

Aramex PJSC

Higher direct cost and operating expenses impacted the bottom-line

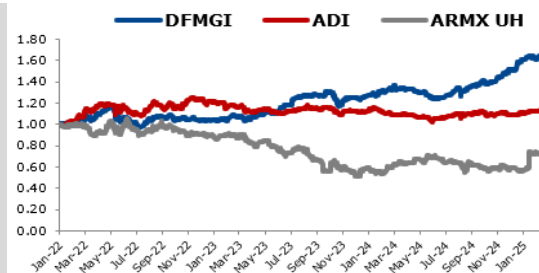
Current Price
AED 2.82

Target Price
AED 3.10

Upside/Downside (%)
+9.9%

Rating
HOLD

- The Company's Domestic Express volume rose 16.5% YOY to 31 Mn shipments in 4Q24, whereas International Express volume declined 6.0% YOY to 7.2 Mn shipments in 4Q24.
- Free cash flow grew significantly from AED 9 Mn in 4Q23 to AED 21 Mn in 4Q24.
- Net debt fell from AED 525 Mn in 3Q24 to AED 424 Mn in 4Q24 with a reported net debt to EBITDA ratio of 2.9x.
- The Company aims to add 40,000–50,000 sq. meters of high-roof warehouses, facilitating mezzanine racking systems to accommodate rising e-commerce nearshoring demand.



4Q24 Net Profit lower than our estimate

Aramex PJSC (Aramex/the Company) net profit declined 22.5% YOY to AED 58 Mn in 4Q24, lower than our estimate of AED 65 Mn. The decline in net profit is mainly attributable to higher direct costs, increased selling and marketing expenses, and administrative expenses partially offset by strong revenue growth and reversals of impairments on financial assets.

P&L Highlights

Aramex's top line rose 11.2% YOY to AED 1,695 Mn in 4Q24, driven by volume inflows from old and new customers and strong contributions across all segments. The Company's Freight Forwarding segment saw a 21.0% YOY growth in revenue to AED 464 Mn in 4Q24, attributed to growing volumes across all lines. The combined revenue of the International and Domestic Express segment grew 7.7% YOY to AED 1,096 Mn in 4Q24, owing to the strong contribution from the Domestic segment. International Express revenue reported a 6.6% YOY decline to 7.2 Mn shipments in terms of volume in 4Q24. The Domestic Express volumes grew 16.5% YOY to 31 Mn in 4Q24, primarily due to increased growth from GCC, MENAT region and demand for local warehousing. The Company recorded the ongoing shift of volumes from international to domestic express, driven by the nearshoring trend. The Contract logistics segment achieved a revenue growth of 10.7% YOY to AED 123 Mn in 4Q24, driven by increasing customer base and warehousing capacity. Cost of services grew 14.2% YOY to AED 1,297 Mn in 4Q24. Thus, gross profit rose 2.5% YOY to AED 399 Mn in 4Q24. However, gross profit margin declined 199 bps YOY to 23.5% in 4Q24, primarily due to the increased pressure and competition in the Freight Forwarding Segment. Selling and marketing expenses grew 7.2% YOY to AED 86 Mn in 4Q24. Administrative expenses increased 10.8% YOY to AED 236 Mn in 4Q24. The Company recorded an impairment reversal of AED 19 Mn

Stock Information

Market Cap (AED, Mn)	4,128.76
Paid Up Capital (Mn)	1,464.10
52 Week High	2.93
52 Week Low	2.10
3M Avg. daily value (AED)	9,072,299

4Q24 Result Review (AED, Mn)

Total Assets	5,726
Total Liabilities	3,202
Total Equity	2,524
EBITDA	176
Net Profit	58

Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	30.35
Price-to-Book Ratio (x)	1.63
Book Value (AED)	1.72
Return-on Equity (%)	5.70

Stock Performance

5 Days	-0.70%
1 Months	-1.05%
3 Months	27.03%
6 Months	17.50%
1 Year	21.03%
Month to Date (MTD%)	-0.35%
Quarter to Date (QTD%)	28.18%
Year to Date (YTD%)	28.18%

in 4Q24, compared to an impairment loss of 4 Mn in 4Q23. The Company also recorded other expenses of AED 6 Mn in 4Q24 compared to other income of AED 15 Mn in 4Q23. Operating profit declined 16.0% YOY to AED 89 Mn in 4Q24. Operating profit margin declined by 171 bps YOY to 5.3% in 4Q24, as operating profit in 4Q23 had benefited from a one-time AED 15 Mn settlement. Furthermore, total EBITDA fell 10.7% YOY to AED 176 Mn in 4Q24. EBITDA margins fell 254 bps YOY to 10.4% in 4Q24. Finance income fell from AED 3 Mn in 4Q23 to AED 1 Mn in 4Q24, while finance costs declined 10.2% YOY to AED 29 Mn in 4Q24. The share of results from joint ventures and associates rose to AED 2 Mn in 4Q24 compared to AED 1 Mn in 4Q23. Income tax expenses saw a rise from AED 1 Mn in 4Q23 to AED 4 Mn in 4Q24, owing to the introduction of corporate tax in the UAE. Profit attributable to non-controlling interest accounted to AED 1.0 Mn in 4Q24 compared to AED 0.3 Mn in 4Q23.

Balance Sheet Highlights

Aramex gross debt declined from AED 973 Mn in 3Q24 to AED 937 Mn in 4Q24. The net debt reduced significantly from AED 525 Mn in 3Q24 to AED 424 Mn in 4Q24. The Company's cash and cash equivalents grew from AED 447 Mn in 4Q24 to AED 513 Mn in 4Q24. Aramex generated AED 195 Mn in cash flow from operating activities in 4Q24 compared to AED 129 Mn in 3Q24. Free cash flow grew significantly from AED 9 Mn in 4Q23 to AED 21 Mn in 4Q24.

Target Price and Rating

We maintain our HOLD rating on Aramex with an unchanged target price of AED 3.10. Aramex demonstrated strong top-line growth in 4Q24, driven by consistent volume growth across all segments. Aramex is observing a significant industry shift, with e-tailers and brands moving inventories closer to demand centres and end customers in domestic markets. This is significantly driving higher Domestic Express volumes, increased demand for warehousing and fulfilment services, and growth in International Express and Freight Forwarding volumes. The Company's Domestic Express volume rose 16.5% YOY to 31 Mn shipments in 4Q24, whereas International Express volume declined 6.0% YOY to 7.2 Mn shipments in 4Q24. The Company anticipates continued strong growth in Domestic Express in 1H25, driven by the increasing impact of nearshoring. Aramex also plans to increase its warehousing capacity as it has reached full utilization levels in the logistics segment in Egypt and Morocco and near full capacity in UAE and Saudi Arabia. Additionally, the Company aims to add 40,000–50,000 sq. meters of high-roof warehouses, facilitating mezzanine racking systems to accommodate rising e-commerce nearshoring demand. The Company's strategic expansion of warehouse capacity in its core markets is expected to drive volume growth going forward. Aramex also continues to gain market share across the GCC and MENAT regions, benefiting from economies of scale, which are expected to drive margin improvements. The Company also remains well-positioned with a strong cash balance of AED 513 Mn and a reported net debt-to-EBITDA ratio of 2.9x in 2024, which is expected to support its plans for expansion and growth. Aramex also received a conditional cash offer from Q logistics to acquire 100% of issued and paid-up capital, which was also endorsed by the board of directors. The results of the offer will be announced on March 14, 2025, and the unconditional date is expected in 3Q25, subject to regulatory approvals and offer conditions. Thus, based on our analysis, we maintain our HOLD rating on the stock.

Aramex - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	15.5	18.3	25.0	31.9	29.1	24.2
PB (x)	1.5	1.5	1.6	1.7	1.6	1.6
EV/EBITDA	5.0	5.5	7.5	7.5	7.0	7.1
Dividend yield	5.9%	4.6%	4.6%	3.4%	NA	NA

FABS Estimates & Co Data

Aramex – P&L

AED mm	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Rendering of Services	1,524	1,592	1,695	1,588	6.7%	11.2%	6.5%	5,694	6,324	11.1%
Cost of Services	-1,135	-1,219	-1,297	-1,179	10.0%	14.2%	6.3%	-4,267	-4,812	12.8%
Gross profit	389	373	399	410	-2.7%	2.5%	6.8%	1,427	1,512	6.0%
Selling and Marketing Expenses	-81	-89	-86	-87	-0.8%	7.2%	-3.0%	-308	-340	10.3%
Administrative Expenses	-213	-221	-236	-226	4.5%	10.8%	6.5%	-845	-893	5.7%
Impairment loss on fin. assets	-4	-2	19	-4	NM	NM	NM	-20	7	NM
Other income, net	15	8	-6	5	NM	NM	NM	13	11	-19.2%
Operating profit	106	68	89	98	-8.8%	-16.0%	30.9%	267	297	11.3%
EBITDA	197	157	176	157	12.2%	-10.7%	11.9%	628	650	3.6%
Finance Income	3	1	1	3	-54.4%	-56.0%	NM	8	5	-42.7%
Finance Costs	-33	-30	-29	-29	-0.4%	-10.2%	-2.3%	-128	-121	-5.6%
Share of results of JVs	1	-1	2	4	-43.2%	NM	NM	6	3	-54.5%
Profit before Income Tax	78	38	64	75	-15.6%	-18.2%	65.3%	152	183	20.0%
Income Tax Expense	-1	-11	-4	-11	-62.6%	NM	-63.6%	-23	-46	101.7%
Profit for the period	77	27	59	64	-7.7%	-22.9%	117.7%	130	137	5.7%
NCI	-2	0	-1	1	NM	NM	NM	-1	-2	NM
Profit attributable	75	27	58	65	-10.5%	-22.5%	116.6%	129	135	5.1%

FABS estimate & Co Data

Aramex - Margins

	4Q23	3Q24	4Q24	YOY Ch.	QOQ Ch.	2023	2024	Change
Gross Profit	25.5%	23.4%	23.5%	-199	9	25.1%	23.9%	-115
EBITDA margin	12.9%	9.9%	10.4%	-254	50	11.0%	10.3%	-74
Operating Profit	7.0%	4.3%	5.3%	-171	98	4.7%	4.7%	1
Net Profit	4.9%	1.7%	3.4%	-149	175	2.3%	2.1%	-12

FABS estimate & Co Data

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	3.50	70.0%	2.45
Relative Valuation (RV)	2.18	30.0%	0.65
Weighted Average Valuation (AED)			3.10
Current market price (AED)			2.82
Upside/Downside (%)			+9.9%

1) DCF Method:

Aramex is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 9.0%. 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 5.7%, beta of 1.05 and equity risk premium of 4.0%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk free rate. 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)	1,918
Terminal value (AED, Mn)	4,570
FV to Common shareholders (AED, Mn)	5,120
No. of share (Mn)	1,464
Current Market Price (AED)	2.82
Fair Value per share (AED)	3.50

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	244	282	304	320	333
D&A	345	350	353	363	368
Change in working capital	-3	-66	84	66	-42
(-) Capex	-143	-166	-174	-179	-184
Free Cash Flow to Firm (FCFF)	443	400	567	570	475
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Discounted FCFF	412	341	444	409	313

Source: FAB Securities

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 2025 EV/EBITDA multiple of 7.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
The Sumitomo Warehouse Co Ltd	1,418	10.9	10.4	11.1	16.5
Gulf Warehousing Co QPSC	485	6.6	6.3	9.4	7.8
Jiayou International Logistics Co., Ltd.	2,146	7.6	5.8	10.0	7.6
Kamigumi Co., Ltd.	2,230	6.2	6.0	13.0	13.2
SEINO Holdings Ltd	2,502	7.1	6.1	17.7	13.9
Average		7.7x	6.9x	12.2x	11.8x
Median		7.1x	6.1x	11.1x	13.2x
Max		7.6x	6.3x	13.0x	13.9x
Min		6.6x	6.0x	10.0x	7.8x

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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