

Agility Global PLC

The healthy contribution from all segments boosted top-line

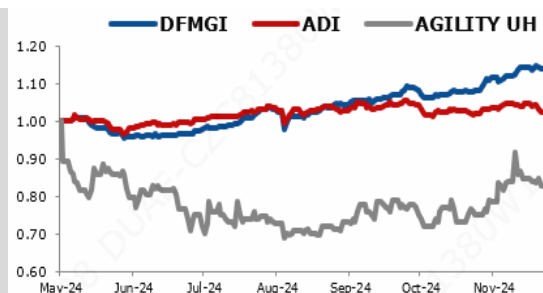
Current Price
AED 1.37

Target Price
AED 2.10

Upside/Downside (%)
+53%

Rating
BUY

- Revenues grew 16.0% YOY to USD 1,227 Mn in 3Q24
- New businesses from Spain and Portugal contributed to Menzies's growth of 23.7% YOY in 3Q24.
- Agility Logistics Parks announced the expansion of 100 thousand warehousing capacity in Riyadh valued at USD 65 Mn.
- The company's investment in DSV increased in value to USD 4 Bn back on the announcement of DSV acquiring DB Schenker.
- Company's cash balance soared to 724 Mn in 3Q24 which will be used for expansion and growth.
- The Company declared an interim cash dividend of AED 0.023 per share in November 2024.



3Q24 Net Profit higher than our estimate

Agility Global ("Agility, "the Company") reported a net profit of USD 37 Mn for 3Q24, compared to a net profit of USD 1 Mn in 3Q23, surpassing our estimate of USD 32 Mn. This performance is primarily driven by strong growth in revenue, finance income, and share of results of associates and joint ventures coupled with lower net finance cost and expansion of gross margins partially offset by a rise in direct cost, other operating expenses, and non-controlling interest.

P&L Highlights

Agility's revenue grew 16.0% YOY to USD 1,227 Mn in 3Q24 driven by healthy growth across all segments. Revenue from the Aviation Services Segment (Menzies) rose 23.7% YOY to USD 704 Mn in 3Q24, driven by the expansion of operations in Spain and Portugal and the launching of cargo operations in India. Revenue from the Industrial real estate Segment (Agility Logistics Parks) increased 12.5% YOY to USD 13 Mn in 3Q24 due to increased demand for warehousing space in Saudi Arabia. The Fuel Logistic Segment (Tristar) achieved 23.1% YOY growth as revenue rose to USD 337 Mn in 3Q24. Revenue from other activities declined 15.1% YOY to USD 172 Mn in 3Q24. The Company's direct expenses grew 7.6% YOY to USD 480 Mn in 3Q24. Thus, gross profit rose 22.1% YOY to USD 747 Mn in 3Q24. Agility's other operating expenses increased 23.9% YOY to USD 583 Mn in 3Q24. Moreover, income from the share of results of associates increased to USD 8 Mn in 3Q24 from USD 1 Mn in 3Q23. As a result, the Company's EBITDA increased 18.9% YOY to USD 180 Mn in 3Q24 with a 36 bps YOY expansion in EBITDA margin to 14.7%. Aviation Services segment EBITDA grew 29.0% YOY to USD 108 Mn with a margin of 15.3% in 3Q24 due to improvement in operating efficiencies and on back of synergies delivering positive operating leverage.

Stock Information

Market Cap (AED, Mn)	14,272.28
Shares Outstanding(mm)	10,417.72
52 Week High	1.66
52 Week Low	1.04
3M Avg. daily value (AED)	7,086,332

3Q24 Result Review (USD, Mn)

Total Assets	11,431
Total Liabilities	5,337
Total Equity	6,094
EBITDA	180
Net Profit	37

Financial Ratios

Dividend Yield (12m)	3.07
Dividend Pay-out (%)	0.00
Est Price-Earnings Ratio(x)	31.10
Price-to-Book Ratio (x)	0.69
Book Value (USD)	0.54
Net Debt/Equity	53.75

Stock Performance

5 Days	3.79%
1 Months	15.13%
3 Months	21.24%
6 Months	1.48%
1 Year	N/A
Month to Date (MTD%)	9.60%
Quarter to Date (QTD%)	12.30%
Year to Date (YTD%)	N/A

EBITDA for the Fuel logistic segment increased 4.0% YOY to USD 59 Mn in 3Q24. Industrial real estate segment EBITDA grew 19.6% YOY to USD 10 Mn in 3Q24 with a margin of 72.4%. D&A charges increased 1.2% YOY to USD 76 Mn in 3Q24. As a result, operating profit grew significantly by 36.2% YOY from USD 77 Mn in 3Q23 to USD 105 Mn in 3Q24. The Company's finance income increased from USD 1 Mn in 3Q23 to USD 10 Mn in 3Q24 whereas finance cost declined 9.4% YOY to USD 51 Mn in 3Q24. Income tax expense increased 5% YOY to USD 12 Mn in 3Q24. The share of profit attributable to non-controlling interest holders increased 55.9% YOY to USD 15 Mn in 3Q24.

Balance Sheet Highlights

Agility Global maintains a robust balance sheet with USD 11.4 Bn in assets and USD 5.7 Bn in equity as of 3Q24. The Company reported operating cash flow of USD 393 Mn in 9M24 and incurred a capex of USD 180 Mn. The Company's cash and cash equivalents increased from USD 568 Mn in 2Q24 to USD 724 Mn in 3Q24 mainly due increase in cash flow from operations. Moreover, interest-bearing loans increased to USD 3,471 Mn in 3Q24 compared to USD 3,289 Mn in 2Q24 out of which USD 2,447 Mn are funded collar debt on DSV shares. The Company's reported net debt stood at USD 2.7 Bn in 3Q24 whereas net debt excluding funded collar stood at USD 1.06 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 3Q24 driven by a solid performance across all segments except revenue from other activities. Agility Global made significant progress in expanding its operations and strengthening its investment portfolio in 3Q24. The Company's considerable investment in DSV increased in value on the back of its rising share price on the announcement of DSV's acquisition of German-based DB Schenker. The deal is expected to close in 2025, leading DSV to become the world's largest freight forwarder. Menzies Aviation's revenues grew as it launched its operations in Spain, Portugal, and India. Agility Logistics Parks announced a 100K sqm warehousing capacity expansion in Riyadh, Saudi Arabia valued at USD 65 Mn expected to be operational from 2025. Besides, Agility Logistics Parks started construction of Jeddah logistics park with a capacity of 600 thousand sqm. Agility Global's investment portfolio, comprising both listed and non-listed businesses, held a carrying value of approximately USD 5.1 Bn as of September 30, 2024. The company owns an 8% stake in DSV, with the investment valued at USD 4 Bn. Agility hedged investment in DSV through a funded equity collar to overcome the decline in DSV share prices. As of September 30, 2024, 183 units of Reem Mall are trading and nearly 80% 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 provide a seamless customer experience. Moreover, the Company retained cash and cash equivalents of USD 724 Mn in 3Q24 demonstrating a sound balance sheet and advantageous liquidity position to support planned future growth. Agility Global has guided 17% revenue growth along with an EBITDA margin in the range of 13% to 14% for FY2024. Furthermore, Agility Global approved an interim cash dividend of AED 239.6 Mn translating to AED 0.023 per share in November 2024. Thus, based on our analysis, we assign a BUY rating on the stock.

Agility Global - Relative valuation

(at CMP)	2023	2024F
PE	NA	25.91
PB	NA	0.72
EV/EBITDA	NA	37.10
Dividend yield	NA	1.7%

FABS Estimates & Co Data

Agility was listed in FY2024 hence prior-period multiples are not available.

Agility Global – P&L

USD Mn	3Q23	2Q24	3Q24	3Q24F	VAR	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	1,058	1,108	1,227	1,131	8.4%	16.0%	10.7%	3,936	4,529	15.1%
Direct expenses	-446	-424	-480	-447	7.4%	7.6%	13.2%	-1,673	-1,789	7.0%
Gross profit	612	684	747	685	9.1%	22.1%	9.2%	2,263	2,740	21.1%
Other operating expenses	-471	-535	-583	-548	6.4%	23.9%	9.0%	-1,740	-2,154	23.8%
Share of result of JVs	1	14	8	7	19.9%	NM	-43.3%	20	41	104.1%
Other income/expenses	9	4	9	19	-54.1%	-9.3%	NM	62	52	-16.4%
EBITDA	152	167	180	162	11.5%	18.9%	7.8%	606	679	12.1%
D&A	-75	-75	-76	-71	7.3%	1.2%	1.6%	-273	-302	10.7%
Operating profit	77	93	105	91	14.7%	36.2%	12.8%	333	377	13.3%
Finance income	1	10	10	8	27.9%	NM	6.2%	7	32	NM
Finance cost	-57	-44	-51	-44	17.4%	-9.4%	15.5%	-217	-175	-19.3%
Profit before tax	21	58	64	56	14.4%	NM	9.7%	124	234	89.1%
Income Tax	-11	-14	-12	-13	-7.2%	5.0%	-17.7%	-36	-47	29.9%
Profit before NCI	10	44	52	43	20.9%	NM	18.7%	88	187	113.4%
Non-controlling interests	-9	-14	-15	-11	36.8%	55.9%	6.1%	-37	-56	50.9%
Profit attributable	1	30	37	32	15.6%	NM	24.6%	50	131	159.6%

FABS estimate & Co Data

Agility Global - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	57.9%	61.7%	60.9%	303	-85	57.5%	60.5%	299
EBITDA	14.3%	15.1%	14.7%	36	-40	15.4%	15.0%	-40
Operating Profit	7.3%	8.4%	8.5%	127	16	8.5%	8.3%	-13
Net Profit	0.1%	2.7%	3.0%	295	34	1.3%	2.9%	161

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	1.88	70.0%	1.31
SOTP Method	2.62	30.0%	0.79
Weighted Average Valuation (AED)			2.10
Current market price (AED)			1.37
Upside/Downside (%)			+53%

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 9.7%. It is arrived after using the cost of equity of 10.5% and after-tax cost of debt of 6.3% with debt-to-equity ratio of 18.8%. Cost of equity is calculated by using 10-year government bond yield of 5.0%, beta of 0.84 and equity risk premium of 6.5%. 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 20.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	630
Terminal value (USD, Mn)	3,451
Net Debt	-3,967
Investments	5,205
FV to Common shareholders (USD, Mn)	5,320
No. of share (Mn)	10,418
Current Market Price (AED)	1.37
Fair Value per share (AED)	1.88

DCF Method

(All Figures in USD Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	269	305	352	407	481
Depreciation & amortization	155	168	189	196	196
CAPEX	-400	-420	-325	-200	-200
Working Capital	116	-35	-80	-96	-100
Free Cash Flow to Firm (FCFF)	139	18	136	307	377
Discounting Factor	0.99	0.90	0.82	0.75	0.68
Discounted FCFF	13¹	17	112	231	258

Source: FAB Securities, ¹Adjusted for partial year

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	358	7.7x	2,745
Tristar Fuel Logistic	267	10.0x	2,674
Agility Logistic Parks	39	20.0x	771
Total Enterprise Value			6,190
Net Debt			-3,967
Investments			5,205
Enterprise Value			7,428

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Aviation					
SATS LTD	4,268	9.1	8.5	21.5	18.5
FRAPORT AG FRANKFURT AIRPORT	4,836	10.3	9.4	10.3	9.5
CELEBI HAVA SERVISI	1,500	6.0	5.6	10.8	7.9
AENA SME SA	31,392	10.2	9.6	15.5	14.5
TOSCANA AEROPORTI SPA	278	8.5	6.6	21.2	17.9
Guangzhou Baiyun International Airport	3,119	6.9	6.4	24.3	19.1
Çelebi Hava Servisi	1,553	6.0	5.6	10.8	7.9
Athens International Airport	2,492	8.1	8.3	11.4	12.2
Xiamen International Airport	848	4.1	4.0	12.4	11.5
Average		7.7x	7.1x	15.3x	13.2x
Median		8.1x	6.6x	12.4x	12.2x
Max		9.1x	8.5x	21.2x	17.9x
Min		6.0x	5.6x	10.8x	9.5x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<u>Transportation Fuel Logistics</u>					
HUNT (JB) TRANSPRT SVCS INC	18,553	12.7	11.2	32.4	25.5
KNIGHT-SWIFT TRANSPORTATION	9,098	11.3	9.2	52.9	26.6
ADNOC LOGISTICS & SERVICES	10,796	9.5	7.6	14.6	12.5
QATAR FUEL QSC	4,105	11.5	11.6	13.6	13.0
Arabian Drilling Company	2,707	8.1	7.7	24.9	17.1
OQ Gas Networks	1,440	10.3	9.7	9.4	9.1
Frontline plc	4,352	6.6	6.3	8.3	6.5
Average		10.0x	9.0x	22.1x	15.8x
Median		10.3x	9.2x	17.7x	13.0x
Max		11.4x	10.5x	26.8x	21.3x
Min		8.8x	7.6x	12.6x	10.8x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
<u>Logistics</u>					
GROWTHPOINT PROPERTIES LTD	2,502	17.2	16.9	NM	NM
PROLOGIS INC	106,186	24.3	22.1	41.0	41.7
MAPLETREE LOGISTICS TRUST	4,747	21.7	20.7	20.7	18.6
CTP NV	7,224	23.6	20.3	17.8	15.7
Sime Darby Property Berhad	2,237	15.0	14.6	19.2	18.0
SmartCentres Real Estate Investment	2,608	17.9	17.6	19.2	13.3
Average		20.0x	18.7x	23.6x	21.5x
Median		19.8x	18.9x	19.2x	18.0x
Max		23.1x	20.6x	20.7x	18.6x
Min		17.4x	17.1x	19.2x	15.7x

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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