# First Look Note | 3Q26

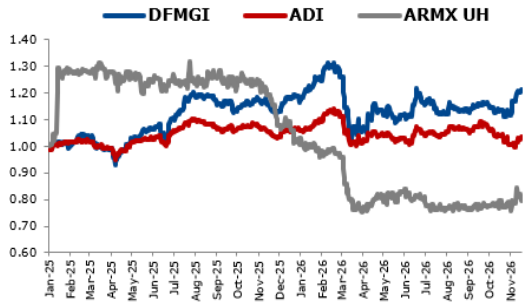
UAE Equity Research | Sector: Transportation | Market: DFM

# Aramex PJSC

Geopolitical disruptions support freight demand and profitability

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| AED 1.78 | AED 2.45 | +38% | BUY |

- Freight Forwarding delivered a record quarter with revenue of AED 784 Mn in 3Q26 compared to AED 466 Mn in 3Q25 and AED 652 Mn in 2Q26.
- Logistics revenues increased 14.0% YOY to AED 157 Mn in 3Q26.
- EBITDA increased 15.9% YOY to AED 190 Mn in 3Q26, although EBITDA margin contracted by 67 bps YOY to 9.6% in 3Q26.
- Cash balance stood at AED 445 Mn in 3Q26, with a reported debt-to-EBITDA ratio of 2.7x.
- Aramex launched a specialized logistics service for AI data centre infrastructure, offering end-to-end transportation and handling solutions in November 2026.




| Stock Information | |
|---|---|
| Market Cap (AED, Mn) | 2,606.10 |
| Paid Up Capital (Mn) | 1,464.10 |
| 52 Week High | 2.61 |
| 52 Week Low | 1.62 |
| 3M Avg. daily value (AED) | 158,313 |

| 3Q26 Result Review (AED, Mn) | |
|---|---|
| Total Assets | 6,233 |
| Total Liabilities | 3,575 |
| Total Equity | 2,658 |
| EBITDA | 190 |
| Net Profit | 48 |

| Financial Ratios | |
|---|---|
| Dividend Yield (12m) | N/A |
| Dividend Pay-out (%) | 0.00 |
| Price-Earnings Ratio(x) | 21.77 |
| Price-to-Book Ratio (x) | 0.98 |
| Book Value (AED) | 1.81 |
| Return-on Equity (%) | 4.64 |

| Stock Performance | |
|---|---|
| 5 Days | -1.11% |
| 1 Months | 4.71% |
| 3 Months | 5.33% |
| 6 Months | 2.30% |
| 1 Year | -31.27% |
| Month to Date (MTD%) | 3.79% |
| Quarter to Date (QTD%) | 4.09% |
| Year to Date (YTD%) | -21.59% |

## 3Q26 net profit higher than our estimate

Aramex PJSC (Aramex/the Company) reported a net profit attributable to shareholders of AED 48 Mn in 3Q26 compared to AED 5 Mn in 3Q25, higher than our estimate of AED 27 Mn. The increase in net profit is mainly attributable to higher revenue, an increase in finance income and a positive movement in profit from the share of results of JVs & associates, coupled with a decline in finance costs. This was partially offset by higher cost of services, an increase in selling & marketing, administrative expenses, net impairment loss on financial assets, tax expenses and non-controlling interest, coupled with a decline in other income.

## P&L Highlights

Aramex's revenue increased 23.9% YOY to AED 1,981 Mn in 3Q26, driven by strong performance in Freight Forwarding, Courier and Logistics segments, partially offset by a decline in revenue from the other services segment. The Company's Freight Forwarding segment revenue increased from AED 466 Mn in 3Q25 to AED 784 Mn in 3Q26, driven by customer demand and pricing discipline. The Courier segment increased 4.8% YOY to AED 1,031 Mn in 3Q26, supported by continued growth in both Domestic and International Express business. The Logistics segment delivered revenue growth of 14.0% YOY to AED 157 Mn in 3Q26. However, Other Services revenue declined 20.5% YOY to AED 9 Mn in 3Q26. Cost of services increased by 27.5% YOY to AED 1,566 Mn in 3Q26. Consequently, gross profit increased 12.1% YOY to AED 415 Mn in 3Q26, while the gross profit margin contracted 220 bps YOY to 21.0% in 3Q26, primarily due to a change in business mix alongside higher contribution from the Freight Forwarding segment. Selling and marketing expenses increased

marginally by 0.7% YOY to AED 87 Mn in 3Q26, while administrative expenses increased 4.0% YOY to AED 234 Mn in 3Q26. The Company's net impairment losses on financial assets increased from AED 1 Mn in 3Q25 to AED 4 Mn in 3Q26. Other income decreased 46.4% YOY to AED 3 Mn in 3Q26. Operating profit increased 46.3% YOY to AED 94 Mn in 3Q26. Operating profit margin expanded by 72 bps YOY to 4.7% in 3Q26. The Courier segment EBITDA declined 3.9% YOY to AED 100 Mn in 3Q26, with the EBITDA margin declining from 10.6% in 3Q25 to 9.7% in 3Q26. The Freight Forwarding EBITDA increased from AED 24 Mn in 3Q25 to AED 56 Mn in 3Q26, with the margin expanding from 5.1% in 3Q25 to 7.2% in 3Q26. Logistics EBITDA declined 13.4% YOY to AED 29 Mn in 3Q26, with margin declining sharply from 24.2% in 3Q25 to 18.4% in 3Q26. The Other segment EBITDA increased from AED 3 Mn in 3Q25 to AED 5 Mn in 3Q26. Consequently, total EBITDA increased 15.9% YOY to AED 190 Mn in 3Q26, while the EBITDA margin contracted 67 bps YOY to 9.6% in 3Q26. Finance income increased 11.4% YOY to AED 2 Mn in 3Q26, while finance costs declined 13.8% YOY to AED 29 Mn in 3Q26. The Company also recorded profit from share of results of JVs and associates of AED 1 Mn in 3Q26 compared to a loss of AED 2 Mn in 3Q25. Tax expense increased 36.1% YOY to AED 19 Mn in 3Q26. The non-controlling interest remained broadly stable at AED 1 Mn in 3Q26, compared to 3Q25.

## Balance Sheet Highlights

Aramex's gross debt fell from AED 966 Mn in 2Q26 to AED 948 Mn in 3Q26. Net debt increased from AED 464 Mn in 2Q26 to AED 503 Mn in 3Q26. The Company's cash and cash equivalents stood at AED 445 Mn in 3Q26, compared to AED 503 Mn in 2Q26. Aramex generated lower cash flow from operating activities of AED 79 Mn in 3Q26, compared to AED 158 Mn in 3Q25, due to investment in working capital. Free cash flow fell from AED 126 Mn in 3Q25 to AED 40 Mn in 3Q26 owing to investment in capital and higher capex.

## Target Price and Rating

We maintain our BUY rating on Aramex with a target price of AED 2.45. Aramex continued to demonstrate strong revenue momentum in 3Q26, achieving its second consecutive quarter of record revenue after strong 2Q26 performance, supported by sustained growth across most business segments. Freight Forwarding remained a key driver of revenue growth, with the segment recording a record quarterly revenue following robust performance in 2Q26. On a 9M26 basis, the Freight Forwarding revenue increased 42.0% YOY to AED 1.9 Bn, reflecting higher business activity across freight operations. The Company's ability to cater to different transportation requirements through the established operating network and routing arrangements has supported business continuity amid changing trade and operating conditions. Aramex used alternative land routes between Europe and the Middle East, along with additional air and sea charter capacity to ensure uninterrupted and timely delivery service despite disruptions across markets. Revenue from Courier Services grew 5.0% YOY to AED 3.0 Bn in 9M26, supported by growth in Domestic Express and International Express. Logistics segment recorded 12.6% YOY to AED 449 Mn in 9M26, thereby contributing to the broader expansion across Aramex's business segments. However, the changing business mix continues to weigh on the Company's overall profitability, as the growing contribution from Freight Forwarding, which operates at relatively lower gross margins than the Courier and Logistics segment, is diluting the Company's margins. While Freight Forwarding has emerged as the primary growth driver, the higher revenue contribution has not translated into profitability proportionally. The Company continues to focus on advancing the Accelerate28 transformation programme, with various initiatives underway across functions and geographies aimed at improving operational efficiency, strengthening accountability and enhancing profitability. Aramex maintained a sound financial position, with cash and cash equivalents of AED 445 Mn and a debt-to-EBITDA ratio of 2.7x as of 3Q26. The leverage ratio remained unchanged, providing the Company with financial flexibility to continue investing in the transformation programme and longer-term growth priorities. Subsequent to 3Q26, Aramex launched Data Center Logistics service, expanding the specialised logistics offering to cater to the growing demand for AI data centre infrastructure. The service will initially cover the GCC, Southeast Asia, Taiwan and the southern US, providing end-to-end transportation and handling solutions for critical data centre infrastructure, including transformers, switchgear, generators, cooling equipment, AI racks and spare parts. The initiative builds on Aramex's existing freight forwarding, customs clearance and project logistics capabilities. We expect the development will allow the Company to tap into the growing demand for logistics services associated with AI infrastructure investments, while expanding its presence in specialised, high-value cargo transportation. Furthermore, offering an integrated logistics solution under a single service provider could strengthen customer

relationships, broaden the addressable market and create opportunities to generate incremental business across the Freight Forwarding and Logistics segments. Looking ahead, we believe Aramex will sustain revenue growth across the business segments, improve the profitability of incremental business and translate the operational benefits of Accelerate28 into consistent margins. We expect the Company to balance growth with profitability, alongside maintaining disciplined cost management and a healthy balance sheet, to support the medium-term outlook. Thus, based on our analysis, we maintain our BUY rating on the stock.

**Aramex - Relative valuation**

| (at CMP) | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F |
|---|---|---|---|---|---|---|
| PE (x) | 14.30 | 16.28 | 20.34 | 18.48 | 127.33 | 15.94 |
| PB (x) | 0.98 | 1.04 | 1.06 | 1.04 | 1.02 | 0.96 |
| EV/EBITDA | 3.22 | 5.06 | 5.04 | 4.69 | 5.26 | 4.39 |
| BVPS | 1.820 | 1.714 | 1.681 | 1.719 | 1.747 | 1.859 |
| EPS | 0.125 | 0.110 | 0.088 | 0.097 | 0.014 | 0.112 |
| DPS | 0.130 | 0.130 | 0.095 | 0.000 | 0.000 | 0.000 |
| Dividend yield | 7.3% | 7.3% | 5.3% | NA | NA | NA |

*FABS Estimates & Co Data*

**Aramex – P&L**

| AED Mn | 3Q25 | 2Q26 | 3Q26 | 3Q26F | Var | YOY Ch | QOQ Ch | 2025 | 2026F | Change |
|---|---|---|---|---|---|---|---|---|---|---|
| Rendering of Services | 1,599 | 1,830 | 1,981 | 1,787 | 10.9% | 23.9% | 8.3% | 6,360 | 7,502 | 18.0% |
| Cost of Services | -1,229 | -1,439 | -1,566 | -1,403 | 11.7% | 27.5% | 8.9% | -4,910 | -5,912 | 20.4% |
| **Gross profit** | **370** | **392** | **415** | **384** | **8.1%** | **12.1%** | **6.0%** | **1,449** | **1,590** | **9.7%** |
| Selling and Marketing Expenses | -86 | -85 | -87 | -89 | -2.9% | 0.7% | 1.9% | -348 | -349 | 0.3% |
| Administrative Expenses | -225 | -216 | -234 | -222 | 5.7% | 4.0% | 8.4% | -905 | -908 | 0.3% |
| Impairment loss on fin. assets | -1 | -4 | -4 | -4 | 5.7% | NM | -7.4% | -18 | -15 | -18.3% |
| Other income, net | 6 | 1 | 3 | 4 | -22.6% | -46.4% | NM | 15 | 15 | 1.5% |
| **Operating profit** | **64** | **87** | **94** | **74** | **26.5%** | **46.3%** | **7.6%** | **193** | **334** | **NM** |
| **EBITDA** | **164** | **181** | **190** | **182** | **4.1%** | **15.9%** | **4.7%** | **569** | **713** | **25.3%** |
| Finance Income | 1 | 1 | 2 | 2 | -10.4% | 11.4% | 12.6% | 7 | 6 | -9.0% |
| Finance Costs | -33 | -26 | -29 | -32 | -9.8% | -13.8% | 8.4% | -119 | -114 | -3.8% |
| Share of results of JVs | -2 | 0 | 1 | -2 | NM | NM | NM | -5 | 2 | NM |
| **Profit before Income Tax** | **19** | **63** | **67** | **42** | **NM** | **NM** | **7.8%** | **56** | **227** | **NM** |
| Income Tax Expense | -14 | -15 | -19 | -14 | 28.8% | 36.1% | 27.0% | -35 | -60 | NM |
| **Profit for the period** | **6** | **48** | **49** | **28** | **NM** | **NM** | **1.9%** | **21** | **167** | **NM** |
| NCI | -1 | -1 | -1 | -1 | 53.8% | NM | NM | 0 | -3 | NM |
| **Net Profit attributable to shareholders** | **5** | **47** | **48** | **27** | **NM** | **NM** | **0.9%** | **21** | **164** | **NM** |

*FABS estimate & Co Data*

**Aramex - Margins**

| | 3Q25 | 2Q26 | 3Q26 | YOY ch | QOQ ch | 2025 | 2026F | Change |
|---|---|---|---|---|---|---|---|---|
| Gross Profit | 23.2% | 21.4% | 21.0% | -220 | -45 | 22.8% | 21.2% | -159 |
| EBITDA | 10.2% | 9.9% | 9.6% | -67 | -32 | 8.9% | 9.5% | 56 |
| Operating Profit | 4.0% | 4.8% | 4.7% | 72 | -3 | 3.0% | 4.5% | 142 |
| Net Profit | 0.3% | 2.6% | 2.4% | 209 | -18 | 0.3% | 2.2% | 187 |

*FABS estimate & Co Data*

## Key Developments:

- **23rd January 2026:** Aramex selected Softeon as its strategic Warehouse Management System (WMS) partner, with plans to deploy the platform across more than 70 facilities globally to improve visibility, operational efficiency and customer experience.
- **25th February 2026:** Aramex launched an AI-first global data foundation built on Google Cloud, creating a unified platform across its global network to improve data visibility and support real-time decision-making.
- **26th February 2026:** Aramex entered into a Share Purchase Agreement to acquire 100% of Hawthorn Logistics Solutions Limited, a logistics and freight services company operating in Ireland.
- **1st March 2026:** Aramex completed the acquisition of the business and operating assets of LMD Couriers Pty Ltd, trading as Aramex Central Coast, expanding its operations in Australia.
- **16th March 2026:** Aramex opened its first regional healthcare and pharmaceutical hub at Dubai South Free Zone, expanding its capabilities in the life sciences and medical supply-chain segment.
- **8th June 2026:** Aramex and ICTLC International announced approval of the Aramex Group Binding Corporate Rules for Controllers by the Dutch Supervisory Authority, strengthening the Group's data-protection framework.

# Valuation:

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

| Valuation Method | Target | Weight | Weighted Value |
|---|---|---|---|
| DCF Method | 2.77 | 70.0% | 1.94 |
| Relative Valuation (RV) | 1.71 | 30.0% | 0.51 |
| **Weighted Average Valuation (AED)** | | | **2.45** |
| Current market price (AED) | | | 1.78 |
| Upside/Downside (%) | | | +38% |

## 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 8.1%. It is arrived after using cost of equity of 9.5% and after-tax cost of debt of 4.3%. Cost of equity is calculated by using 10-year government bond yield of 5.4%, beta of 1.00 and equity risk premium of 4.2%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk-free rate. The cost of debt of 4.3% is calculated after adjusting a tax rate of 26.5%. Also, assumed a terminal growth rate of 2.0%.

| | |
|---|---|
| Sum of PV (AED, Mn) | 1,597 |
| Terminal value (AED, Mn) | 3,975 |
| **FV to Common shareholders (AED, Mn)** | **4,055** |
| No. of shares (Mn) | 1,464 |
| Current Market Price (AED) | 1.78 |
| **Fair Value per share (AED)** | **2.77** |

**DCF Method**

| (All Figures in AED Mn) | FY 2026E | FY 2027E | FY 2028E | FY 2029E | FY 2030E | FY 2031E |
|---|---|---|---|---|---|---|
| NOPAT | 274 | 150 | 152 | 147 | 171 | 200 |
| D&A | 379 | 403 | 415 | 427 | 437 | 447 |
| Change in working capital | -84 | 29 | -8 | -7 | -52 | -101 |
| (-) Capex | -194 | -179 | -182 | -179 | -182 | -186 |
| **Free Cash Flow to Firm (FCFF)** | **375** | **404** | **377** | **387** | **374** | **359** |
| Discounting Factor | *0.99* | *0.92* | *0.85* | *0.78* | *0.72* | *0.67* |
| **Discounted FCFF** | **93[1]** | **370** | **319** | **303** | **271** | **241** |

*Source: FAB Securities, [1]Adjusted 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 2027 EV/EBITDA multiple of 7.0x in line with peers.

| Company | Market (USD Mn) | EV/EBITDA (x) | | P/E (x) | |
|---|---|---|---|---|---|
| | | 2026F | 2027F | 2026F | 2027F |
| The Sumitomo Warehouse Co Ltd | 1,908 | 14.0 | 13.4 | 16.5 | 16.8 |
| Gulf Warehousing Co QPSC | 434 | 7.9 | 7.1 | 11.8 | 9.9 |
| Jiayou International Logistics Co, Ltd | 2,381 | 7.7 | 6.9 | 11.1 | 10.0 |
| Kamigumi Co. Ltd | 3,048 | 9.0 | 8.4 | 15.7 | 14.9 |
| SEINO Holdings Ltd | 3,084 | 6.5 | 6.1 | 15.0 | 13.6 |
| POSTI GROUP OYJ | 556 | 5.0 | 4.8 | 14.0 | 10.0 |
| S F HOLDING CO LTD-A | 24,897 | 5.7 | 5.2 | 15.0 | 13.2 |
| SG HOLDINGS CO LTD | 6,356 | 8.1 | 7.6 | 15.1 | 13.8 |
| HANJIN LOGISTICS CORP | 247 | NA | NA | 22.9 | 10.7 |
| UNITED PARCEL SERVICE-CL B | 84,524 | 9.4 | 8.8 | 15.5 | 14.0 |
| CJ LOGISTICS | 1,142 | 5.0 | 4.6 | 7.9 | 5.9 |
| YTO EXPRESS GROUP CO LTD-A | 9,351 | 5.5 | 4.9 | 9.7 | 8.5 |
| SINGAPORE POST LTD | 540 | NA | NA | NA | NA |
| FEDEX CORP | 75,560 | 10.1 | 9.3 | 17.6 | 15.3 |
| **Average** | | **7.8x** | **7.2x** | **14.4x** | **12.0x** |
| **Median** | | **7.8x** | **7.0x** | **15.0x** | **13.2x** |
| **Max (Quartile 3)** | | **9.1x** | **8.5x** | **15.7x** | **14.0x** |
| **Min (Quartile 1)** | | **5.6x** | **5.1x** | **11.8x** | **10.0x** |

*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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