

## UAE Transportation Sector – June 2025

Fleet Expansion & Tourism Boost to Support Margins Amid Regional Uncertainty

Sector Weighting:  
**MARKET WEIGHT**

We maintain a positive outlook on the UAE's transportation sector, with a favourable stance on DTC and a continued recommendation to stay invested in Aramex, both are well-positioned to capitalize on the sector's strong growth momentum supported by a surge in tourism and favourable macroeconomic conditions. However, we retain a neutral view on Air Arabia, given the prevailing global uncertainties, particularly the geopolitical tensions between Iran and Israel, which could dampen travel demand and lead to broader geopolitical disruptions. Air Arabia sustained a healthy seat load factor of 84.0% in 1Q25, benefiting from strong air passenger demand. The airline carried 4.9 Mn passengers, showing a 10.9% YOY increase in pax across all hubs compared to 1Q24. Air Arabia also continued the expansion of its route network by introducing seven new routes, increasing the total number of destinations served to 217 across the UAE, Morocco, Egypt, and Pakistan in 1Q25. In January 2025, the airline added two new Airbus A320S to boost its fleet capacity and now operates with 83 aircraft as of 1Q25. However, the recent market concerns over rising fuel prices and weakening travel sentiment may impact the airline's performance in the short term. DTC reported strong performance in 1Q25, with revenue growth primarily driven by an increase in the number of trips and an expanded fleet across all vehicle segments. The Company's fleet size grew 26.0% YOY to 9,872 vehicles in 1Q25, while total trips increased from 11.8 Mn in 1Q24 to 12.8 Mn in 1Q25. The Company's trips per vehicle declined YOY in 1Q25, primarily due to the phased deployment of the newly added fleet, as not all 250 taxis were operational from 1 January 2025. However, DTC expects the full impact of this ramp-up to be reflected in 2Q25 and 3Q25. DTC also expects the expenses on promotional discounts to reduce in the subsequent quarters, which is expected to support margin improvement and bottom-line growth. DTC signed a 5-year exclusive partnership with Dubai Airports to be the exclusive provider of taxi services at Dubai International (DXB) and Dubai World Central - Al Maktoum International (DWC), which underpins the Company's position as a dominant player in Dubai's transportation sector and ensures revenue visibility. DTC is also well-positioned to benefit from Dubai's strong economic momentum, rising population, and growing tourism sector. Aramex is witnessing a nearshoring impact, as e-tailers and brands increasingly relocate their inventories closer to demand hubs and end consumers within domestic markets. This trend is fuelling strong growth in the Company's Domestic Express volumes as it grew 8.0% YOY to 28.3 Mn in 1Q25. Additionally, Aramex's warehousing operations are running near full capacity, reflecting strong demand driven by this shift. The Company expects sustained growth in its Domestic Express segment through 1H25, supported by the accelerating shift toward nearshoring. To further enhance agility and operational efficiency, Aramex launched its Accelerate28 transformation initiative in 1Q25, which involves restructuring operations from eight regions into four. The program is focused on improving pricing strategies and optimizing cost structures, and is expected to support revenue growth and profitability in the coming quarters.

Stock (In AED)	Target Price	CMP	Gain	Rating	P/E <sup>1</sup>	EV/EBITDA <sup>1</sup>	Dividend Yield <sup>1</sup>
Air Arabia	3.50	3.44	+2%	HOLD	10.73	5.31	8.7%
Aramex	3.10	2.73	+14%	ACCUMULATE	30.16	6.93	NA
Dubai Taxi Company	3.00	2.50	+20%	BUY	17.63	11.22	4.8%

Source: FABS Estimate, <sup>1</sup>Data refers to FY2025

## **Key Developments in the Transportation Sector**

### **Passenger traffic growth in 1Q25 boosted the UAE tourism and hospitality sector**

According to the Central Bank of the UAE, airports across the country recorded robust passenger traffic in 1Q25, reinforcing the nation's status as a leading global aviation hub. Dubai International Airport (DXB) welcomed 23.4 Mn passengers in 1Q25, marking a 1.5% YOY increase. Despite the modest growth, the airport set a new record for the period, maintaining its strong momentum and reaffirming its position as one of the world's busiest international hubs. In January 2025, DXB achieved a historic milestone, handling 8.5 Mn passengers, representing the highest monthly traffic volume ever recorded at the airport. Dubai alone welcomed 5.3 Mn international visitors in 1Q25, a 3% YOY rise from 1Q24. The hospitality sector continued to show resilience, with the hotel average occupancy rate rising to 83% in April 2025, up from 81% in April 2024. According to preliminary data from the Department of Culture and Tourism – hotels across the UAE hosted approximately 531,000 guests in March 2025. The average revenue per available room (RevPAER) reached AED 614 during the period. According to IATA, global air travel demand grew by 5.0% YOY in May 2025. The global air cargo capacity, measured in Available Cargo Tonne-Kilometers (ACTK) increased by 2.2% YOY in May 2025.

### **Transport Sector Faces New Challenges as Oil Prices Swing**

Brent crude oil prices fluctuated in the bandwidth of USD 77 to USD 60 per barrel in 2Q25, ultimately trading at USD 68 per barrel on June 24, 2025 marking a 10.1% QTD decline. In April, prices fell sharply by 15.5% MOM, closing at USD 63.12 per barrel on April 30. Early-April declines were triggered by US tariff announcements that dampened global fuel demand expectations, intensified by OPEC+ production increase plans. Oil prices experienced a further drop due to escalated US-China trade tensions. However, prices temporarily rebounded mid-month due to US tariff exemptions and rising Chinese crude imports. However, April ended with declines due to increased global supply, and a potential Russia-Ukraine ceasefire. In May, Brent prices stabilized, rising 1.2% MOM to USD 63.90 per barrel. Oil prices dipped slightly at the start of May due to expectations of more crude supply. However, prices recovered as China showed interest in trade talks and a new US-UK trade deal helped ease fears of an economic slowdown. However, the rise in prices slowed down in the second half of the month due to the strengthening of the US dollar, and markets expected OPEC+ to increase production. Crude oil prices began rising at the start of June 2025, driven by renewed trade negotiations between the US and China, which supported market optimism. Additionally, heightened geopolitical tensions, particularly the escalating Israel-Iran conflict, further pushed Brent prices above USD 75 per barrel. Concerns over a potential supply disruption surged when Iran threatened to block the Strait of Hormuz in retaliation for US strikes, intensifying fears of a major oil supply chain disruption. However, the perceived risk eased as Iran's response remained restrained and diplomatic discussions resumed. Consequently, oil prices fell sharply, dropping below USD 68 per barrel by June 24, 2025.

### **Global air cargo demand increased in April 2025**

Global air cargo demand recorded robust growth in April 2025, signaling continued recovery in international trade and logistics. Industry-wide air cargo volumes increased 5.8% YOY, while seasonally adjusted CTK rose 2.3% MOM, supported by front-loading of cargo shipments, especially in Asia Pacific and Latin America, ahead of the US tariff policy change implemented in May 2025.

International CTK, which makes up over 87% of total cargo traffic, grew 6.5% YOY, led by Latin America and the Caribbean, and Asia Pacific, supported by strong intra-Asia and transpacific trade. Other regions including the Middle East and Africa also rebounded to positive YOY growth for the first time in 2025, indicating a broad-based recovery in cargo activity. Global cargo capacity increased 6.3% YOY, reaching an all-time high of 52.4 Bn ACTKs, supported by a continued rise in both belly-hold and dedicated freighter capacity. Despite this, the Cargo Load Factor declined slightly by 0.2 percentage points YOY to 43.9% in April, as capacity growth slightly outpaced demand. Jet fuel prices fell sharply by 21.2% YOY and 4.1% MOM, driven by lower crude oil prices (Brent averaged USD 67.8/barrel in April 2025) amid oversupply and lifted OPEC production limits. The global manufacturing activity measured by the PMI fell 1.7% YOY to 50.5 in April 2025, owing to a decline in global new export orders. The export orders PMI, an indicator of international trade, dropped 2.8 bps to 47.2 in April 2025.

### **Flynas Debuts on Riyadh Exchange with SAR 4.1 Bn IPO Amid Regional Tensions**

Saudi Arabia's budget airline flynas debuted on the Riyadh Stock Exchange, marking a milestone for the Kingdom's aviation sector. The IPO followed years of strategic planning and capitalized on the sector's strong post-pandemic rebound. With its listing, flynas became the third Gulf-based airline to go public following the UAE's Air Arabia and Kuwait's Jazeera Airways and the first regional airline to list in nearly two decades. The offering was priced at SAR 80 per share, the top end of the marketed range, reflecting robust investor interest. Through the sale of 51.3 Mn shares, representing 30% of its share capital, the Company raised approximately SAR 4.1 Bn. On June 18, 2025, flynas shares began trading, initially opening at SAR 84.10 before falling to an intraday low of SAR 69.90 and eventually closing 3% below the IPO price at SAR 77.30. Despite the turbulent start, the IPO was deemed a success. The listing came amid rising geopolitical tensions in the region, including airspace restrictions and airport shutdowns due to escalating conflict between Iran and Israel, posing additional challenges for the aviation sector.

## **Content:**

Key Developments in the Transportation Sector.....	2
<b>2Q25 Preview: Aramex PJSC .....</b>	<b>5</b>
<b>2Q25 preview: Air Arabia.....</b>	<b>8</b>
<b>2Q25 preview: Dubai Taxi Company.....</b>	<b>11</b>
FAB Securities Contacts .....	14

## 2Q25 Preview: **Aramex PJSC**

Nearshoring impact to drive Domestic volume upside

Current Price AED 2.73	Target Price AED 3.10	Upside/Downside (%) +14%	Rating <b>ACCUMULATE</b>
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### 2Q25 estimate

Aramex's (Aramex/ The Company) net profit is expected to increase from AED 3 Mn in 2Q24 to AED 25 Mn in 2Q25, mainly due to an estimated increase in revenue, decline in administrative expenses, finance costs and tax expenses, partially offset by growth in cost of services, S&M expenses, and lower other and finance income. Aramex's revenue is projected to grow 2.2% YOY to AED 1,529 Mn in 2Q25, owing to an anticipated increase in revenue across all segments. On the other hand, the Company's cost of services is expected to grow 1.9% YOY to AED 1,173 Mn in 2Q25. Thus, gross profit is likely to expand 3.2% YOY to AED 356 Mn in 2Q25. Furthermore, the Company's S&M expenses are predicted to rise 2.6% YOY to AED 86 Mn in 2Q25. Meanwhile, administrative costs are anticipated to fall by 1.3% YOY to AED 214 Mn in 2Q25. Similarly, other income is forecasted to fall 7.6% YOY to AED 6 Mn in 2Q25. As a result, operating profit is likely to increase 33.5% YOY to AED 63 Mn, with the operating profit margin expected to rise 96 bps YOY to 4.1% in 2Q25. The Company's EBITDA is estimated to increase 10.3% YOY to AED 149 Mn, while EBITDA margin is expected to expand 71 bps YOY to 9.7% in 2Q25. Aramex's finance income is expected to decrease 3.3% YOY to AED 2 Mn, while finance costs is estimated to decline 4.3% YOY to AED 29 Mn in 2Q25. The Company's tax expense is forecasted to fall 29.5% YOY to AED 11 Mn in 2Q25.

### 2025 forecast

Aramex's net profit is expected to decrease 2.2% YOY to AED 133 Mn in 2025, primarily due to estimated increase in cost of services, S&M and administrative expenses and higher tax expense, partially offset by growth in revenue, other income, coupled with higher finance income and lower finance costs. Aramex's revenue is forecasted to rise 5.9% YOY to AED 6,695 Mn in 2025, attributed to an anticipated increase in revenue across all its business segments. Similarly, the company's cost of services is predicted to grow 6.2% YOY to AED 5,108 Mn in 2025. Thus, gross profit is expected to expand 4.9% YOY to AED 1,587 Mn in 2025. The Company's S&M expenses are estimated to grow 6.3% YOY to AED 362 Mn, while administrative expenses are anticipated to increase 4.2% YOY to AED 931 Mn in 2025. Other income is projected to grow 5.9% YOY to AED 11 Mn in 2025. Thus, operating profit is anticipated to increase marginally 0.9% YOY to AED 299 Mn in 2025. While operating profit margin is likely to fall 22 bps YOY to 4.5% in 2025. Similarly, Aramex's EBITDA is forecasted to decline 1.0% YOY to AED 644 Mn, with a decline in EBITDA margin of 67 bps YOY to 9.6% in 2025. The Company's finance income is predicted to rise 5.9% YOY to AED 5 Mn, and finance cost is anticipated to decline 15.0% YOY to AED 103 Mn in 2025. Aramex's income tax expense is estimated to grow from AED 46 Mn in 2024 to AED 66 Mn in 2025.

### 1Q25 Outturn

Aramex's top line rose 1.4% YOY to AED 1,563 Mn in 1Q25, driven by growth across the Domestic Express, Freight Forwarding and Logistics segment, partially offset by a decline in the International Express segment. The Company's Freight Forwarding segment saw an 8.6% YOY growth in revenue to AED 433 Mn in 1Q25, attributed to growing volumes across all lines. The revenue of the courier segment declined 3.4% YOY to AED 991 Mn in 1Q25. International Express volume reported a 17.9% YOY decline to AED 6.4 Mn shipments in terms of volume in 1Q25. However, the Domestic Express volumes grew 8.0% YOY to AED 28.3 Mn in 1Q25, mainly due to increased 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 20.6% YOY to AED 129 Mn in 1Q25, driven by increasing client contracts, warehousing capacity

and utilization. Other service revenue grew 11.3% YOY to AED 11 Mn in 1Q25. Cost of services grew 4.6% YOY to AED 1,198 Mn in 1Q25, mainly driven by higher costs incurred to expand capacity in key markets in response to growing volumes. Thus, gross profit declined 7.8% YOY to AED 365 Mn in 1Q25, owing to a change in product mix. Gross profit margin also declined 233 bps YOY to 23.3% in 1Q25. Selling and marketing expenses grew 8.2% YOY to AED 88 Mn in 1Q25. Administrative expenses declined 0.3% YOY to AED 218 Mn in 1Q25. The Company's impairment charges declined from AED 6 Mn in 1Q24 to AED 4 Mn in 1Q25. Other income increased from AED 3 Mn in 1Q24 to AED 6 Mn in 1Q25. Operating profit declined 34.1% YOY to AED 61 Mn in 1Q25. Operating profit margin declined 210 bps YOY to 3.9% in 1Q25. Furthermore, total EBITDA fell 18.9% YOY to AED 147 Mn in 1Q25. EBITDA margins fell 236 bps YOY to 9.4% in 1Q25. Finance income grew 7.4% YOY to AED 1 Mn in 1Q25, while finance costs declined 11.9% YOY to AED 28 Mn during the same period. The share of results from joint ventures and associates declined from AED 1 Mn in 1Q24 to AED 0.1 Mn in 1Q25. The Company also incurred other non-operating expenses of AED 8 Mn in 1Q25 related to legal and consultancy fees associated with the Q Logistics acquisition offer. Aramex recorded tax expenses of AED 9 Mn in 1Q25, with the effective tax rate rising to 33.0%, primarily due to the introduction of domestic income tax in certain GCC countries and a shift in the profit mix toward higher-tax jurisdictions. Profit attributable to non-controlling interest accounted to AED 1.0 Mn in 1Q25 compared to AED 0.2 Mn in 1Q24.

#### **Target price and recommendation**

We maintain our ACCUMULATE rating on Aramex with a target price of AED 3.10. Aramex's share price declined 2.2% since our last rating (May 2025). Aramex recorded a decline in profitability mainly due to higher direct costs, selling and marketing expenses, and other operating costs during 1Q25. Aramex continued to witness a shift in customer volumes from long-haul to short-haul trade routes amid the ongoing efforts by businesses to optimize supply chains by relocating inventory closer to key markets. As a result, the Company's International Express volume declined 17.9% YOY to AED 6.4 Mn shipments in terms of volume in 1Q25. Aramex further continues to experience the effects of nearshoring volume flows from existing customers during the 1H25. The Company's gross margins declined from 25.7% in 1Q24 to 23.3% in 1Q25, reflecting a shift in product mix, cost inflation, continued nearshoring volume flows, and higher direct costs from capacity expansion in key markets. Despite this short-term margin volatility from the evolving product mix, the Company recorded strong volume growth across domestic express and across all freight forwarding segments, alongside higher warehouse utilization. The Company is also expected to record strong growth in Domestic Express in 1H25, driven by the increasing impact of nearshoring. Moreover, Aramex is enhancing its competitive edge by investing in innovative solutions, including micro-fulfilment hubs and reverse logistics services. In 1Q25, Aramex launched the Accelerate28 transformation initiative, restructuring its operations from eight regions to four for greater agility. This program, which focuses on improving pricing and operational efficiencies, is expected to drive revenue growth and enhance profitability 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 545 Mn and a reported net debt-to-EBITDA ratio of 2.9x as of 1Q25, which is expected to support its plans for expansion and growth. Thus, based on our analysis, we maintain our ACCUMULATE rating on the stock.

#### Aramex -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	16.42	21.80	24.82	31.02	29.50	30.16
PB	1.49	1.50	1.59	1.62	1.59	1.57
EV/EBITDA	4.81	5.32	7.32	7.24	6.81	6.93
BVPS (AED)	1.838	1.820	1.714	1.681	1.719	1.737
EPS (AED)	0.166	0.125	0.110	0.088	0.093	0.091
DPS (AED)	0.165	0.130	0.130	0.095	0.000	0.000
Dividend yield	6.0%	4.8%	4.8%	3.5%	NA	NA

FABS Estimate & Co Data

#### Aramex - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Rendering of Services	1,496	1,563	1,529	2.2%	-2.2%	6,324	6,695	5.9%
Cost of Services	-1,151	-1,198	-1,173	1.9%	-2.1%	-4,812	-5,108	6.2%
<b>Gross profit</b>	<b>345</b>	<b>365</b>	<b>356</b>	<b>3.2%</b>	<b>-2.3%</b>	<b>1,512</b>	<b>1,587</b>	<b>4.9%</b>
Selling and Marketing Expenses	-83	-88	-86	2.6%	-2.3%	-340	-362	6.3%
Administrative Expenses	-217	-218	-214	-1.3%	-1.8%	-893	-931	4.2%
Net Impairment loss	-4	-4	0	NM	NM	7	-7	NM
Other income, net	7	6	6	-7.6%	5.9%	11	11	5.9%
<b>Operating profit</b>	<b>47</b>	<b>61</b>	<b>63</b>	<b>33.5%</b>	<b>2.9%</b>	<b>297</b>	<b>299</b>	<b>0.9%</b>
<b>EBITDA</b>	<b>135</b>	<b>147</b>	<b>149</b>	<b>10.3%</b>	<b>1.2%</b>	<b>650</b>	<b>644</b>	<b>-1.0%</b>
Finance Income	2	1	2	-3.3%	39.8%	5	5	5.9%
Finance Costs	-31	-28	-29	-4.3%	5.7%	-121	-103	-15.0%
Share of results of JV and assoc	0	0.1	0.0	NM	NM	3	5	NM
Other non-operating expenses	0	-8	0	NM	NM	0	-8	NM
<b>Profit before Income Tax</b>	<b>18</b>	<b>26</b>	<b>35</b>	<b>91.8%</b>	<b>32.9%</b>	<b>183</b>	<b>199</b>	<b>8.6%</b>
Income Tax Expense	-15	-9	-11	-29.5%	22.6%	-46	-66	43.2%
<b>Profit for the period</b>	<b>3</b>	<b>18</b>	<b>25</b>	<b>NM</b>	<b>37.8%</b>	<b>137</b>	<b>133</b>	<b>-2.9%</b>
NCI	0	-1	0	NM	NM	-2	-1	NM
<b>Profit attributable</b>	<b>3</b>	<b>17</b>	<b>25</b>	<b>NM</b>	<b>43.2%</b>	<b>135</b>	<b>133</b>	<b>-2.2%</b>

FABS estimate and Co data

#### Aramex - Margins

	2Q24	1Q25	2Q25F	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	23.1%	23.3%	23.3%	23	-3	23.9%	23.7%	-21
EBITDA	9.0%	9.4%	9.7%	71	33	10.3%	9.6%	-67
EBIT	3.1%	3.9%	4.1%	96	20	4.7%	4.5%	-22
Net Profit	0.2%	1.1%	1.6%	139	51	2.1%	2.0%	-16

FABS estimate and Co data



## 2Q25 preview: Air Arabia

Rising fuel costs and weakening travel demand to impact profitability

Current Price AED 3.44	Target Price AED 3.50	Upside/Downside (%) +2%	Rating HOLD
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### 2Q25 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to fall 22.8% YOY to AED 301 Mn in 2Q25, due to an expected increase in direct costs, S&M expenses, G&A expenses, finance costs, coupled with lower other income and higher tax charges, partially offset by growth in revenue, finance income, and higher share of equity profit accounted investments. The Company's revenue is projected to increase 8.5% YOY to AED 1,797 Mn in 2Q25. On the other hand, direct costs are estimated to increase by 16.6% YOY to AED 1,420 Mn in 2Q25. Thus, gross profit is likely to fall 13.9% YOY to AED 377 Mn in 2Q25. We also expect gross margins to decline 546 bps YOY to 21.0% in 2Q25. Moreover, AIRARABIA's selling and marketing expense is expected to increase 34.5% YOY to AED 29 Mn, while G&A expense is projected to grow 5.2% YOY to AED 74 Mn in 2Q25. AIRARABIA's EBITDA is predicted to decline 14.2% YOY to AED 443 Mn in 2Q25, and the EBITDA margin is expected to fall from 31.2% in 2Q24 to 24.7% in 2Q25. As a result, the Company's operating profit is likely to shrink 20.7% YOY to AED 275 Mn in 2Q25. We expect the operating margin to contract 565 bps YOY to 15.3% in 2Q25. Furthermore, the Company's finance income is expected to rise 5.4% YOY to AED 59 Mn, whereas finance cost is estimated to grow 12.7% YOY to AED 21 Mn in 2Q25. Other income is anticipated to decline from AED 39 Mn in 2Q24 to AED 27 Mn in 2Q25. Share of profit on equity account investment is expected to increase substantially from AED 5 Mn in 2Q24 to AED 11 Mn in 2Q25. We estimate the tax expense to increase 32.5% YOY to AED 49 Mn in 2Q25.

### 2025 forecast

Air Arabia's net profit is projected to grow by 2.0% YOY to AED 1,496 Mn in 2025, primarily driven by higher revenue. However, this growth will be partially offset by increased direct costs, operating expenses, and finance costs, along with a decline in finance and other income and a rise in tax expenses. Revenue is expected to grow 11.5% YOY to AED 7,400 Mn in 2025, driven by strong growth expected across the revenue segments. The Company's direct costs is forecasted to increase 10.8% YOY to AED 5,626 Mn in 2025. Thus, gross profit is anticipated to rise 13.5% YOY to AED 1,774 Mn in 2025. On the other hand, selling and marketing expenses are forecasted to grow 14.0% YOY to AED 118 Mn in 2025. Similarly, G&A expenses are estimated to rise 13.0% YOY to AED 311 Mn in 2025. EBITDA is forecasted to grow 10.1% YOY to AED 2,018 Mn, with EBITDA margin expected to fall 33 bps YOY to 27.3% in 2025. As a result, operating profit is projected to increase 13.6% YOY to AED 1,345 Mn in 2025. We anticipate the operating margin to grow 34 bps YOY to 18.2% in 2025. Furthermore, finance income is expected to decline 6.6% YOY to AED 234 Mn in 2025. In contrast, finance cost is forecasted to increase 1.6% YOY to AED 83 Mn in 2025. Other income is projected to decline 10.1% YOY to AED 118 Mn in 2025. AIRARABIA's share of profit on equity account investment is expected to rise marginally 0.8% YOY, to AED 126 Mn in 2025. Tax expense is forecasted to increase from AED 142 Mn in 2024 to AED 244 Mn in 2025.

### 1Q25 Outturn

Air Arabia's revenue grew 13.9% YOY to AED 1,755 Mn in 1Q25, primarily driven by a 10.9% YOY increase in the number of passengers across its operating hubs to 4.9 Mn in 1Q25 as well as a healthy seat load factor. The seat load factor stood at 84% in 1Q25. Moreover, AIRARABIA's direct cost rose 13.4% YOY to AED 1,382 Mn in 1Q25. Thus, gross profit grew 15.8% YOY to AED 373 Mn in 1Q25. Gross profit margin also expanded by 36 bps YOY to 21.2% in 1Q25. Air Arabia's selling and marketing expenses rose 5.9% YOY to AED 26 Mn in 1Q25. G&A expenses increased 5.9% YOY to AED 80 Mn in 1Q25. As a result, the Company's EBITDA grew 6.8% YOY to AED 415 Mn in 1Q25, mainly due to higher revenue. Moreover, the EBITDA margin decreased from 25.2% in 1Q24 to



23.6% in 1Q25. Operating profit rose 20.3% YOY to AED 267 Mn in 1Q25. Operating profit margin increased from 14.4% in 1Q24 to 15.2% in 1Q25. Air Arabia's finance income grew 5.5% YOY to AED 64 Mn, whereas finance cost declined from AED 25 Mn in 1Q24 to AED 17 Mn in 1Q25. Other income increased from AED 18 Mn in 1Q24 to AED 34 Mn in 1Q25. Share of profit from equity-accounted investments recorded to AED 7 Mn in 1Q25 compared to a loss of AED 11 Mn in 1Q24. Thus, profit before tax and NCI grew from AED 266 Mn in 1Q24 to AED 355 Mn in 1Q25. The income tax expense increased from AED 25 Mn in 1Q24 to AED 50 Mn in 1Q25.

### Target price and rating

We maintain our HOLD rating on Air Arabia with a target price of AED 3.50. The Company delivered strong bottom-line performance for 1Q25, owing to higher revenue due to increased passengers, increase in other income and decrease in finance cost, despite the impact of seasonality shift due to the month of Ramadan, fuel price volatility, currency fluctuations in key markets, and ongoing supply chain challenges that contributed to higher inflationary costs across the industry. In January 2025, the airline added two new Airbus A320s to boost fleet capacity and now operates 83 aircraft, including 74 Airbus A320 and 9 Airbus A321 across all six hubs. Additionally, order book of Air Arabia includes 120 aircrafts of Airbus A320 category, with delivery scheduled from 2025. Air Arabia continued the expansion of its route network by introducing seven new routes, increasing the total number of destinations served to 217 across the UAE, Morocco, Egypt, and Pakistan. Additionally, in 1Q25, Air Arabia carried 4.9 Mn passengers, showing 10.9% YOY increase in pax across all hubs compared to 1Q24, maintaining a high seat load factor of 84%. The seat capacity available across all hubs increased by 11% YOY during the 1Q25 compared to last year. Despite facing ongoing regional and global challenges, such as geopolitical tensions, economic uncertainty, volatile oil prices, currency fluctuations, and inflation, Air Arabia remains focused on executing its strategic growth plans for 2025. These external pressures are expected to continue affecting the overall performance of the airline industry. The Airline's turnover also grew 14.0% YOY to AED 1.75 Bn in 1Q25. However, the recent market concerns over rising fuel prices and weakening travel sentiment may impact the airline's performance in the short term. The Company also approved a dividend of AED 0.25 per share, generating a dividend yield of 7.3% in 2024. Hence, based on our analysis, we maintain our HOLD rating on the stock.

### Air Arabia -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	22.30	13.14	10.38	10.94	10.73
PB	3.56	2.64	2.29	2.13	2.02	1.94
EV/EBITDA	32.62	9.72	6.70	5.80	6.14	5.31
BVPS (AED)	0.966	1.302	1.499	1.614	1.704	1.774
EPS (AED)	-0.04	0.154	0.262	0.332	0.314	0.321
DPS (AED)	NA	0.085	0.150	0.200	0.250	0.300
Dividend yield	NA	2.5%	4.4%	5.8%	7.3%	8.7%

FABS estimate & Co Data

**Air Arabia - P&L**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
<b>AED Mn</b>								
Revenue	1,656	1,755	1,797	8.5%	2.4%	6,639	7,400	11.5%
Direct costs	-1,218	-1,382	-1,420	16.6%	2.7%	-5,076	-5,626	10.8%
<b>Gross profit</b>	<b>438</b>	<b>373</b>	<b>377</b>	<b>-13.9%</b>	<b>1.3%</b>	<b>1,563</b>	<b>1,774</b>	<b>13.5%</b>
Selling & Mkt expense	-21	-26	-29	34.5%	12.5%	-104	-118	14.0%
G&A expenses	-70	-80	-74	5.2%	-7.9%	-275	-311	13.0%
<b>EBITDA</b>	<b>517</b>	<b>415</b>	<b>443</b>	<b>-14.2%</b>	<b>6.8%</b>	<b>1,833</b>	<b>2,018</b>	<b>10.1%</b>
<b>EBIT</b>	<b>347</b>	<b>267</b>	<b>275</b>	<b>-20.7%</b>	<b>2.9%</b>	<b>1,184</b>	<b>1,345</b>	<b>13.6%</b>
Finance income	56	64	59	5.4%	-9.1%	251	234	-6.6%
Finance costs	-19	-17	-21	12.7%	21.7%	-82	-83	1.6%
Other income	39	34	27	-30.4%	-21.1%	132	118	-10.1%
Share of profit on JVs	5	7	11	NM	57.3%	125	126	0.8%
<b>Profit before NCI</b>	<b>427</b>	<b>355</b>	<b>350</b>	<b>-18.0%</b>	<b>-1.4%</b>	<b>1,609</b>	<b>1,740</b>	<b>8.1%</b>
Tax	-37	-50	-49	32.5%	-2.3%	-142	-244	72.1%
Non-controlling int.	0	0	0	NM	NM	1	0	NM
<b>Net profit</b>	<b>390</b>	<b>305</b>	<b>301</b>	<b>-22.8%</b>	<b>-1.2%</b>	<b>1,467</b>	<b>1,496</b>	<b>2.0%</b>

*FABS estimate & Co Data*
**Air Arabia - Margins**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	26.5%	21.2%	21.0%	-546	-24	23.5%	24.0%	44
EBITDA	31.2%	23.6%	24.7%	-653	102	27.6%	27.3%	-33
EBIT	20.9%	15.2%	15.3%	-565	8	17.8%	18.2%	34
Net Profit	23.5%	17.4%	16.8%	-678	-62	22.1%	20.2%	-187

*FABS estimate & Co Data*

## 2Q25 preview: **Dubai Taxi Company**

Strong tourism growth and fleet expansion to boost topilne

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.50	AED 3.00	+20%	BUY

### 2Q25 estimate

Dubai Taxi Company PJSC (DTC/the Company) is expected to report a 1.2% YOY increase in net profit to AED 80 Mn in 2Q25 due to an anticipated growth in revenue, coupled with a decrease in finance cost, partially offset by rise in operating cost, rise in Plate & license fee, decrease in other income, rise in G&A expenses, decrease in finance income, increase in staff bonus and rise in tax expenses. The Company's revenue is estimated to grow 9.5% YOY to AED 582 Mn in 2Q25, owing to an expected expansion in revenue across all the segments, excluding the Limousine segment. Revenue from taxis is projected to grow 8.3% YOY to AED 496 Mn, while revenue from limousine is expected to decline 3.0% YOY to AED 34 Mn in 2Q25. Revenue from Bus is estimated to increase 8.5% YOY to AED 31 Mn, and revenue from bike is anticipated to increase significantly from AED 9 Mn in 2Q24 to AED 20 Mn in 2Q25. Operating cost is anticipated to grow 6.0% YOY to AED 355 Mn in 2Q25. The plate and License fee is forecasted to increase 9.5% YOY to AED 91 Mn in 2Q25. Thus, the Company's gross profit is likely to grow 19.9% YOY to AED 136 Mn in 2Q25, and gross profit margin is predicted to increase 203 bps YOY to 23.4% in 2Q25. Other income is forecasted to decrease substantially from AED 12 Mn in 2Q24 to AED 6 Mn in 2Q25. G&A expenses are estimated to grow 39.8% YOY to AED 36 Mn in 2Q25. Thus, operating profit is expected to grow 2.8% YOY to AED 106 Mn in 2Q25. However, operating profit margin is forecasted to fall 119 bps YOY to 18.2% in 2Q25. EBITDA is projected to increase 4.7% YOY to AED 146 Mn in 2Q25. EBITDA margin is projected to fall from 26.2% in 2Q24 to 25.1% in 2Q25. Furthermore, DTC's finance income is anticipated to decline 16.7% YOY to AED 4 Mn, and finance cost is predicted to fall 4.2% YOY to AED 15 Mn in 2Q25. The Company's staff bonus is likely to rise 21.7% YOY to AED 6 Mn in 2Q25. In addition, income tax expense is anticipated to increase 8.6% YOY to AED 9 Mn in 2Q25.

### 2025 forecast

DTC's net profit is expected to increase 7.0% YOY to AED 355 Mn in 2025, primarily due to an estimated rise in revenue, finance income coupled with a decrease in staff bonus, partially offset by an increase in operating cost, plate & license fee, G&A expenses, Impairment loss on financial assets, decrease in other income and an increase in income tax expenses. The Company's revenue is forecasted to rise 9.6% YOY to AED 2,406 Mn in 2025, attributable to an increase in revenue across all its business segments. Revenue from taxis is projected to grow 8.1% YOY to AED 2,073 Mn in 2025. Revenue from Limousine is expected to surge 6.1% YOY to AED 132 Mn in 2025. Similarly, revenue from Bus is estimated to increase 4.2% YOY to AED 124 Mn, and revenue from bike is anticipated to significantly increase 52.2% YOY to AED 65 Mn in 2025. Revenue from BOLT mobility services is forecasted to grow significantly and reach AED 59 Mn in 2025, while other revenue is expected to remain flat at AED 2 Mn in 2025 compared to 2024. Operating costs are anticipated to increase 9.4% YOY to AED 1,472 Mn in 2025. Plate & license fee is predicted to grow 6.7% YOY to AED 351 Mn in 2025. Thus, gross profit is anticipated to grow 11.6% YOY to AED 584 Mn, and gross profit margin is expected to increase 44 bps YOY to 24.3% in 2025. The Company's other income is projected to decrease from AED 37 Mn in 2024 to AED 28 Mn in 2025. G&A expenses are anticipated to increase 22.0% YOY to AED 144 Mn in 2025. As a result, operating profit is likely to increase 4.1% YOY to AED 456 Mn, whereas operating profit margin is likely to decrease 98 bps YOY to 18.9% in 2025. Hence, EBITDA is expected to increase 6.2% YOY to AED 621 Mn in 2025. On the other hand,

EBITDA margin will decrease 81 bps YOY to 25.8% in 2025. The finance income is predicted to rise from AED 15 Mn in 2024 to AED 17 Mn in 2025. Finance cost is projected to marginally decrease 0.4% YOY to AED 62 Mn in 2025. Also, the staff bonus is anticipated to decline 27.2% YOY to AED 19 Mn in 2025. DTC's income tax is forecasted to increase 12.1% YOY to AED 37 Mn in 2025.

### **1Q25 Outturn**

DTC's revenue rose 5.4% YOY to AED 588 Mn in 1Q25 owing to fleet expansion across all segments, coupled with strong growth across the Taxi and Delivery Bikes segments. Like-for-like total revenue excluding Connectech rose 7.1% YOY in 1Q25. Revenue from the Taxi segment rose 7.4% YOY to AED 515 Mn in 1Q25, mainly due to the increased number of trips, expansion in the fleet, and strong utilization. Limousine segment revenue rose 2.7% YOY to AED 34 Mn in 1Q25 attributed to fleet expansion and higher trips. Delivery Bike revenue more than doubled from AED 8 Mn in 1Q24 to AED 17 Mn in 1Q25, mainly driven by an increase in the delivery fleet and increased demand in the on-demand delivery market, supported by partnerships with major delivery aggregators. However, bus segment revenue fell 13.5% YOY to AED 32 Mn in 1Q25, attributable to contractual changes impacting revenue recognition cycle. The Company added 250 fully electric taxis to its portfolio in 1Q25. DTC's taxi fleet size increased from 5,316 taxis in 1Q24 to 6,210 in 1Q25. Additionally, Bolt expanded its platform by adding 700 airport taxis through its partnership with Dubai Taxi Company to serve Dubai Airports. Similarly, Delivery bike fleet increased significantly from 1,008 bikes in 1Q24 to 1,993 bikes in 1Q25. Revenue from E-hailing Services stood at AED 14 Mn in 1Q25. The segment started operation in 1Q25. In addition, DTC also recognized a promotional discount of AED 23 Mn in 1Q25 to accelerate customer acquisition and drive the long-term growth trend of the business. The promotional discount stood at 3.8% of the revenue in 1Q25. DTC plans to cap this promotional discount at 2% for full-year revenue in 2025. Operating costs rose 7.9% YOY to AED 354 Mn in 1Q25, mainly due to a marginal growth in staff costs, higher commission paid to drivers and an increase in D&A expenses, partially offset by a decline in fuel cost. Additionally, the plate and license fee increased 16.4% YOY to AED 91 Mn in 1Q25 due to fleet expansion. Thus, the Company's gross profit declined 5.9% YOY to AED 143 Mn in 1Q25. Gross margin fell 290 bps YOY to 24.3% in 1Q25 due to contraction in margin across the Limousine, Bus and Delivery Bike Segment, partially mitigated by an expansion in margin of Taxi Segment. DTC's G&A expenses rose 36.0% YOY to AED 36 Mn in 1Q25. The Company's other income fell from AED 8 Mn in 1Q24 to AED 5 Mn in 1Q25. In addition, DTC witnessed an impairment charge of AED 2 Mn in 1Q25, compared to an impairment reversal of AED 4 Mn in 1Q24. DTC's EBITDA decreased 9.1% YOY to AED 154 Mn in 1Q25. EBITDA margin stood at 26.3% in 1Q25 compared to 30.4% in 1Q24. However, after excluding the impact of Connectech, the like-for-like EBITDA of DTC rose 4.0% YOY with a margin of 29.6% in 1Q25. Furthermore, the Company's finance income grew from AED 3 Mn in 1Q24 to AED 4 Mn in 1Q25, while the finance cost rose 2.6% YOY to AED 16 Mn in 1Q25. Staff bonus decreased 6.1% YOY to AED 6 Mn in 1Q25. In addition, the Company income tax expenses declined 22.4% YOY to AED 8 Mn in 1Q25, in line with decline in profit before tax.

### **Target price and recommendation**

We maintain our BUY rating on Dubai Taxi Company, with a target price of AED 3.00. The Company reported a decline in net profit by 22.6% YOY to AED 84 Mn in 1Q25, primarily due to promotional discounts related to Bolt's launch campaign under Connectech. This spending was frontloaded in 1Q25 to align with seasonal demand and will be capped at 2.0% of annual revenue over the next four years. However, excluding the effect of Connectech, the core business demonstrated resilient operational performance, with a just marginal decline in net profit by 2.0% YOY in 1Q25. DTC total fleet size grew 26.0% YOY to 9,872 in 1Q25. Additionally, the Company completed 12.8 Mn trips in 1Q25 compared to 11.8 Mn trips in 1Q24, attributed to growing demand and increased fleet. Furthermore, the Company added 250 fully electric vehicles, while its strategic partner Bolt integrated 700 airport taxis into its platform through its partnership with Dubai Taxi Company to support operations at Dubai's airports in 1Q25. However, the Company's trips per vehicle declined

YOY in 1Q25, primarily due to the phased deployment of the newly added fleet, as all 250 taxis were not operational from 1 January 2025. However, DTC expects the full impact of this ramp-up to be reflected in 2Q25 and 3Q25. DTC also expects the expenses on promotional discounts to reduce in the subsequent quarters, which is expected to positively benefit the bottom line. In addition, DTC Delivery Bike is capitalizing on the growing on-demand delivery market by leveraging its partnership with major delivery aggregators. The Company expects taxi and limousine annual trips from the airports to exceed 8 Mn annually by 2029, with revenues reaching AED 2.5 Bn. DTC participated in RTA's recent auction for 600 plates and is currently awaiting the final results. The Company is in partnership with the RTA and has initiated trials for autonomous robo-taxis, however no commercial rollout is expected in 2025, with potential deployment anticipated in 1Q26. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

**DTC -Relative valuation**

(At CMP)	2023	2024	2025F
PE	18.10	18.87	17.63
PB	20.31	15.22	13.19
EV/EBITDA	14.12	11.83	11.22
BVPS (AED)	0.123	0.164	0.189
EPS (AED)	0.138	0.133	0.142
DPS (AED)	0.028	0.113	0.121
Dividend yield	1.1%	4.5%	4.8%

FABS estimate & Co Data, 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	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	531	588	582	9.5%	-1.1%	2,197	2,406	9.6%
Operating cost	-335	-354	-355	6.0%	0.1%	-1,345	-1,472	9.4%
Plate & license fee	-83	-91	-91	9.5%	-0.3%	-329	-351	6.7%
<b>Gross profit</b>	<b>114</b>	<b>143</b>	<b>136</b>	<b>19.9%</b>	<b>-4.8%</b>	<b>523</b>	<b>584</b>	<b>11.6%</b>
Other Income	12	5	6	-53.3%	23.6%	37	28	-23.4%
General and Administrative Expenses	-26	-36	-36	39.8%	-0.5%	-118	-144	22.0%
Impairment Loss on Financial Assets	3	-2	0	NM	NM	-4	-12	NM
<b>Operating profit</b>	<b>103</b>	<b>110</b>	<b>106</b>	<b>2.8%</b>	<b>-3.6%</b>	<b>438</b>	<b>456</b>	<b>4.1%</b>
<b>EBITDA</b>	<b>139</b>	<b>154</b>	<b>146</b>	<b>4.7%</b>	<b>-5.5%</b>	<b>584</b>	<b>621</b>	<b>6.2%</b>
Finance Income	5	4	4	-16.7%	9.2%	15	17	13.1%
Finance Cost	-16	-16	-15	-4.2%	-3.3%	-63	-62	-0.4%
Staff Bonus	-5	-6	-6	21.7%	-0.9%	-26	-19	-27.2%
<b>Earning Before Tax and Staff Bonus</b>	<b>87</b>	<b>92</b>	<b>89</b>	<b>1.9%</b>	<b>-3.3%</b>	<b>364</b>	<b>391</b>	<b>7.5%</b>
Income Tax	-8	-8	-9	8.6%	2.8%	-33	-37	12.1%
<b>Profit to shareholders</b>	<b>79</b>	<b>84</b>	<b>80</b>	<b>1.2%</b>	<b>-3.9%</b>	<b>331</b>	<b>355</b>	<b>7.0%</b>

FABS estimate & Co Data

**DTC -Margins**

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	21.4%	24.3%	23.4%	203	-90	23.8%	24.3%	44
EBITDA	26.2%	26.3%	25.1%	-114	-116	26.6%	25.8%	-81
Operating Profit	19.4%	18.7%	18.2%	-119	-47	19.9%	18.9%	-98
Net Profit	14.9%	14.2%	13.8%	-113	-40	15.1%	14.7%	-35

FABS estimate & Co Data

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