

UAE Transportation Sector – December 2024

Sector Weighting:
MARKET WEIGHT

Tourism Boom Endures Momentum in the Transportation Sector

We hold a positive stance on Air Arabia in the UAE's Transportation sector but also recommend investors to stay invested in DTC and Aramex as it will be a key beneficiary of the growth in the tourism sector. Air Arabia maintained a healthy load factor of 81.6% in 9M24. Total passenger volume across all hubs rose 12% YOY to 8.4 Mn in 9M24. Air Arabia's efforts towards innovation, operational efficiency, and disciplined cost control measures are poised to benefit the company. Strong demand for Air Arabia's value-driven products is driving the company's commercial growth across all hubs. Moreover, robust growth in the tourism sector coupled with continued expansion in the fleet size is likely to benefit the airline. The Company offers a healthy dividend of 6.5% in FY2024 and trades at an attractive valuation with a P/E ratio of 9.5x and an EV/EBITDA ratio of 4.9x. Likewise, Aramex witnessed double-digit revenue growth across all segments in 3Q24 despite a challenging operating environment. The Company continues to focus on improving working capital and boosting its cash flow. Aramex's plans to increase its warehousing capacity in Egypt and Morocco will further add to its profitability. Additionally, declining interest rates will benefit Aramex as excess cash from operations will be diverted to investments which will ultimately drive margins. DTC witnessed robust fleet expansion across all segments along with a rise in trips & trip length leading to strong revenue growth which has now been reflected in the stock's performance. DTC won 300 new licence plates at the RTA auction in 3Q24 expanding its taxi market share to 46%. The addition of taxis in the recent auction will add AED 100 Mn to the company's revenue annually while 25% of the new licences will be allocated to electric taxis. Furthermore, the rising student population and tourism in UAE strongly benefited DTC's top line. The volatile oil prices could create some margin pressure, while many companies in the sector are well-positioned to offset this through strategic adjustments.

Stock	Target Price	CMP	Gain	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
Air Arabia (AED)	3.30	3.08	7.1%	HOLD	9.5	4.9	6.5%
Aramex (AED)	3.10	2.85	8.8%	HOLD	29.8	7.2	NA
Dubai Taxi Company (AED)	3.00	2.84	5.6%	HOLD	20.4	13.2	4.4%

Source: FABS Estimate, ¹Data refers to FY2024

Key Developments in the Transportation Sector

Robust Passenger Traffic and Hospitality Boom Propel Tourism Growth in the Middle East

According to the Central Bank of the UAE, the airports in UAE witnessed a 12.6% YOY rise in passenger traffic to 97.9 Mn in the first eight months. Dubai International Airport (DXB) experienced a 6.3% YOY increase in passengers to 68.6 Mn in 9M24, attributed to robust travel demand. Abu Dhabi's Zayed International Airport welcomed more than 21.7 Mn passengers in 9M24, marking a 31.2% YOY growth, solidifying the emirate's status as a key transportation hub. The hospitality sector witnessed strong occupancy rates and achieved growth in average daily rates and revenue per room. As a result, the Average Occupancy levels of hotels in Dubai reached 76.4% in 9M24 compared to 75.7% in 9M23. Saudi Arabia ranked third globally in the growth rate of international tourist arrivals,

which showed a 61% increase in 9M24 compared to 9M19. The total number of pilgrims who performed Umrah increased 35% YOY to 6.3 Mn in 3Q24. According to IATA, air travel demand remained strong, with a 10.3% YoY increase in traffic on international routes. In October 2024, the global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK) grew by 4.6% YOY in November 2024.

Rise in oil prices to dent margins in the transportation sector

In the 4Q24, Brent crude oil prices displayed notable fluctuations, ultimately closing at USD 74.64 per barrel on December 31, reflecting a 4.0% QOQ increase. The quarter began with the Brent Crude oil prices increasing 1.9% MOM in October 2024 on the back of fears of supply disruption owing to the escalation of war in the Middle East and solid US economic data partially offset by Israel's retaliation to Iran's strike bypassed Tehran's oil and nuclear facilities and relieved geopolitical tension in the Middle East. However oil prices declined 1.8% MOM in the following month primarily driven by anticipation of an increase in global production, weaker demand, and a strong US dollar coupled with the ceasefire agreement between Israel and Hezbollah which resulted in a sell-off and an increase in the US gasoline stocks. The increase in oil prices was partially offset by OPEC+'s decision to delay an output increase and extend production cuts due to weak Chinese demand and rising non-OPEC supply. Entering December, oil prices initially declined due to extension of output cuts by OPEC. Nevertheless, oil prices rebounded due to geopolitical tensions in Syria and optimism surrounding fiscal stimulus measures in China. Furthermore increasing oil demand in India, expectations of falling U.S. crude inventories, and positive developments in China's manufacturing sector supported the oil prices. The transportation sector can anticipate a dynamic fuel pricing environment influenced by geopolitical developments, economic stimulants, and global supply-demand balances as we move into 2025.

Global air cargo demand grew for the sixteenth consecutive month in November 2024

Industry-wide air cargo demand continued to grow on a YOY basis for the sixteenth consecutive month as Cargo Tonne-Kilometers (CTK) rose 8.2% YOY in November 2024. The yearly growth is witnessing a slowdown since September 2024, reaching pre-2021 levels. However, net of seasonal adjustment, the Global Air Cargo demand fell marginally 0.5% MOM in November 2024. Air Cargo industry continues to benefit from the e-commerce demand specifically from US and Asia Pacific region coupled with the ongoing restriction in ocean shipping. Air cargo capacity rose 4.6% YOY while adjusted Available Cargo Tonne-Kilometres (ACTK) after seasonal adjustments fell 0.6% MOM, for the third consecutive month in 2024. The robust growth in air cargo demand across the globe was led by carriers from Asia Pacific and North America. The Cargo Load Factor rose 1.6% YOY to settle at 49.0% in November 2024. The global merchandise trade surged 1.6% YOY, rising for the seventh consecutive month. CTK volumes across the Asia-North America route rose considerably by 13% YOY in November 2024 recording the highest increase followed by the Europe-Asia route that witnessed a 12.9% YOY growth. Moreover, global jet fuel price inched up 0.8% MOM in November 2024, rising for the second consecutive month. The global manufacturing activity fell as the PMI declined from 50.9 in October 2024 to 50.4 in November 2024 owing to a slowdown in the global new export orders. The export orders PMI an indicator of international trade stood at 48.6 in November 2024, remaining in the contractionary territory.

Transport & Logistics Minister launched phased operation of Terminal 1 at Riyadh's King Khalid Airport

Transport and Logistics Minister Eng. Saleh Al-Al-Jasser inaugurated the phased operation of International Passenger Terminal No. 1, under the King Khalid International Airport expansion and development project. The project is likely to boost the terminal's passenger capacity from 3 million passengers to 7 million passengers per year. It will also enhance air travel connectivity, improve the passenger experience, and drive growth in tourism, trade, and mobility, aligned with Saudi Arabia's Vision 2030 objectives.

Content:

Key Developments in the Transportation Sector.....	1
4Q24 Preview: Aramex PJSC	5
4Q24 preview: Air Arabia.....	8
4Q24 preview: Dubai Taxi Company.....	11
FAB Securities Contacts	14

4Q24 Preview: **Aramex PJSC**

Higher tax charge to impact bottom line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.85	AED 3.10	+8.8%	HOLD

4Q24 estimate

Aramex's (Aramex/ The Company) net profit is expected to decline 16.9% YOY to AED 64 Mn in 4Q24 due to an estimated increase in operating expenses partially offset by growth in revenue. Aramex's revenue is projected to grow 4.2% YOY to AED 1,588 Mn in 4Q24 owing to an increase in revenue from the freight forwarding segment. The Company's cost of services is expected to grow 3.8% YOY to AED 1,179 Mn in 4Q24. Thus, gross profit is anticipated to expand 5.4% YOY to AED 410 Mn in 4Q24 with gross profit margin improving marginally 29 bps YOY to 25.8%. Selling and marketing expenses are forecasted to grow 8.1% YOY to AED 87 Mn in 4Q24. In addition, administrative expenses are anticipated to grow 6.1% YOY to AED 226 Mn in 4Q24. The net impairment loss is anticipated to decline 10.4% YOY in 4Q24. Thus, operating profit is likely to decrease by 7.9% YOY to AED 98 Mn. EBITDA is projected to decline from AED 197 Mn in 4Q23 to AED 157 Mn in 4Q24. Aramex's finance income is expected to fall 3.6% YOY to AED 3 Mn, while finance costs are estimated to decline 9.8% YOY to AED 29 Mn in 4Q24. Aramex's income tax is forecasted to increase significantly to 11 Mn in 4Q24, compared to AED 1 Mn in 4Q23, owing to corporate taxes levied by the UAE government.

2024 forecast

Aramex's net profit is expected to grow 8.3% YOY to AED 140 Mn in 2024 primarily due to estimated growth in revenue and in other income partially offset by an increase in income tax and operating expense. Aramex's revenue is forecasted to increase 9.2% YOY to AED 6,218 Mn in 2024 attributed to an increase in revenue across its business segments. The company's cost of services is estimated to grow 10.0% YOY to AED 4,694 Mn in 2024. Thus, gross profit is expected to expand 6.8% YOY to AED 1,523 Mn in 2024. Gross profit margin is anticipated to fall by 56 bps YOY to 24.5% in 2024. Aramex's selling and marketing expenses are estimated to inflate by 10.5% YOY to AED 341 Mn in 2024 and administrative expenses are anticipated to increase by 4.5% YOY to AED 883 Mn in 2024. The Company's net impairment loss is anticipated to fall 19.3% YOY to AED 16 Mn in 2024. Other income is anticipated to increase from AED 13 Mn in 2023 to AED 22 Mn in 2024. Thus, operating profit is anticipated to grow by 14.5% YOY to AED 305 Mn in 2024, whereas EBITDA is forecasted to rise by 4.2% YOY to AED 654 Mn in 2024. On the other hand, finance income is expected to fall 25.7% YOY to AED 6 Mn, and finance cost is also anticipated to fall 5.5% YOY to AED 121 Mn in 2024. The share of results of joint ventures and associates is anticipated to fall significantly by 21.9% YOY to AED 4 Mn in 2024. Aramex's income tax expense is expected to more than double from AED 23 Mn in 2023 to AED 53 Mn in 2024 owing to higher profit.

3Q24 Outturn

Aramex's revenue increased 18.0% YOY to AED 1,592 Mn in 3Q24, driven primarily by consistent volume growth across all product segments. The Freight Forwarding segment saw a 22.2% YOY growth in revenue to AED 450 Mn in 3Q24, mainly attributed to increased shipment volumes, especially in land and air freight. The combined revenue of International and Domestic Express Segment grew 16.9% YOY to AED 1,011 Mn in 3Q24, driven by healthy growth in volume across Domestic and International Express Segment. International Express Segment achieved a quarterly volume of 6.5 Mn shipments in 3Q24 witnessing a YOY growth of 34% due to strong local economy in GCC and MENAAT region and higher consumer activity. It was partially offset by lower volumes in Europe and North America coupled with lower revenue recorded by MyUS Parcel Forwarding. The Domestic Express volumes rose 18% YOY to 28.9 Mn in 3Q24, driven by increased demand from

GCC and MENAT markets as well as success of turnaround strategy adopted in Oceania. The growth was partially offset by currency devaluation in Egypt. The regional demand trend reflected trends of nearshoring and local shoring. The logistics segment achieved a revenue growth of 12.9% YOY to AED 118 Mn in 3Q24 supported by new customers acquired in H124. Additionally, revenue from other services increased 8.0% YOY to AED 13 Mn in 3Q24. The cost of services rose 20.1% YOY to AED 1,219 Mn in 3Q24. Thus, gross profit increased 11.5% YOY to AED 373 Mn in 3Q24. Gross margin declined 137 bps YOY from 24.8% in 3Q23 to 23.4% in 3Q24, mainly due to the pressure on margins in the Freight Forwarding and International Express Segment. Selling and marketing expenses increased 16.2% YOY to AED 89 Mn in 3Q24, while administrative expenses grew 5.8% YOY to AED 221 Mn in 3Q24. The net impairment loss on financial assets remained unchanged at AED 2 Mn in 3Q24 compared to 3Q23. Other income amounted to AED 8 Mn in 3Q24, compared to expenses of AED 1 Mn in 3Q23. Operating profit increased from AED 45 Mn in 3Q23 to AED 68 Mn in 3Q24 registering a 52.4% YOY growth. Furthermore, total EBITDA rose 17.1% YOY to AED 157 Mn in 3Q24, with EBITDA margins marginally falling 7 bps YOY to 9.8% in 3Q24. Finance income remained steady at AED 1 Mn in 3Q24 compared to 3Q23, while finance costs declined 8.1% YOY to AED 30 Mn in 3Q24. The share of results from joint ventures and associates generated a loss of AED 1 Mn in 3Q24 compared to a gain of AED 2 Mn in 3Q23. Income tax expenses saw a significant increase from AED 6 Mn in 3Q23 to AED 11 Mn in 3Q24, owing to the introduction of corporate tax in the UAE. Profit attributable to non-controlling interest amounted to AED 0.4 Mn in 3Q24, compared to a loss of AED 1.0 Mn in 3Q23.

Target price and recommendation

We revise our rating from BUY to HOLD on Aramex with an unchanged target price of AED 3.10. Aramex experienced significant top-line growth in 3Q24, primarily driven by business realignment which led to consistent volume growth across all segments. The Company is witnessing important change in industry wherein e-tailers and brands are bringing inventories closer to the demand centres and to end customers in the domestic markets. This is leading to higher flow of volume in Domestic Express and increased demand for warehousing and fulfilment services combined with a growth in demand for International Express and Freight Forwarding volumes. Thus, Domestic Express volume grew 18.0% YOY to 29 Mn shipments in 3Q24. International Express volume rose 18.4% YOY to 6.5 Mn shipments in 3Q24. The Company operation is expected to benefit in the seasonally strong fourth quarter in 2025 leading Aramex to maintain its revenue and margin guidance. Aramex anticipates a revenue growth of 9% and a stable gross margin ratio of 24% to 25% for 2024. Aramex plans to increase its warehousing capacity as it has reached full utilization levels in the logistics segment in Egypt and Morocco and near to full capacity in UAE and Saudi Arabia. The profitability remains sensitive to growth in volume and focused upon gaining more volume as the Company benefits from economies of scale. The company expects the interest rates to decline hence wishes to limit the debt repayment and divert the excess cash generated from operations for investments and growth. Aramex is gaining market share in GCC and MENAT region and expects it to continue leading to better economies of scale thereby improving margins. The company focuses on maintaining CapEx at 2% of total revenue. It also guided 27% effective tax rate for 2024 and normalize in range of 20% to 25% in 2025. Aramex also remains well-positioned with a strong cash balance of AED 447 Mn and a net debt-to-EBITDA ratio of 2.1x, which will support its plans for expansion and growth. Thus, based on our analysis, we assign a HOLD rating on the stock.

Aramex -Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024
PE	8.4	15.6	18.5	25.2	32.3	29.8
PB	1.6	1.6	1.6	1.7	1.7	1.7
EV/EBITDA	4.4	5.1	5.6	7.6	7.5	7.2
Dividend yield	5.8%	4.6%	4.6%	3.3%	0.0%	0.0%

FABS Estimate & Co Data

Aramex - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Rendering of Services	1,524	1,592	1,588	4.2%	-0.2%	5,694	6,218	9.2%
Cost of Services	-1,135	-1,219	-1,179	3.8%	-3.3%	-4,267	-4,694	10.0%
Gross profit	389	373	410	5.4%	9.8%	1,427	1,523	6.8%
Selling and Marketing Expenses	-81	-89	-87	8.1%	-2.3%	-308	-341	10.5%
Administrative Expenses	-213	-221	-226	6.1%	1.9%	-845	-883	4.5%
Net Impairment loss	-4	-2	-4	-10.4%	NM	-20	-16	-19.3%
Other income, net	15	8	5	-69.5%	-39.2%	13	22	63.0%
Operating profit	106	68	98	-7.9%	43.6%	267	305	14.5%
EBITDA	197	157	157	-20.4%	0.0%	628	654	4.2%
Finance Income	3	1	3	-3.6%	NM	8	6	-25.7%
Finance Costs	-33	-30	-29	-9.8%	-1.9%	-128	-121	-5.5%
Share of results of JV and assoc	1	-1	4	NM	NM	6	4	-21.9%
Profit before Income Tax	78	38	75	-3.1%	95.9%	152	195	27.7%
Income Tax Expense	-1	-11	-11	NM	-2.6%	-23	-53	NM
Profit for the period	77	27	64	-16.4%	NM	130	142	9.6%
NCI	0	0	1	NM	40.9%	-1	1	NM
Profit attributable	77	27	64	-16.9%	NM	129	140	8.3%

FABS estimate and Co data

Aramex - Margins

	4Q23	3Q24	4Q24F	YOY Ch.	QOQ Ch.	2023	2024F	Change
GPM	25.5%	23.4%	25.8%	29	237	25.1%	24.5%	-56
EBITDA Margin	12.9%	9.8%	9.9%	-305	2	11.0%	10.5%	-50
EBIT Margin	7.0%	4.3%	6.2%	-81	188	4.7%	4.9%	23
Net Profit Margin	5.0%	1.7%	4.0%	-102	234	2.3%	2.3%	-2

FABS estimate and Co data

4Q24 preview: Air Arabia

Decline in direct cost to boost profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.08	AED 3.30	+7.1%	HOLD

4Q24 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to rise significantly from AED 225 Mn in 4Q23 to AED 356 Mn in 4Q24, mainly due to an increase in revenue and lower direct cost partially offset by implementation of tax charge owing to introduction of corporate tax in the UAE. The Company's revenue is forecasted to grow 6.6% YOY to AED 1,648 Mn in 4Q24. The direct cost is estimated to fall 1.3% YOY to AED 1,177 Mn in 4Q24 owing to a slowdown in inflation partially offset by increase in oil prices. Thus, gross profit is estimated to rise 33.3% YOY to AED 471 Mn in 4Q24. Moreover, Air Arabia's selling and marketing expense is expected to grow marginally by 0.4% YOY to AED 26 Mn in 4Q24, while G&A expense is projected to fall 6.1% YOY to AED 126 Mn in 4Q24. EBITDA is anticipated to rise 39.4% YOY to AED 503 Mn in 4Q24. As a result, Air Arabia's operating profit is likely to grow substantially from AED 192 Mn in 4Q23 to AED 318 Mn in 4Q24. Furthermore, the Company's finance income is expected to rise 11.2% YOY to AED 69 Mn in 4Q24, whereas finance cost is estimated to edge down 22.2% YOY to AED 19 Mn in 4Q24. Share of profit on equity account investment is expected to reverse from AED 30 Mn in 4Q23 to a positive AED 7 Mn in 4Q24. Other income is anticipated to decline significantly from AED 25 Mn in 4Q23 to AED 14 Mn in 4Q24. We estimate a tax expense of AED 34 Mn in 4Q24, owing to the introduction of corporate tax in the UAE from 2024.

2024 forecast

Air Arabia's net profit is anticipated to decline 2.3% YOY to AED 1,512 Mn in 2024 mainly driven by implementation of tax partially offset by expected growth in revenue, and finance income coupled with lower finance costs. Air Arabia's revenue is expected to grow 10.5% YOY to AED 6,632 Mn in 2024 driven by strong air travel demand, the addition of new routes, and fleet expansion. The Company's direct cost will likely grow 14.1% YOY to AED 4,956 Mn in 2024 due to volatility in oil prices as a result of geopolitical tensions coupled with inflationary pressures. Thus, gross profit is expected to rise from AED 1,657 Mn in 2023 to AED 1,676 Mn in 2024. On the other hand, selling and marketing expenses are forecasted to grow 12.0% YOY to AED 99 Mn in 2024. G&A expenses are estimated to rise 0.7% YOY to AED 332 Mn in 2024. EBITDA is estimated to rise by 2.7% YOY to AED 1,937 Mn in 2024. As a result, operating profit is estimated to inch up 0.5% YOY to AED 1,245 Mn in 2024. Furthermore, finance income is forecasted to increase from AED 210 Mn in 2023 to AED 252 Mn in 2024. In contrast, finance cost is estimated to decline 20.1% YOY to AED 82 Mn in 2024. Air Arabia's, share of profit on equity account investment is expected to rise 12.9% YOY to AED 99 Mn in 2024. Additionally, other income is expected to rise 16.9% YOY to AED 133 Mn in 2024. Air Arabia will record a tax expense of AED 135 Mn in 2024 owing to the introduction of corporate tax in UAE in 2024.

3Q24 Outturn

Air Arabia's revenue grew 9.6% YOY to AED 1,787 Mn in 3Q24 primarily driven by an 8% YOY increase in the number of passengers across its operating hubs to 5.1 Mn in 3Q24 as well as an improvement in the seat load factor. The seat load factor stood at 81% in 3Q24, compared to 79% in 3Q23, reflecting a robust passenger demand. Moreover, AIRARABIA's direct cost rose 13.5% YOY to AED 1,342 Mn in 3Q24. Thus, gross profit declined marginally by 0.5% YOY to AED 445 Mn in 3Q24. Gross profit margin declined from 27.4% in 3Q23 to 24.9% in 3Q24. Air Arabia's selling and marketing expenses rose 18.6% YOY to AED 28 Mn in 3Q24. However, G&A expenses declined 2.5% YOY to AED 60 Mn in 3Q24. The Company's EBITDA grew from AED 523 Mn in 3Q23 to AED 529 Mn in 3Q24 mainly due to higher revenue and lower G&A expense. Moreover, the EBITDA margin

dropped significantly from 32.1% in 3Q23 to 29.6% in 3Q24. Thus, the operating profit declined significantly from AED 363 Mn in 3Q23 to AED 358 Mn in 3Q24. The operating profit margin declined from 22.2% in 3Q23 to 20.0% in 3Q24. Air Arabia's finance income grew 9.8% YOY to AED 66 Mn, whereas finance cost declined 23.7% YOY to AED 19 Mn in 3Q24 due to a decline in total debt including leases. Other income rose significantly from AED 32 Mn in 3Q23 to AED 62 Mn in 3Q24. Share of profit from equity-accounted investments grew 6.1% YOY to AED 98 Mn in 3Q24. Thus, profit before tax and NCI grew from AED 522 Mn in 3Q23 to AED 564 Mn in 3Q24. The income tax expense amounted to AED 39 Mn in 3Q24 owing to the introduction of corporate tax in the UAE impacting the bottom line.

Target price and rating

We revise our rating from ACCUMULATE to HOLD on Air Arabia with an unchanged target price of AED 3.30. The Company reported growth in profitability driven by higher revenue owing to increased passengers, increased finance income, and strong growth in other income in 3Q24. The aviation industry continued to navigate inflationary pressures driven by persistent supply chain disruptions, currency fluctuations, and fuel price volatility. Despite these challenges, Air Arabia effectively expanded its network, increased operational capacity, and sustained a robust operating margin. The Company remains a key beneficiary of strong growth in air passenger demand experienced globally, the number of passengers served across all its hubs rose 12.9% YOY to 14.0 Mn in 9M24 coupled with an improvement in the seat load factor from 80.3% in 9M23 to 81.6% in 9M24. The Company added three new aircraft in 9M24 and now operates 77 aircraft including 68 Airbus A320 and 9 Airbus A321 during 3Q24. Moreover, Air Arabia added 22 new routes to its existing network in 9M24 which will likely benefit the airline by attracting additional passengers and enhancing its presence in various markets. The airline's turnover also grew 12.0% YOY to AED 5.0 Bn in 9M24. The Company also increased the flight frequencies across its operating hubs in the UAE, Morocco, Egypt, and Pakistan to benefit from the robust air travel demand. Hence, based on our analysis, we assign a HOLD rating on the stock.

Air Arabia -Relative valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
PE	14.5	NA	20.0	11.8	9.3	9.5
PB	2.6	3.2	2.4	2.1	1.9	1.8
EV/EBITDA	8.0	28.5	8.4	5.7	4.9	4.9
Dividend yield	2.9%	NA	2.8%	4.9%	6.5%	6.5%

FABS estimate & Co Data

Air Arabia - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	1,545	1,787	1,648	6.6%	-7.8%	6,000	6,632	10.5%
Direct costs	-1,192	-1,342	-1,177	-1.3%	-12.3%	-4,343	-4,956	14.1%
Gross profit	353	445	471	33.3%	5.9%	1,657	1,676	1.2%
Selling & Mkt expense	-26	-28	-26	0.4%	-4.6%	-89	-99	12.0%
G&A expenses	-135	-60	-126	-6.1%	112.5%	-329	-332	0.7%
EBITDA	361	529	503	39.4%	-5.0%	1,886	1,937	2.7%
EBIT	192	358	318	65.4%	-11.1%	1,239	1,245	0.5%
Finance income	62	66	69	11.2%	4.9%	210	252	19.9%
Finance costs	-25	-19	-19	-22.2%	-1.2%	-102	-82	-20.1%
Other income	25	62	14	-44.2%	-77.4%	113	133	16.9%
Share of profit on JVs	-30	98	7	NM	-92.7%	88	99	12.9%
Profit before NCI	225	564	389	73.1%	-31.0%	1,548	1,647	6.4%
Tax	0	-39	-34	NM	-12.7%	0	-135	NM
Non-controlling int.	0	0	-1	NM	NM	1	0	NM
Net profit	225	525	356	58.2%	-32.2%	1,547	1,512	-2.3%

FABS estimate & Co Data

Air Arabia - Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
GPM	22.9%	24.9%	28.6%	571	369	27.6%	25.3%	22.9%
EBITDA Margin	23.3%	29.6%	30.5%	716	88	31.4%	29.2%	23.3%
EBIT Margin	12.5%	20.0%	19.3%	685	-71	20.6%	18.8%	12.5%
Net Profit Margin	14.6%	29.4%	21.6%	704	-779	25.8%	22.8%	14.6%

FABS estimate & Co Data

4Q24 preview: Dubai Taxi Company (DTC)

Robust revenue growth across segments to boost profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.84	AED 3.00	+5.6%	HOLD

4Q24 estimate

Dubai Taxi Company PJSC (DTC/the Company) is expected to record a 29.2% YOY increase in net profit to AED 101 Mn in 4Q24 due to an expected growth in revenue and a decrease in impairment loss on finance, partially offset by an increase in operating cost, general and administrative and income tax expenses. The Company's revenue is estimated to grow 14.6% YOY to AED 618 Mn in 4Q24 owing to an expansion of the taxi fleet and contract volumes. Operating cost is expected to grow 11.9% YOY to AED 375 Mn in 4Q24. The plate and License fee is estimated to rise 6.4% YOY to AED 82 Mn in 4Q24. Thus, the Company's gross profit is estimated to grow from AED 127 Mn in 4Q23 to AED 161 Mn in 4Q24 with a 246 bps YOY growth in the gross profit margin to 26.0%. G&A expenses are forecasted to increase from AED 20 Mn in 4Q23 to AED 29 Mn in 4Q24, whereas other income is estimated to decrease 17.7% YOY to AED 13 Mn in 4Q24. Thus, operating profit is expected to grow 32.5% YOY to AED 131 Mn in 4Q24. The operating profit margin is forecasted to improve from 18.3% in 4Q23 to 21.2% in 4Q24. EBITDA is expected to increase from AED 133 Mn in 4Q23 to AED 161 Mn in 4Q24. EBITDA margin is projected to rise 132 bps YOY to 26.0% in 4Q24. Furthermore, DTC's finance income is anticipated to reverse from negative 3 Mn in 4Q23 to positive 3 Mn in 4Q24 and finance cost is expected to increase 16.6% YOY to AED 16 Mn in 4Q24. Furthermore, staff bonus is likely to rise 26.5% YOY to AED 5 Mn in 4Q24. In addition, income tax expense is anticipated to reach AED 12 Mn in 4Q24.

2024 forecast

DTC's net profit is expected to inch up 0.8% YOY to AED 348 Mn in 2024 primarily due to an estimated rise in revenue and finance income partially offset by an increase in operating and finance costs. The Company's revenue is forecasted to rise 13.4% YOY to AED 2,215 Mn in 2024 attributable to an increase in revenue from the Taxi, Limousine, and Bus segment. DTC's operating cost is estimated to increase 12.7% YOY to AED 1,357 Mn in 2024. The plate and license fee are estimated to rise 4.7% YOY to AED 324 Mn in 2024. Thus, gross profit is expected to increase 21.5% YOY to AED 534 Mn in 2024. Gross profit margin is anticipated to rise from 22.5% in 2023 to 24.1% in 2024. Other income is anticipated to decrease 17.9% YOY to AED 42 Mn in 2024. Moreover, G&A expenses are estimated to increase 51.1% YOY to AED 111 Mn in 2024. Impairment is projected to decline significantly from AED 44 Mn in 2023 to AED 11 Mn in 2024. Thus, operating profit is likely to rise 21.8% YOY to AED 453 Mn in 2024. EBITDA is estimated to increase 21.0% YOY to AED 593 Mn in 2024. On the other hand, finance income is expected to rise more than double from AED 7 Mn in 2023 to AED 15 Mn in 2024. Similarly, finance cost is anticipated to increase significantly from AED 16 Mn in 2023 to AED 63 Mn in 2024 due to higher interest rates. The staff bonus is anticipated to grow 11.9% YOY to AED 20 Mn in 2024. DTC is expected to record tax expense of AED 36 Mn in 2024.

3Q24 Outturn

DTC's revenue rose 11.0% YOY to AED 507 Mn in 3Q24 owing to growth across taxi, buses, and delivery bikes segments partially offset by a decline in revenue from the Limousine segment. Revenue from the Taxi segment rose 10.2% YOY to AED 453 Mn in 3Q24 mainly due to the increased number of trips and trip length, expansion in the fleet, higher tariffs, and rise in utilization rate. Limousine segment revenue fell 3.6% YOY to AED 27 Mn in 3Q24. DTC recorded a 5.0% YOY increase in the Taxi and Limousines segment trips that reached 12.2 Mn during 3Q24, out of which the taxi segment accounted for 12.0 Mn trips. The revenue from the Bus segment rose significantly 31.0%

YOY to AED 16 Mn in 3Q24 owing to an increase in fleet size and the signing of new service contracts. Similarly, the Company's delivery bike segment revenue almost doubled from AED 6 Mn in 3Q23 to AED 12 Mn in 3Q24 mainly due to an increase in fleet size and signing of new commercial agreements. DTC's delivery bike fleet increased substantially to 1,544 in 3Q24 from 1,168 in the previous quarter. On the other hand, operating costs rose 14.4% YOY to AED 319 Mn in 3Q24 mainly due to a substantial rise in staff costs, insurance expenses, and vehicle surveillance hosting charges. Thus, the Company's gross profit increased 5.9% YOY to AED 107 Mn in 3Q24. DTC's G&A expenses rose 67.8% YOY to AED 29 Mn in 3Q24 while other income rose from AED 4 Mn in 3Q23 to AED 8 Mn in 3Q24. In addition, the Company recorded an impairment charge of AED 3 Mn in 3Q24 compared to AED 4 Mn in 3Q23. The operating profit fell 1.7% YOY to AED 82 Mn in 3Q24 due to higher depreciation and G&A expense owing to the addition of new vehicles. DTC's EBITDA grew 6.4% YOY to AED 123 Mn in 3Q24. The EBITDA margin stood at 24.2% in 3Q24 compared to 25.3% in 3Q23. Furthermore, DTC's finance income rose from AED 2 Mn in 3Q23 to AED 4 Mn in 3Q24, while finance cost recorded a sharp rise from AED 1 Mn in 3Q23 to AED 16 Mn in 3Q24. Staff bonus fell 3.5% YOY to AED 4 Mn in 3Q24. In addition, the Company incurred an income tax charge of AED 6 Mn in 3Q24 owing to the introduction of UAE corporate tax.

Target price and recommendation

We revise our rating on Dubai Taxi Company from ACCUMULATE to HOLD with unchanged target price of AED 3.00. DTC's added 44 taxis' in 9M24 reaching a fleet of 5,660 vehicles in while the Limousine fleet increased to 437 vehicles. Similarly, the Company's bus fleet rose to 1,152 vehicles including 20 leased busses. Rising student population in Dubai led to higher volumes in the Bus segment in 3Q24. The delivery bike fleet expanded by 800 vehicles in 9M24 to 1,544 vehicles owing to partnerships with leading aggregators. Consequently, DTC's driver population rose 17% YOY to 18,000 drivers during 9M24. Moreover, the Company won 300 new licence plates at the RTA auction in 3Q24 expanding the taxi market share to 46%. The additional taxis bagged in the recent RTA auction will add AED 100 Mn in annual revenue while 25% of the new licences will be allocated to electric taxis. The fleet expansion ensures robust revenue visibility. Furthermore, DTC recently entered into a strategic partnership with Bolt, a global shared mobility platform. Bolt is launching its e-hailing platform in Dubai, while DTC will exclusively offer e-hailing services for 20 years in the UAE. Additionally, DTC also signed commercial agreements with e-commerce and delivery aggregators like Talabat, Noon, and Careem. The Company is expanding the bus service for large corporates. DTC is also exploring inorganic growth opportunities to expand its footprint and leverage on the positive macro-economic factors in the country. The Company's taxi and limousine fleet is now more efficient as it comprises either hybrid or electric vehicles coupled with the shift towards owned buses from leased buses. Thus, considering the abovementioned factors, we assign a HOLD rating on the stock.

DTC -Relative Valuation

(at CMP)	2022	2023	2024
PE(X)	NA	20.6	20.4
PB(X)	NA	23.1	16.5
EV/EBITDA	NA	15.8	13.2
Dividend yield	NA	1.0%	4.4%

FABS estimate & Co Data

Note – Dubai Taxi Company was listed on DFM in Dec 2023. Thus, the financial multiple for the prior period is unavailable

DTC – P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	540	507	618	14.6%	21.9%	1,954	2,215	13.4%
Operating cost	-335	-319	-375	11.9%	17.3%	-1,205	-1,357	12.7%
Plate & license fee	-77	-81	-82	6.4%	2.1%	-310	-324	4.7%
Gross profit	127	107	161	26.5%	50.3%	439	534	21.5%
Other Income	16	8	13	-17.7%	75.9%	51	42	-17.9%
General and Administrative Expenses	-20	-29	-29	44.2%	-2.1%	-73	-111	51.1%
Impairment Loss on Financial Assets	-25	-3	-14	-41.2%	NM	-44	-11	-75.1%
Operating profit	99	82	131	32.5%	59.9%	372	453	21.8%
EBITDA	133	123	161	NM	NM	491	593	21.0%
Finance Income	-3	4	3	NM	-30.0%	7	15	98.4%
Finance Cost	-14	-16	-16	16.6%	0.3%	-16	-63	NM
Staff Bonus	-4	-4	-5	26.5%	24.9%	-18	-20	11.9%
Earning Before Tax and Staff Bonus	78	66	113	44.3%	71.3%	345	385	11.4%
Income Tax	0	-6	-12	NM	NM	0	-36	NM
Profit to shareholders	78	60	101	29.2%	69.1%	345	348	0.8%

FABS estimate & Co Data

DTC -Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	23.6%	21.1%	26.0%	246	493	22.5%	24.1%	160
EBITDA	24.7%	24.2%	26.0%	132	181	25.1%	26.8%	167
Operating Profit	18.3%	16.2%	21.2%	287	505	19.1%	20.5%	141
Net Profit	14.5%	11.8%	16.3%	185	456	17.7%	15.7%	-196

FABS estimate & Co Data

FAB Securities Contacts

Research AnalystAhmad Banihani +971-2 -6161629 ahmad.banihani@Bankfab.com**Sales & Execution**Trading Desk Abu Dhabi Head Office +971-2 -6161777
+971-2 -6161700/1
Institutional Desk +971-4 -5658395
Sales and Marketing +971-2 -6161703**Customer Service**Abu Dhabi Office +971-2 -6161600 [Online Trading Link](#)**DISCLAIMER**

This report has been prepared by FAB Securities (FABS), which is authorized by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.