

Aramex PJSC

Shift in product mix and higher SG&A expenses impacted profitability

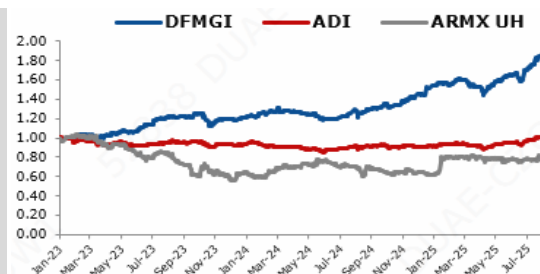
Current Price
AED 2.71

Target Price
AED 3.10

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- The Company's gross margins declined from 23.1% in 2Q24 to 22.0% in 2Q25, driven by a change in product mix and increased direct costs
- Free cash flow grew significantly from AED 2 Mn in 2Q24 to AED 19 Mn in 2Q25, mainly attributable to lower lease payments.
- Net debt grew from AED 401 Mn in 1Q25 to AED 424 Mn in 2Q25, with a reported net debt to EBITDA ratio of 3.4x
- Excluding one-off costs from the ADQ acquisition, transformation program, and regional restructuring, the Company's normalized net profit for 2Q25 was AED 5 Mn.



Stock Information

Market Cap (AED, Mn)	3,967.71
Paid Up Capital (Mn)	1,464.10
52 Week High	2.98
52 Week Low	2.10
3M Avg. daily value (AED)	560,488

2Q25 Result Review (AED, Mn)

Total Assets	5,729
Total Liabilities	3,202
Total Equity	2,527
EBITDA	105
Net Profit	-9

2Q25 Net Loss, contrary to our Net Profit estimate

Aramex PJSC (Aramex/the Company) reported a net loss of AED 9 Mn in 2Q25, compared to a net profit of AED 3 Mn in 2Q24, and below our net profit estimate of AED 25 Mn. The Company's net loss was mainly attributable to a shift in product mix and a decline in gross profit, coupled with one-off expenses related to the ADQ acquisition, transformation program, and regional restructuring during 2Q25. However, excluding these one-off costs, the Company's normalized net profit would stand at AED 5 Mn.

P&L Highlights

Aramex's top line rose marginally 0.1% YOY to AED 1,498 Mn in 2Q25, driven by growth across the Freight Forwarding and Logistics segments, partially offset by a decline in the Courier segment. The Company's Freight Forwarding segment saw a 6.6% YOY growth in revenue to AED 438 Mn in 2Q25, attributed to robust volume growth across all lines. The Courier segment declined 5.1% YOY to AED 916 Mn in 2Q25, driven by lower International express volume, partially offset by a growth in Domestic express volume. Aramex continued to record the ongoing shift of volumes from international to domestic express, driven by the nearshoring trend. The Company's International Express volume reported a 20.9% YOY decline to 5.3 Mn shipments in terms of volume in 2Q25. However, the Domestic Express volumes grew strongly 31.6% YOY to 33 Mn in 2Q25, mainly due to increased demand for local warehousing. The Contract logistics segment achieved a revenue growth of 23.0% YOY to AED 132 Mn in 2Q25, driven by increasing new client contracts and warehousing demand. Other service revenue declined 9.0% YOY to AED 11 Mn in 2Q25. Cost of services grew 1.5% YOY to AED 1,168 Mn in 2Q25, primarily due to increased expenses related to capacity expansion in key markets, ongoing market pricing pressures, and broader inflationary trends.

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	42.07
Price-to-Book Ratio (x)	1.57
Book Value (AED)	1.72
Return-on Equity (%)	4.01

Stock Performance

5 Days	-1.09%
1 Months	-0.73%
3 Months	-1.45%
6 Months	-3.56%
1 Year	27.83%
Month to Date (MTD%)	-0.37%
Quarter to Date (QTD%)	-2.87%
Year to Date (YTD%)	23.18%

Thus, gross profit declined 4.6% YOY to AED 329 Mn in 2Q25, owing to a change in product mix. Gross profit margin also declined 108 bps YOY to 22.0% in 2Q25. Selling and marketing expenses increased 0.5% YOY to AED 84 Mn in 2Q25. Administrative expenses rose 3.8% YOY to AED 225 Mn in 2Q25. Excluding one-off costs related to the regional restructuring and transformation program, normalized SG&A fell 2% YOY during 2Q25. The Company's impairment charges grew from AED 4 Mn in 2Q24 to AED 6 Mn in 2Q25. Other income declined from AED 7 Mn in 2Q24 to AED 2 Mn in 2Q25. Operating profit declined significantly from AED 47 Mn in 2Q24 to AED 16 Mn in 2Q25. Operating profit margin declined 206 bps YOY to 1.1% in 2Q25. Furthermore, total EBITDA fell 22.3% YOY to AED 105 Mn in 2Q25, mainly due to lower gross profit and higher SG&A expenses. EBITDA margins fell 202 bps YOY to 7.0% in 2Q25. Finance income declined 1.5% to AED 2 Mn in 2Q25, while finance costs declined 8.8% YOY to AED 28 Mn in 2Q25. The Company recorded a loss from joint ventures and associates of AED 1 Mn in 2Q25, compared to a profit of AED 0.2 Mn in 2Q24. Aramex recorded a tax reversal of AED 1 Mn in 2Q25 compared to tax charges of AED 15 Mn in 2Q24.

Balance Sheet Highlights

Aramex's gross debt grew from AED 946 Mn in 1Q25 to AED 967 Mn in 2Q25. Net debt also grew from AED 401 Mn in 1Q25 to AED 424 Mn in 2Q25. The Company's cash and cash equivalents stood at AED 542 Mn in 2Q25. Aramex generated AED 90 Mn in cash flow from operating activities in 2Q25 compared to AED 83 Mn in 2Q24. Free cash flow grew significantly from AED 2 Mn in 2Q24 to AED 19 Mn in 2Q25, mainly attributable to lower lease payments.

Target Price and Rating

We maintain our ACCUMULATE rating on Aramex with a target price of AED 3.10. Aramex continued to witness a shift in customer volumes from long-haul to short-haul trade routes amid the ongoing efforts by businesses to optimize supply chains by relocating inventory closer to key markets. As a result, the contribution of the Company's high-margin International Express business to revenues and gross profit declined in 2Q25, shifting the Company's product mix and overall profitability profile. On July 25, 2025, the Company announced that it had become a subsidiary of ADQ, following the completion of regulatory approvals for ADQ's acquisition of a 63% stake in Aramex, held through Q Logistics and Abu Dhabi Ports. This strategic partnership highlights the value Aramex has built to date and paves the way for enhanced innovation, scalability, and growth. In 1H25, the Company recorded an one-off expenses of AED 26 Mn, related to the acquisition of Q Logistics, regional restructuring efforts, and the ongoing transformation program which negatively affected the EBIT and net profit. However, excluding these non-recurring costs, normalized EBIT was at AED 95 Mn and normalized net income was AED 33 Mn for 1H25. Aramex is adapting its product mix to meet changing logistics needs, as clients position inventory closer to key markets. The Company is responding to this trend through operational efficiency, data-driven management, and customer-focused innovation. The Company's gross margins declined from 23.1% in 2Q24 to 22.0% in 2Q25, driven by a change in product mix, increased direct costs from capacity expansion in key markets, and ongoing market pricing pressures. Despite this, the Company delivered a strong regional performance in 2Q25, achieving double-digit growth in revenue and gross profit in the GCC and single-digit growth in both metrics in Asia Pacific, which helped offset softness in other global markets. Moreover, Aramex is enhancing its competitive edge by investing in innovative solutions, including micro-fulfilment hubs and reverse logistics services. In addition, the Company is also focusing on quality revenue and specialization in strategic verticals such as retail, industrials, and pharmaceuticals across core markets. The Company's Accelerate28 transformation initiative, launched in 1Q25, is progressing well. Supported by a new four-region structure and ongoing value-capture measures, the Company is well-positioned to drive revenue growth and enhance profitability, while pursuing strategic investments aligned with industry trends. The Company also remains well-positioned with a strong cash balance of AED 542 Mn and a reported net debt-to-EBITDA ratio of 3.4x as of 2Q25, which is expected to support its plans for expansion and growth. Thus, based on our analysis, we maintain an ACCUMULATE rating on the stock.

Aramex - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	16.36	21.72	24.73	30.91	29.40	34.44
PB (x)	1.48	1.49	1.59	1.62	1.58	1.57
EV/EBITDA	4.79	5.30	7.30	7.22	6.79	7.18
BVPS	1.838	1.820	1.714	1.681	1.719	1.735
EPS	0.166	0.125	0.110	0.088	0.093	0.079
DPS	0.165	0.130	0.130	0.095	NA	NA
Dividend yield	6.1%	4.8%	4.8%	3.5%	NA	NA

FABS Estimates & Co Data

Aramex – P&L

AED Mn	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Rendering of Services	1,496	1,563	1,498	1,529	-2.1%	0.1%	-4.2%	6,324	6,370	0.7%
Cost of Services	-1,151	-1,198	-1,168	-1,173	-0.4%	1.5%	-2.5%	-4,812	-4,860	1.0%
Gross profit	345	365	329	356	-7.6%	-4.6%	-9.7%	1,512	1,510	-0.2%
Selling and Marketing Expenses	-83	-88	-84	-86	-2.1%	0.5%	-4.4%	-340	-347	2.1%
Administrative Expenses	-217	-218	-225	-214	5.2%	3.8%	3.3%	-893	-889	-0.5%
Impairment loss on fin. assets	-4	-4	-6	0	NM	29.6%	47.6%	7	-19	NM
Other income, net	7	6	2	6	-74.1%	-76.1%	-72.6%	11	19	77.0%
Operating profit	47	61	16	63	-74.3%	-65.7%	-73.5%	297	274	-7.7%
EBITDA	135	147	105	149	-29.6%	-22.3%	-28.7%	650	617	-5.2%
Finance Income	2	1	2	2	1.8%	-1.5%	42.3%	5	5	0.7%
Finance Costs	-31	-28	-28	-29	-4.7%	-8.8%	0.7%	-121	-103	-14.7%
Share of results of JVs	0	0	-1	0.0	NM	NM	NM	3	5	NM
Other non-operating expense		-8	0	0	NM	NM	NM		-8	NM
Profit before Income Tax	18	26	-11	35	-132.3%	NM	NM	183	172	-5.8%
Income Tax Expense	-15	-9	1	-11	NM	NM	NM	-46	-57	24.2%
Profit for the period	3	18	-10	25	-141.2%	NM	NM	137	115	-15.8%
NCI	0	-1	1	0	NM	NM	NM	-2	0	NM
Profit attributable	3	17	-9	25	NM	NM	NM	135	116	NM

FABS estimate & Co Data

Aramex - Margins

	2Q24	1Q25	2Q25	YOY ch	QOQ ch	2024	2025F	Change
Gross Profit	23.1%	23.3%	22.0%	-108	-135	23.9%	23.7%	-21
EBITDA	9.0%	9.4%	7.0%	-202	-240	10.3%	9.7%	-60
Operating Profit	3.1%	3.9%	1.1%	-206	-282	4.7%	4.3%	-39
Net Profit	0.2%	1.1%	-0.6%	NM	NM	2.1%	1.8%	-33

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value Aramex. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	3.55	70.0%	2.49
Relative Valuation (RV)	2.05	30.0%	0.61
Weighted Average Valuation (AED)			3.10
Current market price (AED)			2.71
Upside/Downside (%)			+14%

1) DCF Method:

Aramex is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.7%. It is arrived after using cost of equity of 9.6% and after-tax cost of debt of 4.8%. Cost of equity is calculated by using 10-year government bond yield of 5.6%, beta of 1.05 and equity risk premium of 3.8%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk-free rate. The cost of debt of 4.8% is calculated after adjusting a tax rate of 25%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,560
Terminal value (AED, Mn)	4,970
FV to Common shareholders (AED, Mn)	5,202
No. of shares (Mn)	1,464
Current Market Price (AED)	2.71
Fair Value per share (AED)	3.55

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	217	237	256	284	313
D&A	343	343	343	352	359
Change in working capital	-8	-50	-1	-43	-16
(-) Capex	-132	-145	-153	-162	-188
Free Cash Flow to Firm (FCFF)	210	386	445	431	468
Discounting Factor	0.97	0.89	0.82	0.75	0.69
Discounted FCFF	203	343	364	325	325

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value Aramex, and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 7.0x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
The Sumitomo Warehouse Co Ltd	1,676	11.3	12.2	11.6	15.3
Gulf Warehousing Co QPSC	451	7.0	6.7	11.8	9.1
Jiayou International Logistics Co., Ltd.	2,216	8.5	6.4	11.4	8.9
Kamigumi Co., Ltd.	3,033	6.8	8.3	14.4	16.7
SEINO Holdings Ltd	2,418	6.5	6.7	17.8	15.5
Average		8.0x	8.1x	13.4x	13.1x
Median		7.0x	6.7x	11.8x	15.3x
Max		8.5x	8.3x	14.4x	15.5x
Min		6.8x	6.7x	11.6x	9.1x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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