UAE Transportation Sector

Sustained tourism and Connectivity across UAE to drive sector growth

Sector Weighting: **MARKET WEIGHT**

The UAE tourism sector continues to be a key pillar of economic diversification, with its contribution to GDP rising sharply to 15%, reaching AED 291 Bn in 2025, up from 6% in 2021, reflecting exceptional growth over the past four years. The UAE Tourism Strategy 2031, launched under the 'Projects of the 50', aims to further scale the sector by raising tourism GDP contribution to AED 450 Bn, attracting AED 100 Bn in incremental investments, and welcoming 40 Mn hotel guests. These ambitions are further reinforced by Dubai's D33 economic agenda, which targets doubling GDP by 2033 through human capital development, advanced technology adoption, and enhanced global competitiveness. Together, supportive policy frameworks, strategic investments, and strong demand fundamentals position the UAE tourism sector for sustained long-term growth. Our stance on Aramex remains positive, led by the Company's strategic investments in micro-fulfilment, reverse logistics, and high-value verticals, coupled with steady progress under the Accelerate28 transformation, enhancing its competitive positioning and earnings visibility. Additionally, we recommend exposure to DTC due to its rapid fleet expansion and rising tourism inflows. DTC's expansion into e-hailing and smart mobility solutions further strengthens long-term earnings visibility. We recommend investors to stay invested in Air Arabia as the Company offers leveraged exposure to robust regional travel demand, coupled with its low-cost model. Continued decrease in oil prices will help margin expansion and earnings growth, providing pricing flexibility and enabling the Company to stimulate demand amid competitive and geopolitical pressures.

Air Arabia passenger traffic increased to 5.9 Mn in 3Q25, up from 5.1 Mn in 3Q24, while seat load factors improved to 85% from 81%, highlighting the scalability of its low-cost model. The airline added 12 new routes in 9M25, expanding its network to 212 routes, supported by a fleet of 88 Airbus A320/A321 aircraft and a strong growth pipeline. A key strategic development was Air Arabia's selection, alongside Nesma Group and KUN, to establish a new national low-cost carrier in Dammam, Saudi Arabia. The Company remains debt-free, with a strong cash balance of AED 5.1 Bn, providing ample financial flexibility to capture rising regional travel demand. Our favourable stance on Dubai Taxi Company (DTC) is underpinned by disciplined fleet expansion and improving operational metrics. The fleet increased 19% YOY to 10,500 vehicles, while trips rose 7% YOY to 13.1 Mn in 3Q25, driven by sustained tourism inflows and enhanced fleet productivity. During the quarter, DTC entered a strategic alliance with Kabi, enabling the integration of its fleet into the Bolt and Zed e-hailing platforms, enhancing connectivity and digital reach. New partnerships with Mastercard and Emirates NBD further strengthened brand visibility and opened incremental revenue opportunities, positioning DTC well for sustained growth supported by Dubai's robust macroeconomic fundamentals. Aramex is benefiting from a structural shift in supply chains toward intraregional logistics and last-mile delivery, supporting sustained demand in Domestic Express and related segments. While the contribution of the higher-margin International Express business moderated in 3Q25, impacting the overall product mix, the Company's Accelerate28 program remains on track, supported by organizational restructuring and efficiency initiatives. Aramex maintains a healthy balance sheet, with AED 575 Mn in cash and a net debt/EBITDA ratio of 3.0x, providing flexibility to pursue growth opportunities across its core markets.

Stocks	Target Price	CMP	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
Aramex	3.10	2.18	+42.2%	BUY	29.89	5.93	NA
Air Arabia	4.80	5.25	-8.6%	REDUCE	13.48	8.39	5.8%
Dubai Taxi Company	3.00	2.59	+15.8%	BUY	15.2	10.4	5.5%

Source: FABS Estimate, [1]Data refers to FY2026

Key Developments in the Transportation Sector

Robust passenger and cargo growth underscore UAE's position as a global aviation hub

Passenger traffic across the UAE remained on a strong growth trajectory in 3Q25, reaffirming the country's position as a leading global aviation hub. Abu Dhabi Airports continued to play a pivotal role in enhancing international connectivity and economic development, delivering double-digit passenger growth for the 18th consecutive quarter, alongside healthy expansion in flight movements and cargo activity. Abu Dhabi Airports handled over 8.49 Mn passengers in 3Q25, reflecting a 10.1% YOY increase, largely driven by Zayed International Airport (AUH), which accounted for 8.35 Mn passengers, up 10.4% YOY. The increase in passenger throughput was supported by higher operational activity, with total aircraft movements across Abu Dhabi's five airports rising to 67,035, underscoring sustained capacity deployment and network expansion. Dubai International Airport (DXB) also reported solid performance, handling 24.2 Mn passengers in 3Q25, up 1.9% YOY. On a cumulative basis, DXB handled 70.1 Mn passengers in 9M25, reflecting continued strength in Dubai's role as a global travel and commercial hub. DXB's rolling twelve-month passenger traffic reached a new peak of 93.8 Mn, supported by an average of 213 passengers per flight, highlighting strong demand and efficient capacity utilization. The hospitality sector maintained its positive momentum in 9M25, with Dubai welcoming 13.95 Mn guests, representing 5.0% YOY growth. Hotel performance also improved, with average occupancy rising to 79% in September 2025, compared with 76% in September 2024, demonstrating resilience in tourism demand. Total global passenger traffic rose 6.6% YOY to 822 Bn revenue passenger-kilometres in October 2025. While the industry passenger capacity (measured in terms of available seats kilometers (ASK) rose 5.8% YOY in October 2025. Higher growth in demand (RPK) compared to supply (ASK) pushed the global passenger load factor (PLF) to 84.6% in October 2025, up 0.7% YOY. This is the highest PLF recorded in October. Global air cargo freight demand continued its recovery, with Cargo Tonne-Kilometres (CTK) increasing 4.1% YOY, reaching a new all-time high. Overall, these trends underscore the UAE's sustained strength across aviation, tourism, and hospitality, reinforcing its strategic importance as a key driver of global connectivity and long-term economic growth. Middle Eastern carriers outperformed other regions in October 2025, registering the strongest traffic growth of 10.5% YOY, underpinned by robust international demand. Capacity utilization improved meaningfully, with passenger load factor (PLF) rising 1.8% YOY to 82.4%. International traffic expanded 10.7% YOY, reflecting both a recovery in travel demand and a favourable base effect, as October 2024 volumes were subdued due to heightened geopolitical tensions. Overall, this data highlights improving operational efficiency and sustained demand momentum for Middle Eastern airlines.

At the global level, IATA reported a 5.3% YTD increase in passenger traffic in October 2025, while the industry-wide Passenger Load Factor stood at 84.6%, higher than 83.9% in October 2024. Air cargo demand continued its recovery, with Cargo Tonne-Kilometres (CTK) increasing 3.3% YTD, reaching a new all-time high in October 2025. Overall, these trends underscore the UAE's sustained strength across aviation, tourism, and hospitality, reinforcing its strategic importance as a key driver of global connectivity and long-term economic growth. Middle Eastern carriers outperformed other regions in October 2025, registering the strongest traffic growth of 6.3% YTD, underpinned by robust international demand. International traffic in the Middle East expanded 6.2% YTD, reflecting both a recovery in travel demand and a favourable base effect, as October 2024 volumes were subdued due to heightened geopolitical tensions. Overall, this data highlights improving operational efficiency and sustained demand momentum for Middle Eastern airlines.

Oil prices under pressure in 4Q25 on supply-demand imbalance

During the quarter, Brent crude oil prices declined 6% QOQ, ending the period at USD 60.85/bbl on 31 December 2025. The quarterly weakness reflected a sustained softening in market fundamentals, as the market remained well supplied and macroeconomic uncertainty weighed on demand expectations. Investor sentiment stayed cautious amid rising inventories, expectations of higher OPEC+ output, and currency headwinds, which continued to outweigh periodic price support from geopolitical developments and opportunistic stockpiling. The easing of regional tensions and the absence of a structural supply shortfall further limited upside. According to the EIA, global oil inventories are expected to continue building through 2026, exerting sustained downward pressure on crude prices over the near to medium term. Brent crude prices are forecast to decline to an average of USD 55/bbl in 1Q26 and are expected to remain broadly around this level through the rest of 2026. While the near-term price trajectory remains biased to the downside, the extent of further declines is likely to be moderated by OPEC+ production management and ongoing inventory accumulation by China, which should provide a partial floor to prices despite the prevailing oversupply environment.

Air Cargo Demand Remains Resilient Amid Capacity and Cost Headwinds

Global air cargo demand remained resilient in October 2025, with CTK rising 3.3% YTD, marking the eighth consecutive month of growth and a new record high. Seasonally adjusted volumes increased 3.8%, while international cargo demand which consists nearly 87% of total volumes, grew 4.0% YTD, supported by steady trade flows. Regional performance was positive, led by Asia Pacific carriers growing 8.6% YTD, followed by Africa growing 4.3% and Latin America growing 4.1% YTD. Middle Eastern carriers outperformed with 5.8% YOY growth in international cargo, driven by strong Middle East–Asia routes however it declined marginally by 0.9% YTD in October 2025. On the supply side, global cargo capacity rose 3.5% YTD, outpacing demand and pushing CLF down 0.1ppt to 45.3%, with sharper compression in the Middle East amid 3.2% YTD capacity growth. Cost pressures began to re-emerge, as jet fuel prices increased 2.5% YOY. From a macro perspective, manufacturing activity remained expansionary with PMI reaching 51.45, though export orders stayed weak at 48.31. Overall, conditions point to modest but sustained growth in air cargo demand, tempered by capacity additions and rising cost pressures.

Dubai introduces two-year fee rebate to spur hotel supply

Dubai's Department of Economy and Tourism launched a new incentive programme to boost hotel development in high-growth areas, following Executive Council Resolution No. (68) of 2025. The initiative offers a 100% reimbursement of Dubai Municipality fees on room sales and the Tourism Dirham for two years post-opening for eligible new hotels. It applies to properties located in Dubai South, Palm Jebel Ali, Dubai Parks, and the Dubai Islands. The programme aims to attract private investment, expand hospitality capacity, and support Dubai's tourism growth under the D33 economic agenda.

Qatar airways exit Cathay Pacific via stake buyback

Qatar Airways agreed to sell its entire 9.7% stake in Cathay Pacific for USD 897 Mn via a share buyback, marking its exit after eight years. Cathay will repurchase the shares at a 4% discount to market price, funding the deal through internal resources and credit lines. The transaction reduces free float and is viewed as positive for Cathay's stock, which rose nearly 5% on the news. Post-buyback, Swire Pacific and Air China's stakes will increase, while Qatar Airways will maintain its partnership with Cathay through the oneworld Alliance.

Emirates signals potential debt raise to fund expansion

Emirates said it may tap international debt markets through a bond or sukuk issuance to fund expansion, despite maintaining strong liquidity. The airline reported a cash position of AED 56 Bn as of 30 September 2025, supporting major capex plans. Emirates has placed a USD 38 Bn order for 65 Boeing aircraft, alongside fleet retrofits and a full rollout of Starlink Wi-Fi on its entire fleet, targeting a fleet of 232 aircraft by 2027. Additional investment of USD 10–12 Bn is expected for its planned move to Al Maktoum International Airport by 2034, part of the broader USD 40 Bn airport development.

Safran-Emirates signed an MOU to localise aircraft seat manufacturing

Emirates and France's Safran signed an MoU to establish a manufacturing and seat assembly facility in Dubai to support rising aircraft demand. The plant will initially focus on business and economy class seats for cabin refurbishment, with potential expansion to new aircraft programmes. Safran plans to complete the facility by 4Q27, with capacity to assemble up to 1,000 business class seats annually. The initiative aims to ease industry-wide seat supply bottlenecks and could allow Emirates to install seats in Dubai rather than at Airbus or Boeing facilities.

Content:

4Q25 Preview: Aramex PJSC

Strategic shift enhances long term value amid margin pressure

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.18	AED 3.10	+42.2%	BUY

4Q25 estimate

Aramex's (Aramex/ The Company) net profit is anticipated to decline 31.0% YOY to AED 40 Mn in 4Q25, mainly due to impairment loss and loss on share of joint venture and associates, partially offset by a marginal increase in revenue, lower administrative costs, decreasing other costs and increasing tax expenses. Aramex's revenue is projected to marginally rise 0.4% YOY to AED 1,702 Mn in 4Q25, driven by higher revenue from logistics and marginal increase in revenue from freight forwarding, partially offset by expected decline in courier and other services revenue. The Company's cost of services is forecasted to increase marginally by 0.7% YOY to AED 1,306 Mn in 4Q25. Thus, gross profit is likely to decline 0.7% YOY to AED 396 Mn in 4Q25. We also expect the gross margins to contract 26 bps YOY to 23.3% in 4Q25. Furthermore, the Company's S&M expenses are expected to fall slightly by 0.7% YOY to AED 86 Mn in 4Q25. Administrative costs are anticipated to decline 3.6% YOY to AED 227 Mn in 4Q25. Meanwhile, Aramex is expected to report impairment loss on financial assets of AED 2 Mn in 4Q25 compared to an impairment gain of AED 19 Mn in 4Q24. Other costs is forecasted to fall sharply from AED 6 Mn in 4Q24 to AED 3 Mn in 4Q25. As a result, operating profit is likely to fall 12.9% YOY to AED 78 Mn, with the operating profit margin is expected to decrease 69 bps YOY to 4.6% in 4Q25. The Company's EBITDA is estimated to decline 2.7% YOY to AED 171 Mn, however, we expect the EBITDA margin to soften slightly to 10.1% in 4Q25, compared to 10.4% in 4Q24. Aramex's finance income is expected to increase from AED 1 Mn in 4Q24 to AED 2 Mn in 4Q25, while finance cost is projected to decrease 20.2% YOY to AED 23 Mn in 4Q25. Aramex is expected to report AED 11 Mn of other non-operating expenses in 4Q25 compared to nil in 4Q24. The Company's tax expense is forecasted to increase 29.2% YOY to AED 5 Mn in 4Q25.

2025 forecast

Aramex's net profit is expected to decrease 60.5% YOY to AED 53 Mn in 2025, primarily due to increasing cost of services, non-operating costs, net impairment loss on financial assets compared to impairment profit and loss on share of results of joint ventures compared to profit in 2024, partially offset by marginal growth in service revenue, higher finance income, lower finance cost, and lower tax expense. Aramex's revenue is projected to grow marginally 0.6% YOY to AED 6,361 Mn in 2025, attributed to a stable performance across core operations despite muted momentum in courier segments. Similarly, the Company's cost of services is projected to rise 1.9% YOY to AED 4,901 Mn in 2025. Thus, gross profit is expected to fall 3.5% YOY to AED 1,460 Mn in 2025. Gross margins are expected to fall marginally to 23.0% in 2025 compared to 23.9% in 2024, reflecting balanced movement between revenue and direct costs. The Company's S&M expenses are estimated to grow 1.0% YOY to AED 344 Mn, while administrative expenses are anticipated to rise marginally 0.3% YOY to AED 896 Mn in 2025. Aramex is also expected to incur net impairment loss on financial assets of AED 13 Mn in 2025, compared to a gain of AED 7 Mn in 2024. Other income is projected to grow slightly, 0.6% YOY to AED 11 Mn in 2025. However, operating profit is anticipated to decline 26.2% YOY to AED 219 Mn in 2025. Operating profit margin is also expected to fall 125 bps YOY to 3.4% in 2025. Similarly, Aramex's EBITDA is forecasted to decline 9.8% YOY to AED 587 Mn, with a drop in EBITDA margin of 106 bps YOY to 9.2% in 2025. The Company's finance income is projected to rise 32.6% YOY to AED 6 Mn, while finance cost is anticipated to decline 7.5% YOY to AED 112 Mn in 2025. Aramex's tax expense is estimated to decrease 42.7% YOY to AED 26 Mn in 2025.

3Q25 outturn

Aramex's top line rose marginally 0.4% YOY to AED 1,599 Mn in 3Q25. The growth is mainly supported by an industry-wide shift toward regionalization and nearshoring, which drove solid performances in the Domestic Express, Freight Forwarding, and Logistics segments. However, this was partially offset by continued softness in the International Express segment. The Company's Freight Forwarding segment saw a 3.6% YOY growth in revenue to AED 466 Mn in 3Q25, attributed to double digit volume growth across all lines except Sea Freight LCL. The Courier segment declined 2.6% YOY to AED 984 Mn in 3Q25, driven by lower International express volume, partially offset by a growth in Domestic express volume supported by strong consumer spending and the continued expansion of e-commerce activity across the GCC and MENAT regions. 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 13.8% YOY decline to 5.6 Mn shipments in terms of volume in 3Q25. However, the Domestic Express volumes grew 5.5% YOY to 31 Mn in 3Q25, mainly due to local and intra-regional domestic activity. The Contract logistics segment achieved a revenue growth of 16.1% YOY to AED 137 Mn in 3Q25, driven by near full capacity utilization across Aramex's key facilities in Saudi Arabia, UAE, and Egypt, along with new long-term contracts. Other service revenue declined 12.6% YOY to AED 12 Mn in 3Q25. Cost of services grew marginally by 0.8% YOY to AED 1,229 Mn in 3Q25. Thus, gross profit declined 0.7% YOY to AED 370 Mn in 3Q25, owing to a change in product mix. Gross profit margin also declined 27 bps YOY to 23.2% in 3Q25. Selling and marketing expenses fell 3.4% YOY to AED 86 Mn in 3Q25. Administrative expenses rose 1.7% YOY to AED 225 Mn in 3Q25. The Company's impairment charges decreased 28.2% YOY to AED 1 Mn in 3Q25. Other income declined from AED 8 Mn in 3Q24 to AED 6 Mn in 3Q25. Operating profit declined 5.9% YOY to AED 64 Mn in 3Q25. Operating profit margin declined 27 bps YOY to 4.0% in 3Q25. Furthermore, total EBITDA increased from AED 157 Mn in 3Q24 to AED 164 Mn in 3Q25. EBITDA margins increased from 9.9% in 3Q24 to 10.2% in 3Q25. Finance income increased 43.0% YOY to AED 1.4 Mn in 3Q25, while finance costs also grew 11.0% YOY to AED 33 Mn in 3Q25. The Company recorded a loss from joint ventures and associates of AED 2 Mn in 3Q25, compared to a loss of AED 1 Mn in 3Q24. The Company recorded an other non-operating expense of AED 11 Mn in 3Q25, primarily reflecting costs associated with the ADQ acquisition and the ongoing transformation program. Aramex recorded a tax expense of AED 14 Mn in 3Q25 compared to tax charges of AED 11 Mn in 3Q24.

Target Price and Rating

We maintain our BUY rating on Aramex with a target price of AED 3.10. The Company's stock price declined 15.6% since our last rating (November 2025). The Company's profitability was impacted by the one-off costs associated with the ADQ acquisition and the ongoing transformation program coupled with higher administrative costs. However, excluding these one-off costs, the Company's normalized EBIT and net profit would have stood at AED 74 Mn and 5 Mn, respectively during 3Q25, highlighting stable underlying performance. Aramex continues to experience a structural shift in supply chain flows as brands reposition inventory closer to end markets. This trend has fuelled sustained demand for intraregional activity in Domestic Express and other business segments. Consequently, the contribution of the Company's high-margin International Express business to revenues and gross profit declined in 3Q25, altering the overall product mix and profitability profile. Domestic Express, however, remained robust, supported by strong consumer demand and the rapid growth of e-commerce in the GCC and MENAT regions. The profitability in this segment continues to evolve as the business mix shifts further toward intra-regional shipments. The Company's Freight Forwarding segment recorded a 6% YOY increase in 9M25, driven by double-digit volume growth across all segments. This underscores Aramex's capability to capture regional trade activity in key sectors such as energy and industrials, even amid global logistics market volatility. Logistics and Supply Chain Solutions continued to see strong demand for warehousing, fulfilment, and value-added logistics services. The segment benefited from near-full capacity utilization in key facilities across the UAE, Saudi Arabia, and Egypt, as well as the successful onboarding of new long-term contracts. Domestic and regional logistics solutions contributed an increasing share of Group revenues, demonstrating Aramex's ability to capture evolving trade flows closer to end-consumer markets. From a regional standpoint, the GCC remained the largest revenue contributor, supported by robust economic fundamentals and resilient intra-regional trade. Aramex continues to enhance its competitive positioning through investments in micro-fulfilment hubs, reverse logistics capabilities, and specialization in high-value verticals, including retail, industrials, and pharmaceuticals. The Accelerate28 transformation initiative, launched in 1Q25, is progressing well, supported by the new four-region structure and ongoing value-capture initiatives. These efforts are expected to improve operational efficiency and support margin expansion over the medium term. The Company also maintains a healthy balance sheet, with AED 575 Mn in cash and a net debt-to-EBITDA ratio of 3.0x as of 3Q25, providing flexibility for growth investments. Thus, based on our analysis, we assign our BUY rating on the stock.

Aramex -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	13.12	17.41	19.82	24.77	23.56	59.70
PB	1.19	1.20	1.27	1.30	1.27	1.24
EV/EBITDA	3.71	4.12	6.01	5.96	5.57	6.09
BVPS	1.838	1.820	1.714	1.681	1.719	1.755
EPS	0.166	0.125	0.110	0.088	0.093	0.037
DPS	0.165	0.130	0.130	0.095	0.000	0.000
Dividend yield	7.6%	6.0%	6.0%	4.4%	NA	NA

FABS Estimate & Co Data

Aramex - P&L

AED Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Rendering of Services	1,695	1,599	1,702	0.4%	6.4%	6,324	6,361	0.6%
Cost of Services	-1,297	-1,229	-1,306	0.7%	6.3%	-4,812	-4,901	1.9%
Gross profit	**399**	**370**	**396**	**-0.7%**	**6.9%**	**1,512**	**1,460**	**-3.5%**
Selling and Marketing Expenses	-86	-86	-86	-0.7%	-0.3%	-340	-344	1.0%
Administrative Expenses	-236	-225	-227	-3.6%	1.0%	-893	-896	0.3%
Net Impairment loss	19	-1	-2	NM	39.2%	7	-13	NM
Other income, net	-6	6	-3	-53.9%	-145.7%	11	11	0.6%
Operating profit	**89**	**64**	**78**	**-12.9%**	**NM**	**297**	**219**	**-26.2%**
EBITDA	**176**	**164**	**171**	**-2.7%**	**NM**	**650**	**587**	**-9.8%**
Finance Income	1	1	2	90.7%	58.2%	5	6	32.6%
Finance Costs	-29	-33	-23	-20.2%	-29.8%	-121	-112	-7.5%
Share of results of JV and assoc	2	-2	-1	-128.2%	-58.2%	3	-3	NM
Other non-operating expenses		-11	-11	NM	NM		-31	NM
Profit before Income Tax	**64**	**19**	**45**	**-29.0%**	**NM**	**183**	**80**	**-56.5%**
Income Tax Expense	-4	-14	-5	29.2%	NM	-46	-26	-42.7%
Profit for the period	**59**	**6**	**40**	**-33.0%**	**NM**	**137**	**53**	**-61.2%**
NCI	-1	-1	1	-158.3%	NM	-2	0	NM
Profit attributable	**59**	**5**	**40**	**-31.0%**	**NM**	**135**	**53**	**-60.5%**

FABS estimate and Co data

Aramex - Margins

	4Q24	3Q25	4Q25F	YOY ch	QOQ ch	2024	2025F	Change
Gross Profit	23.5%	23.2%	23.3%	-26	10	23.9%	23.0%	-96
EBITDA	10.4%	10.2%	10.1%	-31	-18	10.3%	9.2%	-106
EBIT	5.3%	4.0%	4.6%	-69	56	4.7%	3.4%	-125
Net Profit	3.5%	0.3%	2.4%	-108	NM	2.1%	0.8%	-130

FABS estimate and Co data

4Q25 preview: Air Arabia

Revenue growth outpacing direct costs to fuel profit expansion

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.25	AED 4.80	-8.6%	REDUCE

4Q25 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to increase 24.1% YOY to AED 386 Mn in 4Q25 driven by higher revenue, decline in selling & marketing expense, decline in finance costs, and a significant rise in other income, partially offset by higher direct costs, higher G&A expenses, lower finance income, higher tax charges, and an expected decline in profit contributions from equity-accounted investments. The Company's revenue is projected to increase 12.8% YOY to AED 1,866 Mn in 4Q25. On the other hand, direct costs are estimated to rise 6.3% YOY to AED 1,385 Mn in 4Q25. Thus, gross profit is likely to grow 34.3% YOY to AED 481 Mn in 4Q25. We also expect gross margins to expand from 21.6% in 4Q24 to 25.8% in 4Q25. Moreover, AIRARABIA's selling and marketing expense is expected to decline 2.7% YOY to AED 30 Mn, while G&A expense is projected to increase 31.1% YOY to AED 92 Mn in 4Q25. AIRARABIA's EBITDA is predicted to rise 34.2% YOY to AED 534 Mn in 4Q25, and the EBITDA margin is expected to expand from 24.1% in 4Q24 to 28.6% in 4Q25. As a result, the Company's operating profit is likely to increase 39.6% YOY to AED 359 Mn in 4Q25. We expect the operating margin to rise from 15.6% in 4Q24 to 19.3% in 4Q25. Furthermore, the Company's finance income is expected to decline 7.0% YOY to AED 63 Mn, whereas finance cost is estimated to fall 12.6% YOY to AED 17 Mn in 4Q25. Other income is anticipated to increase from AED 13 Mn in 4Q24 to AED 53 Mn in 4Q25. Share of profit on equity-accounted investment is expected to decline from AED 32 Mn in 4Q24 to AED 25 Mn in 4Q25. We estimate the tax expense to increase from AED 41 Mn in 4Q24 to AED 98 Mn in 4Q25.

2025 forecast

Air Arabia's net profit is projected to grow 10.7% YOY to AED 1,623 Mn in 2025, primarily driven by higher revenue, higher other income and share of equity profit accounted investments and lower finance cost, partially offset by an increase in direct costs and operating expense. Revenue is expected to grow 10.8% YOY to AED 7,358 Mn in 2025 driven by a growth in the number of passengers and addition of new routes. The Company's direct cost is forecasted to increase 9.9% YOY to AED 5,580 Mn in 2025. Thus, gross profit is anticipated to rise 13.8% YOY to AED 1,779 Mn in 2025. On the other hand, selling and marketing expenses are forecasted to grow 7.7% YOY to AED 112 Mn in 2025. Similarly, G&A expenses are estimated to rise 15.1% YOY to AED 316 Mn in 2025. EBITDA is forecasted to grow 8.6% YOY to AED 1,990 Mn, with EBITDA margin expected to contract 57 bps YOY to 27.0% in 2025. As a result, operating profit is projected to increase 14.0% YOY to AED 1,350 Mn in 2025. We anticipate the operating margin to expand 52 bps YOY to 18.4% in 2025. Furthermore, finance income is expected to decline 2.8% YOY to AED 244 Mn in 2025. In contrast, finance cost is forecasted to fall 18.7% YOY to AED 67 Mn in 2025. Other income is projected to increase from AED 132 Mn in 2024 to AED 199 Mn in 2025. AIRARABIA's share of profit on equity account investment is expected to rise 47.5% YOY to AED 184 Mn in 2025. Tax expense is forecasted to increase from AED 142 Mn in 2024 to AED 286 Mn in 2025.

3Q25 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 revise our rating from ACCUMULATE to REDUCE with a revised target price of AED 4.80. The Company's stock price increased 26.3% since our last rating (November 2025). AIRARABIA reported a double-digit growth in net profit driven by strong network-wide demand, higher passenger volumes, enhanced operational efficiency, and disciplined cost management during 3Q25. The Company's Passenger traffic grew by 16% YOY to 5.9 Mn during 3Q25, while the average seat load factor increased from 81.0% in 3Q24 to 85.0% in 3Q25, underscoring AIRARABIA's strong market positioning and ability to capture rising travel demand. The Company expanded its network by launching 12 new routes during 9M25 and added six new aircraft to its fleet, bringing the total to 88 owned and leased Airbus A320 and A321 aircraft, with additional deliveries expected before the end of 2025. This expansion underscores the Company's strategic focus on strengthening its regional footprint, enhancing route connectivity, and meeting the growing demand for air travel across its key markets. The Company marked a significant milestone with the introduction of its first Airbus A320neo, the initial delivery from its order of 120 aircraft. The new-generation aircraft is designed to deliver up to 20% greater fuel efficiency and lower CO_2 emissions, aligning with Air Arabia's commitment to operational excellence and environmental responsibility. This also reflects the Company's ongoing efforts to optimize costs and improve profitability. Furthermore, AIRARABIA continues to strengthen its regional footprint, enhance route connectivity, and leverage digital transformation to improve customer experience and operational efficiency. The Company also remains debt-free, with a strong cash balance of AED 5.1 Bn as of 3Q25, providing a solid foundation for future growth. We believe the current price captures most of the upside. Hence, based on our analysis, we assign a REDUCE rating to the stock.

Air Arabia -Relative valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	32.02	18.87	14.90	15.71	14.20
PB	5.11	3.79	3.30	3.06	2.90	2.76
EV/EBITDA	49.58	15.28	10.79	9.51	9.75	9.04
BVPS	0.97	1.302	1.499	1.614	1.704	1.791
EPS	NA	0.154	0.262	0.332	0.314	0.348
DPS	0.00	0.085	0.150	0.200	0.250	0.300
Dividend yield	NA	1.6%	2.9%	3.8%	4.8%	5.7%

FABS estimate & Co Data

Air Arabia - P&L

AED Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,655	2,045	1,866	12.8%	-8.7%	6,639	7,358	10.8%
Direct costs	-1,297	-1,494	-1,385	6.8%	-7.3%	-5,076	-5,580	9.9%
Gross profit	**358**	**550**	**481**	**34.3%**	**-12.7%**	**1,563**	**1,779**	**13.8%**
Selling & Mkt expense	-31	-28	-30	-2.7%	8.2%	-104	-112	7.7%
G&A expenses	-70	-83	-92	31.1%	9.7%	-275	-316	15.1%
EBITDA	**398**	**585**	**534**	**34.2%**	**-8.7%**	**1,833**	**1,990**	**8.6%**
EBIT	**257**	**439**	**359**	**39.6%**	**-18.2%**	**1,184**	**1,350**	**14.0%**
Finance income	68	57	63	-7.0%	11.0%	251	244	-2.8%
Finance costs	-20	-15	-17	-12.6%	14.7%	-82	-67	-18.7%
Other income	13	67	53	NM	-20.8%	132	199	50.9%
Share of profit on JVs	32	107	25	-21.6%	-76.3%	125	184	47.5%
Profit before NCI	**352**	**656**	**484**	**37.7%**	**-26.2%**	**1,609**	**1,910**	**18.7%**
Tax	-41	-73	-98	NM	34.2%	-142	-286	102.4%
Non-controlling int.	0	0	0	NM	NM	1	0	NM
Net profit	**311**	**583**	**386**	**24.1%**	**-33.8%**	**1,467**	**1,623**	**10.7%**

FABS estimate & Co Data

Air Arabia - Margins

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	21.6%	26.9%	25.8%	413	-116	23.5%	24.2%	63
EBITDA	24.1%	28.6%	28.6%	456	1	27.6%	27.0%	-57
EBIT	15.6%	21.5%	19.3%	370	-224	17.8%	18.4%	52
Net Profit	18.8%	28.5%	20.7%	188	-782	22.1%	22.1%	-4

FABS estimate & Co Data

4Q25 preview: Dubai Taxi Company (DTC)

Higher revenue coupled with lower staff bonuses to increase the net profit

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

4Q25 estimate

Dubai Taxi Company PJSC (DTC/the Company) is projected to record a surge in net profit of 35.4% YOY to AED 114 Mn in 4Q25 due to an estimated rise in revenue, other income, and finance income, coupled with decreasing staff bonus, partially offset by an expected increase in operating cost, plate & license fee, rise in G&A expenses, impairment charges, finance cost, and tax expenses. The Company's revenue is forecasted to grow 10.8% YOY to AED 664 Mn in 4Q25, driven by growth across key revenue segments such as Taxi, Limousines, and Bike. Operating cost is expected to increase 10.1% YOY to AED 396 Mn in 4Q25. The plate and License fee is likely to increase 5.5% YOY to AED 92 Mn in 4Q25. As a result, the Company's gross profit is estimated to grow 15.4% YOY to AED 176 Mn in 4Q25. Other income is anticipated to double from AED 7 Mn in 4Q24 to AED 14 Mn in 4Q25. G&A expenses are expected to rise 3.4% YOY to AED 42 Mn in 4Q25. Impairment loss on financial assets is estimated to be AED 10 Mn in 4Q25, up from AED 8 Mn in 4Q24. Thus, operating profit is anticipated to increase 23.9% YOY to AED 138 Mn in 4Q25. EBITDA is forecasted to grow 21.4% YOY to AED 185 Mn in 4Q25, with a margin expansion of 243 bps YOY to 27.8%. Moreover, DTC's finance income is projected to increase from AED 3 Mn in 4Q24 to AED 4 Mn in 4Q25, while the finance cost is expected to rise 17.5% YOY to AED 18 Mn in 4Q25. The Company's staff bonus is likely to be nil in 4Q25 compared to AED 7 Mn in 4Q24. Additionally, income tax expense is estimated to grow 33.3% YOY to AED 11 Mn in 4Q25.

2025 forecast

DTC's net profit is expected to increase 12.7% YOY to AED 374 Mn in 2025, primarily due to an estimated rise in revenue 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, net finance cost, and tax expenses along with expected decline in other income. The Company's revenue is projected to increase 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 12.4% YOY to AED 1,511 Mn in 2025. Plate & license fee is forecasted to grow 11.6% YOY to AED 367 Mn in 2025. Thus, gross profit is anticipated to grow 11.7% YOY to AED 585 Mn in 2025. The Company's other income is projected to decrease 33.4% YOY to AED 24 Mn in 2025, while G&A expenses are anticipated to increase 12.4% YOY to AED 133 Mn. As a result, operating profit is likely to increase 7.1% YOY to AED 469 Mn in 2025. DTC's EBITDA is expected to increase 13.8% YOY to AED 665 Mn in 2025. The finance income is estimated to shrink 3.3% YOY to AED 14 Mn in 2025. Finance cost is projected to increase 5.9% YOY to AED 66 Mn in 2025. Additionally, the staff bonus is anticipated to decline significantly from AED 26 Mn in 4Q24 to AED 6 Mn in 2025. DTC's tax expense is forecasted to increase 13.9% YOY to AED 38 Mn in 2025.

3Q25 Outturn

DTC's revenue rose 15.4% YOY to AED 585 Mn in 3Q25 owing to fleet expansion and a rise in the number of trips. On a like-for-like basis, total revenue excluding Connectech rose 14.9% YOY in 3Q25. Revenue from the Taxi segment rose 11.8% YOY to AED 506 Mn in 3Q25, driven by fleet expansion, while maintaining strong utilization levels. Limousine segment revenue rose marginally from AED 27.5 Mn in 3Q24 to AED 27.8 Mn in 3Q25, attributed to a higher number of trips owing to fleet expansion. Delivery Bike revenue increased from AED 11.3 Mn in 3Q24 to AED 18.3 Mn in 3Q25, mainly driven by rapid demand growth in the delivery market and fleet expansion. Revenue from the Bus segment increased significantly from AED 15.7 Mn in 3Q24 to AED 29.8 Mn in 3Q25, primarily due to revised contract terms with key customers. DTC's taxi fleet size increased from 5,660 taxis in

3Q24 to 6,215 in 3Q25. Similarly, Delivery bike fleet increased significantly from 1,544 bikes in 3Q24 to 2,447 bikes in 3Q25. In addition, operating costs rose 12.4% YOY to AED 370 Mn in 3Q25, mainly due to higher staff costs, commission paid to drivers, maintenance expenses and D&A expenses, partially offset by a decline in fuel cost. Additionally, the plate and license fee increased 14.2% YOY to AED 92 Mn in 3Q25 due to fleet expansion. The Company's gross profit rose 26.2% YOY to AED 123 Mn in 3Q25. Gross margin grew 181 bps YOY to 21.1% in 3Q25 due to an expansion in margins of the Taxi and Bus Segment, partially offset by lower margins across the Limousine and Delivery Bike Segment. G&A expenses rose 8.2% YOY to AED 26 Mn in 3Q25. Other income fell from AED 8 Mn in 3Q24 to AED 2 Mn in 3Q25. In addition, DTC impairment loss decreased from AED 3 Mn in 3Q24, compared to AED 2 Mn in 3Q25. DTC's EBITDA increased 23.1% YOY to AED 151 Mn in 3Q25 due to the solid operating performance. EBITDA margin increased from 24.2% in 3Q24 to 25.9% in 3Q25, supported by a strong growth in trip volumes and revenue, along with a lower impact from Connectech promotions. Furthermore, the Company's finance income decreased from AED 4 Mn in 3Q24 to AED 3 Mn in 3Q25, while the finance cost remained increased 4.8% YOY to AED 17 Mn in 3Q25. In addition, the Company's income tax expenses increased 27.0% YOY to AED 8 Mn in 3Q25 in line with growth in profit before tax.

Target price and recommendation

We maintain our BUY rating on Dubai Taxi Company PJSC with a target price of AED 3.00. The Company reported a growth in net profit during 3Q25, primarily driven by topline growth owing to fleet expansion and a rise in the number of trips, further complemented by operating leverage. DTC's total fleet size increased from 8,793 in 3Q24 to 10,500 in 3Q25, supported by growth in Dubai's population and expansion across all segments. The Bus segment remains focused on long-term, high-value contracts. Under the revised Ministry of Education contract, the Company now recognizes revenue from the bus segment over 12 months instead of 10, helping to reduce seasonal fluctuations. The Company recorded steady growth in the number of trips, which rose from 12.3 Mn trips in 3Q24 to 13.1 Mn trips in 3Q25, showing higher demand and utilization of fleet, consistent with seasonal trends. However, the company experienced a seasonal decline in revenue per trip during 3Q25, owing to the summer holidays, and it is expected to rebound in 4Q25. As of September 2025, the total operational taxi fleet reached 6,215 vehicles, including 401 fully electric vehicles, reflecting a continued commitment to transitioning towards a more sustainable offering. Meanwhile, DTC expanded its e-hailing network through a partnership with Kabi, integrating 9,800 taxis of Kabi and DTC on the Bolt platform. The Company strengthens its alliances with Mastercard, Emirates NBD, and Dubai Airports to enhance brand visibility and capture tourism demand. The RTA increased the minimum e-hailing fare from AED 12 to AED 13; however, the impact was absorbed by the RTA and not passed on to operators. DTC maintained a healthy driver-to-vehicle ratio of 2.3, ensuring adequate driver availability with no shortages or disruptions to operations. The limousine fleet grew from 437 in 3Q24 to 655 in 3Q25; however, revenue increased only 1.1% due to strong competition, while DTC remains focused on B2B contracts and expects better performance in 4Q25. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

DTC -Relative valuation

(At CMP)	**2023**	**2024**	**2025F**
PE	18.5	19.2	17.1
PB	20.7	15.5	12.7
EV/EBITDA	14.4	12.0	10.7
BVPS	0.123	0.164	0.200
EPS	0.138	0.133	0.149
DPS	0.028	0.113	0.127
Dividend yield	1.1%	4.4%	4.9%

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	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	600	585	664	10.8%	13.5%	2,197	2,463	12.1%
Operating cost	-360	-370	-396	10.1%	7.1%	-1,345	-1,511	12.4%
Plate & license fee	-87	-92	-92	5.5%	-0.6%	-329	-367	11.6%
Gross profit	**153**	**123**	**176**	**15.4%**	**43.1%**	**523**	**585**	**11.7%**
Other Income	7	2	14	91.2%	NM	37	24	-33.4%
General and Administrative Expenses	-41	-26	-42	3.4%	61.7%	-118	-133	12.4%
Impairment Loss on Financial Assets	-8	-2	-10	27.1%	NM	-4	-7	NM
Operating profit	**112**	**98**	**138**	**23.9%**	**41.4%**	**438**	**469**	**7.1%**
EBITDA	**152**	**151**	**185**	**21.4%**	**22.0%**	**584**	**665**	**13.8%**
Finance Income	3	3	4	61.0%	53.1%	15	14	-3.3%
Finance Cost	-15	-17	-18	17.5%	7.3%	-63	-66	5.9%
Staff Bonus	-7	0	0	NM	NM	-26	-6	-77.1%
Earning Before Tax	**92**	**84**	**125**	**35.2%**	**48.4%**	**364**	**411**	**12.8%**
Income Tax	-8	-8	-11	33.3%	42.0%	-33	-38	13.9%
Profit to shareholders	**84**	**76**	**114**	**35.4%**	**49.1%**	**331**	**374**	**12.7%**

FABS estimate & Co Data

DTC -Margins

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	25.5%	21.1%	26.5%	107	549	23.8%	23.7%	-8
EBITDA	25.4%	25.9%	27.8%	243	195	26.6%	27.0%	40
Operating Profit	18.6%	16.7%	20.8%	221	411	19.9%	19.0%	-89
Net Profit	14.0%	13.1%	17.1%	312	409	15.1%	15.2%	8

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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