

UAE Transportation Sector

Resilient Travel Demand and Easing Costs to Support Sector Performance

Sector Weighting:
MARKET WEIGHT

We maintain a positive outlook on the UAE transportation sector, supported by strong tourism inflows and resilient macroeconomic conditions. Our stance on DTC remains favourable, underpinned by its steady expansion and solid fundamentals. We also recommend exposure to Aramex, which is well-positioned to benefit from the sustained momentum in e-commerce and regional logistics demand. In addition, we adopt a positive view of Air Arabia, supported by healthy summer travel demand, network expansion initiatives, and its ability to capitalise on the robust tourism environment in the UAE and the broader MENA region. Despite geopolitical tensions, fuel price volatility, exchange rate fluctuations, and supply chain challenges during 2Q25, Air Arabia remained focused on expanding its network and successfully executing its growth strategy. Air Arabia continued to strengthen its connectivity across the region in 2Q25, with passenger numbers rising to 5.1 Mn in 2Q25, compared to 4.5 Mn in 2Q24, and seat load factor improving to 85% in 2Q25 compared to 79% in 2Q24, underscoring strong demand and efficient capacity utilization. The airline expanded its network by adding 13 new routes in 1H25 and increasing frequencies on key sectors, thereby reinforcing its market presence. Backed by a robust fleet of 83 Airbus A320/A321 aircraft and an additional 120 aircraft on order, the Company is expected to capture rising travel demand. As of 2Q25, the Company also holds a debt-free balance sheet with AED 4.7 Bn cash, providing financial flexibility. We further believe that Wizz Air's exit from Abu Dhabi further strengthens its competitive edge in the low-cost segment. DTC also continued to expand its connectivity in 2Q25, with the fleet increasing to 10,180 vehicles, compared to 8,247 in 2Q24. The Company's number of trips rose to 13.6 Mn in 2Q25, compared to 11.4 Mn in 2Q24, underpinning strong demand and improved network coverage. DTC strengthened its market presence through strategic partnerships, including the onboarding of 6,000+ taxis onto Bolt's platform and securing an exclusive five-year agreement with Dubai Airports to serve rising passenger traffic. DTC also declared an interim dividend of 6.43 fils per share, amounting to AED 160.7 Mn for 1H25, consistent with its policy of distributing at least 85% of annual net profit. With a growing fleet and expanding partnerships, DTC remains well-positioned to capture the sustained growth in Dubai's mobility sector. Aramex delivered a resilient performance in 2Q25, supported by double-digit revenue and gross profit growth in the GCC and single-digit growth in the Asia Pacific, which helped offset softer trends in other global markets. The Company is enhancing competitiveness through micro-fulfilment hubs, reverse logistics, and a focus on strategic verticals such as retail, industrials, and pharmaceuticals. The Company's Accelerate28 program is progressing well, supported by a new regional structure and efficiency measures. Backed by a cash balance of AED 542 Mn and a manageable net debt/EBITDA of 3.4x as of 2Q25, Aramex is well-positioned to capture growth opportunities in logistics across core markets.

According to the World Travel & Tourism Council (WTTC), tourism in the UAE is set to remain on a strong trajectory, with international visitor numbers expected to climb 4.6% YOY to 27.6 Mn in 2025, supported by favourable policies and continued infrastructure upgrades. Visitor spending is projected to increase from USD 59.2 Bn in 2024 to USD 62.2 Bn in 2025, highlighting the strength of the country's diverse tourism appeal. This momentum in tourism is expected to boost transport activity, resulting in higher passenger volumes for Air Arabia, stronger demand for Dubai Taxi Company's mobility services, and increased logistics flows for Aramex.

Stocks	Target Price	CMP	Gain	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
Aramex	3.10	2.70	+14.8%	ACCUMULATE	39.36	7.40	NA
Air Arabia	4.00	3.75	+6.7%	HOLD	11.77	6.53	8.1%
Dubai Taxi Company	3.00	2.59	+15.8%	BUY	16.80	10.80	5.0%

Source: FABS Estimate, ¹Data refers to FY2025

Key Developments in the Transportation Sector

Passenger and Tourism growth in 1H25 strengthens the UAE's global hub role

Passenger traffic across the UAE sustained robust growth in 1H25, underscoring the country's standing as a major global aviation hub. Abu Dhabi Airports further strengthened its role as a catalyst for economic development and international connectivity, delivering double-digit passenger growth for the 17th straight quarter alongside solid expansion in flight movements and cargo volumes during 1H25. Abu Dhabi Airports recorded strong momentum, welcoming more than 15.8 Mn passengers, up 13.1% YOY during 1H25. Zayed International Airport (AUH) was the primary contributor, handling 15.5 Mn passengers in 1H25, a 13.2% YOY increase. Growth in passenger volumes was further supported by a 9.2% YOY rise in total flight movements to 133,533 across its five airports, highlighting sustained expansion in the UAE's air transport sector. Dubai International Airport (DXB) achieved a record growth, handling 46 Mn passengers, representing a 2.3% YOY in 1H25. The increase reflects the resilience of DXB and the continued strength of Dubai's aviation sector, despite temporary regional airspace disruptions during May and June. In 2Q25, Dubai International Airport (DXB) handled 22.5 Mn passengers, up 3.1% YOY, with April standing out as the busiest month of the quarter and the strongest April on record at 8 Mn travellers. The airport also recorded 222,000 flight movements in 1H25, while maintaining a solid load factor of 76%, reaffirming its status as a leading global hub. The Hospitality sector also maintained its growth trajectory in 1H25, as the UAE hosted approximately 16.1 Mn guests, up 5.5% YOY. Average hotel occupancy also improved, rising to 81% in June 2025 from 79% in June 2024, highlighting the sector's resilience. IATA reported that global passenger traffic rose 4.0% YOY in July 2025, with the industry-wide Passenger Load Factor (PLF) reaching 85.5%, one of the highest levels ever recorded for July. Air cargo demand, measured in Cargo Tonne-Kilometers (CTK), also strengthened, growing 5.5% YOY during the same period, signalling a rebound in the cargo market amid ongoing trade tensions. These trends highlight the UAE's sustained momentum in aviation, tourism, and hospitality, reinforcing its role as a key driver of global connectivity and economic growth.

Oil prices climb in 3Q25 despite volatile swings

Brent crude oil prices fluctuated in the bandwidth of USD 73 to USD 66 per barrel in 3Q25, ultimately trading at USD 69 per barrel on September 26, 2025, marking a 2.7% QTD growth. Brent crude prices rose 7.3% MOM to USD 72.53/bbl in July 2025, driven by strong US summer travel demand, steady consumption in the US and China, and heightened concerns over potential supply disruptions from geopolitical risks, including possible sanctions on Russia and drone attacks in Iraqi Kurdistan. The gains were partially offset by increased production from Saudi Arabia, OPEC+ plans to phase out output cuts, and Iraq's resumption of exports to Kurdistan via Turkey. During the mid-month, prices eased as markets downplayed US tariff threats on Russian oil, but momentum returned toward the

month-end on optimism over global trade prospects and easing tensions with China and the EU. In August 2025, Brent crude fell 6.3% MOM to USD 67.98/bbl, pressured by demand concerns and OPEC+’s decision to raise September output by 547 kb/d, heightening oversupply fears. Prices weakened further on worries over higher US tariffs and progress toward a Russia-Ukraine peace deal. In mid-month, prices rebounded as Ukrainian strikes on Russian energy infrastructure stoked supply disruption risks, alongside a larger-than-expected draw in US inventories. However, oil demand softened toward the end of the month with the close of the US summer driving season, leading to renewed downward pressure. In September 2025, oil prices were highly volatile but ultimately ended the month higher with an increase of 1.9% MOM to USD 69.43/bbl. In the first week, prices rose as Ukrainian drone strikes shut down 17% of Russia’s oil processing capacity, raising supply concerns, before easing when OPEC+ announced plans to increase supply. In the second week, prices rebounded as the actual production increase stood smaller than expected at 137k bpd, compared to 555k bpd in the prior two months. Mid-month, prices gained further momentum, supported by Israel’s strike on Hamas leaders in Qatar, U.S. pressure on Europe to impose tariffs on Russian oil buyers, strong refinery demand in China, and a decline in U.S. inventories. Later in the month, prices briefly softened as demand concerns outweighed optimism from the Federal Reserve’s 25 bps rate cut, despite its guidance for two additional cuts in 2025. By month-end, prices climbed again, driven by a further drop in U.S. crude inventories and Russia’s extension of its gasoline export ban, along with partial diesel export restrictions until year-end, in response to domestic shortages. As a result, Brent crude prices recorded 2.7% QTD growth, closing at USD 69/bbl on September 26, 2025.

Global demand for air cargo strengthened in July 2025

Global air cargo demand, measured in Cargo Tonne-Kilometers (CTK), increased 5.5% YOY in July 2025, marking a rebound in the cargo market amid persistent trade tensions. Seasonally adjusted CTK recorded the second-highest monthly growth of 5.1% YOY, following April’s peak in July 2025. International CTK, which accounts for more than 87% of total cargo traffic, rose 6.0% YOY in July 2025, driven by strong e-commerce flows from Asia to Europe. Asia-Pacific carriers posted the strongest gains with 11% YOY growth, followed by African carriers at 9.4% YOY in July 2025. Meanwhile, carriers in Europe, the Middle East, and North America reversed June’s decline, registering growth of 4.3% YOY, 2.7% YOY, and 1.5% YOY, respectively, during the same period. Global cargo capacity, measured in Available Cargo Tonne-Kilometres (ACTK), rose 3.9% YOY in July 2025, up from a revised 1.9% YOY growth in June 2025. With demand outpacing capacity, the Cargo Load Factor (CLF) improved by 0.7 percentage points to 45.1% in July 2025, compared to the same period last year. Jet fuel prices fell 9.1% YOY in July 2025, marking the fifth consecutive annual decline, though prices edged 4.3% higher on a monthly basis. Meanwhile, global manufacturing activity weakened, with the PMI slipping below the neutral 50 threshold to 49.7 in July 2025, down from 51.3 in June 2025, reflecting softer industrial sentiment. The downturn was largely driven by fading pre-tariff stockpiling and renewed concerns over U.S. trade policies, which disrupted global supply chains. Export-driven economies, particularly in Asia, were most affected, with new export orders contracting for the fourth consecutive month to 48.2 in July 2025. After two months of improvement, demand also softened, dropping 2.1 points, underscoring the impact of rising trade tensions on global trade flows and connectivity.

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3Q25 Preview: **Aramex PJSC**

Operational efficiency and regional strength to support profitability

Current Price AED 2.70	Target Price AED 3.10	Upside/Downside (%) +14.8%	Rating ACCUMULATE
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3Q25 estimate

Aramex's (Aramex/ The Company) net profit is anticipated to increase 36.6% YOY to AED 37 Mn in 3Q25, mainly due to an estimated increase in finance income and lower cost of services and administrative expenses, coupled with a decline in finance costs, partially offset by lower revenue and other income and higher tax expenses. Aramex's revenue is projected to decline marginally by 0.1% YOY to AED 1,590 Mn in 3Q25, driven by lower international express volumes. However, this is expected to be partially offset by growth in domestic express volumes supported by the nearshoring trend. On the other hand, the Company's cost of services is forecasted to decline 0.9% YOY to AED 1,208 Mn in 3Q25. Thus, gross profit is likely to expand 2.3% YOY to AED 382 Mn in 3Q25. We also expect the gross margins to increase 57 bps YOY to 24.0% in 3Q25. Furthermore, the Company's S&M expenses are expected to fall marginally 0.1% YOY to AED 89 Mn in 3Q25. Administrative costs are anticipated to decline 0.9% YOY to AED 219 Mn in 3Q25. Meanwhile, impairment loss on financial assets is expected to decrease by 12.8% to AED 2 Mn in 3Q25. Other income is also forecasted to fall from AED 8 Mn in 3Q24 to AED 2 Mn in 3Q25. As a result, operating profit is likely to rise 7.4% YOY to AED 73 Mn, with the operating profit margin expected to increase 32 bps YOY to 4.6% in 3Q25. The Company's EBITDA is estimated to decrease marginally 0.1% YOY to AED 157 Mn; however, we expect the EBITDA margin to remain stable at 9.9% in 3Q25, compared to 3Q24. Aramex's finance income is expected to increase 58.2% YOY to AED 2 Mn in 3Q25, while finance cost is projected to decline 20.3% YOY to AED 24 Mn in 3Q25. The Company's tax expense is forecasted to rise 41.7% YOY to AED 16 Mn in 3Q25.

2025 forecast

Aramex's net profit is expected to decrease 25.9% YOY to AED 100 Mn in 2025, primarily due to an estimated increase in the cost of services, net impairment loss on financial assets and tax expense, partially offset by marginal growth in revenue, lower administrative expenses and finance costs. Aramex's revenue is projected to grow marginally 0.2% YOY to AED 6,336 Mn in 2025, attributed to an anticipated increase in revenue across all its business segments except the courier segment. Similarly, the Company's cost of services is projected to grow 1.1% YOY to AED 4,866 Mn in 2025. Thus, gross profit is expected to fall 2.8% YOY to AED 1,470 Mn in 2025. Gross margins is also expected to decline 71 bps YOY to 23.2% in 2025, mainly due to higher cost of service and marginal revenue growth. The Company's S&M expenses are estimated to grow marginally 0.6% YOY to AED 342 Mn, while administrative expenses are anticipated to fall 2.1% YOY to AED 874 Mn in 2025. Aramex is also expected to incur net impairment loss on financial assets of AED 13 Mn in 2025, compared to impairment reversal of AED 7 Mn in 2024. Other income is projected to grow marginally 0.2% YOY to AED 11 Mn in 2025. However, operating profit is anticipated to fall 15.2% YOY to AED 252 Mn in 2025. Operating profit margin is also expected to fall 72 bps YOY to 4.0% in 2025. Similarly, Aramex's EBITDA is forecasted to decline 8.6% YOY to AED 594 Mn, with a decline in EBITDA margin of 90 bps YOY to 9.4% in 2025. The Company's finance income is projected to rise 32.1% YOY to AED 6 Mn, while finance cost is anticipated to decline 14.7% YOY to AED 103 Mn in 2025. Share of results of joint ventures and associates is forecasted to rise 25.0% YOY to AED 3 Mn in 2025. Aramex's tax expense is estimated to rise 7.8% YOY to AED 49 Mn in 2025.

2Q25 Outturn

Aramex's top line rose marginally 0.1% YOY to AED 1,498 Mn in 2Q25, driven by growth across the Freight Forwarding and Logistics segments, partially offset by a decline in the Courier segment. The Company's Freight Forwarding segment saw a 6.6% YOY growth in revenue to AED 438 Mn in 2Q25,

attributed to robust volume growth across all lines. The Courier segment declined 5.1% YOY to AED 916 Mn in 2Q25, driven by lower International express volume, partially offset by a growth in Domestic express volume. Aramex continued to record the ongoing shift of volumes from international to domestic express, driven by the nearshoring trend. The Company's International Express volume reported a 20.9% YOY decline to 5.3 Mn shipments in terms of volume in 2Q25. However, the Domestic Express volumes grew strongly 31.6% YOY to 33 Mn in 2Q25, mainly due to increased demand for local warehousing. The Contract logistics segment achieved a revenue growth of 23.0% YOY to AED 132 Mn in 2Q25, driven by increasing new client contracts and warehousing demand. Other service revenue declined 11.8% YOY to AED 11 Mn in 2Q25. Cost of services grew 1.5% YOY to AED 1,168 Mn in 2Q25, primarily due to increased expenses related to capacity expansion in key markets, ongoing market pricing pressures, and broader inflationary trends. Thus, gross profit declined 4.6% YOY to AED 329 Mn in 2Q25, owing to a change in product mix. Gross profit margin also declined 108 bps YOY to 22.0% in 2Q25. Selling and marketing expenses increased 0.5% YOY to AED 84 Mn in 2Q25. Administrative expenses rose 3.8% YOY to AED 225 Mn in 2Q25. Excluding one-off costs related to the regional restructuring and transformation program, normalized SG&A fell 2% YOY during 2Q25. The Company's impairment charges grew from AED 4 Mn in 2Q24 to AED 6 Mn in 2Q25. Other income declined from AED 7 Mn in 2Q24 to AED 2 Mn in 2Q25. Operating profit declined significantly from AED 47 Mn in 2Q24 to AED 16 Mn in 2Q25. Operating profit margin declined 206 bps YOY to 1.1% in 2Q25. Furthermore, total EBITDA fell 22.3% YOY to AED 105 Mn in 2Q25, mainly due to lower gross profit and higher SG&A expenses. EBITDA margins fell 202 bps YOY to 7.0% in 2Q25. Finance income declined 1.5% to AED 2 Mn in 2Q25, while finance costs declined 8.8% YOY to AED 28 Mn in 2Q25. The Company recorded a loss from joint ventures and associates of AED 1 Mn in 2Q25, compared to a profit of AED 0.2 Mn in 2Q24. Aramex recorded a tax reversal of AED 1 Mn in 2Q25 compared to tax charges of AED 15 Mn in 2Q24.

Target price and recommendation

We maintain our ACCUMULATE rating on Aramex with a target price of AED 3.10. 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 contribution of the Company's high-margin International Express business to revenues and gross profit declined in 2Q25, shifting the Company's product mix and overall profitability profile. On July 25, 2025, the Company announced that it had become a subsidiary of ADQ, following the completion of regulatory approvals for ADQ's acquisition of a 63% stake in Aramex, held through Q Logistics and Abu Dhabi Ports. This strategic partnership highlights the value Aramex has built to date and paves the way for enhanced innovation, scalability, and growth. In 1H25, the Company recorded a one-off expense of AED 26 Mn, related to the acquisition of Q Logistics, regional restructuring efforts, and the ongoing transformation program, which negatively affected the EBIT and net profit. However, excluding these non-recurring costs, normalized EBIT was at AED 31 Mn and normalized net income was AED 5 Mn for 2Q25. Aramex is adapting its product mix to meet changing logistics needs, as clients position inventory closer to key markets. The Company is responding to this trend through operational efficiency, data-driven management, and customer-focused innovation. The Company's gross margins declined from 23.1% in 2Q24 to 22.0% in 2Q25, driven by a change in product mix, increased direct costs from capacity expansion in key markets, and ongoing market pricing pressures. Despite this, the Company delivered a strong regional performance in 2Q25, achieving double-digit growth in revenue and gross profit in the GCC and single-digit growth in both metrics in Asia Pacific, which helped offset softness in other global markets. Moreover, Aramex is enhancing its competitive edge by investing in innovative solutions, including micro-fulfilment hubs and reverse logistics services. In addition, the Company is also focusing on quality revenue and specialization in strategic verticals such as retail, industrials, and pharmaceuticals across core markets. The Company's Accelerate28 transformation initiative, launched in 1Q25, is progressing well. Supported by a new four-region structure and ongoing value-capture measures, the Company is well-positioned to drive revenue growth and enhance profitability,

while pursuing strategic investments aligned with industry trends. The Company also remains well-positioned with a strong cash balance of AED 542 Mn and a reported net debt-to-EBITDA ratio of 3.4x as of 2Q25, which is expected to support its plans for expansion and growth. Thus, based on our analysis, we maintain an ACCUMULATE rating on the stock.

Aramex -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	16.24	21.56	24.55	30.68	29.18	39.36
PB	1.47	1.48	1.58	1.61	1.57	1.56
EV/EBITDA	4.75	5.25	7.25	7.17	6.74	7.40
BVPS	1.838	1.820	1.714	1.681	1.719	1.733
EPS	0.166	0.125	0.110	0.088	0.093	0.069
DPS	0.165	0.130	0.130	0.095	0.000	0.000
Dividend yield	6.0%	4.7%	4.7%	3.4%	NA	NA

FABS Estimate & Co Data

Aramex - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Rendering of Services	1,592	1,498	1,590	-0.1%	6.2%	6,324	6,336	0.2%
Cost of Services	-1,219	-1,168	-1,208	-0.9%	3.4%	-4,812	-4,866	1.1%
Gross profit	373	329	382	2.3%	15.9%	1,512	1,470	-2.8%
Selling and Marketing Expenses	-89	-84	-89	-0.1%	6.2%	-340	-342	0.6%
Administrative Expenses	-221	-225	-219	-0.9%	-2.5%	-893	-874	-2.1%
Net Impairment loss	-2	-6	-2	-12.8%	-72.2%	7	-13	NM
Other income, net	8	2	2	NM	0.4%	11	11	0.2%
Operating profit	68	16	73	7.4%	353.5%	297	252	-15.2%
EBITDA	157	105	157	-0.1%	49.9%	650	594	-8.6%
Finance Income	1	2	2	58.2%	2.1%	5	6	32.1%
Finance Costs	-30	-28	-24	-20.3%	-14.3%	-121	-103	-14.7%
Share of results of JV and assoc	-1	-1	2	NM	NM	3	3	25.0%
Other non-operating expenses	0	0	0	NM	NM	0	-8	NM
Profit before Income Tax	38	-11	52	36.5%	NM	183	150	-18.2%
Income Tax Expense	-11	1	-16	41.7%	NM	-46	-49	7.8%
Profit for the period	27	-10	37	34.4%	NM	137	100	-26.9%
NCI	0	1	0	NM	NM	-2	0	NM
Profit attributable	27	-9	37	36.6%	NM	135	100	-25.9%

FABS estimate and Co data

Aramex - Margins

	3Q24	2Q25	3Q25F	YOY ch	QOQ ch	2024	2025F	Change
Gross Profit	23.4%	22.0%	24.0%	57	202	23.9%	23.2%	-71
EBITDA	9.9%	7.0%	9.9%	1	288	10.3%	9.4%	-90
EBIT	4.3%	1.1%	4.6%	32	352	4.7%	4.0%	-72
Net Profit	1.7%	-0.6%	2.3%	62	NM	2.1%	1.6%	-56

FABS estimate and Co data

3Q25 preview: **Air Arabia**

Higher tax charges coupled with rising costs to impact profit margins

Current Price AED 3.75	Target Price AED 4.00	Upside/Downside (%) +6.7%	Rating HOLD
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3Q25 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to fall 6.0% YOY to AED 494 Mn in 3Q25, due to an expected increase in direct costs, operating expenses, coupled with lower other income and higher tax charges along with expected decline in net finance income, partially offset by projected growth in revenue. The Company's revenue is projected to increase 6.0% YOY to AED 1,894 Mn in 3Q25. On the other hand, direct costs are estimated to increase by 4.4% YOY to AED 1,402 Mn in 3Q25. Thus, gross profit is likely to increase 10.7% YOY to AED 492 Mn in 3Q25. We also expect gross margins to expand 111 bps YOY to 26.0% in 3Q25. Moreover, AIRARABIA's selling and marketing expense is expected to increase 16.6% YOY to AED 32 Mn, while G&A expense is projected to grow 17.8% YOY to AED 70 Mn in 3Q25. AIRARABIA's EBITDA is predicted to rise 9.8% YOY to AED 581 Mn in 3Q25, and the EBITDA margin is expected to expand from 29.6% in 3Q24 to 30.7% in 3Q25. As a result, the Company's operating profit is likely to increase 9.1% YOY to AED 390 Mn in 3Q25. We expect the operating margin to grow from 20.0% in 3Q24 to 20.6% in 3Q25. Furthermore, the Company's finance income is expected to decline 7.9% YOY to AED 61 Mn, whereas finance cost is estimated to fall 7.3% YOY to AED 18 Mn in 3Q25. Other income is anticipated to decline from AED 62 Mn in 3Q24 to AED 53 Mn in 3Q25. Share of profit on equity account investment is expected to decline marginally from AED 98 Mn in 3Q24 to AED 95 Mn in 3Q25. We estimate the tax expense to increase from AED 39 Mn in 3Q24 to AED 87 Mn in 3Q25.

2025 forecast

Air Arabia's net profit is projected to marginally grow by 0.8% YOY to AED 1,479 Mn in 2025, primarily driven by higher revenue. However, this growth is expected to be partially offset by increased direct costs, operating expenses, finance costs, and a rise in tax expenses. Revenue is expected to grow 7.4% YOY to AED 7,132 Mn in 2025, driven by strong growth expected across the revenue segments. The Company's direct cost is forecasted to increase 8.0% YOY to AED 5,481 Mn in 2025. Thus, gross profit is anticipated to rise 5.7% YOY to AED 1,651 Mn in 2025. On the other hand, selling and marketing expenses are forecasted to grow 16.1% YOY to AED 121 Mn in 2025. Similarly, G&A expenses are estimated to rise 3.8% YOY to AED 285 Mn in 2025. EBITDA is forecasted to grow 6.2% YOY to AED 1,946 Mn, with EBITDA margin expected to fall 32 bps YOY to 27.3% in 2025. As a result, operating profit is projected to increase 5.2% YOY to AED 1,246 Mn in 2025. We anticipate the operating margin to contract 37 bps YOY to 17.5% in 2025. Furthermore, finance income is expected to decline 2.4% YOY to AED 245 Mn in 2025. In contrast, finance cost is forecasted to fall 13.6% YOY to AED 71 Mn in 2025. Other income is projected to increase from AED 132 Mn in 2024 to AED 193 Mn in 2025. AIRARABIA's share of profit on equity account investment is expected to rise 2.9% YOY to AED 128 Mn in 2025. Tax expense is forecasted to increase from AED 142 Mn in 2024 to AED 261 Mn in 2025.

2Q25 Outturn

Air Arabia's revenue grew 2.2% YOY to AED 1,692 Mn in 2Q25, primarily driven by an increase in the number of passengers from 4.5 Mn in 2Q24 to 5.1 Mn in 2Q25, across its operating hubs, coupled with the addition of new aircraft and network expansion. Moreover, AIRARABIA's direct cost rose 8.2% YOY to AED 1,317 Mn in 2Q25. Thus, gross profit declined 14.5% YOY to AED 375 Mn in 2Q25. Gross profit margin also fell from 26.5% in 2Q24 to 22.1% in 2Q25. Selling & marketing expenses rose 34.5% YOY to AED 29 Mn in 2Q25. Whereas, G&A expenses declined 12.4% YOY to AED 61 Mn in 2Q25. As a result, the Company's EBITDA fell 11.9% YOY to AED 455 Mn in 2Q25. EBITDA margin decreased from 31.2% in 2Q24 to 26.9% in 2Q25. Operating profit too declined 18.0% to AED 285

Mn in 2Q25. While, operating profit margin fell from 20.9% in 2Q24 to 16.8% in 2Q25. Air Arabia's finance income grew 5.8% YOY to AED 59 Mn, whereas finance cost declined from AED 19 Mn in 2Q24 to AED 18 Mn in 2Q25. Other income increased 15.5% YOY to AED 45 Mn in 2Q25. Share of profit from equity-accounted investments rose from AED 5 Mn in 2Q24 to AED 44 Mn in 2Q25. The income tax expense increased from AED 37 Mn in 2Q24 to AED 65 Mn in 2Q25 due to implementation of Domestic Minimum Top-up Tax (DMTT) with effect from 01 January 2025. As a result, net profit declined 10.3% YOY to AED 350 Mn in 2Q25.

Target price and rating

We maintain our HOLD rating on Air Arabia with a target price of AED 4.00. AIRARABIA PJSC reported a decline in net profit by 10.3% YOY to AED 350 Mn in 2Q25, impacted by higher expenses and a rise in flight cancellations resulting from regional conflict and geopolitical tensions, along with fuel price volatility, exchange rate fluctuations, and supply chain issues. This fall in net income is partially offset by network expansion, healthy customer demand and successful implementation of the growth strategy, along with higher revenue. This demonstrated the Company's resilience and ability to sustain profitability despite external challenges. Additionally, Air Arabia remained debt-free with a cash balance of AED 4.7 Bn, which is equivalent to AED 1.0 per share as of 2Q25. The Company experienced a 13% YOY increase in passenger traffic in 1H25 to 10.1 Mn across the UAE, Morocco, Egypt, and Pakistan. In 2Q25, the number of passengers travelling with Air Arabia boosted from 4.5 Mn in 2Q24 to 5.1 Mn in 2Q25, reflecting strong demand and higher flight frequencies. Moreover, the seat load factor stood at 85% in 2Q25, compared to 80% in 2Q24, indicating stronger passenger demand and improved capacity utilization, which further supported revenue growth and profitability. To enhance its market presence, Air Arabia strengthened its network by launching 13 new routes in 1H25 and increasing flight frequencies in key markets. Furthermore, the Company's growth performance is reflected in its total fleet, which stood at 83 Airbus A320 and A321 aircraft as of 2Q25. To meet the rising demand, Air Arabia has 120 additional aircraft on order from Airbus, with delivery expected to start in 2025. Air Arabia is also expected to benefit from the exit of the operation of Wizz Air's operation from Abu Dhabi. Wizz Air, a Hungarian-based low-cost carrier, announced that it will suspend its operations from Abu Dhabi starting September 1, 2025. During 1H25, Air Arabia made an advance payment of AED 416.9 Mn for new aircraft, and delivery is scheduled to start in 2026. This will enable the airline to launch operations on the newer routes and boost operations. Hence, based on our analysis, we assign a HOLD rating to the stock.

Air Arabia -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	24.18	14.25	11.25	11.87	11.77
PB	3.86	2.87	2.49	2.31	2.19	2.17
EV/EBITDA	35.90	10.79	7.49	6.52	6.88	6.53
BVPS	0.97	1.30	1.50	1.61	1.70	1.72
EPS	-0.04	0.15	0.26	0.33	0.31	0.32
DPS	0.00	0.085	0.150	0.200	0.250	0.300
Dividend yield	NA	2.3%	4.0%	5.4%	6.7%	8.1%

FABS estimate & Co Data

Air Arabia - P&L

AED Mn	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,787	1,692	1,894	6.0%	11.9%	6,639	7,132	7.4%
Direct costs	-1,342	-1,317	-1,402	4.4%	6.4%	-5,076	-5,481	8.0%
Gross profit	445	375	492	10.7%	31.4%	1,563	1,651	5.7%
Selling & Mkt expense	-28	-29	-32	16.6%	12.0%	-104	-121	16.1%
G&A expenses	-60	-61	-70	17.8%	14.2%	-275	-285	3.8%
EBITDA	529	455	581	9.8%	27.6%	1,833	1,946	6.2%
EBIT	358	285	390	9.1%	37.1%	1,184	1,246	5.2%
Finance income	66	59	61	-7.9%	3.5%	251	245	-2.4%
Finance costs	-19	-18	-18	-7.3%	2.2%	-82	-71	-13.6%
Other income	62	45	53	-14.1%	18.5%	132	193	46.2%
Share of profit on JVs	98	44	95	-3.8%	113.8%	125	128	2.9%
Profit before NCI	564	415	581	2.9%	40.0%	1,609	1,740	8.2%
Tax	-39	-65	-87	NM	34.3%	-142	-261	84.5%
Non-controlling int.	0	0	0	NM	NM	1	0	NM
Net profit	525	350	494	-6.0%	41.1%	1,467	1,479	0.8%

FABS estimate & Co Data
Air Arabia - Margins

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	24.9%	22.1%	26.0%	111	386	23.5%	23.2%	-39
EBITDA	29.6%	26.9%	30.7%	106	377	27.6%	27.3%	-32
EBIT	20.0%	16.8%	20.6%	58	378	17.8%	17.5%	-37
Net Profit	29.4%	20.7%	26.1%	-332	539	22.1%	20.7%	-136

FABS estimate & Co Data

3Q25 preview: **Dubai Taxi Company**

Revision of the Bus segment billing cycle to boost profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.59	AED 3.00	+15.8%	BUY

3Q25 estimate

Dubai Taxi Company PJSC (DTC/the Company) is expected to report a significant growth in net profit of 79.0% YOY to AED 107 Mn in 3Q25 due to an anticipated growth in revenue and finance income, coupled with a decrease in staff bonus, partially offset by an expected increase in operating cost, plate & license fee, rise in G&A expenses and tax expenses. The Company's revenue is estimated to grow 23.0% YOY to AED 624 Mn in 3Q25, owing to an expected expansion in revenue across all the segments and changes in terms of contracts for the bus segment. Operating cost is anticipated to increase 17.2% YOY to AED 375 Mn in 3Q25. The plate and License fee is forecasted to grow 13.7% YOY to AED 92 Mn in 3Q25. Thus, the Company's gross profit is likely to grow 47.3% YOY to AED 158 Mn in 3Q25. Other income is forecasted to decrease 18.0% YOY to AED 6 Mn in 3Q25. G&A expenses are estimated to grow 22.8% YOY to AED 36 Mn in 3Q25. Impairment loss on financial assets is expected to be nil in 3Q25 compared to AED 3 Mn in 3Q24. Thus, operating profit is expected to grow significantly 56.0% YOY to AED 128 Mn in 3Q25. EBITDA is projected to increase 44.3% YOY to AED 177 Mn in 3Q25. Furthermore, DTC's finance income is anticipated to rise 26.2% YOY to AED 5 Mn, and finance cost is predicted to fall 4.1% YOY to AED 15 Mn in 3Q25. The Company's staff bonus is likely to be nil in 3Q25 compared to AED 4 Mn in 3Q24. In addition, income tax expense is anticipated to increase significantly 72.6% YOY to AED 11 Mn in 3Q25.

2025 forecast

DTC's net profit is expected to increase 15.7% YOY to AED 383 Mn in 2025, primarily due to an estimated rise in revenue and 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, and a rise in tax expenses. The Company's revenue is forecasted to rise 12.1% YOY to AED 2,463 Mn in 2025, attributable to an increase in revenue across all its business segments. Operating costs are anticipated to increase 11.2% YOY to AED 1,494 Mn in 2025. Plate & license fee is forecasted to grow 10.7% YOY to AED 364 Mn in 2025. Thus, gross profit is anticipated to grow 15.5% YOY to AED 605 Mn in 2025. The Company's other income is projected to decrease 21.8% YOY to AED 29 Mn in 2025, while G&A expenses are anticipated to increase 24.9% YOY to AED 148 Mn. As a result, operating profit is likely to increase 8.1% YOY to AED 473 Mn. DTC's EBITDA is expected to increase 14.5% YOY to AED 669 Mn in 2025. The finance income is forecasted to rise 13.1% YOY to AED 17 Mn in 2025. Finance cost is projected to decrease marginally 0.4% YOY to AED 62 Mn in 2025. Additionally, the staff bonus is anticipated to decline significantly 77.1% YOY to AED 6 Mn in 2025. DTC's tax expense is forecasted to increase 16.8% YOY to AED 38 Mn in 2025.

2Q25 Outturn

DTC's revenue rose 17.7% YOY to AED 625 Mn in 2Q25 owing to fleet expansion and a rise in number of trips. Like-for-like total revenue excluding Connectech rose 16.9% YOY in 2Q25. Revenue from the Taxi segment rose 17.8% YOY to AED 540 Mn in 2Q25, driven by fleet expansion that enhanced service capacity, while maintaining strong utilization levels. Limousine segment revenue rose 8.0% YOY to AED 31 Mn in 2Q25 attributed to fleet expansion and higher trips. Delivery Bike revenue more than doubled from AED 9 Mn in 2Q24 to AED 18 Mn in 2Q25, mainly driven by an increase in the delivery fleet size and higher demand. However, Revenue from the Bus segment declined 11.9% YOY to AED 31 Mn in 2Q25, primarily due to contractual changes impacting the revenue recognition cycle, while annual contract values remained unchanged. DTC's taxi fleet size increased from 5,510 taxis in 2Q24 to 6,210 in 2Q25. Additionally, DTC partnered with Bolt and added more than 6,000 DTC taxis on its platform, including 700 airport taxis. Similarly, Delivery bike fleet increased significantly

from 1,168 bikes in 2Q24 to 2,164 bikes in 2Q25. Revenue from E-hailing Services decreased from AED 14 Mn in 1Q25 to AED 6 Mn in 2Q25. In addition, operating costs rose 10.4% YOY to AED 380 Mn in 2Q25, mainly due to 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 10.9% YOY to AED 92 Mn in 2Q25 due to fleet expansion. The Company's gross profit rose significantly 47.1% YOY to AED 153 Mn in 2Q25. Gross margin grew 490 bps YOY to 24.5% in 2Q25 due to an expansion in margins of the Taxi Segment, partially offset by lower margins across the Limousine, Bus and Delivery Bike Segment. DTC's G&A expenses rose 58.7% YOY to AED 34 Mn in 2Q25. The Company's other income fell from AED 12 Mn in 2Q24 to AED 4 Mn in 2Q25. In addition, DTC witnessed an impairment reversal of AED 5 Mn in 2Q25, compared to an impairment reversal of AED 3 Mn in 2Q24. DTC's EBITDA increased 29.6% YOY to AED 181 Mn in 2Q25 due to the solid operating performance. EBITDA margin increased from 26.2% in 2Q24 to 28.9% in 2Q25, supported by a strong growth in trip volumes and revenue, along with a lower impact from Connectech promotions. However, after excluding the impact of Connectech, the like-for-like EBITDA rose 32.1% YOY with a margin of 29.6% in 2Q25. Furthermore, the Company's finance income decreased from AED 5 Mn in 2Q24 to AED 3 Mn in 2Q25, while the finance cost remained unchanged at AED 16 Mn in 2Q25. In addition, the Company's income tax expenses increased 32.6% YOY to AED 10 Mn in 2Q25.

Target price and recommendation

We revise our rating from ACCUMULATE to BUY on Dubai Taxi Company with a target price of AED 3.00. The Company reported a solid growth in net profit during 2Q25, primarily driven by higher operating profit owing to fleet expansion and a rise in the number of trips. DTC's total fleet size increased from 8,247 in 2Q24 to 10,180 in 2Q25. The Company completed 13.6 Mn trips in 2Q25 compared to 11.4 Mn trips in 2Q24, attributed to growing demand and an increase in the fleet size. As of June 2025, the total operational taxi fleet reached 6,210 vehicles, including 335 fully electric vehicles, reflecting a continued commitment to transitioning towards a more sustainable offering. Meanwhile, DTC partnered with Bolt, successfully onboarding more than 6,000 taxis on Bolt's platform, including 700 airport taxis. This will help the Company to expand its reach by tapping a large customer base of Bolt and Talabat. The Company launched a strategic partnership with Al-Futtaim Electric Mobility Company, deploying 200 all-electric BYD SEAL taxis across Dubai. RTA introduced incremental taxi tariff increases, including a 7-fils adjustment in July 2025, resulting in an 8% increase in city fares and an 11% increase in airport taxi fares. Despite these adjustments, DTC fares remain affordable, supporting the residents and tourists in Dubai. Consequently, DTC secured an exclusive five-year strategic partnership with Dubai Airports to serve the rising passenger traffic in the Emirates. The Company is strengthening its relations with government entities to secure large-scale institutional and public sector contracts over small-scale agreements. On the other hand, the Bus Service segment is expected to witness a turnaround in 3Q25, driven by the revision of the billing cycle from the previous 10-month academic year alignment to a full 12-month period. Additionally, DTC declared an interim dividend of AED 160.7 Mn for 1H25, representing 85% of net income. A dividend of 6.43 fils per share was paid out in August 2025 resulting in a total dividend yield of 5.0% for 2025. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

DTC -Relative valuation			
(At CMP)	2023	2024	2025F
PE	18.7	19.5	16.8
PB	21.0	15.7	13.2
EV/EBITDA	14.5	12.2	10.8
BVPS	0.123	0.164	0.196
EPS	0.138	0.133	0.153
DPS	0.028	0.113	0.130
Dividend yield	1.1%	4.3%	5.0%

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	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	507	625	624	23.0%	-0.1%	2,197	2,463	12.1%
Operating cost	-319	-380	-375	17.2%	-1.4%	-1,345	-1,494	11.2%
Plate & license fee	-81	-92	-92	13.7%	0.0%	-329	-364	10.7%
Gross profit	107	153	158	47.3%	3.0%	523	605	15.5%
Other Income	8	4	6	-18.0%	66.3%	37	29	-21.8%
General and Administrative Expenses	-29	-34	-36	22.8%	7.2%	-118	-148	24.9%
Impairment Loss on Financial Assets	-3	5	0	NM	NM	-4	-12	NM
Operating profit	82	128	128	56.0%	-0.5%	438	473	8.1%
EBITDA	123	181	177	44.3%	-1.7%	584	669	14.5%
Finance Income	4	3	5	26.2%	40.3%	15	17	13.1%
Finance Cost	-16	-16	-15	-4.1%	-5.8%	-63	-62	-0.4%
Staff Bonus	-4	0	0	NM	NM	-26	-6	-77.1%
Earning Before Tax and Staff Bonus	66	116	117	78.4%	1.5%	364	422	15.8%
Income Tax	-6	-10	-11	72.6%	1.6%	-33	-38	16.8%
Profit to shareholders	60	105	107	79.0%	1.4%	331	383	15.7%

FABS estimate & Co Data

DTC -Margins

	3Q24	2Q25	3Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	21.1%	24.5%	25.3%	417	77	23.8%	24.5%	72
EBITDA	24.2%	28.9%	28.4%	419	-46	26.6%	27.2%	56
Operating Profit	16.2%	20.6%	20.5%	433	-7	19.9%	19.2%	-71
Net Profit	11.8%	16.9%	17.1%	535	27	15.1%	15.6%	48

FABS estimate & Co Data

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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