expects passenger traffic/passenger capacity (RPK/ASK) to be lower by 59.7%/50.4% globally in 2021E, while the corresponding RPK/ASK decline for 2022E is forecasted to lower at 39.2%/33.1%, when compared to 2019. For the Middle East, the RPK/ASK is estimated to be lower by 74.5%/58.7% in 2021E, while improving marginally to a decline of 54.7%/44.4% in 2022E. Agencies such as IATA, and aircraft manufactures such as Boeing now expect airline passenger traffic to return to pre-pandemic levels in 2023 or 2024.

Accordingly, for our forecasts for Aramex's International Express business, although we expect Aramex to calibrate prices to reflect the higher line-haul costs, we factor in a lower pass-through of these higher line haul costs, that will impact margins as well. Moreover, if passenger traffic returns to normalcy in 2023 or 2024 and capacity constraints are fully alleviated, pricing leverage discussion and competition will accelerate in our view.

E-commerce logistics landscape evolving rapidly: E-tailers constitute the largest source of demand for International express shipments, and they continue to evolve their logistics models and capabilities, while assessing their level of control over their logistics operations. Larger international e-commerce platforms and marketplaces like Amazon, Alibaba, Taobao and Noon more regionally, own fully dedicated air transport capabilities to reduce their dependence on third-party carriers, to limit their risk and preserve margins. Nevertheless, most of the e-commerce players are likely to continue to utilize third-party logistics or run hybrid models, until they attain similar scale as the larger players.

Logistics models of e-commerce companies

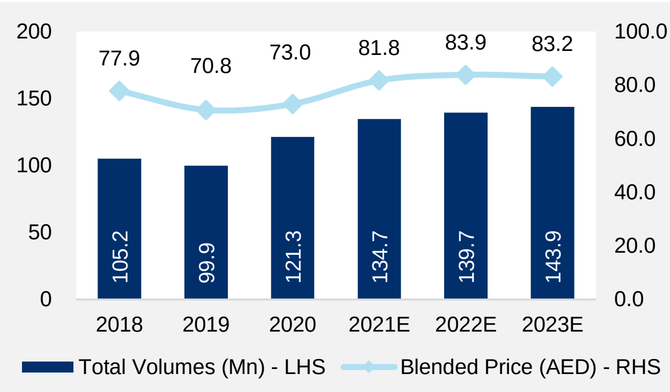


Source: IATA e-Commerce Insights 2020

For Aramex, the management guided that larger e-commerce players still prefer running hybrid models, and that they continue to engage logistics players like Aramex for slower moving items. Faster moving items are stored locally, and distribution is largely insourced. They also guided during the Q2-2021 analyst call that they are seeing significant growth in second tier and third tier cities in Saudi, for products from e-tailers such as ASOS, Boohoo eBay, iHerb and Pitney Bowes. For Aramex's International Express business, H1-2021 volumes grew by 30% y-o-y, due to severe capacity constraints in H1-2020. Going forward, volume growth should not be a concern for the segment, and we forecast volumes to grow at CAGR of over 11%-12% over 2020-23E, even with capacity constraints from passenger flights in the near term.

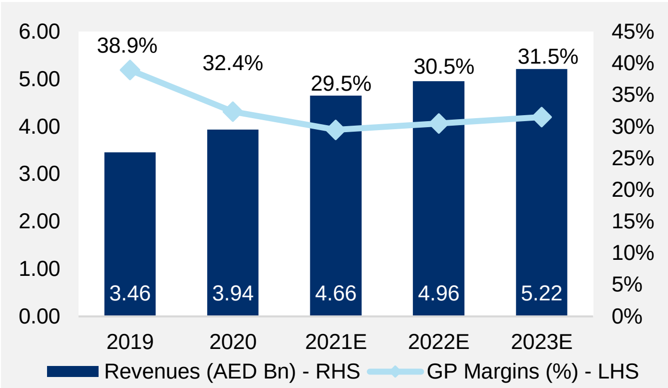
More normalized Domestic Express business going forward: Our previous thesis was cornered around Domestic Express replacing International Express as the core growth driver for Aramex, as the segment benefitted from soaring e-tailing volumes, mainly from deliveries related to grocery and pharma product lines due to panic buying. Aramex was able to secure market share in this segment due to its strong capabilities and available capacity. However, retail activity has almost returned to normalcy in most markets where Aramex operates, and competition in the segment has intensified as new entrants focus on securing market share, lowering prices in order to do so, and adding pricing pressure for the industry. Volumes continue to grow as witnessed in H1-2021, as a 20% growth was registered y-o-y, while prices receded by 3.3% over the same period, according to our estimates. We forecast volumes to still grow at around 10% in 2021E, and grow at 4%-5% CAGR over 2020-2023E, while prices recede by 1%-3%, reflecting further re-opening to more in-person purchases, and as competition from VC funded operators increase.

ARMX Courier segment blended price & volumes



Source: Kamco Invest Research, Aramex

ARMX Courier segment revenues & GP margins



Source: Kamco Invest Research, Aramex

Courier segment margins to recover by 2023E, but not to pre-pandemic levels: We forecast Courier segment (International Express + Domestic Express) revenues to grow at a CAGR of around 9.8% CAGR from AED 3.94 Bn in 2020 to AED 5.22 Bn in 2023E, led by strong volume growth and higher pricing (in response to higher line-haul costs) of the International Express business. The strong topline growth also means that barring any acquisitions, the Courier segment should contribute to around 70% of the total Group revenues over our forecast period. GP margins which hit 29% in H1-2021 should recover as the line-haul situation continues to improve. We forecast full year 2021E GP margins of 29.5% and expect margins to improve to 31.5% by 2023E. Margins are lower than the +38% GP margins in 2019, ascribed to the partial pass-through of higher costs and impact from competition.

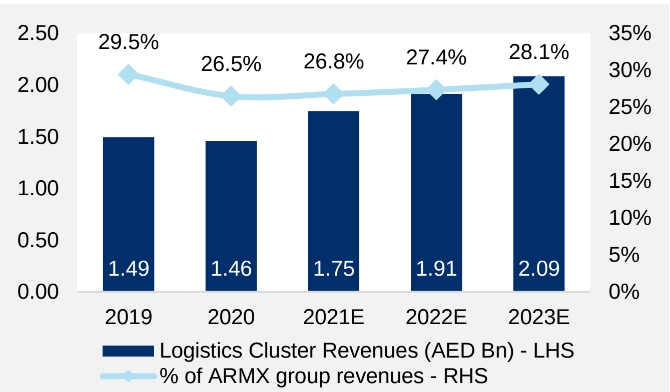
Strategic tilt towards 'Logistics' Cluster enables more defendable scale

Focused approach to build defendable scale: Aramex now adopts a new operating model to enhance its customer service levels and operating efficiencies, in order to capture greater B2B and B2C global market share. The company also appointed separate management teams for each vertical. The new operating model consists of Aramex Express, which includes international and domestic express for B2C customers including Shop & Ship, e-commerce, FMCG, SMEs and other last mile solutions. Aramex Logistics is the other vertical, and includes air freight, sea freight, land freight, warehousing, and distribution, to serve B2B customers in multiple industries including oil & gas, healthcare & pharmaceutical, aerospace, retail & fashion, amongst others.

Aramex reiterated that it aims to grow its Aramex Logistics segment significantly from around ~30% revenue contribution of group revenues, which would require a more focused approach as implemented by the company. We also believe that the potential gains in Logistics cluster market share in the freight forwarding and warehousing segments are more defendable than Express, given the relatively longer nature of the contracts and agreements.

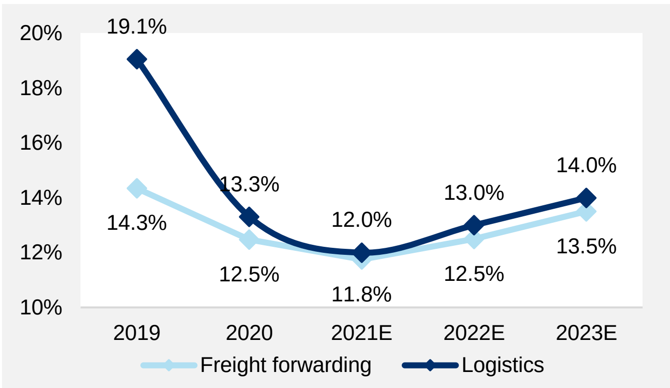
ADQ support & strategic alliances to drive contracts & revenue growth: Strategic support from ADQ forms the cornerstone of our growth thesis for the Logistics cluster. We expect Aramex to capitalize on strategic support from its key shareholder ADQ to capture growth in oil & gas, pharma and healthcare, and this should drive growth in contracts and revenues. Aramex guided that they are expanding in the North Africa region, in Egypt, Morocco and Tunisia, while potential markets are Sub Saharan Africa and South Africa. Further the company aims to rely on its strong Express brand in US, UK and Amsterdam and Singapore, to grow their freight forwarding business. Separately, Aramex signed an alliance with DB Schenker - a global leader in supply chain management and logistics solutions, aimed at driving synergistic opportunities in supply chain solutions across multiple critical industries to and from Abu Dhabi and the wider MEA region. For Aramex, the partnership seeks to further strengthen the company's' capabilities by leveraging on DB Schenker's expertise across industries such as the aerospace, defense, infrastructure, and healthcare industries. We therefore expect Aramex's freight forwarding segment revenues to benefit from these strategic partnerships, and grow by 13% CAGR over 2020-2023E to reach AED 1.58 Bn in 2023E from AED 1.08 Bn in 2020, even as air freight capacities recover, and ocean freight volumes continue to grow.

ARMX 'Logistics' Cluster revenues



Source: Kamco Invest Research, Aramex

ARMX Freight Forwarding and Logistics GP margins



Source: Kamco Invest Research, Aramex

Broader warehouse logistics footprint will enable control of last mile: The structural and cyclical trends favoring industrial warehouse demand for spaces tailored towards unique storage needs, are expected to normalize after witnessing strong trends in 2020. Demand from e-commerce and 3PL logistics, pharma, vertical farming, and newer F&B models such as cloud kitchens should see more stabilized demand-supply trends going forward (for more detail refer GCC RE Update: Pinning hopes on a 'Resi'lient recovery – Aug 2021). Aramex aims to grow its warehouse footprint beyond the tier-1 cities, and move to tier-2 and tier-3 cities. The objective is to replicate an Amazon-style infrastructure model by providing more warehouses for individual e-tailers across locations and being able to control the last mile delivery solutions for e-tailers as they scale. In Sept 2021, Aramex selected the Agility Logistics Park (ALP) in Sulaibiya, Kuwait as the location for its new 16,000 SQM e-fulfillment center in Kuwait.

We forecast Logistics Cluster revenues to grow at a double digit CAGR of 12.6% over 2020-23E to reach AED 2.09 Bn, based on the aforementioned drivers of growth from strategic partnerships and the push to increase warehouse logistics footprint. Further we expect GP margins in both the freight forwarding and logistics segments to improve by 70 bps and 100 bps respectively, from 2020 to reach 14% and 13.5% respectively in 2023E.

M&A is key to unlock market share aspirations and growth for Aramex

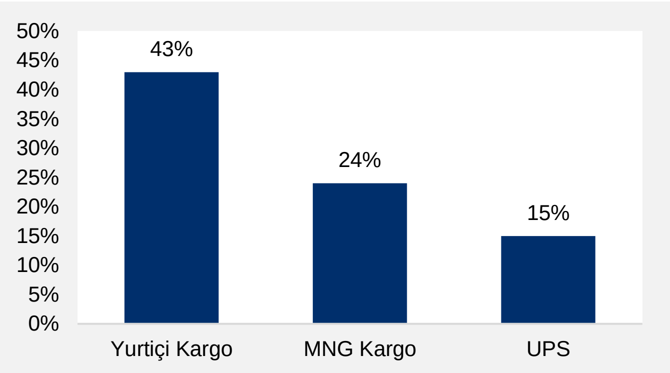
We view Aramex's potential M&A pursuit as an essential part of our thesis, especially within the context of increasing competition and industry pricing pressure. The logistics sector continues to see consolidation internationally, and within the region, with landmark deals such as DSV Panalpina acquiring Agility's Global Integrated Logistics (GIL) business having taken place. More specific to Aramex, we view priorities such as improving market share, gaining access to newer markets outside the region as an early entrant and building scale as important for the company's growth aspirations.

The management highlighted that they see significant potential for acquisitions within the Express segment in emerging markets such as Turkey, North Africa and South East Asia, and that they continue to look out for opportunities within the GCC. It was also mentioned during the Q2-2021 call that, multiple acquisition opportunities have been identified in the Logistics Cluster. The company further guided that they have identified two key target in the MENAT region: 1) In the Express segment, Aramex confirmed that they are in discussions with the shareholders of MNG Kargo – one of the leading cargo and courier, express, parcel (CEP) service providers in Turkey for a potential acquisition. 2) The second target is in the logistics & freight forwarding segment, but details are yet to be shared on the company.

Turkish CEP market & MNG Kargo – what we know: Our primary research into the Turkish CEP market found immense growth potential for value added CEP logistics services. We summarize our findings below on the logistics market in Turkey, and also the competitive positioning of MNG Kargo:

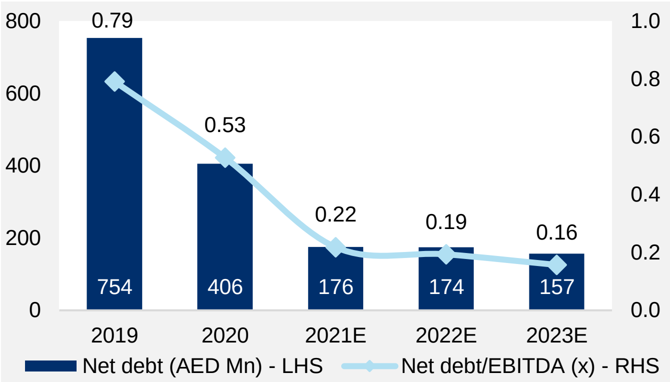
- **Market potential:** The market potential for CEP logistics players remains huge in Turkey due to robust growth and prospects of the ecommerce sector, a trend that is expected to continue. As per ecommerceDB, the total revenues of the ecommerce sector as of 2020 was USD 12 Bn. The pandemic reportedly pushed the market up significantly, and double-digit percentage growth of over the longer term seems easily achievable. Further, the Turkey CEP market is expected to register a growth rate of over 7% during the forecast period of 2020-2025 as per Mordor Intelligence. Hepsiburada and Trendyol are the largest ecommerce players in the market.

Most offered online delivery service provider - Turkey



Source: ecommerceDB based on top 100 online stores in Turkey

ARMX net debt and net debt-to-EBITDA (x)



Source: Kamco Invest Research, Aramex

- **Competitive landscape:** The logistics market in Turkey consists of both integrated logistics providers like Ekol Logistics that provides services in freight forwarding, warehousing, domestic distribution etc, and players who are dominant in a particular niche like Borusan Lojistik which is one of the main delivery partners for IKEA. In terms of domestic last mile delivery, the three dominant players are Yurtici Kargo, Aras Kargo and MNG Kargo with comparable market shares, followed by players like Surat Kargo. Yurtici Kargo is the largest player, while MNG Kargo has a market share of around 25%, as per our primary research. A trend which evolved early was that larger ecommerce players, were looking for more value-added services and quality of service in their last-mile deliveries, and they set up their logistics solutions. This was important as last-mile delivery is one of the most integral components of gaining market share in the segment. HepsiJET was set up by Hepsiburada, and Trendyol Express is Trendyol's own last-mile delivery solution. However, they continue to operate a hybrid model, utilizing third-party logistics providers, as demand remains strong. From our discussions with various market participants, we gathered that there is room for more specialized last-mile logistics players with strong capabilities and experience, as ecommerce platforms are looking to constantly expand, upgrade and compete. Another area of logistics sector that is constrained is warehousing which is undersupplied and prices, rents have increased immensely as a result.

- **MNG Kargo:** With a market share of around 25%, MNG Kargo is one of the top three players in the CEP market in Turkey. Shareholders in MNG Kargo are reportedly Sancak Family with an ownership of 70% and private equity player Turkven owns 30% of the company. Aramex guided that MNG Kargo’s revenues are approximately USD 250 Mn, with a GP margin of ~30% and EBITDA margin of ~16%.

- **Potential deal size:** Aramex guided that the expected deal size is USD 450 – 500 Mn.

Balance sheet and exits from non-core operations supports M&A focus: We prefer to value the potential MNG Kargo acquisition and its impact, only once the transaction reaches a more advanced stage of execution, and more disclosure and specific details such as funding, price, and implied multiples are available. Based on our preliminary analysis however, we are positive on the Turkish CEP market and MNG Kargo’s competitive positioning as a key player in the market. Aramex expects to provide more specific details on the potential acquisition by Q4 2021. Further, Aramex guided that it would utilize bank loans, and raise debt from capital markets to fund the transaction.

Separately, we do believe that Aramex has the balance sheet strength to pursue multiple M&A transactions. Debt levels are extremely low at around >0.6x debt-to-equity as of H1-2021. Net debt levels should decline over 2022E (0.19x) and 2023E (0.16x), based on internal cashflow accruals. We also view Aramex’s decision to move away from non-core businesses positively in an M&A context. Recently the company sold InfoFort for reportedly USD 91 Mn (AED 333.9 Mn) to Iron Mountain, and the completion of the sale is pending certain regulatory approvals from certain markets.

Aramex Financial Forecasts

Solid revenue growth, but margins unlikely to reach pre-pandemic levels

We forecast group revenues to grow by 18.4% y-o-y for 2021E (AED 6.52 Bn), from AED 5.51 Bn in 2020, due to the low base in 2020 for all operating segments, and led by strong volume growth and higher pricing (in response to higher line-haul costs) of the International Express business. Revenue growth should be more normalized in 2022E (+7%) and 2023E (+6%). We expect GP margins to improve from 24.9% in H1-2021 to 25.4% for full year 2021E, and improve by 160 bps by 2023E. Margins are expected to be lower than the 32.7% GP margins in 2019, ascribed to the partial pass-through of higher costs and impact from competition.

2021-2023 Forecasts – Kamco Invest Research vs. Consensus Estimates

	2021E			2022E			2023E		
Aramex Group	**Kamco Invest**	**Consensus**	Δ (%)	**Kamco Invest**	**Consensus**	Δ (%)	**Kamco Invest**	**Consensus**	Δ (%)
Revenues (AED Mn)	6,524	6,281	*4%*	6,995	6,775	*3%*	7,423	7,275	*2%*
GP Margins (%)	25.4%	25.8%	*-0.3%*	26.2%	27.0%	*-0.8%*	27.0%	27.4%	*-0.4%*
EBIT (AED Mn)	414	408	*1%*	503	583	*-14%*	599	651	*-8%*
Net Income (AED Mn)	271	237	*15%*	320	393	*-19%*	400	465	*-14%*
EPS (AED)	0.185	0.164	*13%*	0.218	0.265	*-18%*	0.273	0.328	*-17%*
DPS (AED)	0.130	0.107	*21%*	0.153	0.14	*9%*	0.164	0.157	*5%*

Source: Kamco Invest Research, Bloomberg, Consensus net income and EPS estimated are on adjusted basis

We remain ahead of consensus on our EPS estimates for 2021E (AED 0.185/share), largely due to the higher revenue forecasts. For 2022E and 2023E, our EPS forecasts are driven by lower margin assumptions, and higher effective tax rates.

Aramex Financials

Balance Sheet (AED Mn)	2019	2020	2021E	2022E	2023E
Assets					
Cash and cash equivalents	1,000	1,255	1,356	1,356	1,358
Receivables	1,196	1,094	1,140	1,223	1,298
Total current assets	**2,469**	**2,621**	**2,803**	**2,911**	**3,008**
Net property, plant and equipment	1,005	957	979	1,005	1,038
Goodwill	1,128	1,136	1,140	1,140	1,140
Other assets	1,141	1,402	1,262	1,359	1,470
Total assets	**5,743**	**6,115**	**6,184**	**6,414**	**6,657**
Liabilities					
Current Liabilities	1,160	1,446	1,627	1,713	1,782
Total debt	1,754	1,661	1,532	1,530	1,515
Other Liabilities	196	302	224	240	252
Total liabilities	**3,110**	**3,408**	**3,383**	**3,483**	**3,549**
Shareholders' Equity					
Share capital	1,464	1,464	1,464	1,464	1,464
Retained earnings	1,520	1,504	1,585	1,715	1,892
Minority Interest	15	16	16	16	16
Other Equity	-367	-278	-264	-264	-264
Total Equity	**2,633**	**2,707**	**2,801**	**2,931**	**3,108**
Total liabilities and equity	**5,743**	**6,115**	**6,184**	**6,414**	**6,657**

Income Statement (AED Mn)	2019	2020	2021E	2022E	2023E
Revenue	5,068	5,510	6,524	6,995	7,423
Cost of goods sold	(3,413)	(3,977)	(4,864)	(5,161)	(5,417)
Gross profit	**1,655**	**1,534**	**1,660**	**1,834**	**2,006**
SG&A	(1,016)	(1,013)	(1,235)	(1,320)	(1,396)
Other operating income & adjustments	314	247	379	385	386
EBITDA	**953**	**769**	**804**	**900**	**997**
Depreciation and amortization	(333)	(369)	(390)	(397)	(398)
EBIT	**619.7**	**399.5**	**414**	**503**	**599**
Finance costs	(79.6)	(65.6)	(61.2)	(58.6)	(58.3)
Interest income	11.4	10.4	8.9	9.2	9.6
Share of JV and associates	4.5	11.0	15.0	15.0	15.0
Gain of sale of assets	0.0	0.0	22.0	0.0	0.0
Net profit before taxes	**556**	**355**	**398**	**469**	**566**
Provision for Income Taxes	(79)	(109)	(125)	(146)	(162)
Net profit after taxes	**477**	**246**	**274**	**322**	**404**
Minority interest	(3)	(2)	(2)	(3)	(3)
Net profit attributable to parent	**474**	**245**	**271**	**320**	**400**
EPS (AED)	**0.324**	**0.167**	**0.185**	**0.218**	**0.273**

Cash Flow (AED Mn)	2019	2020	2021E	2022E	2023E
Net cash from operating activities	859.9	1,106.7	786.0	728.5	804.4
Net cash (used in) from investing activities	(673.6)	(150.8)	(343.4)	(502.9)	(525.1)
Net cash from (used in) financing activities	(252.0)	(562.2)	(341.1)	(225.9)	(277.1)
Change in cash and cash equivalents	(65.7)	393.7	101.4	(0.4)	2.2
FX and other adjustments	359.1	(139.0)			
Cash and cash equivalents at the end of the year	**1,000**	**1,255**	**1,356**	**1,356**	**1,358**

Source : Kamco Invest Research and Aramex

Valuation & Financial Ratios

Ratios	2019	2020	2021E	2022E	2023E
Asset Structure and Leverage Ratios					
Total Debt / Total Assets (x)	0.31	0.27	0.25	0.24	0.23
Total Debt / Equity (x)	0.67	0.61	0.55	0.52	0.49
Profitability Ratios					
Return on Average Assets (%)	8.4%	4.3%	4.4%	5.1%	6.1%
Return on Average Equity (%)	18.7%	9.7%	9.9%	11.2%	13.3%
ROIC (%)	15.4%	8.7%	8.7%	10.6%	12.4%
Margins					
Gross profit margin (%)	32.7%	27.8%	25.4%	26.2%	27.0%
EBITDA margin (%)	18.8%	13.9%	12.3%	12.9%	13.4%
EBIT margin (%)	12.2%	7.3%	6.3%	7.2%	8.1%
Net profit margin (%)	9.4%	4.4%	4.2%	4.6%	5.4%
Per Share Data and Valuation Ratios					
Earnings Per Share (AED)	0.324	0.167	0.185	0.218	0.273
Book Value Per Share (AED)	1.798	1.849	1.913	2.002	2.123
Dividend Per Share (AED)	0.165	0.130	0.130	0.153	0.164
PE (x)	11.0	26.2	19.3	16.4	13.1
EV/EBITDA (x)	6.3	8.9	6.7	6.0	5.4
PB (x)	2.0	1.9	1.9	1.8	1.7
Dividend Yield (%)	4.6%	3.0%	3.6%	4.3%	4.6%

Source : Kamco Invest Research and Aramex

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