

Aramex PJSC

One-off charges and higher admin costs weigh on profitability

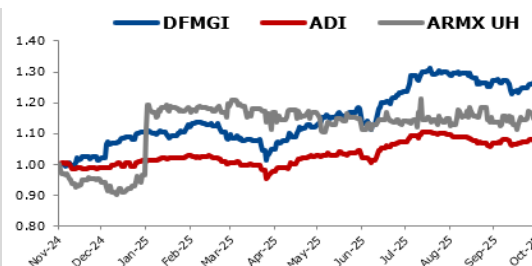
Current Price
AED 2.63

Target Price
AED 3.10

Upside/Downside (%)
+18%

Rating
BUY

- Gross margins declined from 23.4% in 3Q24 to 23.2% in 3Q25, driven by a change in product mix and increased direct costs.
- Free cash flow grew significantly from AED 56 Mn in 2Q25 to AED 126 Mn in 3Q25, mainly attributable to robust cash generated from operations.
- Net debt declined from AED 424 Mn in 2Q25 to AED 383 Mn in 3Q25, with a reported net debt to EBITDA ratio of 3.0x.
- Excluding one-off costs from the ADQ acquisition, transformation program, and regional restructuring, the Company's normalized net profit for 3Q25 was AED 27 Mn.



Stock Information

Market Cap (AED, Mn)	3,850.58
Paid Up Capital (Mn)	1,464.10
52 Week High	2.98
52 Week Low	2.15
3M Avg. daily value (AED)	323,699

3Q25 Result Review (AED, Mn)

Total Assets	5,788
Total Liabilities	3,267
Total Equity	2,521
EBITDA	164
Net Profit	5

3Q25 net profit lower than our estimate

Aramex PJSC (Aramex/the Company) reported a net profit of AED 5 Mn in 3Q25, compared to a net profit of AED 27 Mn in 3Q24, below our estimate of AED 37 Mn. The decline in net profit is mainly attributable to a marginal increase in direct costs, higher administrative expenses, coupled with one-off expenses related to the ADQ acquisition, transformation program, and regional restructuring during 3Q25. However, excluding these one-off costs, the Company's normalized net profit would have stood at AED 27 Mn during 3Q25.

P&L Highlights

Aramex's top line rose marginally 0.4% YOY to AED 1,599 Mn in 3Q25. The growth is mainly supported by an industry-wide shift toward regionalization and nearshoring, which drove solid performances in the Domestic Express, Freight Forwarding, and Logistics segments. However, this was partially offset by continued softness in the International Express segment. The Company's Freight Forwarding segment saw a 3.6% YOY growth in revenue to AED 466 Mn in 3Q25, attributed to double digit volume growth across all lines except Sea Freight LCL. The Courier segment declined 2.6% YOY to AED 984 Mn in 3Q25, driven by lower International express volume, partially offset by a growth in Domestic express volume supported by strong consumer spending and the continued expansion of e-commerce activity across the GCC and MENAT regions. 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 13.8% YOY decline to 5.6 Mn shipments in terms of volume in 3Q25. However, the Domestic Express volumes grew 5.5% YOY to 31 Mn in 3Q25, mainly due to local and intra-regional domestic activity. The Contract logistics segment achieved a revenue growth of 16.1% YOY to AED 137 Mn in 3Q25, driven by near full capacity utilization across Aramex's key

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	52.56
Price-to-Book Ratio (x)	1.53
Book Value (AED)	1.72
Return-on Equity (%)	3.14

Stock Performance

5 Days	-0.75%
1 Months	-4.01%
3 Months	-4.36%
6 Months	-0.38%
1 Year	13.85%
Month to Date (MTD%)	-4.01%
Quarter to Date (QTD%)	-2.59%
Year to Date (YTD%)	19.55%

facilities in Saudi Arabia, UAE and Egypt along with new long-term contracts. Other service revenue declined 12.6% YOY to AED 12 Mn in 3Q25. Cost of services grew marginally by 0.8% YOY to AED 1,229 Mn in 3Q25. Thus, gross profit declined 0.7% YOY to AED 370 Mn in 3Q25, owing to a change in product mix. Gross profit margin also declined 27 bps YOY to 23.2% in 3Q25. Selling and marketing expenses fell 3.4% YOY to AED 86 Mn in 3Q25. Administrative expenses rose 1.7% YOY to AED 225 Mn in 3Q25. The Company's impairment charges decreased 28.2% YOY to AED 1 Mn in 3Q25. Other income declined from AED 8 Mn in 3Q24 to AED 6 Mn in 3Q25. Operating profit declined 5.9% YOY to AED 64 Mn in 3Q25. Operating profit margin declined 27 bps YOY to 4.0% in 3Q25. Furthermore, total EBITDA increased from AED 157 Mn in 3Q24 to AED 164 Mn in 3Q25. EBITDA margins increased from 9.9% in 3Q24 to 10.2% in 3Q25. Finance income increased 43.0% YOY to AED 1.4 Mn in 3Q25, while finance costs also grew 11.0% YOY to AED 33 Mn in 3Q25. The Company recorded a loss from joint ventures and associates of AED 2 Mn in 3Q25, compared to a loss of AED 1 Mn in 3Q24. The Company recorded another non-operating expense of AED 11 Mn in 3Q25, primarily reflecting costs associated with the ADQ acquisition and the ongoing transformation program. Aramex recorded a tax expense of AED 14 Mn in 3Q25 compared to AED 11 Mn in 3Q24.

Balance Sheet Highlights

Aramex's gross debt fell from AED 967 Mn in 2Q25 to AED 958 Mn in 3Q25. Net debt also fell from AED 424 Mn in 2Q25 to AED 383 Mn in 3Q25. The Company's cash and cash equivalents stood at AED 575 Mn in 3Q25, compared to AED 542 Mn in 2Q25. Aramex generated AED 158 Mn in cash flow from operating activities in 3Q25, compared to AED 90 Mn in 2Q25. Free cash flow grew significantly from AED 56 Mn in 2Q25 to AED 126 Mn in 3Q25.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on Aramex with an unchanged target price of AED 3.10. The Company's stock price declined 2.6% since our last rating (September 2025). The Company's profitability was impacted by the one-off costs associated with the ADQ acquisition and the ongoing transformation program coupled with higher administrative costs. However, excluding this one-off costs, the Company's normalized EBIT and net profit would have stood at AED 74 Mn and 27 Mn, respectively during 3Q25, highlighting stable underlying performance. Aramex continues to experience a structural shift in supply chain flows as brands reposition inventory closer to end markets. This trend has fuelled sustained demand for intraregional activity in Domestic Express and other business segments. Consequently, the contribution of the Company's high-margin International Express business to revenues and gross profit declined in 3Q25, altering the overall product mix and profitability profile. Domestic Express, however, remained robust, supported by strong consumer demand and the rapid growth of e-commerce in the GCC and MENAT regions. The profitability in this segment continues to evolve as the business mix shifts further toward intra-regional shipments. The Company's Freight Forwarding segment recorded a 6% YOY increase in 9M25, driven by double-digit volume growth across all segments. This underscores Aramex's capability to capture regional trade activity in key sectors such as energy and industrials, even amid global logistics market volatility. Logistics and Supply Chain Solutions continued to see strong demand for warehousing, fulfilment, and value-added logistics services. The segment benefited from near-full capacity utilization in key facilities across the UAE, Saudi Arabia, and Egypt, as well as the successful onboarding of new long-term contracts. Domestic and regional logistics solutions contributed an increasing share of Group revenues, demonstrating Aramex's ability to capture evolving trade flows closer to end-consumer markets. From a regional standpoint, the GCC remained the largest revenue contributor, supported by robust economic fundamentals and resilient intra-regional trade. Aramex continues to enhance its competitive positioning through investments in micro-fulfilment hubs, reverse logistics capabilities, and specialization in high-value verticals, including retail, industrials, and pharmaceuticals. The Accelerate28 transformation initiative, launched in 1Q25, is progressing well, supported by the new four-region structure and ongoing value-capture initiatives. These efforts are expected to improve operational efficiency and support margin expansion over the medium term. The Company also maintains a healthy balance sheet, with AED 575 Mn in cash and a net debt-to-EBITDA ratio of 3.0x as of 3Q25, providing flexibility for growth investments. Thus, based on our analysis, we assign our BUY rating on the stock.

Aramex - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	15.82	21.01	23.91	29.89	28.42	72.03
PB (x)	1.43	1.44	1.53	1.56	1.53	1.50
EV/EBITDA	4.61	5.10	7.08	7.01	6.58	7.22
BVPS	1.838	1.820	1.714	1.681	1.719	1.755
EPS	0.166	0.125	0.110	0.088	0.093	0.037
DPS	0.165	0.130	0.130	0.095	0.000	0.000
Dividend yield	6.3%	4.9%	4.9%	3.6%	NA	NA

FABS Estimates & Co Data

Aramex - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Rendering of Services	1,592	1,498	1,599	1,590	0.6%	0.4%	6.8%	6,324	6,361	0.6%
Cost of Services	-1,219	-1,168	-1,229	-1,208	1.7%	0.8%	5.2%	-4,812	-4,901	1.9%
Gross profit	373	329	370	382	-3.0%	-0.7%	12.5%	1,512	1,460	-3.5%
Selling and Marketing Expenses	-89	-84	-86	-89	-3.3%	-3.4%	2.7%	-340	-344	1.0%
Administrative Expenses	-221	-225	-225	-219	2.6%	1.7%	0.0%	-893	-896	0.3%
Impairment loss on fin. assets	-2	-6	-1	-2	-17.6%	-28.2%	-77.1%	7	-13	NM
Other income, net	8	2	6	2	NM	NM	NM	11	11	0.6%
Operating profit	68	16	64	73	-12.3%	-5.9%	NM	297	219	-26.2%
EBITDA	157	105	164	157	4.3%	4.2%	NM	650	587	-9.8%
Finance Income	1	2	1	2	-9.6%	43.0%	-7.7%	5	6	32.6%
Finance Costs	-30	-28	-33	-24	39.2%	11.0%	19.3%	-121	-112	-7.5%
Share of results of JVs	-1	-1	-2	2	NM	NM	55.3%	3	-3	NM
Other non-operating expense		0	-11	0	NM	NM	NM		-31	NM
Profit before Income Tax from Continuing operations	38	-11	19	52	-63.0%	-49.5%	NM	183	80	-56.5%
Income Tax Expense	-11	1	-14	-16	-13.2%	NM	NM	-46	-26	-42.7%
Profit for the period	27	-10	6	37	-84.4%	-79.0%	NM	137	53	-61.2%
NCI	0	1	-1	0	NM	NM	NM	-2	0	NM
Profit attributable	27	-9	5	37	-85.8%	-80.6%	NM	135	53	-60.5%

FABS estimate & Co Data

Aramex - Margins

	3Q24	2Q25	3Q25	YOY ch	QOQ ch	2024	2025F	Change
Gross Profit	23.4%	22.0%	23.2%	-27	117	23.9%	23.0%	-96
EBITDA	9.9%	7.0%	10.2%	37	325	10.3%	9.2%	-106
Operating Profit	4.3%	1.1%	4.0%	-27	293	4.7%	3.4%	-125
Net Profit	1.7%	-0.6%	0.3%	-136	NM	2.1%	0.8%	-130

FABS estimate & Co Data

Key Developments:

- **13th January 2025:** Aramex PJSC received a notification from Q Logistics Holding LLC, an ADQ subsidiary, expressing its intention to launch a voluntary conditional cash offer to acquire up to 100% of Aramex's share capital not already owned by Abu Dhabi Ports Company. Shareholders who decide to accept the offer will be entitled to receive AED 3.00 in cash for each of their shares in Aramex. The proposal will be reviewed by Aramex's Board in line with SCA acquisition and merger regulations.
- **27th January 2025:** Aramex's Board reviewed Q Logistics Holding LLC's intention to launch a voluntary conditional cash offer for all shares not owned by Abu Dhabi Ports and has appointed HSBC and Clifford Chance as independent advisors to oversee the process. The Company will follow all SCA regulatory steps, including due diligence, tender launch, approvals, and issuance of a fairness opinion, with further updates to follow. Aramex confirmed that operations remain unaffected and reiterated its strong business fundamentals and commitment to stakeholders.
- **11th February 2025:** Aramex's Board reviewed HSBC's fairness opinion on Q Logistics Holding LLC's voluntary conditional cash offer, which concludes that the offer is financially fair for shareholders. Based on this, the Board agreed to recommend the offer to shareholders. A detailed shareholders' circular, including the Board's recommendation and HSBC's fairness opinion, will be issued in line with SCA acquisition and merger regulations.
- **13th February 2025:** Aramex's Board, after reviewing HSBC's fairness opinion at its 11 February 2025 meeting and resolving to recommend Q Logistics Holding LLC's voluntary conditional cash offer, has issued the shareholders' circular. The circular includes the Board's recommendation and HSBC's fairness opinion, in line with SCA rules on acquisitions and mergers.
- **11th March 2025:** ADQ announced that its subsidiary, Q Logistics, secured acceptances for 35.31% of Aramex's shares through its voluntary tender offer, which closed on 10 March 2025. Combined with AD Ports Group's 22.69% stake, this brings total ownership to 58%, surpassing the minimum acceptance threshold under SCA regulations. Q Logistics will continue to accept late tenders until 24 March, with the final results scheduled for 28 March. Subject to settlement conditions, ADQ will become Aramex's majority shareholder and plans a long-term, capital-intensive transformation of the company. The AED 3 offer price reflects an attractive premium of 32–35% to recent trading levels and implies valuations of ~9x LTM EV/EBITDA and ~29x LTM P/E.
- **28th March 2025:** Aramex received from ADQ, on behalf of Q Logistics, the final results of the voluntary conditional cash offer to acquire all shares not owned by Abu Dhabi Ports. Completion of the transaction is still subject to fulfilling the remaining conditions outlined in the Offer Document. The Company will issue further updates as material developments occur.
- **22nd July 2025:** ADQ announced that all antitrust, foreign investment, and regulatory approvals required for its voluntary tender offer for Aramex, submitted through its subsidiary Q Logistics, have now been obtained, with all remaining offer conditions satisfied or waived. As a result, the offer is officially unconditional as of 22 July 2025. Payment to Aramex shareholders and registration of shares in Q Logistics' name are scheduled for 25 July 2025, marking the final steps of the transaction.

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	3.17	70.0%	2.22
Relative Valuation (RV)	2.93	30.0%	0.88
Weighted Average Valuation (AED)			3.10
Current market price (AED)			2.63
Upside/Downside (%)			+18%

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 8.9%. It is arrived after using cost of equity of 9.9% and after-tax cost of debt of 4.8%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 1.05 and equity risk premium of 4.6%. 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)	1,710
Terminal value (AED, Mn)	4,264
FV to Common shareholders (AED, Mn)	4,636
No. of shares (Mn)	1,464
Current Market Price (AED)	2.63
Fair Value per share (AED)	3.17

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	193	192	212	240	261	280
D&A	368	360	353	355	356	366
Change in working capital	-4	-33	2	-33	-9	-21
(-) Capex	-132	-139	-146	-152	-173	-181
Free Cash Flow to Firm (FCFF)	106¹	381	421	410	435	444
Discounting Factor	0.99	0.91	0.83	0.77	0.70	0.65
Discounted FCFF	105	346	352	314	306	287

Source: FAB Securities, ¹Adjusted for partial year

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 2026 EV/EBITDA multiple of 9.3x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
The Sumitomo Warehouse Co Ltd	1,636	12.3	11.7	15.8	17.9
Gulf Warehousing Co QPSC	417	6.4	6.3	9.1	8.5
Jiayou International Logistics Co., Ltd.	2,664	9.3	8.1	12.9	11.1
Kamigumi Co., Ltd.	3,091	9.5	9.2	17.5	16.7
SEINO Holdings Ltd	2,108	6.1	6.0	14.2	12.9
Average		8.7x	8.2x	13.9x	13.4x
Median		9.3x	8.1x	14.2x	12.9x
Max		9.5x	9.2x	15.8x	16.7x
Min		6.4x	6.3x	12.9x	11.1x

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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