

UAE Transportation Sector

Strong Demand Supports Recovery Despite Regional Headwinds

Sector Weighting:
MARKET WEIGHT

The UAE transportation sector is expected to witness a mixed operating environment in 2Q26, primarily reflecting the after-effects of regional geopolitical disruptions and temporary airspace restrictions across the Middle East. Although underlying travel demand remains resilient, aviation activity has been affected by flight rerouting, reduced transfer traffic, and supply-side constraints across the region. According to IATA, Middle Eastern airlines are projected to experience an 11.4% contraction in Revenue Passenger Kilometre (RPK) growth in 2026, making the region the most severely affected globally due to airspace restrictions and the diversion of international transit traffic through alternative hubs. Nevertheless, IATA highlighted that the current disruption represents a supply-side shock rather than a demand-driven downturn, with passenger demand remaining fundamentally intact, supported by the financial strength and liquidity built by regional airlines over recent years. Supply chain constraints also remain an industry challenge, prompting IATA and the International Airlines Technical Pool (IATP) to introduce collaborative aircraft parts pooling and digital inventory initiatives aimed at improving fleet availability and operational resilience.

Despite a challenging operating environment during 1Q26, the UAE aviation sector has demonstrated considerable resilience, supported by robust infrastructure, efficient operations and the strategic importance of the country's aviation hubs. Dubai International Airport (DXB) remained fully operational throughout the regional airspace disruptions, facilitating the movement of c. 6.0 Mn passengers, over 32,000 aircraft movements and 213,000 tonnes of cargo between late February and the end of April, highlighting the resilience of the UAE's aviation ecosystem despite continuously evolving operating conditions. The temporary disruption was reflected in 1Q26 operating performance, with DXB handling 18.6 Mn passengers, down 20.6% YOY, while March passenger traffic declined 65.7% YOY to 2.5 Mn as regional airspace restrictions intensified. Cargo throughput declined 22.7% YOY to 399.6 thousand tonnes, while aircraft movements fell 20.8% YOY to 88,000 during the month. Nevertheless, operational efficiency remained robust, with baggage handling performance continuing to outperform global industry benchmarks. DXB also continues to reinforce its position as one of the world's leading international hubs, handling c. 22.4 Mn annual transfer passengers, representing nearly one-third of transfer traffic across Middle Eastern hubs and around 32% of the region's international transfer market.

Looking ahead, recent operating indicators point to a gradual normalization in passenger activity across the UAE. Dubai International Airport (DXB) is entering its peak summer travel period, with c. 3.0 Mn passengers expected to pass through its terminals during the first half of July, reflecting a meaningful rebound in travel demand following the reopening of regional airspace. Similarly, Abu Dhabi's Zayed International Airport has reported average daily passenger volumes exceeding 93,000 passengers alongside nearly 500 daily flight movements, surpassing comparable 2025 levels, while Sharjah Airport expects to handle c. 3.0 Mn passengers and around 19,000 flight operations during the July–August 2026 peak travel season. These developments indicate that passenger demand has remained resilient despite the temporary disruption experienced during 1Q26 and that flight schedules and regional connectivity are progressively returning to normal. While geopolitical uncertainty, intermittent airspace disruptions and supply chain constraints may continue to create near-term operational volatility, the medium-term outlook for the UAE aviation sector remains favourable. Continued investment in airport infrastructure, resilient international travel demand,

expanding airline networks and the financial strength of regional carriers are expected to support a sustained recovery in passenger traffic as connectivity normalizes. Over the longer term, structural growth prospects remain compelling. According to the International Air Transport Association (IATA), global passenger traffic is expected to double over the next two decades, reaching c. 8 Bn annual passengers before approaching 10 Bn by 2050, reinforcing the long-term growth outlook for regional aviation infrastructure and transportation operators.

Dubai Taxi continued expanding its fleet and mobility ecosystem while advancing autonomous transportation initiatives. Air Arabia maintained healthy operational efficiency with strong seat occupancy despite temporary aviation disruptions. Aramex sustained revenue growth through the resilience of its diversified logistics network and continued execution of its Accelerate28 transformation strategy. Dubai Taxi Company's performance in 1Q26 reflected the impact of regional geopolitical disruptions during March, although the business continued to demonstrate underlying operational resilience. Revenue declined 6.3% YOY to AED 551 Mn in 1Q26, primarily due to lower taxi and limousine trip volumes during the period. However, operations in January and February remained strong, supported by sustained mobility demand and continued fleet expansion. The Company expanded its total operational fleet by 16% YOY to 11,417 vehicles, including 6,217 taxis, of which 594 were fully electric as of March 2026. Taxi and limousine e-hailing trips increased 9% YOY to 5.0 Mn, supported by its ongoing partnership with Bolt, while the delivery bike segment continued to outperform, with revenue increasing 60.8% YOY to AED 26.6 Mn. During the quarter, DTC further strengthened its long-term growth strategy through the commercial launch of fully driverless ride-hailing services in partnership with Baidu's Apollo Go. Furthermore, DTC strengthened its e-hailing operations by partnering with Bolt and National Taxi, integrating 1,823 National Taxi vehicles into the Bolt platform, significantly expanding fleet capacity and service coverage across Dubai. Despite the temporary impact on earnings, the Company maintains a healthy financial position with cash and cash equivalents of AED 358 Mn and declared a final dividend of AED 142 Mn for 2H25, underscoring its commitment to shareholder returns. Similarly, Air Arabia demonstrated resilient operating performance despite regional geopolitical disruptions affecting aviation activity during 1Q26. Revenue increased 1.2% YOY to AED 1.8 Bn in 1Q26, reflecting continued demand across its network, although passenger traffic declined 5% YOY to 4.7 Mn due to temporary airspace closures and operational restrictions. Nevertheless, the average seat load factor improved to 86% in 1Q26 from 84% in 1Q25. The airline continued to operate a diversified network across its hubs in the UAE, Morocco, Egypt, and Pakistan, supported by a fleet of 90 Airbus A320/A321 aircraft as of March 2026. Additional aircraft deliveries scheduled during the year are expected to support future network expansion. Looking ahead, Air Arabia expects geopolitical uncertainty, fuel price volatility, inflationary pressures, and supply chain constraints to continue affecting the aviation sector. However, the Company remains focused on its multi-hub growth strategy, disciplined cost management, and operational efficiency, reflecting confidence in the long-term strength of the regional markets it serves. Likewise, Aramex delivered resilient operating performance during 1Q26 despite regional geopolitical disruptions affecting trade activity in March. The Company's revenue increased 2.4% YOY to AED 1.6 Bn in 1Q26, supported by strong momentum in January and February and growth across Domestic Express, Freight Forwarding, and Logistics, partially offset by weaker International Express performance. The Company maintained uninterrupted operations by leveraging flexible routing solutions and alternative gateways, demonstrating the resilience of its global network. Aramex also continued to advance its Accelerate28 transformation programme, with more than 300 initiatives underway to enhance operational efficiency and support long-term profitability. Gross profit margin stood at 21.4% in 1Q26, reflecting changes in product mix, higher line-haul and fuel costs, and continued investments in capacity. Despite these pressures, the Company maintained disciplined cost management, resulting in lower SG&A expenses while continuing to invest in

operational capabilities and transformation initiatives. Aramex also preserved a strong financial position, ending the quarter with AED 551 Mn in cash and a debt-to-EBITDA ratio of 2.8x in 1Q26.

Market Weight:

With 2x BUYs and 1x REDUCE we remain MARKET WEIGHT on UAE Transportation.

Stocks	Target Price	CMP	Gain	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
Aramex	2.45	1.67	+46.7%	BUY	68.78	5.27	NA
Air Arabia	5.10	5.48	-6.9%	REDUCE	17.84	11.39	4.7%
Dubai Taxi Company	3.00	2.25	+33.3%	BUY	21.08	8.58	4.2%

Source: FABS Estimate, ¹Data refers to FY2026

Key Developments in the Transportation Sector

Global passenger demand declined 2.2% YOY in May 2026

According to the International Air Transport Association (IATA), global passenger demand in May 2026 contracted, with total demand, measured in Revenue Passenger Kilometres (RPK), decreasing 2.2% YOY, compared to May 2025. Total capacity, measured in Available Seat Kilometres (ASK), declined 2.3% YOY, while the passenger load factor (PLF) reached 83.5%, an increase of 0.1% compared to May 2025. International demand also decreased 1.6% YOY with a load factor 83.7% in May 2026, and domestic demand decreased 3.1% with a load factor of 83.0% in May 2026.

Air passenger demand softened in May, according to IATA this was due to the impact of the conflict in the Middle East. The steepest decline was seen among Middle Eastern carriers, although conditions improved compared to the previous month, highlighting the region's resilience. Passenger traffic also weakened in North America and Asia, mainly due to softer domestic market conditions in the US and China. Despite these challenges, overall passenger demand remained relatively resilient in the face of elevated fuel prices and higher airfares. Although the recent decline in oil prices is a positive development, ongoing uncertainty surrounding oil supplies through the Strait of Hormuz is expected to keep pressure on jet fuel costs. Consequently, airlines are likely to maintain higher fares in the near term to offset elevated operating costs until fuel prices stabilize.

Air Cargo Market Extends Growth Despite Regional Divergence

Global air cargo demand rose 6.0% YOY in May 2026, driven by above-trend growth across Africa, Asia-Pacific, Europe, and North America. International cargo demand, which accounts for 87.9% of total volumes, increased by 6.5% YOY, supported primarily by strong growth from Asia-Pacific and North American carriers. Meanwhile, Middle Eastern carriers continued to witness a decline, although at a slower pace. Asia Pacific remained the largest contributor, with demand rising 8.0% YOY in May 2026, while North America recorded strong 10.5% YOY growth, supported by robust international freight demand. Europe also contributed positively with 6.7% growth, and Africa posted the fastest growth rate at 13.3%, although from a smaller base. In contrast, the Middle East remained the only weak region, with cargo demand declining 8.9% YOY, partially offsetting gains in other markets in May 2026. On the supply side, global air cargo capacity (ACTK) increased by 1.9% YOY, lagging demand growth and leading to higher cargo load factors. Capacity expansion by Asia Pacific, North American, and European carriers more than offset declines in other regions, although reductions by Middle East carriers limited the overall increase. From a cost perspective, Jet fuel prices fell 16.3% MOM and Brent crude declined 10.7% in May 2026, as expectations of normalized Middle East oil flows and a potential US-Iran agreement eased geopolitical concerns. However, tight physical fuel supplies continued to provide some support to prices. On the macro front, global manufacturing activity continued to expand steadily, while export demand remained subdued. This indicates that air cargo growth was driven by selective trade flows rather than a broad-based recovery in global exports.

Jet fuel prices surge amid tightening global supply

According to the IATA, ongoing geopolitical tensions in the Middle East have tightened global jet fuel availability, with the Strait of Hormuz typically accounting for c. 23% of worldwide jet fuel exports. Jet fuel prices have nearly doubled since late-February 2026 levels, while the jet fuel crack spread

climbed to a record USD 80 per barrel in April, indicating that supply constraints have extended beyond higher crude oil prices.

Shippers Explore Alternative Routes as Middle East Disruptions Drive Up Air Cargo Costs

Persistent disruption in the Middle East, including Iran's continued blockage of the Strait of Hormuz, has significantly increased air cargo rates and reduced cargo capacity, prompting shippers to adopt alternative multimodal routes. Some companies are moving goods from Asia to Europe via the US, combining ocean freight with air transport through Los Angeles to reduce costs compared with direct air freight. Meanwhile, Gulf carriers continue to face capacity constraints, high jet fuel prices are keeping freight costs elevated, and ocean shipping delays are forcing many businesses to rely on expensive air transport for time-sensitive cargo.

High Fuel Prices Expected to Halve Global Airline Profitability in 2026

Middle East disruptions and soaring fuel prices are expected to halve global airline net profit to USD 23 Bn in 2026 from USD 45 Bn in 2025. Net profit margins are projected to decline to 2.0% in 2026 from 4.2% in 2025, while fuel costs are forecast to rise nearly 40% to USD 350 Bn. Despite higher industry revenue of USD 1.17 Tn and record 84% passenger load factors, Gulf carriers are expected to incur losses due to operational disruptions and weaker demand.

Oil prices are expected to remain elevated in the near term amid continued supply disruptions

Crude oil prices remained highly volatile during 2Q26 amid escalating geopolitical tensions in the Middle East. Although Brent crude prices declined from USD 118.35 per barrel in March to USD 72.92 per barrel in June 2026, average prices remained above USD 100.00 per barrel during April and May due to supply disruptions, including attacks on oil facilities and the temporary closure of the Strait of Hormuz. According to US Energy Information Administration (EIA) Brent prices are expected to average around USD 105 per barrel in June and July 2026 before moderating to approximately USD 89 per barrel in 4Q26 and USD 79 per barrel in 2027 as supply conditions normalize and global oil inventories recover.

Dubai Taxi Company explores mobility expansion in Ajman

Dubai Taxi Company (DTC) entered into a Memorandum of Understanding (MoU) with AJ Industries (AJI) to evaluate opportunities for expanding its mobility services in the Emirate of Ajman. The proposed collaboration seeks to combine DTC's operational capabilities and digital infrastructure with AJI's local market expertise to improve transport services. The partnership will also explore opportunities to enhance limousine services and develop new mobility offerings, including corporate transport, tourism-focused solutions, and premium on-demand services.

Dubai Taxi Company introduces driverless ride-hailing service with Apollo Go

Dubai Taxi Company (DTC), in collaboration with Baidu's Apollo Go, commenced commercial operations of fully autonomous ride-hailing services in Dubai, representing Apollo Go's first international launch. The initiative aligns with Dubai's Self-Driving Transport Strategy, which targets 25% of all trips to be autonomous by 2030. Operations will begin with 50 autonomous vehicles, with the fleet expected to exceed 1,000 vehicles in subsequent phases. The launch follows the successful completion of testing and regulatory approval for fully driverless vehicle operations earlier in 2026.

DTC partners with JOOD to expand digital community engagement

Dubai Taxi Company (DTC) signed a Memorandum of Understanding with Dubai Community Contributions Establishment (JOOD) to explore the integration of digital donation solutions across its taxi point-of-sale devices and the Bolt application. The partnership will also leverage DTC's digital advertising platforms to promote community initiatives, further strengthening the Company's digital ecosystem and ESG-focused engagement strategy.

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2Q26 Preview: **Aramex PJSC**

Improving Volumes and Cost Discipline to Drive Earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.67	AED 2.45	+46.7%	BUY

2Q26 estimate

Aramex's (Aramex/ The Company) net profit is anticipated to increase significantly from a net loss of AED 9 Mn in 2Q25 to a net profit of AED 7 Mn in 2Q26, primarily driven by higher revenue, other income, along with lower impairment losses and administrative expenses, partially offset by increase in cost of service, Selling and Marketing expense, lower finance income and higher taxes. Aramex's revenue is projected to increase 3.6% YOY to AED 1,551 Mn in 2Q26, supported by growth across all its operations. Meanwhile, cost of services is forecasted to rise 3.6% YOY to AED 1,210 Mn in 2Q26. Consequently, gross profit is expected to grow 3.7% YOY to AED 341 Mn in 2Q26, while the gross margin is likely to remain stable at 22.0% in 2Q26 and 2Q25. Furthermore, the Company's S&M expenses are expected to rise 6.6% YOY to AED 89 Mn in 2Q26, while administrative expenses are anticipated to decline 4.2% YOY to AED 216 Mn in 2Q26. Meanwhile, impairment losses on financial assets are projected to decline from AED 6 Mn in 2Q25 to AED 5 Mn in 2Q26, while other income is expected to increase from AED 2 Mn in 2Q25 to AED 5 Mn in 2Q26. As a result, operating profit is likely to increase from AED 16 Mn in 2Q25 to AED 36 Mn in 2Q26, with the operating margin expected to improve by 126 bps YOY to 2.3% in 2Q26. The Company's EBITDA is anticipated to increase 29.0% YOY to AED 135 Mn, while the EBITDA margin projected to expand by 172 bps YOY to 8.7% in 2Q26. Finance income is expected to remain stable at AED 2 Mn in 2Q26 compared to 2Q25, while finance costs are projected to increase by 3.8% YOY to AED 29 Mn in 2Q26. Aramex is expected to report a positive share of results from joint ventures and associates of AED 2 Mn in 2Q26, compared to a loss of AED 1 Mn in 2Q25. Meanwhile, tax expense is forecasted to increase from a tax reversal of AED 1 Mn in 2Q25 to a tax expense of AED 4 Mn in 2Q26.

2026 forecast

Aramex's net profit is expected to increase significantly from AED 21 Mn in 2025 to AED 36 Mn in 2026, primarily driven by higher revenue, higher other income, lower finance costs, absence of one-off costs, increased share of profit from associates and lower tax expenses, partially offset by increased cost of services, selling & marketing expenses, administrative expenses and increased finance costs. Aramex's revenue is projected to grow 5.2% YOY to AED 6,688 Mn in 2026, supported by growth across all business segments. Meanwhile, the Company's cost of services is expected to rise 6.2% YOY to AED 5,216 Mn in 2026. Consequently, gross profit is forecasted to increase 1.5% YOY to AED 1,471 Mn, with the gross margin projected to decline by 79 bps YOY to 22.0% in 2026. Selling and marketing expenses are projected to increase 5.8% YOY to AED 368 Mn, while administrative expenses are anticipated to rise 4.5% YOY to AED 946 Mn in 2026. Impairment losses are expected to increase 5.6% YOY to 19 Mn, while other income is projected to increase 35.7% YOY to AED 20 Mn in 2026. As a result, operating profit is anticipated to decline 18.1% YOY to AED 158 Mn, with the operating margin expected to decline by 67 bps YOY to 2.4% in 2026. Similarly, Aramex's EBITDA is forecasted to decline 4.0% YOY to AED 546 Mn, with the EBITDA margin projected to decline by 78 bps YOY to 8.2% in 2026. Finance income is projected to rise from AED 6.6 Mn in 2025 to AED 6.9 Mn in 2026, while finance costs are anticipated to decline 2.4% YOY to AED 116 Mn in 2026. Aramex is also expected to report a positive share of results from joint ventures and associates of AED 5 Mn in 2026, compared with a loss of AED 5 Mn in 2025. Meanwhile, tax expense is anticipated to decline 48.9% YOY to AED 18 Mn in 2026.

1Q26 outturn

Aramex's revenue increased 2.4% YOY to AED 1,600 Mn in 1Q26, driven by growth in the Domestic Express, Freight Forwarding, and Logistics segments, partially offset by a decline in the International Express segment. The Freight Forwarding segment reported a 6.7% YOY increase in revenue to AED 462 Mn in 1Q26. Revenue from the Courier segment declined marginally by 0.3% YOY to AED 988 Mn in 1Q26, while the Contract Logistics segment recorded revenue growth of 8.6% YOY to AED 140 Mn in 1Q26. Revenue from other services declined 4.2% YOY to AED 10 Mn in 1Q26. Cost of services increased 4.9% YOY to AED 1,257 Mn in 1Q26. Consequently, gross profit declined 6.3% YOY to AED 342 Mn in 1Q26, reflecting the ongoing shift in product mix, elevated line-haul costs, fuel-related pressures, and continued investment in capacity across key markets. The gross profit margin declined by 192 bps YOY to 21.4% in 1Q26. Selling and marketing expenses declined 3.0% YOY to AED 85 Mn in 1Q26, while administrative expenses decreased 4.5% YOY to AED 208 Mn in 1Q26. The Company's impairment charges declined to AED 1 Mn in 1Q26 from AED 4 Mn in 1Q25, while other income decreased 26.5% YOY to AED 4 Mn in 1Q26. Operating profit declined 14.7% YOY to AED 52 Mn in 1Q26, with the operating margin contracting by 65 bps YOY to 3.2% in 1Q26. Meanwhile, EBITDA increased 1.3% YOY to AED 143 Mn in 1Q26, although the EBITDA margins declined by 46 bps YOY to 8.9% in 1Q26. Finance income decreased 5.5% YOY to AED 1 Mn in 1Q26, while finance costs increased 5.4% YOY to AED 29 Mn in 1Q26. The Company reported a loss from joint ventures and associates of AED 0.2 Mn in 1Q26, compared with a profit of AED 0.1 Mn in 1Q25. Meanwhile, tax expense declined 20.8% YOY to AED 7 Mn in 1Q26.

Target Price and Rating

We maintain our BUY rating on Aramex with a target price of AED 2.45. Aramex delivered resilient operational performance in 1Q26 despite regional disruptions during March, with strong momentum in January and February helping to offset the impact of the geopolitical conflict on trade activity across the region. Early-quarter performance was underpinned by solid shipment volumes across its markets, with Oceania recording a meaningful operational turnaround and Africa continuing to improve, reflecting the initial benefits of the Accelerate28 transformation programme. The Company maintained uninterrupted operations by leveraging its agile global network, implementing flexible routing solutions, and activating alternative gateways to ensure service continuity. Revenue growth continued to be supported by the Domestic Express, Freight Forwarding and Logistics segments, partially offset by a decline in the International Express segment. However, profitability remained under pressure due to the ongoing shift in product mix towards lower-margin services, elevated line-haul and fuel costs, and continued investments in network capacity across key markets. The logistics segment maintained strong momentum, while the Domestic Express segment continued to deliver healthy volume growth. The Company continues to focus on optimizing operational efficiency and improving profitability through disciplined cost management. The Accelerate28 transformation programme continued to deliver tangible results during the quarter, with its cost efficiency initiatives helping to mitigate the impact of the March disruption. The programme remains on track, with more than 300 initiatives being implemented across regions, products, and functions. It is expected to continue contributing positively to the Group's performance throughout 2026, with the full EBIT benefits expected to be realised by 2028. During the quarter, Aramex strengthened its healthcare logistics capabilities with the opening of its first regional healthcare and pharmaceutical logistics hub at Dubai South Free Zone, providing certified temperature-controlled storage and integrated supply chain services across the GCC. The Company also advanced its digital transformation by launching an AI-first global data foundation on Google Cloud, establishing a unified "Single Source of Truth" to enhance real-time logistics intelligence, improve operational efficiency, and support future Agentic AI capabilities across its global network. During the quarter, Aramex successfully refinanced c. AED 815 Mn of debt following its domiciliation to the UAE through a sustainability-linked financing structure on competitive terms. The refinancing is expected to enhance capital efficiency while reducing financing costs going forward. The Company maintained a healthy financial position with a cash balance of AED 551 Mn and a Debt-to-EBITDA ratio of 2.8x as of March 2026. Despite a dynamic

operating environment, the Company remains well positioned to navigate market uncertainties through its diversified network, operational agility, and customer-centric approach. Thus, based on our analysis, we assign our BUY rating on the stock.

Aramex -Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE	13.66	15.55	19.43	17.65	121.64	68.78
PB	0.94	1.00	1.02	0.99	0.98	0.97
EV/EBITDA	3.05	4.87	4.85	4.51	5.06	5.27
BVPS	1.820	1.714	1.681	1.719	1.747	1.771
EPS	0.125	0.110	0.088	0.097	0.014	0.025
DPS	0.130	0.130	0.095	0.000	0.000	0.000
Dividend yield	7.8%	7.8%	5.7%	0.0%	0.0%	0.0%

FABS Estimate & Co Data

Aramex - P&L

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Rendering of Services	1,498	1,600	1,551	3.6%	-3.0%	6,360	6,688	5.2%
Cost of Services	-1,168	-1,257	-1,210	3.6%	-3.8%	-4,910	-5,216	6.2%
Gross profit	329	342	341	3.7%	-0.3%	1,449	1,471	1.5%
Selling and Marketing Expenses	-84	-85	-89	6.6%	5.1%	-348	-368	5.8%
Administrative Expenses	-225	-208	-216	-4.2%	3.5%	-905	-946	4.5%
Net Impairment loss	-6	-1	-5	-18.6%	NM	-18	-19	5.6%
Other income, net	2	4	5	NM	9.6%	15	20	35.7%
Operating profit	16	52	36	NM	-30.2%	193	158	-18.1%
EBITDA	105	143	135	29.0%	-5.5%	569	546	-4.0%
Finance Income	2	1	2	-0.4%	50.0%	7	7	5.2%
Finance Costs	-28	-29	-29	3.8%	-0.7%	-119	-116	-2.4%
Share of results of JV and assoc	-1	0	2	NM	NM	-5	5	NM
Other non-operating expenses	0	0	0	NM	NM	-20	0	NM
Profit before Income Tax	-11	24	10	NM	-55.7%	56	54	-2.9%
Income Tax Expense	1	-7	-4	NM	-47.6%	-35	-18	-48.9%
Profit for the period	-10	17	7	NM	-59.0%	21	36	74.4%
NCI	1	0	0	-NM	NM	0	0	NM
Profit attributable	-9	17	7	NM	-59.4%	21	36	76.9%

FABS estimate and Co data

Aramex - Margins

	2Q25	1Q26	2Q26F	YOY ch	QOQ ch	2025	2026F	Change
Gross Profit	22.0%	21.4%	22.0%	2	59	22.8%	22.0%	-79
EBITDA	7.0%	8.9%	8.7%	172	-23	8.9%	8.2%	-78
EBIT	1.1%	3.2%	2.3%	126	-91	3.0%	2.4%	-67
Net Profit	-0.6%	1.1%	0.4%	106	-62	0.3%	0.5%	22

FABS estimate and Co data

2Q26 preview: Air Arabia

Higher costs due to regional disruptions to weigh on profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.48	AED 5.10	-6.9%	REDUCE

2Q26 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to decline 21.3% YOY to AED 275 Mn in 2Q26 driven by increase in direct costs, G&A expenses, finance costs coupled with lower finance income, other income and share of profit from investments, partially offset by increase in revenues, and lower taxes. The Company's revenue is projected to increase 8.0% YOY to AED 1,828 Mn in 2Q26. Meanwhile, direct costs are forecasted to rise 13.1% YOY to AED 1,489 Mn in 2Q26 due to higher oil prices. Consequently, gross profit is likely to decline 9.8% YOY to AED 338 Mn in 2Q26 with gross margins expected to decline 364 bps YOY to 18.5% in 2Q26. Moreover, AIRARABIA's selling and marketing expenses are expected to increase 1.7% YOY to AED 29 Mn, while G&A expenses are projected to rise 19.1% YOY to AED 73 Mn in 2Q26. AIRARABIA's EBITDA is expected to decline 9.2% YOY to AED 413 Mn in 2Q26, while the EBITDA margin is projected to decline from 26.9% in 2Q25 to 22.6% in 2Q26. Consequently, operating profit is likely to decrease 17.2% YOY to AED 236 Mn in 2Q26. The operating margin is projected to decline by 392 bps to 12.9% in 2Q26. Furthermore, the Company's finance income is expected to decline 1.1% YOY to AED 58 Mn in 2Q26, while finance costs are projected to increase from AED 18 Mn in 2Q25 to AED 30 Mn in 2Q26. Other income is anticipated to decline 6.1% YOY to AED 42 Mn in 2Q26. Share of profit from equity-accounted investments is expected to decrease from AED 44 Mn in 2Q25 to AED 18 Mn in 2Q26. The tax expense is likely to decrease 25.0% YOY to AED 49 Mn in 2Q26.

2026 forecast

Air Arabia's net profit is projected to decline 10.4% YOY to AED 1,460 Mn in 2026, primarily driven by higher direct costs, selling and marketing expenses, G&A expenses, finance costs, and tax expense, along with lower finance income and share of profit from equity accounted investments, partially offset by higher revenue and higher other income. Revenue is expected to grow 7.6% YOY to AED 8,382 Mn in 2026. The Company's direct costs are forecasted to increase 10.1% YOY to AED 6,704 Mn in 2026. Consequently, gross profit is anticipated to decline 1.3% YOY to AED 1,678 Mn in 2026, while the gross margin is expected to decline by 180 bps YOY to 20.0% in 2026. Selling and marketing expenses are forecasted to grow 6.2% YOY to AED 121 Mn in 2026. Similarly, G&A expenses are expected to increase 6.0% YOY to AED 335 Mn in 2026. EBITDA is forecasted to grow 2.2% YOY to AED 1,932 Mn, with the EBITDA margin expected to decline by 123 bps YOY to 23.1% in 2026. As a result, operating profit is projected to decrease 3.7% YOY to AED 1,222 Mn in 2026. The operating margin is expected to decline by 172 bps YOY to 14.6% in 2026. Furthermore, finance income is expected to decline 4.4% YOY to AED 230 Mn in 2026. In contrast, finance cost is forecasted to increase from AED 67 Mn in 2025 to AED 112 Mn in 2026. Other income is projected to increase 6.3% YOY to AED 210 Mn in 2026. AIRARABIA's share of profit from equity accounted investments is expected to decline 11.8% YOY to AED 168 Mn in 2026. Tax expense is forecasted to increase 27.5% YOY to AED 258 Mn in 2026.

1Q26 Outturn

Air Arabia's revenue grew 1.2% YOY to AED 1,800 Mn in 1Q26, primarily driven by strong demand for the Company's services during the first quarter, despite the operational impact and reduced flight capacity in March. Meanwhile, direct costs increased 6.5% YOY to AED 1,498 Mn in 1Q26. Consequently, gross profit declined 19.0% YOY to AED 302 Mn in 1Q26, while the gross profit margin contracted from 20.9% in 1Q25 to 16.8% in 1Q26. Selling & marketing expenses increased 11.7% YOY to AED 29 Mn in 1Q26, while G&A expenses rose 14.4% YOY to AED 92 Mn in 1Q26. As a result, the Company's EBITDA declined 16.0% YOY to AED 349 Mn in 1Q26, with the EBITDA margin

decreasing by 395 bps YOY to 19.4% in 1Q26. Operating profit decreased 31.9% YOY to AED 182 Mn in 1Q26, while the operating margin declined from 15.0% in 1Q25 to 10.1% in 1Q26. Finance income fell 13.2% YOY to AED 56 Mn, while finance costs increased 26.8% YOY to AED 22 Mn in 1Q26. Other income increased to AED 48 Mn in 1Q26 from AED 34 Mn in 1Q25. Share of profit from equity-accounted investments increased significantly from AED 7 Mn in 1Q25 to AED 14 Mn in 1Q26. Meanwhile, income tax expense declined from AED 50 Mn in 1Q25 to AED 30 Mn in 1Q26.

Target price and rating

We revise our rating from HOLD to REDUCE rating on AIRARABIA with an unchanged target price of AED 5.10. Air Arabia delivered a resilient financial and operational performance during 1Q26 despite temporary airspace closures and lower flight capacity in March arising from regional geopolitical disruptions. The Company demonstrated strong operational agility by optimising capacity and maintaining service continuity across its network. During the quarter, Air Arabia carried 4.7 million passengers across all hubs, while the average seat load factor improved by 2 percentage points YOY to a record 86.4%, supported by continued healthy demand across its operating markets and disciplined cost management. The Company operated a fleet of 90 Airbus A320 and A321 aircraft across the UAE, Morocco, Egypt, and Pakistan, while also strengthening its network through the launch of daily Sharjah–Rome services commencing in July 2026. Air Arabia’s recognition among Forbes Middle East’s Top 100 Most Valuable Companies 2026 further reflects its strong financial position and established market presence. Looking ahead, management remains focused on cost optimisation, operational efficiency, customer experience enhancement, and executing its multi-hub growth strategy, supported by additional aircraft deliveries under the existing Airbus order book. However, the Company continues to operate against a backdrop of elevated geopolitical uncertainty, fuel price volatility, inflationary pressures, and ongoing supply-chain constraints, which may moderate the pace of earnings expansion despite sustained passenger demand. While Air Arabia’s diversified business model and strong balance sheet position it well to navigate the evolving environment, external risks exposure still remains. Thus, based on our analysis, we revise our rating to REDUCE on the stock.

Air Arabia -Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE	36.17	21.31	16.83	17.75	15.99	17.84
PB	4.29	3.72	3.46	3.28	3.10	3.01
EV/EBITDA	17.66	12.53	11.09	11.38	11.09	11.39
BVPS	1.302	1.499	1.614	1.704	1.802	1.855
EPS	0.154	0.262	0.332	0.314	0.349	0.313
DPS	0.085	0.150	0.200	0.250	0.300	0.260
Dividend yield	1.6%	2.7%	3.6%	4.6%	5.5%	4.7%

FABS estimate & Co Data

Air Arabia - P&L

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
AED Mn								
Revenue	1,692	1,800	1,828	8.0%	1.5%	7,788	8,382	7.6%
Direct costs	-1,317	-1,498	-1,489	13.1%	-0.6%	-6,088	-6,704	10.1%
Gross profit	375	302	338	-9.8%	12.0%	1,699	1,678	-1.3%
Selling & Mkt expense	-29	-29	-29	1.7%	2.4%	-114	-121	6.2%
G&A expenses	-61	-92	-73	19.1%	-20.2%	-316	-335	6.0%
EBITDA	455	349	413	-9.2%	18.5%	1,891	1,932	2.2%
EBIT	285	182	236	-17.2%	29.6%	1,270	1,222	-3.7%
Finance income	59	56	58	-1.1%	4.0%	241	230	-4.4%
Finance costs	-18	-22	-30	70.4%	38.6%	-67	-112	68.2%
Other income	45	48	42	-6.1%	-13.3%	197	210	6.3%
Share of profit on JVs	44	14	18	-58.7%	34.2%	190	168	-11.8%
Profit before NCI	415	278	324	-21.9%	16.5%	1,831	1,717	-6.2%
Tax	-65	-30	-49	-25.0%	62.5%	-202	-258	27.5%
Non-controlling int.	0	0	0	-NM	NM	0	0	NM
Net profit	350	248	275	-21.3%	11.0%	1,628	1,460	-10.4%

FABS estimate & Co Data

Air Arabia - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	22.1%	16.8%	18.5%	-364	173	21.8%	20.0%	-180
EBITDA	26.9%	19.4%	22.6%	-429	325	24.3%	23.1%	-123
EBIT	16.8%	10.1%	12.9%	-392	280	16.3%	14.6%	-172
Net Profit	20.7%	13.8%	15.1%	-560	129	20.9%	17.4%	-350

FABS estimate & Co Data

2Q26 preview: Dubai Taxi Company

Softening Demand to Weigh on Top-Line Performance

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.25	AED 3.00	+33.3%	BUY

2Q26 estimate

Dubai Taxi Company PJSC (DTC/the Company) is projected to report a 56.9% YOY decrease in net profit of AED 45 Mn in 2Q26, driven by lower revenue, other income and finance income partially offset by declining operating costs, general & administrative expenses and lower taxes. The Company's revenue is forecast to decline 15.4% YOY to AED 529 Mn in 2Q26, due to lower annual trips and lower demand across all segments. Operating costs are expected to decline 9.5% YOY to AED 344 Mn in 2Q26, while the plate and license fee is likely to increase marginally by 0.2% YOY to AED 92 Mn in 2Q26. Consequently, the Company's gross profit is expected to decline 39.3% YOY to AED 93 Mn in 2Q26, while the gross margin is likely to decline by 692 bps YOY to 17.6% in 2Q26. Other income is anticipated to decline from AED 3.8 Mn in 2Q25 to AED 3.7 Mn in 2Q26. G&A expenses are expected to decline 6.1% YOY to AED 32 Mn in 2Q26. Impairment loss on financial assets is projected to increase from a reversal of AED 5 Mn in 2Q25 to an impairment loss of AED 2 Mn in 2Q26. As a result, operating profit is anticipated to decrease 50.8% YOY to AED 63 Mn in 2Q26, with the operating margin expected to decline from 20.6% in 2Q25 to 12.0% in 2Q26. EBITDA is forecasted to decline 34.0% YOY to AED 119 Mn in 2Q26, while the EBITDA margin is projected to contract from 28.9% in 2Q25 to 22.5% in 2Q26. Furthermore, DTC's finance income is projected to decline from AED 3.4 Mn in 2Q25 to AED 2.7 Mn in 2Q26, while finance costs are expected to remain flat at AED 16 Mn in 2Q26 compared to 2Q25. Additionally, income tax expense is anticipated to decline 56.9% YOY to AED 4 Mn in 2Q26.

2026 forecast

DTC's net profit is expected to decline 22.4% YOY to AED 276 Mn in 2026, primarily due to lower revenue, higher General & Administrative expenses and lower finance income, partially offset by increase in other income, lower finance costs and lower taxes. The Company's revenue is projected to decline 3.0% YOY to AED 2,400 Mn in 2026, due to declining demand across all its business segments. Operating costs are anticipated to increase marginally by 0.1% YOY to AED 1,539 Mn in 2026. Plate & license fees are forecast to remain stable at AED 367 Mn in 2026 compared to 2025. Consequently, gross profit is anticipated to decline 13.3% YOY to AED 493 Mn in 2026, while the gross margin is expected to contract by 245 bps YOY to 20.6% in 2026. The Company's other income is projected to increase 4.0% YOY to AED 17 Mn in 2026, while G&A expenses are anticipated to increase 6.8% YOY to AED 149 Mn. Impairment losses on financial assets are expected to increase from AED 3 Mn in 2025 to AED 7 Mn in 2026. As a result, operating profit is likely to decline 20.1% YOY to AED 354 Mn in 2026, with the operating margin projected to decline by 315 bps YOY to 14.8% in 2026. DTC's EBITDA is expected to decline 11.7% YOY to AED 576 Mn in 2026, with the EBITDA margin likely to contract by 236 bps YOY to 24.0% in 2026. Finance income is expected to decrease 15.9% YOY to AED 11 Mn in 2026, while finance costs are projected to decline 5.1% YOY to AED 61 Mn in 2026. DTC's tax expense is forecast to decline 22.6% YOY to AED 27 Mn in 2026.

1Q26 Outturn

DTC's revenue declined 6.3% YOY to AED 551 Mn in 1Q26, driven by a decline in the Taxi and Limousine segments, partially offset by growth in the Bus and Delivery Bike segments. Revenue from the Taxi segment decreased 11.5% YOY to AED 455 Mn in 1Q26, primarily reflecting the impact of heightened regional uncertainty in March. Performance in January and February remained resilient, supported by continued fleet expansion and sustained high utilisation levels. Revenue from the Limousine segment declined 15.0% YOY to AED 29 Mn in 1Q26, primarily reflecting the impact of heightened regional uncertainty on airport and tourism-related activity. Delivery Bike revenue

increased significantly from AED 17 Mn in 1Q25 to AED 27 Mn in 1Q26, driven by changes in contractual arrangements with a key customer. Revenue from the Bus segment rose 6.7% YOY to AED 34 Mn in 1Q26. DTC's Delivery Bike fleet increased significantly from 1,993 bikes in 1Q25 to 3,357 bikes in 1Q26. Operating costs declined 1.8% YOY to AED 359 Mn in 1Q26, mainly due to lower staff costs, reduced fuel expenses, and lower VAT expenses, partially offset by higher D&A expenses, increased insurance expenses, and higher vehicle maintenance expenses. Plate and license fees increased 1.3% YOY to AED 92 Mn in 1Q26. Consequently, the Company's gross profit declined 24.3% YOY to AED 100 Mn in 1Q26, while the gross margin contracted from 22.4% in 1Q25 to 18.1% in 1Q26. G&A expenses rose 8.6% YOY to AED 33 Mn in 1Q26. Other income declined from AED 5 Mn in 1Q25 to AED 2 Mn in 1Q26. Impairment losses decreased 19.6% YOY to AED 1 Mn in 1Q26. EBITDA declined 21.8% YOY to AED 121 Mn in 1Q26, while the EBITDA margin fell from 26.3% in 1Q25 to 21.9% in 1Q26. Operating profit declined 36.0% YOY to AED 67 Mn in 1Q26. Furthermore, the Company's finance income decreased 3.3% YOY to AED 4 Mn in 1Q26, while finance costs declined 11.1% YOY to AED 14 Mn in 1Q26. Income tax expense declined from AED 8 Mn in 1Q25 to AED 5 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on Dubai Taxi Company P.J.S.C. with a target price of AED 3.00. Dubai Taxi Company (DTC) continued to execute its long-term growth strategy during 1Q26 through disciplined fleet expansion, digital transformation, and strategic investments aimed at strengthening its market leadership. The Company's operational fleet increased 16% YOY to 11,417 vehicles as of March 2026, including 6,217 operational taxis, reflecting sustained capacity expansion to meet robust demand. Its partnership with Bolt continued to drive digital adoption, with taxi and limousine e-hailing trips increasing 9% YOY to 5.0 Mn during 1Q26, supporting Dubai's objective of transitioning 80% of taxi trips to e-hailing over the coming years. The Company also made meaningful progress in expanding its smart mobility ecosystem through the launch of fully autonomous commercial ride-hailing services in Dubai in partnership with Baidu's Apollo Go platform. The initial deployment of 50 autonomous vehicles, with plans to expand the fleet to more than 1,000 vehicles over the coming years, positions DTC to benefit from Dubai's vision of transitioning 25% of all journeys to autonomous transport by 2030. In addition, the integration of 1,823 National Taxi vehicles onto the Bolt platform further strengthened fleet utilisation and service coverage across the emirate. Following the quarter-end, DTC acquired 600 additional taxi licence plates through the latest RTA auction, increasing its market share to 47% and expanding its taxi fleet to 6,817 vehicles, with phased deployment commencing from July 2026. Furthermore, the acquisition of National Taxi, the Company's first strategic acquisition since its IPO, was completed on 8 July 2026 and is expected to strengthen its market position while significantly expanding its operating scale. The transaction will begin contributing to the Company's financial performance in 2H26, although the full earnings impact is expected to be realized in 2027, the first full year of ownership. In addition to earnings accretion, the acquisition is expected to generate further upside through operational efficiencies and cost synergies as integration progresses. The Company also distributed a final cash dividend of AED 142 Mn for 2H25 during April 2026, bringing the total 2025 dividend to AED 303 Mn, representing a 7.5% YOY increase and reaffirming its commitment to distribute at least 85% of annual net profit. Overall, DTC remains well positioned to deliver sustainable earnings growth, supported by continued fleet expansion, rising e-hailing penetration, strategic investments in autonomous mobility, and value-accretive acquisitions. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

DTC -Relative valuation

(At CMP)	2023	2024	2025	2026F
PE	16.87	17.58	16.35	21.08
PB	18.93	14.19	12.27	11.85
EV/EBITDA	13.25	11.10	9.95	8.58
BVPS	0.123	0.164	0.190	0.197
EPS	0.138	0.133	0.143	0.111
DPS	0.028	0.113	0.121	0.094
Dividend yield	1.2%	5.0%	5.4%	4.2%

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	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	625	551	529	-15.4%	-4.0%	2,474	2,400	-3.0%
Operating cost	-380	-359	-344	-9.5%	-4.3%	-1,538	-1,539	0.1%
Plate & license fee	-92	-92	-92	0.2%	-0.2%	-367	-367	0.0%
Gross profit	153	100	93	-39.3%	-6.6%	569	493	-13.3%
Other Income	4	2	4	-1.4%	NM	16	17	4.0%
General and Administrative Expenses	-34	-33	-32	-6.1%	-5.0%	-139	-149	6.8%
Impairment Loss on Financial Assets	5	-1	-2	NM	43.9%	-3	-7	NM
Operating profit	128	67	63	-50.8%	-4.9%	443	354	-20.1%
EBITDA	181	121	119	-34.0%	-1.3%	652	576	-11.7%
Finance Income	3	4	3	-20.9%	-29.6%	13	11	-15.9%
Finance Cost	-16	-14	-16	0.0%	13.0%	-64	-61	-5.1%
Staff Bonus	0	0	0	NM	NM	0	0	NM
Earning Before Tax	116	56	50	-56.9%	-11.1%	391	304	-22.4%
Income Tax	-10	-5	-4	-56.9%	-16.2%	-35	-27	-22.6%
Profit to shareholders	105	51	45	-56.9%	-10.5%	356	276	-22.4%

FABS estimate & Co Data

DTC -Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	24.5%	18.1%	17.6%	-692	-48	23.0%	20.6%	-245
EBITDA	28.9%	21.9%	22.5%	-634	63	26.4%	24.0%	-236
Operating Profit	20.6%	12.1%	12.0%	-859	-11	17.9%	14.8%	-315
Net Profit	16.9%	9.2%	8.6%	-828	-62	14.4%	11.5%	-288

FABS estimate & Co Data

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