

UAE Transportation Sector

Gradual Recovery Amid Diverging Transportation Trends

Sector Weighting:
MARKET WEIGHT

The UAE transportation sector is expected to face a mixed operating environment in 3Q26, with passenger aviation continuing to face headwinds, while air cargo activity remains comparatively resilient. According to IATA, global passenger demand declined 0.8% YOY in August 2026, while Middle Eastern carriers recorded a more pronounced 14.6% YOY contraction, interrupting the gradual recovery seen in previous months. Excluding Middle Eastern carriers, global passenger demand grew 0.6% YOY, although IATA highlighted weaker connectivity, elevated energy costs and ongoing geopolitical uncertainty as key risks to travel activity. Looking ahead, October forward schedules indicate a gradual improvement in capacity, with available seats expected to rise 2.0%. Meanwhile, according to IATA, Air cargo trends remained more supportive, with global cargo demand increasing 4.4% YOY in August 2026, despite a 0.1% YOY decline in capacity. Global goods trade expanded 6.0% YOY in July, while cargo yields increased MOM for the first time since April. However, Middle East cargo demand grew by only 1.0%, with trade flows along the Europe-Middle East and Middle East-Asia corridors continuing to face disruptions. Meanwhile, jet fuel prices remained elevated, rising 79.2% YOY in August, keeping cost pressures high across the transportation sector.

UAE-specific mobility indicators point to a gradual improvement in operating conditions during 3Q26, supported by resilient domestic mobility demand and the recovery in aviation connectivity. Dubai's public transport, shared mobility and taxi services carried c.348.1 Mn riders in 1H26, equivalent to average daily ridership of c. 1.9 Mn, while public transport and shared mobility accounted for 22.3% of total trips in 2025. Meanwhile, Dubai International Airport (DXB) handled 31.5 Mn passengers in 1H26, with monthly traffic recovering from 3.5 Mn in April to 5.0 Mn in June and further rising to 6.3 Mn in July. Airline capacity has recovered to 84% of previous levels, while passenger volumes have reached 78%, pointing to a continued improvement in connectivity. With most remaining airlines expected to resume operations ahead of the winter season, DXB is targeting c.70 Mn passengers in 2026, providing further support to passenger traffic in the second half of 2026.

The UAE's transportation infrastructure continues to expand, supported by investments across logistics, ports and future mobility. DP World has agreed to develop two new terminals in Fujairah under 50-year concessions, with the projects expected to further strengthen the UAE's port and logistics infrastructure. Dubai is also accelerating the development of future mobility, with RTA's Dubai Mobility Labs providing 248 testing scenarios for autonomous and emerging mobility technologies, while preparations are underway for the commercial launch of air taxis by year-end. Meanwhile, new truck movement restrictions from October 2026 are expected to improve traffic flow and road efficiency across Dubai. These developments, alongside the recovery in aviation and resilient domestic mobility, should provide a supportive backdrop for the UAE transportation sector over the medium term.

Dubai Taxi continued to expand its fleet and mobility ecosystem, supported by the National Taxi acquisition and ongoing autonomous mobility initiatives. Air Arabia remained focused on network expansion and operational efficiency despite regional disruptions affecting capacity and passenger traffic. Aramex delivered strong revenue growth across its core segments, supported by Accelerate28 initiatives and continued operational resilience. Dubai Taxi Company's 2Q26 performance remained impacted by weaker mobility activity, although operating trends improved towards the end of the quarter. Revenue declined 22.5% YOY to AED 485 Mn in 2Q26, mainly due to lower taxi and limousine trip volumes, partly offset by growth in the bus and delivery bike segments. Taxi revenue declined

26.5% YOY to AED 397 Mn, while limousine revenue fell 19.8% YOY to AED 24 Mn during 2Q26. In contrast, delivery bike revenue increased 53.1% YOY to AED 28 Mn. Despite the challenging operating environment, DTC continued to expand its fleet, with the total operational fleet rising 17.0% YOY to 11,928 vehicles as of June 2026. The recovery in operating activity was also evident towards the end of the quarter, with taxi and limousine trips declining 11.2% YOY in June versus a 36.7% YOY decline in April. The completion of the National Taxi acquisition further strengthens DTC's market position, adding more than 2,500 vehicles and taking its Dubai taxi market share to c.59%, while establishing a c.12% presence in Abu Dhabi. DTC is also expanding its digital mobility ecosystem through Bolt, with the integration of 1,607 Arabia Taxi vehicles onto the platform in August expected to improve vehicle availability, fleet utilisation and service reliability. DTC also continued to strengthen its digital mobility ecosystem through its partnership with Bolt, with total trips on the platform increasing 40.0% YOY to 4.3 Mn in 1H26, supported by a 104% YOY increase in average monthly active drivers and a 77% YOY rise in average monthly active riders. Looking ahead, management expects mobility demand to improve in 2H26, supported by recovering tourism and airport activity, while cost optimisation initiatives and the AED 25.6 Mn reduction in RTA taxi fees should provide additional support to profitability. Likewise, Air Arabia's operating performance in 2Q26, was impacted by regional geopolitical disruptions, resulting in lower operating capacity and passenger traffic. Revenue declined 3.4% YOY to AED 1.7 Bn in 2Q26, while passenger traffic fell 23% YOY to more than 3.9 Mn due to airspace closures and operational restrictions. Nevertheless, the average seat load factor remained resilient at 81% in 2Q26. The airline continued to expand its multi-hub network, with its fleet reaching 96 Airbus A320/A321 aircraft as of June 2026 following the addition of six aircraft in 1H26, alongside five new routes across the UAE, Morocco, Egypt and Pakistan. The Dammam hub is expected to commence operations in 3Q26, with further aircraft deliveries planned through the remainder of the year. Looking ahead, elevated fuel costs, geopolitical uncertainty, inflation and supply-chain constraints are expected to remain key headwinds, while the airline continues to focus on network expansion, cost discipline and operational efficiency. Meanwhile, Aramex delivered strong operating performance during 2Q26, with revenue increasing 22.2% YOY to AED 1.8 Bn, supported by broad-based growth across its segments. Freight Forwarding revenue increased 48.8% YOY to AED 652 Mn in 2Q26, driven by strong customer demand, pricing discipline and its diversified multimodal offering, while Courier revenue grew 10.9% YOY to AED 1,016 Mn, supported by continued growth in Domestic Express. Logistics & Warehousing revenue increased 15.0% YOY to AED 152 Mn in 2Q26, while International Express volumes showed signs of stabilisation. The Company continued to maintain operational resilience by activating alternative routes across its Middle East gateway network amid regional disruptions. Accelerate28 initiatives also supported improved operational performance and profitability, with EBITDA increasing to AED 181 Mn in 2Q26 from AED 105 Mn in 2Q25 and EBITDA margin improving to 9.9%. Aramex maintained a solid financial position, ending 2Q26 with AED 503 Mn in cash and a debt-to-EBITDA ratio of 2.7x. Looking ahead, the sustainability of Freight Forwarding momentum, continued recovery in International Express and further benefits from Accelerate28 will remain key drivers of earnings growth in 3Q26, although regional trade disruptions and elevated transportation costs remain potential risks.

Market Weight:

- We maintain a **Market Weight** stance on the UAE Transportation sector, with 2 BUY and 1 ACCUMULATE recommendations across our 3 covered transportation stocks.
- We have upgraded our rating on Air Arabia from HOLD to ACCUMULATE, while maintaining our target price unchanged.
- We continue to maintain BUY rating on Aramex and Dubai Taxi Company with same Target Price.

Companies Name	Target Price (AED)	CMP	Potential Change	Rating	P/E ¹	EV/EBITDA ¹	Dividend Yield ¹
Aramex	2.45	1.72	+42.4%	BUY	19.87	4.23	NA
Air Arabia	5.10	4.51	+13.1%	ACCUMULATE	22.74	13.42	3.8%
Dubai Taxi Company	3.00	2.17	+38.2%	BUY	30.57	11.91	2.8%

Source: FABS Estimate, ¹Data refers to FY2026

Key Developments in the Transportation Sector

Global passenger demand declined 0.8% YOY in August 2026

According to the International Air Transport Association (IATA), global passenger demand in August 2026 returned to contraction, with total demand, measured in Revenue Passenger Kilometres (RPK), decreasing 0.8% YOY, compared to August 2025, following marginal growth of 0.3% in July 2026. Total capacity, measured in Available Seat Kilometres (ASK), increased 0.3% YOY, while the passenger load factor (PLF) declined 0.9 percentage points YOY to 85.1% in August 2026. International demand decreased 0.8% YOY with a load factor of 85.0% in August 2026, while domestic demand decreased 1.1% YOY with a load factor of 85.3% in August 2026.

Global passenger demand contracted in August, according to IATA, as the recovery among Middle Eastern carriers was interrupted, with demand among Middle Eastern carriers declining 14.6% YOY in August 2026. Excluding Middle Eastern carriers, global passenger demand increased 0.6% YOY in August 2026, although growth was half the pace recorded in July. Passenger traffic also declined in North America, while domestic travel in China was an exception, supported by summer travel demand. Meanwhile, IATA noted that higher energy prices and prevailing geopolitical instability could affect travellers' budgets and willingness to travel, while forward schedules indicate cautious optimism, with available seats expected to increase 2.0% in October.

Air Cargo Demand Outpaces Capacity Growth Amid Rising Fuel Costs

Global air cargo demand increased 4.4% YOY in August 2026, with industry-wide cargo tonne-kilometers (CTK) rising across all carrier regions, led by North America and Asia Pacific, which together generated 72.3% of global growth. International cargo demand increased 5.3% YOY in August 2026, with North American carriers recording the strongest growth at 10.1% YOY, while Asia-North America remained the strongest major corridor, with traffic rising 13.2% YOY. Meanwhile, demand among Middle East carriers increased 1.0% YOY in August 2026, although Middle East-Asia and Europe-Middle East traffic declined 14.6% and 15.1%, respectively. On the supply side, available

cargo tonne-kilometres (ACTK) declined 0.1% YOY, as capacity reductions in Europe and North America outweighed additions elsewhere, resulting in a 2.0 percentage point increase in the global cargo load factor to 46.0%. From a cost perspective, jet fuel prices increased 8.3% MOM to USD 157.0 per barrel and were 79.2% higher YOY in August 2026, while the USD cargo yield rose 1.3% MOM and 24.9% YOY. Meanwhile, the Global Manufacturing Output PMI increased to 53.0 and the New Export Orders Index rose to 51.4 in August 2026, while global merchandise trade volumes increased 0.3% MOM and 6.0% YOY, supporting continued air cargo demand.

Dubai approves new corridor to strengthen inter-emirate connectivity

Dubai has approved the first phase of the New Fourth Corridor, an 80km road project linking the emirate with Sharjah and Abu Dhabi, with an investment of AED 3.5 Bn. The corridor will be constructed in two phases and feature 72 bridges, 17 tunnels and 45 stormwater drainage culverts, while providing connections to major infrastructure such as Al Maktoum International Airport and Etihad Rail. The initial 30km phase will feature 12 lanes across both directions and handle up to 24,000 vehicles per hour, with journey times expected to decline by 60% to 14 minutes from 35 minutes and the corridor serving c. 600,000 people.

Oil prices remain elevated amid continued Middle East supply disruptions

Crude oil prices increased sharply during 3Q26, amid continued disruptions to Middle East oil flows. According to the US Energy Information Administration (EIA), Brent crude oil spot prices averaged USD 114 per barrel in September 2026, USD 23 per barrel higher than in August 2026, following increased attacks on oil infrastructure and tankers across the Middle East. EIA raised its Brent crude oil price forecast to an average of USD 105 per barrel in 4Q26, USD 14 per barrel above its previous forecast, amid continued volatility in oil flows, declining global inventories and tight diesel markets. Brent prices are expected to decline to an average of USD 84 per barrel in 2027.

Air Arabia consortium received approval for new Saudi low-cost carrier

Saudi Arabia's General Authority of Civil Aviation (GACA) has granted an Air Operator Certificate (AOC) to a consortium led by Air Arabia to launch a new low-cost carrier from King Fahd International Airport in Dammam. The consortium, comprising Air Arabia Group, Nesma Group and KUN Holding Company, was selected as the winning bidder in July 2025 and will operate the airline with majority Saudi ownership. The carrier is expected to serve 24 domestic and 57 international destinations, create more than 2,400 direct jobs and carry c. 10 Mn passengers annually by 2030, supporting connectivity and tourism in Saudi Arabia's Eastern Province.

Dubai Taxi Company strengthens Bolt network with Arabia Taxi fleet

Dubai Taxi Company (DTC), together with Bolt, has entered into an agreement with Arabia Taxi to bring 1,607 taxis onto the Bolt ride-hailing platform in Dubai. The move will increase the number of vehicles available through the platform and is expected to support better fleet utilisation, shorter estimated waiting times and improved availability during periods of high demand. The partnership supports DTC's continued expansion of app-based mobility services and collaboration with private taxi operators.

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3Q26 Preview: **Aramex PJSC**

Earnings recovery to continue despite margin pressure

Current Price AED 1.72	Target Price AED 2.45	Upside/Downside (%) +42.4%	Rating BUY
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3Q26 estimate

Aramex's (Aramex/ The Company) net profit is anticipated to increase significantly from AED 5 Mn in 3Q25 to AED 27 Mn in 3Q26, primarily driven by expected growth in revenue and finance income, coupled with lower administrative expenses and finance costs, partially offset by projected increases in cost of services, selling & marketing expenses, along with a forecasted decrease in other income. Aramex's revenue is projected to increase 11.8% YOY to AED 1,787 Mn in 3Q26, supported by expected broad based growth across all its segments. Meanwhile, cost of services is forecasted to rise 14.2% YOY to AED 1,403 Mn in 3Q26. Consequently, gross profit is expected to grow 3.8% YOY to AED 384 Mn in 3Q26, while the gross margin is likely to decline 166 bps YOY to 21.5% in 3Q26. Furthermore, the Company's Selling & marketing expenses are expected to rise 3.7% YOY to AED 89 Mn in 3Q26, while administrative expenses are anticipated to fall 1.6% YOY to AED 222 Mn in 3Q26. Meanwhile, impairment losses on financial assets are projected to rise from AED 1 Mn in 3Q25 to AED 4 Mn in 3Q26. Other income is expected to decrease from AED 6 Mn in 3Q25 to AED 4 Mn in 3Q26. As a result, operating profit is likely to increase 15.7% YOY to AED 74 Mn in 3Q26, with the operating margin expected to improve by 14 bps YOY to 4.1% in 3Q26. The Company's EBITDA is anticipated to increase 11.3% YOY to AED 182 Mn in 3Q26. Whereas, we project the EBITDA margin to fall by 4 bps YOY to 10.2% in 3Q26. Finance income is expected to grow 24.4% YOY to AED 2 Mn in 3Q26, while finance costs are projected to decrease by 4.4% YOY to AED 32 Mn in 3Q26. The share of results of joint ventures and associates is expected to remain stable at a loss of AED 2 Mn in 3Q26, compared to 3Q25. Meanwhile, tax expense is forecasted to increase 5.6% YOY to AED 14 Mn in 3Q26.

2026 forecast

Aramex's net profit is expected to increase significantly from AED 21 Mn in 2025 to AED 127 Mn in 2026, primarily driven by projected growth in revenue coupled with lower impairment losses, and administrative expenses, partially offset by projected increases in cost of services, selling & marketing expenses, and higher tax expenses, along with a forecasted decrease in other income. Aramex's revenue is projected to grow 12.5% YOY to AED 7,153 Mn in 2026, supported by growth across all business segments. Meanwhile, the Company's cost of services is expected to rise 14.2% YOY to AED 5,608 Mn in 2026. Consequently, gross profit is forecasted to increase 6.6% YOY to AED 1,545 Mn in 2026, with the gross margin projected to decline by 119 bps YOY to 21.6% in 2026. Selling and marketing expenses are projected to increase marginally by 0.8% YOY to AED 351 Mn, while administrative expenses are anticipated to fall 2.0% YOY to AED 887 Mn in 2026. Impairment losses are expected to decrease 22.1% YOY to AED 14 Mn, while other income is projected to decline 3.2% YOY to AED 14 Mn in 2026. As a result, operating profit is anticipated to rise from AED 193 Mn in 2025 to AED 308 Mn in 2026, with the operating margin is expected to expand by 127 bps YOY to 4.3% in 2026. Similarly, Aramex's EBITDA is forecasted to grow 24.7% YOY to AED 709 Mn in 2026, with the EBITDA margin is projected to improve by 97 bps YOY to 9.9% in 2026. Finance income is projected to rise 12.5% YOY to AED 7 Mn in 2026, while finance costs are anticipated to increase marginally by 0.3% YOY to AED 119 Mn in 2026. Aramex is also expected to report a lower share of loss from joint ventures and associates of AED 3 Mn in 2026, compared with AED 5 Mn in 2025. Meanwhile, tax expense is anticipated to increase from AED 35 Mn in 2025 to AED 64 Mn in 2026, in line with the growth in profit. Share of profit attributable to non-controlling shareholders is anticipated to rise from AED 0.3 Mn in 2025 to AED 2 Mn in 2026.

2Q26 outturn

Aramex's revenue increased 22.2% YOY to AED 1,830 Mn in 2Q26, supported by growth across its all segments except Other services. The Company's Freight Forwarding segment reported a 48.8% YOY increase in revenue to AED 652 Mn in 2Q26, due to strong customer demand, pricing discipline and its diversified multimodal offering. The Courier segment increased 10.9% YOY to AED 1,016 Mn in 2Q26, supported by continued growth in Domestic Express supported by sustained regional and domestic activity. However, International Express volumes were broadly stable, indicating signs of stabilisation following declines in previous periods. The Logistics & Warehousing segment delivered revenue growth of 15.0% YOY to AED 152 Mn in 2Q26, however Other Services revenue declined 8.3% YOY to AED 10 Mn in 2Q26. Cost of services increased by 23.1% YOY to AED 1,439 Mn in 2Q26. Consequently, gross profit increased 19.0% YOY to AED 392 Mn in 2Q26, reflecting changes in revenue mix and improved sales in select markets. Gross profit margin declined by 58 bps YOY to 21.4% in 2Q26. Selling and marketing expenses rose 1.6% YOY to AED 85 Mn in 2Q26, while administrative expenses decreased by 4.0% YOY to AED 216 Mn in 2Q26. The Company's impairment charges decreased 28.7% to AED 4 Mn in 2Q26. Other income decreased from AED 2 Mn in 2Q25 to AED 1 Mn in 2Q26. Operating profit increased significantly from AED 16 Mn in 2Q25 to AED 87 Mn in 2Q26. Operating profit margin also improved by 368 bps YOY to 4.8% in 2Q26. Furthermore, EBITDA increased significantly from AED 105 Mn in 2Q25 to AED 181 Mn in 2Q26. EBITDA margins increased 291 bps YOY to 9.9% in 2Q26. Finance income decreased 8.7% YOY to AED 1 Mn in 2Q26, while finance costs declined 5.0% YOY to AED 26 Mn in 2Q26. Tax expense increased to AED 15 Mn in 2Q26, compared to tax reversal of AED 1 Mn in 2Q25. The Company also recorded share of profit to non-controlling shareholders of AED 1 Mn in 2Q26 compared to loss of AED 1 Mn in 2Q25.

Target Price and Rating

We maintain our rating to BUY on Aramex with a target price of AED 2.45. The Company's profitability improved significantly in 2Q26, supported by strong revenue growth, disciplined management of operating costs and overheads, and contributions from the Accelerate28 initiatives. Freight Forwarding delivered its highest-ever quarterly revenue growth of 48.8% YOY to AED 652 Mn in 2Q26, supported by strong customer demand, pricing discipline and Aramex's multimodal offering. The ability to activate alternative routes during regional disruptions demonstrates the resilience of the business. Aramex continues to experience a structural shift in global trade flows, as nearshoring and regionalization reshape supply chain dynamics. This trend has supported sustained growth in Domestic Express and Logistics, while International Express volumes showed signs of stabilization following declines in previous periods. Consequently, the contribution of the Company's high-margin International Express business remains under pressure, altering the overall product mix and profitability profile. Domestic Express continued to grow in 2Q26, supported by sustained regional and domestic activity. The Company also activated alternative routes across its Middle East gateway network, including Europe-to-Middle East land solutions and air and sea charter capacity, amid regional disruptions. The Accelerate28 transformation initiative continues to progress well, with initiatives contributing to improved operational performance and profitability during 1H26. Aramex maintains a solid balance sheet with AED 503 Mn in cash and a Debt-to-EBITDA ratio of 2.7x as of 2Q26, providing flexibility to support continued investments in its transformation program and long-term growth priorities. The Company remains focused on margin optimization, product-led growth, operational efficiency and targeted investments in transformation heading into the remainder of 2026. Thus, based on our analysis, we maintain our BUY rating on the stock.

Aramex -Relative valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
PE	13.82	15.73	19.66	17.86	123.06	19.87
PB	0.95	1.01	1.03	1.01	0.99	0.94
EV/EBITDA	3.09	4.92	4.90	4.56	5.11	4.23
BVPS	1.820	1.714	1.681	1.719	1.747	1.834
EPS	0.125	0.110	0.088	0.097	0.014	0.087
DPS	0.130	0.130	0.095	0.000	0.000	0.000
Dividend yield	7.6%	7.6%	5.5%	NA	NA	NA

FABS Estimate & Co Data

Aramex - P&L

AED Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,599	1,830	1,787	11.8%	-2.4%	6,360	7,153	12.5%
Cost of Services	-1,229	-1,439	-1,403	14.2%	-2.5%	-4,910	-5,608	14.2%
Gross profit	370	392	384	3.8%	-1.9%	1,449	1,545	6.6%
Selling and Marketing Expenses	-86	-85	-89	3.7%	4.9%	-348	-351	0.8%
Administrative Expenses	-225	-216	-222	-1.6%	2.5%	-905	-887	-2.0%
Net Impairment loss	-1	-4	-4	NM	-12.3%	-18	-14	-22.1%
Other income, net	6	1	4	-30.7%	NM	15	14	-3.2%
Operating profit	64	87	74	15.7%	-14.9%	193	308	NM
EBITDA	164	181	182	11.3%	0.6%	569	709	24.7%
Finance Income	1	1	2	24.4%	25.7%	7	7	12.5%
Finance Costs	-33	-26	-32	-4.4%	20.1%	-119	-119	0.3%
Share of results of JV and assoc	-2	0	-2	10.7%	NM	-5	-3	-40.8%
Profit before Income Tax	19	63	42	NM	-32.2%	56	193	NM
Income Tax Expense	-14	-15	-14	5.6%	-1.5%	-35	-64	NM
Profit for the period	6	48	28	NM	-41.6%	21	129	M,
NCI	-1	-1	-1	21.6%	25.1%	0	-2	NM
Profit attributable	5	47	27	NM	-42.3%	21	127	NM

FABS estimate and Co data

Aramex - Margins

	3Q25	2Q26	3Q26F	YOY ch	QOQ ch	2025	2026F	Change
Gross Profit	23.2%	21.4%	21.5%	-166	9	22.8%	21.6%	-119
EBITDA	10.2%	9.9%	10.2%	-4	30	8.9%	9.9%	97
Operating Profit	4.0%	4.8%	4.1%	14	-61	3.0%	4.3%	127
Net Profit	0.3%	2.6%	1.5%	120	-106	0.3%	1.8%	146

FABS estimate and Co data

3Q26 preview: **Air Arabia**

Cost pressures to weigh on earnings

Current Price AED 4.51	Target Price AED 5.10	Upside/Downside (%) +13.1%	Rating ACCUMULATE
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3Q26 estimate

Air Arabia's (AIRARABIA PJSC / The Company) net profit is anticipated to decline from AED 583 Mn in 3Q25 to AED 325 Mn in 3Q26, driven by projected increases in direct costs, G&A expenses and higher finance costs, coupled with forecasted lower revenue, finance income, other income and lower share of profit from equity-accounted investments, partially offset by expected decline in selling and marketing expenses and lower taxes. The Company's revenue is projected to decrease 2.0% YOY to AED 2,004 Mn in 3Q26. Meanwhile, direct costs are forecasted to rise 10.0% YOY to AED 1,643 Mn in 3Q26. Consequently, gross profit is expected to decline significantly from AED 550 Mn in 3Q25 to AED 361 Mn in 3Q26, with gross margin expected to decline from 26.9 % in 3Q25 to 18.0% in 3Q26. Moreover, AIRARABIA's selling and marketing expenses are expected to decline 5.7% YOY to AED 26 Mn, while G&A expenses are projected to rise marginally 0.9% YOY to AED 84 Mn in 3Q26. AIRARABIA's EBITDA is expected to decline significantly from AED 585 Mn in 3Q25 to AED 437 Mn in 3Q26, while the EBITDA margin is projected to decline from 28.6% in 3Q25 to 21.8% in 3Q26. Consequently, operating profit is likely to decrease from AED 439 Mn in 3Q25 to AED 250 Mn in 3Q26. The operating margin is projected to decline from 21.5% in 3Q25 to 12.5% in 3Q26. Furthermore, the Company's finance income is expected to fall 7.0% YOY to AED 53 Mn in 3Q26, while finance costs are projected to increase from AED 15 Mn in 3Q25 to AED 31 Mn in 3Q26. Other income is anticipated to decline 25.0% YOY to AED 50 Mn in 3Q26. Share of profit from equity-accounted investments is expected to decrease from AED 107 Mn in 3Q25 to AED 60 Mn in 3Q26. The tax expense is likely to decrease from AED 73 Mn in 3Q25 to AED 57 Mn in 3Q26.

2026 forecast

Air Arabia's net profit is projected to decline 42.0% YOY to AED 944 Mn in 2026, primarily driven by anticipated increases in direct costs, selling and marketing expenses, G&A expenses and finance costs, along with projected decline in finance income and share of profit from equity-accounted investments, partially offset by expected higher revenue and other income, as well as lower tax expense. Revenue is expected to grow 2.2% YOY to AED 7,957 Mn in 2026. The Company's direct costs are forecasted to increase 11.1% YOY to AED 6,762 Mn in 2026. Consequently, gross profit is anticipated to decline 29.7% YOY to AED 1,194 Mn in 2026, while the gross margin is expected to decline from 21.8% in 2025 to 15.0% in 2026. Selling and marketing expenses are forecasted to grow 2.2% YOY to AED 116 Mn in 2026. Similarly, G&A expenses are expected to increase 13.2% YOY to AED 358 Mn in 2026. EBITDA is forecasted to fall 23.6% YOY to AED 1,446 Mn, with the EBITDA margin expected to decline by 612 bps YOY to 18.2% in 2026. As a result, operating profit is projected to decrease 43.3% YOY to AED 720 Mn in 2026. The operating margin is expected to decline from 16.3% in 2025 to 9.1% in 2026. Furthermore, finance income is expected to decline 13.6% YOY to AED 208 Mn in 2026. In contrast, finance costs are forecasted to increase from AED 67 Mn in 2025 to AED 112 Mn in 2026. Other income is projected to increase marginally 0.9% YOY to AED 199 Mn in 2026. AIRARABIA's share of profit from equity-accounted investments is expected to decline from AED 190 Mn in 2025 to AED 95 Mn in 2026. Tax expense is forecasted to decrease 17.5% YOY to AED 167 Mn in 2026.

2Q26 Outturn

Air Arabia's revenue decreased 3.4% YOY to AED 1,689 Mn in 2Q26, driven by reduced operating capacity amid the ongoing regional conflict, resulting in a 23% YOY decline in passengers to more than 3.9 Mn in 2Q26. Moreover, AIRARABIA's direct cost rose 12.7% YOY to AED 1,548 Mn in 2Q26. Thus, gross profit decreased from AED 375 Mn in 2Q25 to AED 141 Mn in 2Q26, while gross profit

margin declined significantly from 21.4% in 2Q25 to 8.4% in 2Q26. Selling & Marketing expenses decreased 14.0% YOY to AED 25 Mn in 2Q26, whereas G&A expenses increased 19.0% YOY to AED 73 Mn in 2Q26. As a result, the Company's EBITDA declined 49.9% YOY to AED 228 Mn in 2Q26, with EBITDA margin decreasing from 26.1% in 2Q25 to 13.5% in 2Q26. Operating profit decreased to AED 43 Mn in 2Q26 from AED 285 Mn in 2Q25, while operating profit margin decreased to 2.6% in 2Q26 from 16.3% in 2Q25. AIRARABIA's finance income fell 22.0% YOY to AED 46 Mn in 2Q26, while finance costs rose from AED 18 Mn in 2Q25 to AED 28 Mn in 2Q26. Other income declined 8.7% YOY to AED 41 Mn in 2Q26. The Company recorded a share of loss from equity-accounted investments of AED 6 Mn in 2Q26, compared to a share of profit from equity-accounted investments of AED 44 Mn in 2Q25. Income tax expense decreased significantly from AED 65 Mn in 2Q25 to AED 8 Mn in 2Q26.

Target price and rating

We revise our rating from HOLD to ACCUMULATE on AIRARABIA with an unchanged target price of AED 5.10. The Company's share price declined 5.5% since our previous rating (August 2026). AIRARABIA reported a decline in net profit in 2Q26, primarily impacted by the regional conflict, which resulted in airspace closures, temporary operational restrictions, reduced operating capacity, and record-high fuel prices. During 2Q26, passenger numbers across the Company's operating hubs declined 23% YOY to more than 3.9 Mn, reflecting reduced operating capacity, while the average seat load factor remained resilient at 81%. Despite the challenging operating environment, AIRARABIA remains vigilant and agile in navigating rapidly changing and uncertain conditions, while maintaining network connectivity and operational efficiency through disciplined cost management and operational adjustments. During 1H26, the Company added 6 aircraft to its fleet, bringing the total fleet to 96 owned and leased Airbus A320 and A321 aircraft. The Company also launched five new routes across its operating hubs in the UAE, Morocco, Egypt and Pakistan, further expanding its network connectivity. In June 2026, AIRARABIA was named "Most Sustainable Low-Cost Airline in the MENA Region 2026" by World Finance Magazine as part of its annual Sustainability Awards Program. AIRARABIA remains focused on adapting its operations to evolving market conditions, with continued emphasis on disciplined financial and cost optimization, operational efficiency and a customer-centric approach across all hubs. Additional aircraft are scheduled for delivery through the remainder of the year as part of the existing Airbus order book, supporting further network capacity expansion. The Company's multi-hub growth strategy continues, with its latest hub in Dammam having commenced operations in September 2026. However, elevated fuel price volatility, inflationary pressures and ongoing supply-chain constraints remain key industry headwinds. The Company remains confident in the strength of the local and regional economies it serves and, in its ability, to navigate the evolving operating environment as conditions continue to improve, supported by its robust business model, disciplined financial approach and continued demand for its value-driven product. Thus, based on our analysis, we revise our rating to ACCUMULATE on the stock.

Air Arabia -Relative valuation

	2021	2022	2023	2024	2025	2026F
(At CMP)						
PE	29.82	17.57	13.88	14.63	13.18	22.74
PB	3.53	3.07	2.85	2.70	2.55	2.51
EV/EBITDA	14.02	9.86	8.67	8.88	9.40	13.42
BVPS	1.302	1.499	1.614	1.704	1.802	1.832
EPS	0.154	0.262	0.332	0.314	0.349	0.202
DPS	0.085	0.150	0.200	0.250	0.300	0.172
Dividend yield	1.9%	3.3%	4.4%	5.5%	6.7%	3.8%

FABS estimate & Co Data

Air Arabia - P&L

AED Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	2,045	1,689	2,004	-2.0%	18.7%	7,788	7,957	2.2%
Direct costs	-1,494	-1,548	-1,643	10.0%	6.2%	-6,088	-6,762	11.1%
Gross profit	550	141	361	NM	155.8%	1,699	1,194	-29.7%
Selling & Mkt expense	-28	-25	-26	-5.7%	5.3%	-114	-116	2.2%
G&A expenses	-83	-73	-84	0.9%	15.2%	-316	-358	13.2%
EBITDA	585	228	437	NM	91.5%	1,891	1,446	-23.6%
EBIT	439	43	250	NM	NM	1,270	720	-43.3%
Finance income	57	46	53	-7.0%	15.8%	241	208	-13.6%
Finance costs	-15	-28	-31	NM	10.5%	-67	-112	NM
Other income	67	41	50	-25.0%	22.6%	197	199	0.9%
Share of profit on JVs	107	-6	60	-44.0%	NM	190	95	-49.7%
Profit before NCI	656	96	383	NM	NM	1,831	1,111	-39.3%
Tax	-73	-8	-57	NM	NM	-202	-167	-17.5%
Non-controlling int.	0	0	0	NM	NM	0	0	NM
Net profit	583	88	325	NM	NM	1,628	944	-42.0%

FABS estimate & Co Data
Air Arabia - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	26.9%	8.4%	18.0%	-892	965	21.8%	15.0%	-681
EBITDA	28.6%	13.5%	21.8%	-679	830	24.3%	18.2%	-612
Operating Profit	21.5%	2.6%	12.5%	-899	994	16.3%	9.1%	-725
Net Profit	28.5%	5.2%	16.2%	-1,225	1,104	20.9%	11.9%	-905

FABS estimate & Co Data

3Q26 preview: **Dubai Taxi Company**

Mobility recovery undermined by higher costs

Current Price AED 2.17	Target Price AED 3.00	Upside/Downside (%) +38.2%	Rating BUY
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3Q26 estimate

Dubai Taxi Company PJSC (DTC/the Company) net profit is expected to decline from AED 76 Mn in 3Q25 to AED 42 Mn in 3Q26, driven by anticipated higher direct costs, plate and license fees, G&A expenses, impairment losses and finance costs, coupled with lower finance income, partially offset by expected growth in revenue and other income, along with lower taxes. The Company's revenue is forecasted to rise 18.5% YOY to AED 693 Mn in 3Q26, driven by expected growth across all segments except the Limousine segment. Direct costs are expected to grow 25.6% YOY to AED 465 Mn in 3Q26, while the plate and license fees are likely to increase 35.8% YOY to AED 125 Mn in 3Q26. Consequently, the Company's gross profit is expected to decrease 15.9% YOY to AED 104 Mn in 3Q26, while the gross margin is likely to decline from 21.1% in 3Q25 to 14.9% in 3Q26. Other income is anticipated to increase from AED 2 Mn in 3Q25 to AED 5 Mn in 3Q26. G&A expenses are expected to rise 19.9% YOY to AED 31 Mn in 3Q26. Impairment loss on financial assets is projected to increase from AED 2 Mn in 3Q25 to AED 3 Mn in 3Q26. As a result, operating profit is anticipated to decrease 24.0% YOY to AED 74 Mn in 3Q26, with the operating margin expected to decline from 16.7% in 3Q25 to 10.7% in 3Q26. EBITDA is forecasted to decrease 6.1% YOY to AED 142 Mn in 3Q26, while the EBITDA margin is projected to contract from 25.9% in 3Q25 to 20.5% in 3Q26. Furthermore, DTC's finance income is projected to decline 3.8% YOY to AED 3 Mn in 3Q26, while finance costs are expected to increase from AED 17 Mn in 3Q25 to AED 31 Mn in 3Q26. Additionally, income tax expense is anticipated to decline from AED 8 Mn in 3Q25 to AED 4 Mn in 3Q26.

2026 forecast

DTC's net profit is expected to decline 49.2% YOY to AED 181 Mn in 2026, primarily due to anticipated higher direct costs, plate and license fees, impairment losses and finance costs, along with lower finance income, partially offset by expected growth in revenue and other income, as well as lower G&A expenses and taxes. The Company's revenue is projected to rise 3.5% YOY to AED 2,560 Mn in 2026, driven by expected growth across all its business segments except the Limousine segment. Direct costs are anticipated to increase 14.9% YOY to AED 1,768 Mn in 2026. Plate & license fees are forecasted to grow 5.4% YOY to AED 387 Mn in 2026. Consequently, gross profit is anticipated to decline 28.7% YOY to AED 406 Mn in 2026, while the gross margin is expected to contract from 23.0% in 2025 to 15.8% in 2026. The Company's other income is projected to increase 10.3% YOY to AED 18 Mn in 2026, while G&A expenses are anticipated to decrease marginally 0.8% YOY to AED 138 Mn in 2026. Impairment losses on financial assets are expected to increase from AED 3 Mn in 2025 to AED 8 Mn in 2026. As a result, operating profit is likely to decline 37.4% YOY to AED 277 Mn in 2026, with the operating margin projected to decline from 17.9% in 2025 to 10.8% in 2026. DTC's EBITDA is expected to decline 20.1% YOY to AED 521 Mn in 2026, with the EBITDA margin likely to contract by 601 bps YOY to 20.3% in 2026. Finance income is expected to decrease 15.9% YOY to AED 11 Mn in 2026, while finance costs are projected to grow 39.1% YOY to AED 90 Mn in 2026. DTC's tax expense is expected to decline 49.4% YOY to AED 18 Mn in 2026.

2Q26 Outturn

DTC's revenue declined 22.5% YOY to AED 485 Mn in 2Q26, reflecting softer trip volumes across the taxi and limousine segments, partially offset by growth in the bus and delivery bike segments. Revenue from the Taxi segment decreased 26.5% YOY to AED 397 Mn in 2Q26, reflecting lower trip volumes amid softer airport and tourism-related demand. Revenue from the Limousine segment declined 19.8% YOY to AED 24 Mn in 2Q26, primarily due to lower airport activity and softer international visitor demand. Delivery Bike revenue increased significantly from AED 18 Mn in 2Q25

to AED 28 Mn in 2Q26, while revenue from the Bus segment grew 2.3% YOY to AED 32 Mn in 2Q26. DTC's taxi fleet size expanded from 6,210 taxis in 2Q25 to 6,522 taxis in 2Q26. Similarly, the Delivery bike fleet increased significantly from 2,164 bikes in 2Q25 to 3,615 bikes in 2Q26. Direct costs decreased 9.2% YOY to AED 345 Mn in 2Q26, mainly due to lower staff costs, charges & commissions, vehicle maintenance expenses, staff bonus, and other operating costs, partially offset by higher fuel expense, D&A expenses, insurance, VAT and rent expenses. Plate and license fee increased marginally by 0.4% YOY to AED 92 Mn in 2Q26. Thus, the Company's gross profit decreased significantly from AED 153 Mn in 2Q25 to AED 47 Mn in 2Q26, with the gross margin contracting from 24.5% in 2Q25 to 9.7% in 2Q26, primarily due to lower margins across the taxi, limousine, and bus segments, partially offset by a marginal improvement in the delivery Bike segment. G&A expenses declined 10.5% YOY to AED 30 Mn in 2Q26. Other income rose from AED 4 Mn in 2Q25 to AED 7 Mn in 2Q26. The Company recorded impairment losses of AED 1 Mn in 2Q26, compared with an impairment reversal of AED 5 Mn in 2Q25. EBITDA decreased from AED 181 Mn in 2Q25 to AED 77 Mn in 2Q26, with the EBITDA margin declining from 28.9% in 2Q25 to 15.9% in 2Q26. Operating profit decreased from AED 128 Mn in 2Q25 to AED 23 Mn in 2Q26, and the operating profit margin declined from 20.6% in 2Q25 to 4.7% in 2Q26. Furthermore, the Company's finance income decreased 7.7% YOY to AED 3 Mn in 2Q26, while the finance costs declined 11.3% YOY to AED 14 Mn in 2Q26. Income tax expenses decreased from AED 10 Mn in 2Q25 to AED 1 Mn in 2Q26 in line with decline in profit before tax.

Target price and recommendation

We maintain our BUY rating on Dubai Taxi Company with a target price of AED 3.00. DTC continues to strengthen its leadership position in the UAE mobility sector through fleet expansion, strategic acquisitions, and digital transformation initiatives. During 2Q26, the Company reported weaker profitability, primarily driven by lower revenue and higher fuel costs, reflecting the challenging operating environment experienced during the quarter. However, management expects mobility demand to continue recovering during the second half of 2026, supported by the return of residents after the summer period, as well as improving tourism and airport activity. The Company also expects fuel costs to normalize as fuel prices stabilize, while periodic RTA fare adjustments are expected to partially offset fuel cost inflation. In addition, the RTA approved AED 25.6 Mn in taxi fee reductions for the March-May 2026 period, with the financial benefit expected to be recognized in 3Q26. The Company is also implementing several cost optimization initiatives, including delaying vehicle replacements, improving maintenance efficiency, optimizing fleet utilization, and dynamically adjusting the limousine fleet based on demand to preserve cash and enhance operational efficiency. DTC continues to benefit from a diversified business model, with the Bus segment supported by long-term government contracts that provide stable recurring income, while the Delivery Bike segment continues to record strong growth driven by fleet expansion and sustained demand across the on-demand delivery market. The Company's total operational fleet expanded 4.5% QOQ to 11,928 vehicles as of June 2026, driven by growth across the taxi, bus, and delivery bike segments, partially offset by a decline in the limousine fleet. DTC further reinforced its market leadership by securing an additional 600 taxi license plates through the latest RTA auction, supporting fleet growth. Management indicated that taxi and limousine demand improved progressively, with the YOY decline in trips narrowing to 11% in June from 37% in April, reflecting early signs of demand normalization. The Company continues to accelerate its digital mobility strategy through its partnership with Bolt, which maintained strong operational momentum during 1H26. Bolt recorded a 40.0% YOY increase in trips to 4.3 Mn, while app downloads reached 1.7 Mn, registered cars increased to 33,000, and monthly active riders rose 77.0% YOY to c.162,000. More recently, DTC and Bolt partnered with Arabia Taxi to integrate 1,607 taxis onto the platform, supporting higher vehicle availability and fleet utilisation. DTC also continued expanding its regional footprint through a strategic partnership in Ajman while progressing the rollout of Apollo Go autonomous mobility services. In addition, the Company continues to work closely with the RTA on autonomous mobility initiatives, targeting c.1,000 autonomous taxis over the next three years, subject to regulatory approvals. The acquisition

of National Taxi further strengthens DTC's long-term growth prospects by adding more than 2,700 vehicles to the fleet and is expected to be earnings accretive from the first full year of ownership, supported by operational synergies, with management targeting full integration over the next three years. Management reiterated that it has not changed its dividend policy and deferred the interim dividend decision for the 1H26, with shareholder distributions to be assessed at the end of 2026, while remaining committed to distributing up to 85.0% of annual net profit, subject to Board approval. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

DTC -Relative valuation

(At CMP)	2023	2024	2025	2026F
PE	16.00	16.68	15.51	30.57
PB	17.96	13.46	11.64	10.76
EV/EBITDA	12.64	10.59	9.49	11.91
BVPS	0.123	0.164	0.190	0.205
EPS	0.138	0.133	0.143	0.072
DPS	0.028	0.113	0.121	0.061
Dividend yield	1.3%	5.2%	5.6%	2.8%

FABS estimate & Co Data, Dubai Taxi Company was listed on DFM in Dec 2023. Thus, the financial multiple for the prior period is unavailable

DTC – P&L

AED Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	585	485	693	18.5%	43.1%	2,474	2,560	3.5%
Operating cost	-370	-345	-465	25.6%	34.6%	-1,538	-1,768	14.9%
Plate & license fee	-92	-92	-125	35.8%	35.8%	-367	-387	5.4%
Gross profit	123	47	104	-15.9%	NM	569	406	-28.7%
Other Income	2	7	5	NM	-37.9%	16	18	10.3%
General and Administrative Expenses	-26	-30	-31	19.9%	3.2%	-139	-138	-0.8%
Impairment Loss on Financial Assets	-2	-1	-3	NM	NM	-3	-8	NM
Operating profit	98	23	74	-24.0%	NM	443	277	-37.4%
EBITDA	151	77	142	-6.1%	NM	652	521	-20.1%
Finance Income	3	3	3	-3.8%	-14.2%	13	11	-15.9%
Finance Cost	-17	-14	-31	NM	NM	-64	-90	39.1%
Staff Bonus	0	0	0	NM	NM	0	0	NM
Earning Before Tax	84	12	47	-44.7%	NM	391	199	-49.3%
Income Tax	-8	-1	-4	-46.2%	NM	-35	-18	-49.4%
Profit to shareholders	76	10	42	-44.6%	NM	356	181	-49.2%

FABS estimate & Co Data

DTC -Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	21.1%	9.7%	14.9%	-611	NM	23.0%	15.8%	-716
EBITDA	25.9%	15.9%	20.5%	-537	455	26.4%	20.3%	-601
Operating Profit	16.7%	4.7%	10.7%	-601	NM	17.9%	10.8%	-707
Net Profit	13.1%	2.1%	6.1%	-695	396	14.4%	7.1%	-733

FABS estimate & Co Data

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