

Agility Global PLC

Solid revenue growth across all segments drove profitability

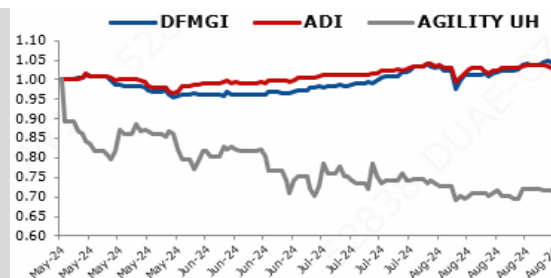
Current Price
AED 1.13

Target Price
AED 2.10

Upside/Downside (%)
+86%

Rating
BUY

- Menzies, the aviation services segment of Agility Global, acquired a 50.1% stake in Ground Force Portugal.
- Menzies Aviation won seven ground handling licenses in the Spanish tender and started its operations in 2024.
- The Company launched its operations in Spain, Portugal, and India, and secured new contracts in South Africa.
- Tristar commenced operations of RM Parks in Sri Lanka, whereas Reem Mall was officially opened on 29 May 2024.
- The Company declared an interim cash dividend of AED 0.023 per share in May 2024.



2Q24 Net Profit higher than our estimate

Agility Global ("Agility, "the Company") reported a net profit of USD 30 Mn for 2Q24, compared to a net loss of USD 5 Mn in 2Q23, surpassing our estimate of USD 25 Mn. This turnaround is primarily driven by strong revenue growth and lower net finance cost partially offset by a rise in direct cost, other operating expenses, tax expenses, and non-controlling interest.

P&L Highlights

Agility's revenue grew 16.2% YOY to USD 1,108 Mn in 2Q24 driven by healthy growth across all segments. Revenue from the Aviation Services Segment (Menzies) rose 19.6% YOY to USD 632 Mn in 2Q24, driven by growth in ground handling volumes, cargo & fuel operations, and solid commercial growth. Additionally, expanding operations in Spain and Portugal and launching cargo operations in India further fueled growth in the Aviation segment. Revenue from the Industrial real estate Segment (Agility Logistics Parks) increased 13.1% YOY to USD 13 Mn in 2Q24 due to increased demand for warehousing space in Saudi Arabia. Similarly, the addition of contracts and business expansion across existing clients resulted in 5.4% YOY growth in Fuel Logistic Segment (Tristar) revenue to USD 295 Mn in 2Q24. Revenue from other activities recorded a substantial growth of 25.9% YOY to USD 169 Mn in 2Q24. The Company's direct expenses grew 4.1% YOY to USD 424 Mn in 2Q24. Thus, gross profit rose 25.2% YOY to USD 684 Mn in 2Q24. Agility's other operating expenses increased 25.8% YOY to USD 535 Mn in 2Q24. Moreover, income from share of results of associates increased 31.9% YOY to USD 14 Mn in 2Q24. As a result, the Company's EBITDA increased 28.4% YOY to USD 167 Mn in 2Q24 with a 143 bps YOY increase in EBITDA margin to 15.1%. Aviation Services segment EBITDA grew 27.6% YOY to USD 91 Mn in 2Q24 due to an increase in volume and yield across all service lines except Air Menzies International (AMI).

Stock Information

Market Cap (AED, Mn)	11,667.85
Shares Outstanding (Mn)	10,417.72
52 Week High	1.66
52 Week Low	1.04
3M Avg. daily value(AED)	5,183,025

2Q24 Result Review (USD, Mn)

Total Assets	10,477
Total Liabilities	5,042
Total Equity	5,434
EBITDA	167
Net Profit	30

Financial Ratios

Dividend Yield (12m)	2.05
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	0.63
Book Value (USD)	0.48
Total Debt/Equity	69.94

Stock Performance

5 Days	-1.75%
1 Months	-3.45%
3 Months	-17.65%
6 Months	N/A
1 Year	N/A
Month to Date (MTD%)	-3.45%
Quarter to Date (QTD%)	-5.88%
Year to Date (YTD%)	N/A

EBITDA for the Fuel logistic segment increased 19.0% YOY to USD 63 Mn in 2Q24, owing to the strong momentum in the Fuels and Fuel Farm segment. Industrial real estate segment EBITDA grew 23.8% YOY to USD 9.2 Mn in 2Q24. D&A charges increased 8.4% YOY to USD 75 Mn in 2Q24. As a result, operating profit grew significantly from USD 62 Mn in 2Q23 to USD 93 Mn in 2Q24. The Company's finance income increased from USD 2 Mn in 2Q23 to USD 10 Mn in 2Q24, whereas finance cost decreased 14.7% YOY to USD 44 Mn in 2Q24. Income tax expense increased from USD 7 Mn to USD 14 Mn in 2Q24. The share of profit attributable to non-controlling interest holders increased 48.8% YOY to USD 14 Mn in 2Q24.

Balance Sheet Highlights

Agility Global maintains a robust balance sheet with USD 10.5 Bn in assets and USD 5.4 Bn in equity as of 2Q24. The Company reported operating cash flow of USD 176 Mn in 2Q24 and incurred a capex of USD 109 Mn. The Company's cash and cash equivalents decreased from USD 902 Mn in 1Q24 to USD 568 Mn in 2Q24 mainly due to loan repayments to related parties and payment of dividends. Moreover, interest-bearing loans remained flat at USD 3,138 Mn in 2Q24 out of which USD 2,346 Mn are funded collar debt on DSV shares. The Company's net debt stood at USD 3.4 Bn in 2Q24, whereas net debt excluding funded collar stood at USD 1.0 Bn.

Target Price and Rating

We maintain our BUY rating on Agility Global with an unchanged target price of AED 2.10. The Company reported strong revenue growth in 2Q24, driven by a solid performance across all segments. Agility Global made significant progress in expanding its operations and strengthening its investment portfolio in 2Q24. The Company got listed on ADX on May 2nd, 2024, marking a key milestone in its growth trajectory. Menzies Aviation won seven ground handling licenses in the Spanish tender and started its operations in 2024. Additionally, Menzies acquired a 50.1% stake in Ground Force Portugal in June 2024, further expanding its footprint. The Company launched its operations in Spain, Portugal, and India, and secured new contracts in South Africa. Additionally, Tristar commenced operations of RM Parks in Sri Lanka. Besides, Reem Mall officially opened on 29 May 2024. Agility Global's investment portfolio comprising both listed and non-listed businesses held a carrying value of approximately USD 4.1 Bn as of June 30, 2024. The company owns a 9% stake in DSV, a leading global freight forwarder, with the investment valued at USD 3 Bn. Agility hedged 73% of investment in DSV through a funded equity collar to overcome the decline in DSV share prices. Moreover, Reem Mall was officially launched in May 2024, following a soft opening in February 2023. As of 2Q24, 173 units of Reem Mall are trading and nearly 74% of Gross Leasable Area (GLA) is committed. The mall is one of the region's first fully integrated omnichannel retail ecosystems with logistics, digital, and e-commerce services that provides a seamless customer experience. Moreover, the Company retained cash and cash equivalents of USD 507 Mn in 2Q24 demonstrating a sound balance sheet and advantageous liquidity position to support planned future growth. Furthermore, Agility Global approved an interim cash dividend of AED 0.023 per share in May 2024. Thus, based on our analysis, we assign a BUY rating on the stock.

Agility Global - Relative valuation

(at CMP)	2023	2024F
PE	NA	24.25
PB	NA	0.60
EV/EBITDA	NA	35.07
Dividend yield	NA	2.05%

FABS Estimates & Co Data

Agility was listed in May 2024; hence, prior-period multiples are not available.

Agility Global – P&L

USD Mn	2Q23	1Q24	2Q24	2Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	953	979	1,108	1,223	-9.4%	16.2%	13.1%	3,936	4,220	7.2%
Direct expenses	-407	-359	-424	-500	-15.2%	4.1%	18.0%	-1,673	-1,604	-4.1%
Gross profit	546	620	684	723	-5.4%	25.2%	10.3%	2,263	2,616	15.6%
Other operating expenses	-425	-483	-535	-575	-6.9%	25.8%	10.8%	-1,740	-2,066	18.7%
Share of result of JVs	11	2	14	7	104.3%	31.9%	NM	20	27	36.1%
Other income/expenses	-1	31	4	6	NM	NM	-87.3%	62	71	14.0%
EBITDA	130	170	167	161	4.2%	28.4%	-1.3%	606	649	7.2%
D&A	-69	-74	-75	-69	7.5%	8.4%	0.6%	-273	-283	3.6%
Operating profit	62	95	93	91	1.6%	50.8%	-2.7%	333	366	10.1%
Finance income	2	2	10	-1	NM	NM	NM	7	22	NM
Finance cost	-52	-43	-44	-43	2.7%	-14.7%	2.0%	-217	-174	-19.5%
Profit before tax	12	54	58	48	21.9%	NM	8.5%	124	214	73.1%
Income Tax	-7	-9	-14	-14	1.1%	NM	64.2%	-36	-47	30.8%
Profit before NCI	5	45	44	33	30.9%	NM	-2.5%	88	167	90.5%
Non-controlling interests	-9	-14	-14	-9	60.8%	48.8%	-3.0%	-37	-51	37.0%
Profit attributable	-5	30	30	25	20.5%	NM	-2.2%	50	116	130.0%

FABS estimate & Co Data

Agility Global - Margins

	2Q23	1Q24	2Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	57.3%	63.3%	61.7%	445	-158	57.5%	62.0%	449
EBITDA	13.7%	17.3%	15.1%	143	-221	15.4%	15.4%	-1
Operating Profit	6.5%	9.7%	8.4%	192	-137	8.5%	8.7%	23
Net Profit	-0.5%	3.1%	2.7%	317	-42	1.3%	2.7%	147

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Sum of The Parts (SOTP) method to value Agility. We have assigned equal weight to DCF and SOTP method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.84	50.0%	0.92
SOTP Method	2.36	50.0%	1.18
Weighted Average Valuation (AED)			2.10
Current market price (AED)			1.13
Upside/Downside (%)			+86%

1) DCF Method:

Agility is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 9.8%. It is arrived after using the cost of equity of 10.7% and after-tax cost of debt of 6.2% with debt-to-equity ratio of 21.0%. Cost of equity is calculated by using 10-year government bond yield of 5.0%, beta of 0.84 and equity risk premium of 6.8%. Government bond yield is calculated after adding average Abu Dhabi and Kuwait Government 10-year CDS spread over 10-year US risk free rate. Cost of debt is calculated using cost of debt of 7.9% after adjusting a tax rate of 22.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	851
Terminal value (USD, Mn)	4,098
FV to Common shareholders (USD, Mn)	5,211
No. of share (Mn)	10,418
Current Market Price (AED)	1.13
Fair Value per share (AED)	1.84

DCF Method

(All Figures in USD Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	272	310	369	429	510
Depreciation & amortization	130	166	186	192	189
CAPEX	-350	-420	-320	-180	-140
Working Capital	48	9	-74	-89	-93
Free Cash Flow to Firm (FCFF)	99	64	161	352	466
Discounting Factor	0.97	0.88	0.80	0.73	0.67
Discounted FCFF	96	57	130	258	311

Source: FAB Securities

2) SOTP Method:

We have used SOTP method to value Agility. We have considered local as well as international peers to value using the EV/EBITDA multiple. Since the Company operates into multiple segments hence each segment is valued separately using the peers of the segment. The value of all segments is summed up to compute the total enterprise value of the firm and after that includes the value of net debt and value of investments held.

EV/EBITDA Method (USD Mn)

Segment	EBITDA	Multiple	Valuation
Menzies Aviation Services	357	7.8x	2,794
Tristar Fuel Logistic	255	11.1x	2,822
Agility Logistic Parks	37	21.8x	805
Total Enterprise Value			6,422
Net Debt			-3,656
Investments			3,928
Enterprise Value			6,694

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Aviation					
SATS LTD	4,220	8.2	9.2	65.8	23.6
FRAPORT AG FRANKFURT AIRPORT	4,645	10.0	9.2	9.4	8.5
CELEBI HAVA SERVISI	1,309	3.2	2.8	NA	NA
AENA SME SA	29,698	9.5	9.0	14.1	13.3
TOSCANA AEROPORTI SPA	270	8.3	6.6	20.0	16.9
Average		7.8x	7.4x	27.3x	15.6x
Median		8.3x	9.0x	17.0x	15.1x
Max		9.5x	9.2x	31.4x	18.6x
Min		8.2x	6.6x	12.9x	12.1x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Transportation Fuel Logistics					
NATIONAL SHIPPING CO OF/THE	5,765	NA	NA	NA	NA
HUNT (JB) TRANSPRT SVCS INC	17,945	12.3	10.5	30.7	23.0
KNIGHT-SWIFT TRANSPORTATION	8,606	10.5	8.3	48.4	21.3
ADNOC LOGISTICS & SERVICES	10,434	9.0	8.4	13.6	12.8
ABU DHABI NATIONAL OIL CO FO	12,388	12.7	11.9	17.5	16.2
QATAR FUEL QSC	4,069	10.9	10.9	12.7	13.0
Average		11.1x	10.0x	24.6x	17.3x
Median		10.9x	10.5x	17.5x	16.2x
Max		12.3x	10.9x	30.7x	21.3x
Min		10.5x	8.4x	13.6x	13.0x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<u>Logistics</u>					
GROWTHPOINT PROPERTIES LTD	2,640	11.6	11.1	NM	NM
PROLOGIS INC	119,000	25.7	23.2	44.6	44.4
MAPLETREE LOGISTICS TRUST	5,250	23.7	22.0	23.9	22.2
CTP NV	8,890	26.0	22.7	7.9	6.9
Average		21.8x	19.8x	25.5x	24.5x
Median		24.7x	22.4x	23.9x	22.2x
Max		25.8x	22.8x	34.3x	33.3x
Min		20.7x	19.3x	15.9x	14.6x

Source: FAB Securities

