INVESTMENT RESEARCH | UAE

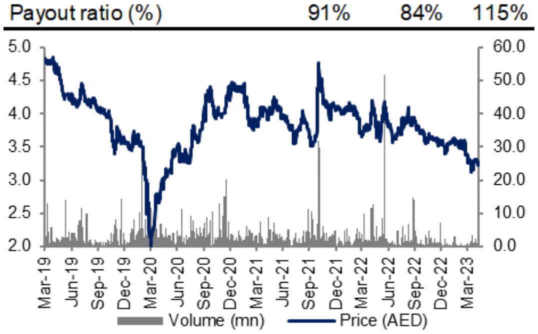
المتحدة للأوراق المالية ذ.م.م
UNITED SECURITIES LLC

Logistics

Aramex – Value Buy

STRONG BUY: 12M TP @ 3.60

Valuation Summary (TTM)			
Price (AED)			2.74
PER TTM (x)			28.8
P/Book (x)			1.6
P/Sales (x)			0.7
EV/Sales (x)			1.1
Dividend Yield (%)			3.5
Free Float (%)			46%
Shares O/S (mn)			1,464
YTD Return (%)			-22%
Beta			0.8
(mn)		**AED**	**USD**
Market Cap		4,012	1,092
Enterprise Value		5,432	1,483
Price performance (%)	**1M**	**3M**	**12M**
Aramex PJSC	-12%	-19%	-29%
Dubai Financial Market Gen	7%	13%	16%
Trading liquidity (,000)	**1M**	**3M**	**6M**
Avg daily turnover (AED ,000	2,195	2,065	1,896
Avg Daily Volume (,000)	675	661	575
52 week	**High**	**Low**	**CTL***
Price (AED)	4.20	2.70	1.5
* CTL is % change in CMP to 52wk low			
Major shareholders			
Geopost SA			28%
Abu Dhabi Ports Co P			22.3%
Mawer Investment Man			4.0%
Others			45.7%
Other details			
Exchange			DFM
Sector			Transportation
Index weight (%)			2.0%
Key ratios	**2020**	**2021**	**2022**
EPS (AED)	0.18	0.15	0.11
BVPS (AED)	1.84	1.82	1.71
DPS (AED)	0.17	0.13	0.13
Payout ratio (%)	91%	84%	115%



Aramex is one of its kind company from the region operating in a critical service segment such as parcel delivery, freight forwarding and logistics. The company operates across over 70 countries employs over 16,000 people. Support from strategic shareholders, synergies with subsidiaries and improvement in overall demand scenario are the primary triggers for improvement in volumes. Despite high competition Aramex continues to remain a regional leader and has leveraged technology to reduce costs and ease the operational flow. Going forward the company intends to direct resources in a focused manner with higher interest in Freight and Logistics. The contribution from both these segments will be critical for improving the top line. The company made its biggest ever acquisition of MyUS in 2022 with a total deal value of AED 955mn. The acquisition of MyUS will be a game changer by bringing in the much needed scalable technology, expanding product base, customer profile and geographic area of operations. We believe the significant rise in scale will bring operational synergies and lead to improvement in margins. We believe at the current level the stock price has discounted the impact of lower demand and declining profits and is trading below its intrinsic value. We are positive that in 2023, the company will enter the next phase of growth. We have made a conservative estimate in revenue of 7.4% CAGR (2022-27e) and profit of 20.8% CAGR (2022-27e). We arrive at a target price of AED 3.60 /share based on the DCF and peer valuation, providing an upside of 31% from the current market price. Based on the potential positive changes expected and fair value we recommend STRONG BUY on the stock.

Modern, tech based, global player: Aramex despite being a four-decade old company is truly a modern one. It has been adapting to the latest technologies, and it is today known for its ease of operations and timely delivery. It has many firsts to its credit such as – first Arab company to list in Nasdaq, first company to increase its foreign ownership limit to 100%, first to experiment delivery using drones in the region etc. The company has associated itself with global players in terms of acquisitions, shareholders, clientele and maintain international standards in operations.

Recent acquisitions and focused approach will lead to revenue growth, margin stability and improvement in profitability: Aramex's recent purchase of MyUS will provide the much-needed geographic expansion, product enhancement and technology platform to service a larger customer base. Consolidation of existing operations of Aramex SNS and MyUS also offers synergies in terms of revenue and cost savings. Turnaround in Australian operations will improve domestic business, doubling of warehousing space will auger well for the logistics segment and JV with AD Ports will improve scope for freight forwarding. We believe will lead to both top and bottom line growth along with margin stability for Aramex from 2023 onwards.

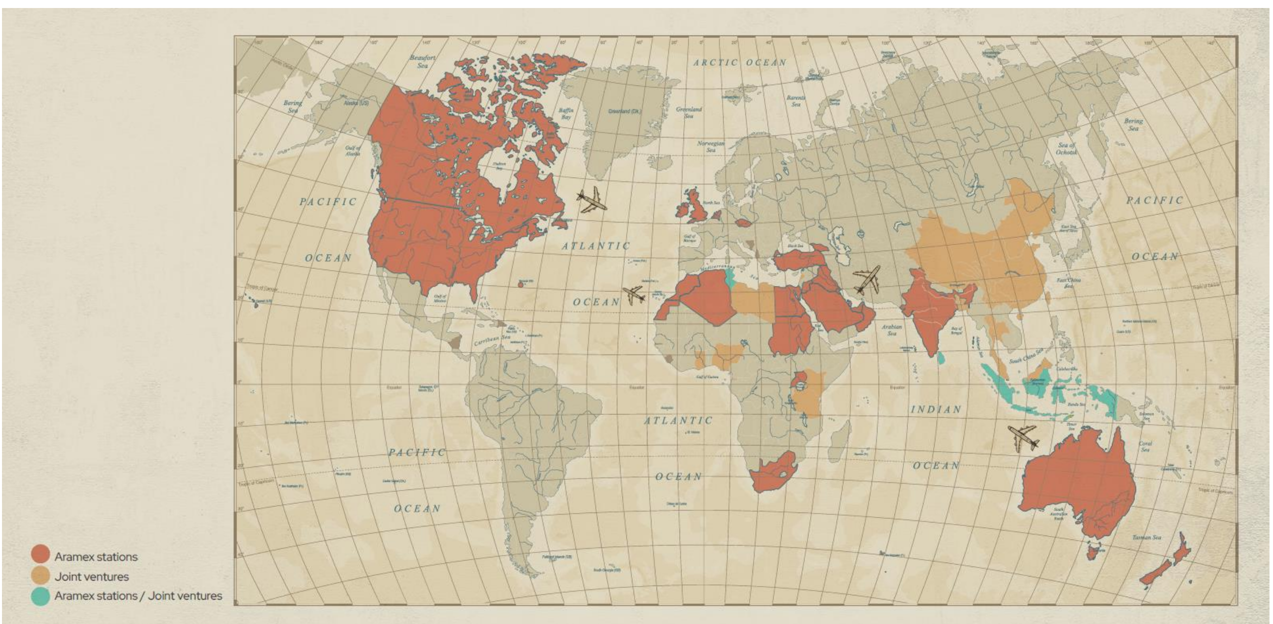
Strategic ownership of GeoPost and AD ports to bring synergies: Post the exit of the founder, the company underwent shareholding changes and recently two large companies have taken significant strategic stake in Aramex. The ownership interest of GeoPost and AD ports enhances the company's global ambitions and provides the much-needed management support, capital and network. Both AD Ports and GeoPost have substantial presence in the board including the positions of Chairman and Vice Chairman. GeoPost which already has a decade long association with Aramex is looking to further leverage its synergies in Europe. AD Ports on the other hand is providing the much needed impetus in the freight forwarding segment.

Valuation: Aramex, warrants a singularity premium for being the only listed standalone non-government service provider from the region in the logistics segment. The new management team, high standards of governance, parental support, changes in the product mix and recent acquisitions will provide the much needed impetus for the company. We arrive at a blended target price of AED 3.60/share. This provides an upside potential of 31% from the current price and we provide a STRONG BUY rating on Aramex.

Aramex is an international player operating across all continents…

Aramex is a modern, technology oriented global player

Aramex is one of the few non-government backed Arab companies that indicated its international ambitions right from the date of incorporation. It is also the only listed standalone transportation and logistics solution provider that is domiciled in the MENA region. The company started operations in 1982 with offices at Amman in Jordan and New York. It currently functions in 70+ countries across 600+ offices with over 16,000 employees of various nationalities. Aramex operates in the courier segment (Domestic and International), freight forwarding and logistics & warehousing. Over the last four decades it has earned a reputation of delivering sensitive documents or parcels on time either by sea, land or air. The company has leveraged technology both for the convenience of the customer as well as to enhance operational efficiency. Today the Aramex brand is synonymous with modern, easy and youthful; clearly depicting the approach taken by the organization.



*Source: Company Annual Report 2022

The company has increased its FOL to 100%

Aramex has always structured itself to suit global standards. It is the first company from the MENA region to list on Nasdaq. It is also the first company on the Dubai Financial Market (DFM) to remove the restriction related to foreign ownership limit (FOLs) from 49% to 100% in early 2022. The possibility of full foreign ownership of the company's shareholding opens up the opportunity for international investors to participate in the global ambitions of Aramex. GeoPost of France took a strategic stake of 28% in Aramex during 2021. GeoPost has the largest parcel delivery operations in Europe through its subsidiary DPD group. DPD group delivers over 1.9bn parcels in a year and has been using Aramex to assist its operations in the middle east and vice versa. Both entities have a decade long working relationship and provide support services in their respective core geographies.

Aramex is high on ESG

We believe the international aspirations have elevated the company in terms of its process across all divisions. This is clearly reflected in the financial reporting, investor communication and corporate governance of the company. The vindication of which came when the company was included in FTSE4 Good index. The FTSE4 Good index was created to identify organizations that have transparent management, clearly defined ESG goals and sustainable operations across 20 emerging countries. It is also credited as the first company from the GCC to publish a GRI Sustainability report based on ESG from the region.

Global shareholders, clients and acquisitions provide the much needed competencies…

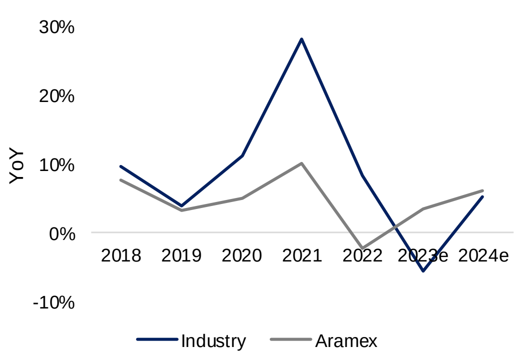
In terms of acquisitions, the company has again looked across the borders to build international competencies. It bought TwoWay an Ireland based delivery company in 2006, PostNet a South African leader in 2014, Fastway from New Zealand in 2016 and MyUS in 2022. We believe Aramex is truly a global champion from the middle-east with international shareholders, subsidiaries and clientele.

Bigger players have managed industry slump by growing inorganically and focusing on core areas

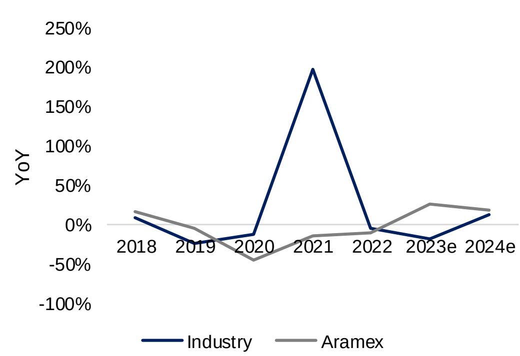
Top 10 players contribute to 70% of the market share …

The transportation and logistics sector is highly consolidated at the top with the largest 10 players contributing to nearly 70% of the total global revenue and 71% of the global profits. The sector is yet to fully recover from the double whammy effect of covid and high fuel prices. The extended lockdown of China also led to a subdued demand scenario for all the global players including Aramex. Aramex had also faced additional currency devaluation issues in some of the markets that it operates such as Turkey Lebanon and North Africa. While the ecommerce segment witnessed significant upside during the lockdown the situation has normalized now and though the segment has been providing steady revenue it is much lower than 2020-21. The industrial segment is yet to recover and has witnessed continuous slackness. Smaller companies have been forced to down their shutters while the larger cash rich ones have either been on an acquisition spree or made transformational changes to suit the current scenario.

Industry revenue is normalising



…Profit growth is inching upwards



*Source: Bloomberg®, US research

^Industry represents the aggregate of the top 10 global players

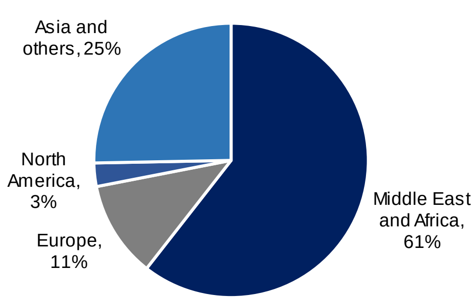
Industry witnessing transformational changes recently …

Two of the closest competitors AD Ports in UAE and Agility from Kuwait have made significant changes to their operations. AD Ports acquired six entities in 2022 to consolidate its position in the sector and strengthen its supply chain. Agility transformed itself into the world's largest aviation services company through the buyout of John Menzies in Aug 2022.

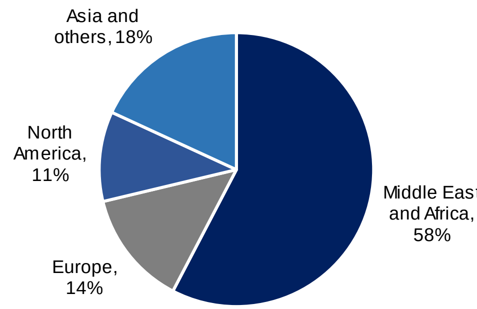
Investments into selected geographies

In 2021, Aramex revised its strategy to focus on key geographies and offer products that have higher and sustainable margins. In this pursuit the company has increased its presence in Europe, US, South Africa and Australia. It hopes to further expand its presence in South Asia though targeted acquisitions. The results of the attempts to grow geographically is becoming visible as the contribution from markets such as US has increased from 3% in 2018 to 11% in 1Q23. Revenue contribution from Europe has improved from 11% in 2018 to 14% in 1Q23. The recent decline in revenues from China have reduced the contribution from Asia, we believe the situation will normalize soon. Aramex is the leader in its home markets and has made continuous investment to develop last mile delivery in every city across the region. Home markets continue to contribute over 58% of the revenues.

Middle east contributed to 61% in 2018



Visible increase in US/EU contribution by 1Q23

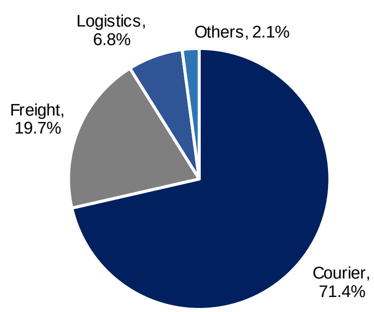


*Source: Company reports, US research

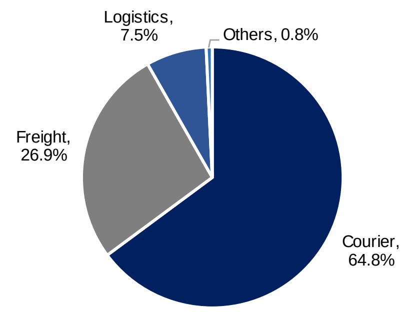
Focus on freight and logistics …

At the end 1Q23, the Logistics and Freight segments contributed 34% of the total group revenues, this was 26.5% in 2020 and the company hopes to increase this to 50% by 2027. This it plans to do by enhancing its cross border capabilities in e-commerce and targeting industries such as healthcare, retail and automotive. The company is allocating $90mn to the logistics segment for building warehouses in its core-geographies. The total warehousing footprint reached 800,000 sqm in 2022 with utilization levels reaching 85% and it is expected to double in size by 2027. The company expanded its logistics business in US with its first facility in Houston. In the middle-east, the company is establishing best in class warehouses in KSA and Egypt. Aramex allocated $50mn to add fleet size and deployment of Non vessel operating common carrier (NVOCC) which will support the freight services. It also purchased a 100% stake in MyUS for AED 955mn in 2022 to support its international parcel services.

Courier segment dominates the revenue in 2020



Frieght and logistics witness traction in 1Q23



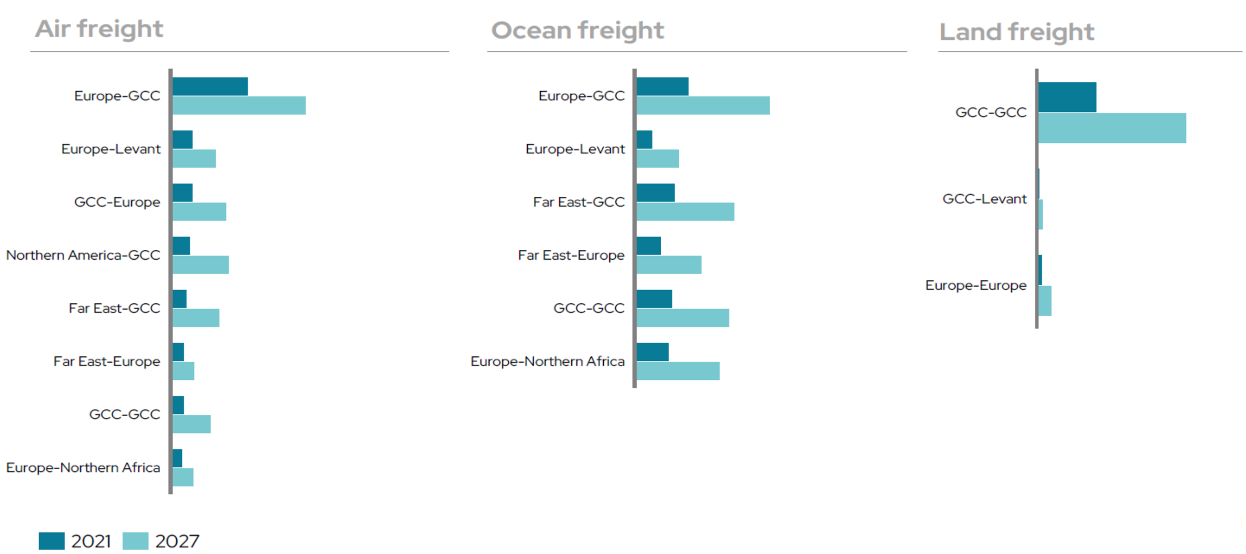
*Source: Company reports, US research

Modernizing operations, bringing in efficiencies and widening network …

In 2022, the company focused on improving its operational efficiency by modernizing its core systems, building infrastructure, warehouse automation and providing AI solutions (Sprinklr) across the entire value chain. New micro hubs have been added across the GCC to increase the last mile operational efficiencies. Drone delivery was initiated for the first time in Muscat and Autonomous bot deliveries were introduced in UAE making Aramex "Future ready", improve customer delight and generate cost savings. On the international express segment, the company extended its partnership with DPD, and entered key European markets.

Premium services were launched from certain GCC stations offering time definite express delivery within GCC. Additional gateways were added in Australia, Africa and South Asia. A well-structured import express services has been rolled out across key stations in the US, China and Europe into middle east. Aramex has also introduced a new cloud based warehouse management software (INFOR) this year integrating its entire operations.

Top Trade lanes to be developed between 2022-27



*Source: Company reports

Aramex has been tying up with SMEs and startups to enhance their network. Special rate cards, lead commissions and other incentives led to an addition of 26,000 SMEs into the network in 2022 taking the total to 75000 touch points since the start of this program.

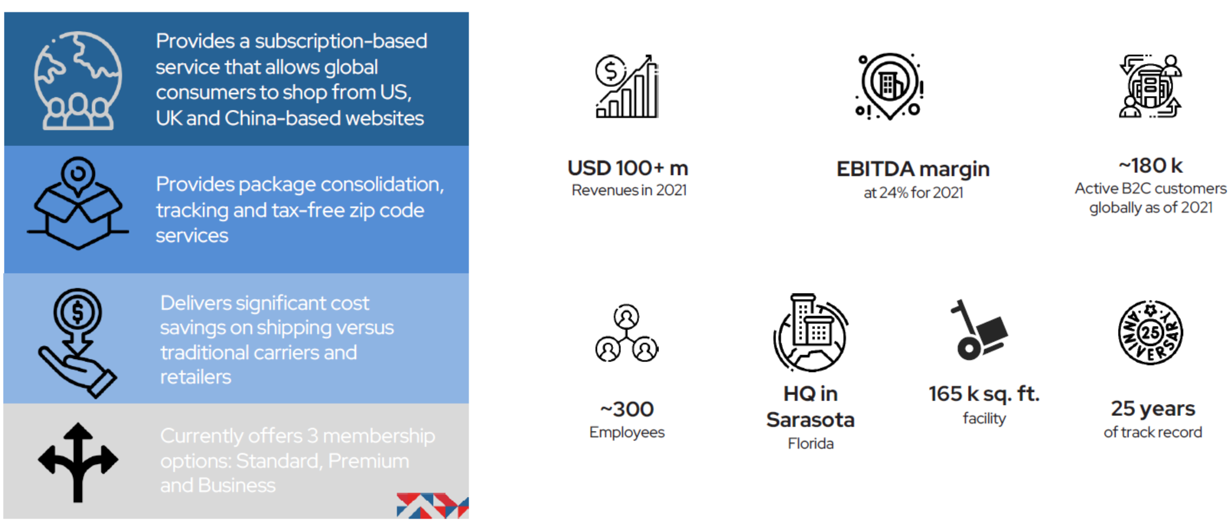
Attempts to reduce fuel emissions is also working positively in managing the costs for the company. The company aims to have 90% of its truck/van/bike fleet with low emission or electric vehicles by 2026. It has established 5 solar units and successfully inaugurated a single-rooftop solar photo-voltaic plant in Amman. It is building a second solar farm on the rooftop of their warehouse in Dubai. The company has upgraded two of its sites in Jordan and is looking to add more in KSA and Egypt.

We believe most of these new initiatives will focus on developing the profitable intra GCC segment along with significant improvements in the Europe corridor across air, sea and land routes. The management has constantly re-iterated the possibility of further acquisitions that will enhance the group capabilities towards building scale, technology, know-how and achieve critical market share. All these measures will help the company recover from the slowdown experienced over the past two years.

Recent acquisition of MyUS will be earnings accretive

MyUS acquisition will expand product range while enhancing geographical reach…

Aramex has also pursued its strategy of building its portfolio in the international express segment by adding MyUS in 2022. This is the biggest acquisition of the company till date at a value of AED 955 mn. MyUS is a company that provides subscription based service to global consumers to shop from US, UK and China based websites. It offers package consolidation, tracking and tax free zip code services, thereby saving costs on shipping compared to other service providers. MyUS has a track record of 25 years and operates from a 165k sqft facility based out of Florida, USA.



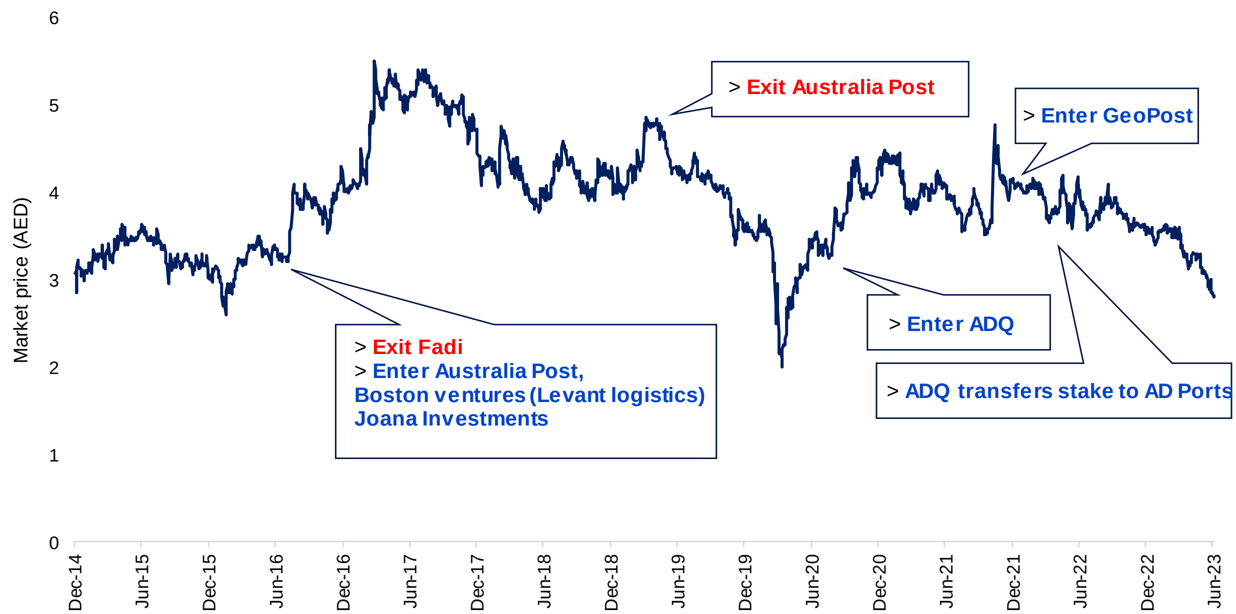
*Source: Company reports

The company had a revenue of $100mn (AED367mn) and reported a healthy EBITDA margin of 24% in 2021. Currently MyUS has a customer base of over 180k globally. Aramex hopes to leverage the technological capabilities of MyUS which is well positioned to capture the $4tn global addressable e-commerce market and operate beyond the existing segments. It will also expand the current coverage to new destinations especially in underserved markets such as South east Asia, Western Europe, South Africa and other Island countries, thereby complimenting the current operations. Further, transferring the warehouses of Shop and Ship (SNS) service of Aramex which have offerings that are broadly similar in nature to MyUS's Florida facility will add to synergies in terms of consolidation of line haul volumes and is expected to reduce costs. Consolidation of Aramex operations and back office support functions in the US will also improve efficiencies. This is an earnings accretive acquisition.

Changes in shareholding will hold key to next level of growth for the company

Post the exit of the founder Mr. Fadi Ghandour in 2012, the company went through significant shareholding and management changes. It has transformed from a promoter owned, promoter driven organization into a more diverse one with international shareholding and professional management. This has enabled the company to rise from a well-established platform created by the founder during the first three decades of its operations.

Significant shareholding changes in Aramex since the exit of founders



*Source: Company reports, US research

GeoPost and AD Ports have strategic interests in Aramex…

The changes in ownership has had strategic implications. Mr.Fadi Ghandor exited the management in 2012 and sold his entire stake in Aramex in 2016. Australian Post (10%), Boston ventures corp, (9.9%) Jaona investment (6.5%) took significant shareholding in the company post the exit of the founder. There were changes to the management that were implemented by the new team. Operations in Australia grew and became a significant portion of the domestic revenue segment. Australia post however exited its 10% holding in Aramex by end of 2019. Later in 2020 Alpha Oryx (subsidiary of ADQ) purchased 22% stake in the company and was later transferred to AD Ports in 2022. Transfer of ownership to AD Ports is an attempt to consolidate ADQ's holdings across the transportation and logistics segments. Both entities AD Ports and Aramex have since worked closely to develop on improving the synergies and mutually complimenting the operations from UAE. Recently it established a joint venture to cater to the freight forwarding services industry in which Aramex will hold 49% and AD Ports 51%. The Non vessel operating common carrier (NVOCC) will enhance the connectivity across the GCC, Indian and African markets with an initial target of 10,000 containers. Also in 2021, the French major GeoPost which already had a decade long association with Aramex took

28% stake in the company thereby committing to propel the already existing working relationship in Europe.

Currently, both AD Ports and GeoPost have significant representation in the Board including the positions of Chairman and Vice Chairman, clearly indicating their leadership role in the company. We expect several initiatives to follow which will combine the strengths of the major shareholders going forward. The current market situation is highly favorable for the company and will provide the adequate management bandwidth, capital and network required for the next level of growth.

Optimistic outlook for revenue, margin stability and recovery of bottom line

Return to normalcy will lead to higher courier revenue…

We are optimistic of recovery in both the domestic and international express segments. The initiatives taken over the last couple of years and normalization of the economies across Asia and Australia will be the primary trigger for the growth. Further additional volumes can be expected from the consolidation of MyUS and other acquisitions that may follow. Australia contributes to 40% of the domestic operations revenue and the measures taken to turn it around will start showing results going forward. We forecast CAGR 6.1% increase in courier volumes over 2022-27e. Average revenue/per unit has been declining due to lower yields and high competition. We expect bottoming out by this year as the demand scenario improves. Our forecast maintains the revenue/unit marginally higher in 2023 than 2022 (AED 30.7/unit) and modest increases in the following years. Management is targeting to maintain the gross margins for this segment at around 29% as in the past and we estimate similar numbers going forward. We expect 8.4% CAGR (2022-27e) revenue growth for the company from this segment.

Recent initiatives with AD ports will be positive for freight segment …

Freight forwarding services is an area where the company has been focusing and is the segment which has recovered the fastest. Aramex's close association with AD Ports is a major positive. Most of the employee addition is happening in the freight segment. The recent JV with AD Ports will increase container volumes in the coming years. The emphasis will be on retail, pharma and SME businesses across the network. While we are positive on the segment, we keep our forecast conservative till traction is witnessed. This segment is expected to witness revenue growth of CAGR

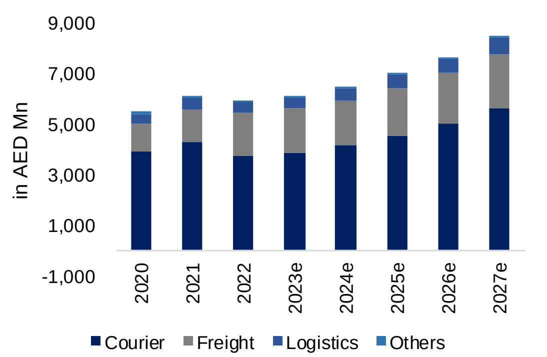
5.1% during 2022-27e gross margin will remain stable at a level witnessed in the previous years at around 14-15% over our forecast period.

Doubling of warehousing capacities to trigger growth in logistics …

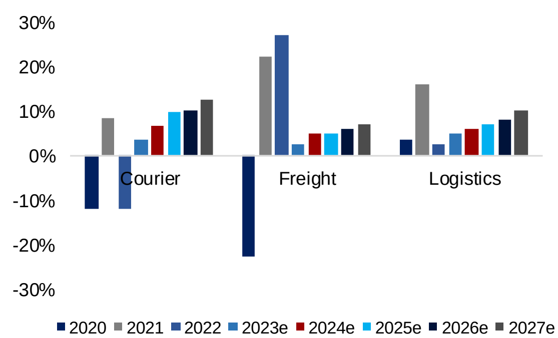
Logistics is another key segment that has witnessed increased investments. Expertise in areas such as e-commerce, oil and gas, retail and others will be the focus area for growth. The company is planning to invest $150mn to double the warehousing space which will enhance the capabilities of the company. It is expected to have 1.6mn sqm of space across its key geographies over the next five years. With already having notable presence in Saudi cities such as Riyadh and Jeddah, the company is also expanding to the Tier 2 cities to capitalize on the ecommerce growth. We estimate revenue to modestly grow at CAGR 7.2% over 2022-27e and gross margins to be in the range of 14-15%.

The group's revenue is expected to grow at CAGR 7.4% over the period 2022-27e with growth recovery in courier, higher contribution from freight and logistics. Geographically US, Europe and GCC are the main targeted markets. Australia has been a laggard, but the management expects a revival in the same post course correction in 2022.

Revenue to increase by 7.4% CAGR (2022-27e)

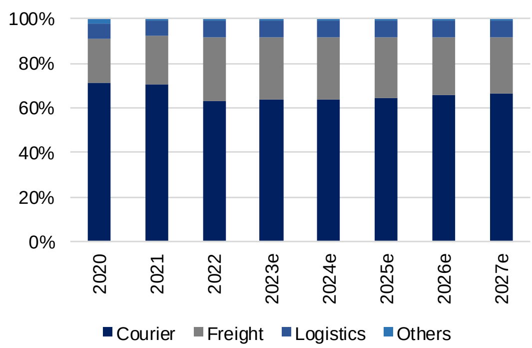


Revenue growth expected across all segments

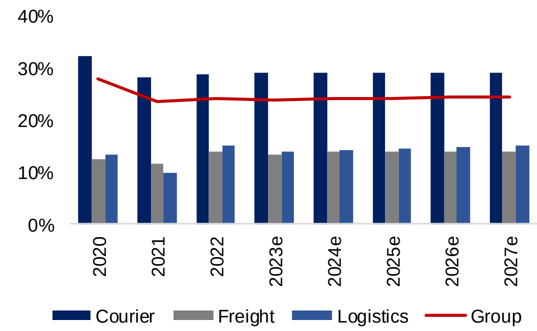


*Source: Company reports, US research

Changes in product mix to hold GPM



Gross margins to stabilise around the same level

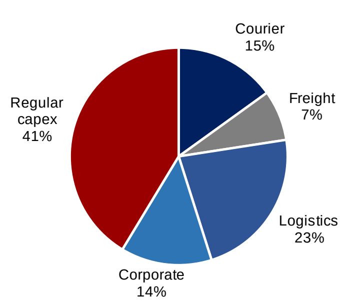


*Source: Company reports, US research

Asset light model, but goodwill and intangibles contribute to 34% of total assets …

Aramex has guided 2-3% of the revenue to be allocated towards capex going forward and a total cumulative commitment AED 2.4bn over the next five years. The company has always asserted itself to have an asset light model. Fixed assets contribute to only 15% of the total asset in the balance sheet. It does not own aircrafts like some of its peers, instead works closely with commercial airline majors such as Emirates, Etihad, Qatar Airways, Turkish Airlines etc. Most of the capex has been for acquiring strategically fit companies. Some of the recent purchases include Aramex Canterbury Regional Franchise in New Zealand (2020) and Perth Regional Franchise (2021) and MyUS (2022). MyUS has been the biggest acquisition thus far and it added AED 790mn to the goodwill increasing it further from AED 1bn in 2021 to 1.75Bn (adjusting for impairments) in 2022. Other intangibles such as customer engagements, franchise values, brand comprised AED 324 mn in 2022. Together, goodwill and intangibles formed 34% of the total assets in 2022.

Capex targetted towards logistics and freight



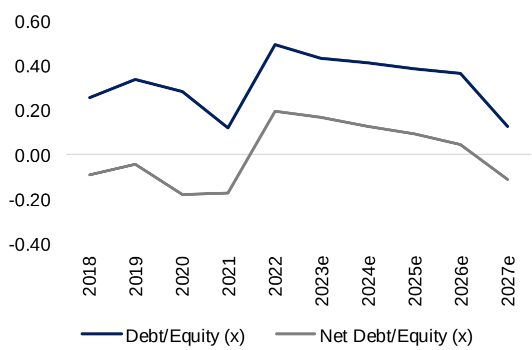
Segment	Amount	Purpose
Courier	AED 367mn	To improve last mile connectivities Implementation of automation
Frieght	AED 184mn	Focus on healthcare vertical Deployment of NVOCC/Trucks
Logistics	AED 551mn	Doubling warehouse capacity Building capabilities in ecommerce/healthcare
Corporate	AED 330mn	ESG investment Technology related
Regular	AED 1,009mn	Maintenance of exisiting facilities
Total	**AED 2,441mn**	**for 2022-27e**

*Source: Company reports, US research

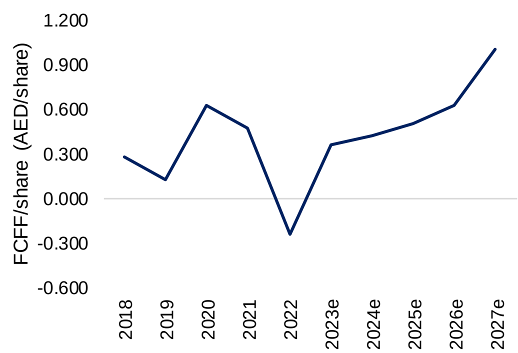
MyUS deal has added debt to the books …

The MyUS transaction was fully funded by foreign currency debt ($/GBP) of AED 974mn taking the borrowings for the company to AED1.2bn in 2022 from AED 318mn in 2021. The effective cost of this borrowing has been around 6% and for a tenure of 5 years. The increase in debt has taken the debt/equity ratio for the company from 0.1x in 2021 to 0.5x in 2022. The company has always remained cash rich considering the asset light operations and quick cash cycle of about 45days. This has generated a cash balance of AED 760mn as on 2022 bringing the net debt to a significantly lower level of AED 488mn. The low net debt position and a modest debt equity ratio of 0.5x opens further scope for using leverage to pursue its inorganic growth ambitions. The company has not raised any capital to fund its expansion thus far, and hence there has been no dilution in earnings. While it has been re-iterated by the management in its commentary that inorganic growth will follow, we expect the transactions to be funded by increase in debt.

Leverage still at low levels



FCFF declined in 2022 due to MyUS acquisition



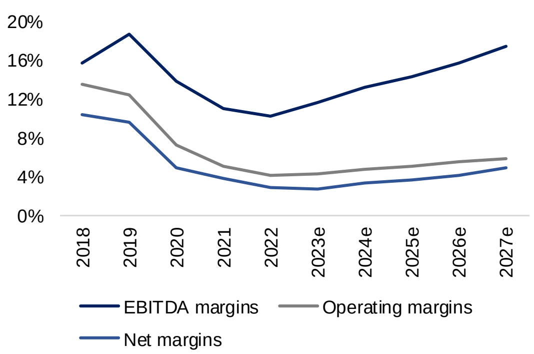
*Source: Company reports, US research

Bottom line to recover on the bank of improvement in revenue and stability in margins …

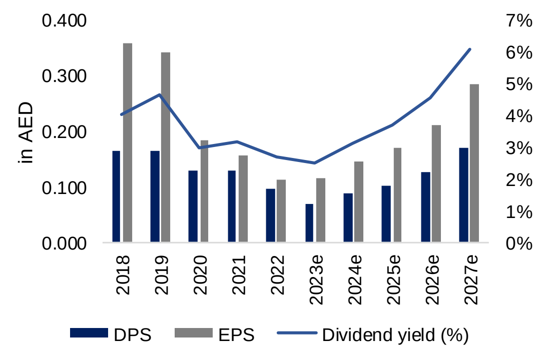
Net profit has been eroding since 2019 from AED 501mn to AED 165mn in 2022. This has been due to the flat topline growth, lower gross margins, higher costs associated with operations. Most of these factors have stemmed more from external factors than the slackness in operations. We believe improving efficiencies and normalization of demand will lead to traction in revenue and stability in the margins going forward. Gross margins have increased by 100bps in 1Q23 from end of 2022, EBITDA margins have also increased by 20bps during the period. We believe these are initial signs of stability and we forecast profit after tax to grow at CAGR 20.2% 2022-27e. We are optimistic that the company will be able to positively surprise us.

Aramex has consistently paid dividends in the past with an average dividend payout ratio of above 50%. We estimate 60% dividend payout in over our forecast period and expect the dividend per share to increase with earnings growth over the coming years.

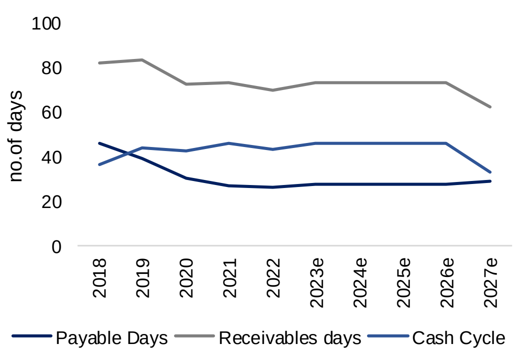
Margins to improve from 2023 onwards



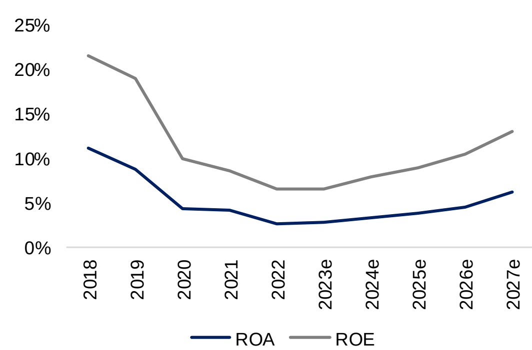
DPS to rise on improvement in EPS



Cash conversion stable at around 40 days



Return ratios to bottom out in 2023



*Source: Company reports, US research

Valuation

DCF target price of AED 3.462/share

We have used the Discounted Cash Flow (DCF) and peer valuation method to value Aramex. In our DCF model we have forecasted through 2023-2027e. We considered the cost of equity of 12.6% derived from risk free rate of 5.0%, Equity Risk Premium of 8%, and beta of 0.948. We arrive at a WACC of 11 % for the company. We assume a terminal growth rate of 1.5% post the forecast period. Our DCF valuation of Aramex provides an intrinsic value of AED 3.46 per share which is 26% higher from the current price.

Blended price target of AED 3.60/share

On a peer valuation, we find the regional (Asia) sector average PE is at 16x and Global average is at 14.4x. Also on an EV/EBIDTA (TTM) basis the regional average is at 8.9x and Global average at 7.8x. We provide a higher target PE multiple of 18x and target EV/EBIDTA multiple of 9x, taking into account the singularity premium of the company and the only way to participate in the GCC transportation and logistics sector. We arrive at a blended target price (50% DCF, 25% each for PE and EV/EBDITA) of AED 3.60/share which provides a potential upside of 31%.

The stock price has witnessed a massive decline of 38% from the high of AED 4.75 in October 2021. This we believe has discounted all the negatives associated with industry and decrease in profits of the company. The valuations have reached a zone where risk reward is extremely attractive and price do not reflect the intrinsic value of the entity. Based on this premise and our inferred target price we recommend STRONG BUY on the stock at the current level.

DCF Method (in AED Mn)	2023e	2024e	2025e	2026e	2027e
Post-tax operating profit (NOPAT)	**220**	**261**	**298**	**358**	**425**
Add: Depreciation & amortization	123	130	138	147	157
Less: Change in working capital	-70	-55	-77	-89	167
Less: Capex	-122	-130	-141	-153	-169
Free Cash Flow to Firm	**150**	**207**	**219**	**263**	**580**
PV of Free Cash Flows	142	176	168	182	401
PV of Terminal Value					4,656
Enterprise Value					5,724
Less: Net debt					488
Less: Minorities & Pension liabilities					164
Equity value					5,072
No of shares					1,464
Fair value per share (AED)					3.46

Valuation parameters	
Risk free rate (Rf)	5.0%
Beta	0.948
Equity Risk premium (Rm)	8.0%
Cost of equity (Ke)	12.6%
Terminal growth rate (g)	1.5%
Pretax Cost of Debt	5.8%
Effective tax rate	15.0%
After tax cost of debt	4.9%
Target Debt/Equity	20.0%
WACC	11.1%

Relative valuation	
EBITDA (2024e)	854
Target EV/EBIDTA (x)	8.5
Fair value (AED)	**4.71**
EPS (2024e)	0.15
Target PE (x)	19.0
Fair value (AED)	**2.76**

Blended Target price	Wtg	Target price	Wtd value
DCF	50%	3.46	1.732
EV/EBIDTA	25%	4.71	1.179
PE	25%	2.76	0.69
Target price			**3.60**
CMP			2.74
Potential upside			31.4%

Peer group comparison

Company	Country	Market Cap ($ mn)	Revenue (TTM) ($ mn)	PAT (TTM) ($ mn)	P/E	P/B	EV / EBITDA	ROE (%)	1yr price chg (%)
UNITED PARCEL SERVICE	United States	146,432	98,885	10,781	14.2	7.4	9.6	44	1.8%
DEUTSCHE POST AG	Germany	55,585	96,515	5,117	10.3	2.2	5.5	17	28.0%
FEDEX CORP	United States	56,243	92,619	2,992	13.2	2.3	8.9	15	1.5%
XIAMEN XIANGYU CO	China	2,931	80,753	399	12.3	1.4	9.8	15	1.8%
S F HOLDING CO LTD	China	33,413	38,757	1,002	34.6	2.7	11.7	10	-4.5%
DSV A/S	Denmark	42,281	30,115	2,305	18.0	4.0	11.5	18	40.3%
C.H. ROBINSON WORLDWIDE INC	United States	10,448	22,492	785	13.9	7.6	9.2	36	-5.7%
HYUNDAI GLOVIS CO LTD	South Korea	5,128	20,637	901	5.6	0.9	2.8	15	2.4%
NIPPON EXPRESS HOLDINGS INC	Japan	5,254	18,884	777	7.2	0.9	5.4	9	9.5%
EXPEDITORS INTL WASH INC	United States	17,618	15,000	1,237	15.2	5.6	9.3	27	-19.3%

Source: Bloomberg ®, US Research

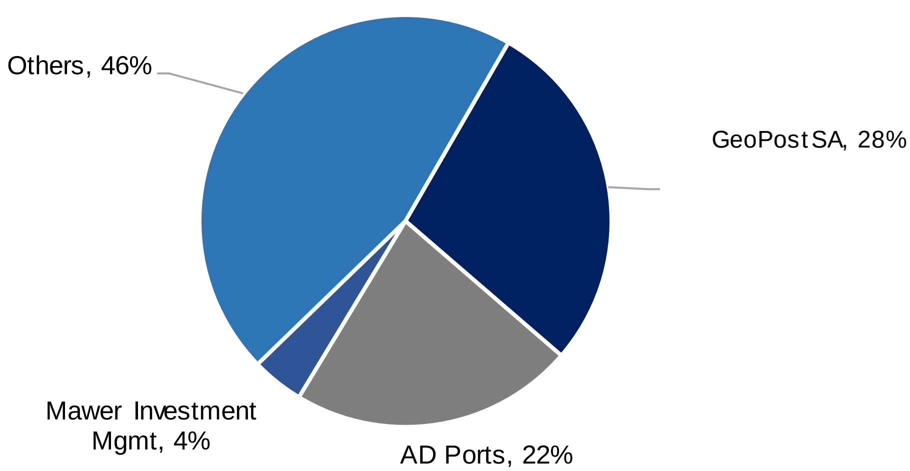
Key risks:

1. Sharp slowdown in the economy
2. Significantly high cost of fuel
3. Currency devaluation in Egypt, Turkey, Lebanon, North Africa
4. Increase in competition
5. Changes in regulation
6. Escalation of Russia Ukraine war
7. Delay in optimizing the synergy benefits with MyUS

Company Profile

Aramex is a regional leader in the logistics and transportation sector. It has three major segments which include courier, freight, logistics/ warehousing. The company has built associations across the world and operates through these tie-ups. It has acquired companies to fill gaps in technology, increase geographical footprint and widen product ranges. Recent acquisition of MyUS is the biggest in the history of the company. While the GCC continues to remain the major contributor to revenue, the company has consistently grown its portfolio in Asia, Europe, US and Australia. The company started operations with the courier segment and this contributes to 63% of the group revenue in 2022. Recent focus on Freight and Logistics is expected to drive growth in these segments. Post exit of the founder Mr. Fadi Ghandour the company witnessed changes in shareholding and currently 2 major entities hold significant strategic stakes and occupy leadership position in the organization. With over 16,000 employees and operations across continents, Aramex is the only listed player from this industry in the region.

Shareholding pattern of Aramex Group



BOARD OF DIRECTORS

S.NO	NAME	POSITION	CATEGORY
1	Captain Mohamed Juma Alshamsi	Chairman	Independent
2	Mr. Benjamin Demoge	Vice Chairman	Independent
3	Mr. Fahad Abdulqader Al Qassim	Board Member	Independent
4	Ms. Iman Abdulghafoor Alqasim	Board Member	Independent
5	Mr. Karl David Haglund	Board Member	Independent
6	Mr. Murtaza Hussain Malik	Board Member	Independent
7	Mr. Yves Delmas	Board Member	Independent
8	Ms. Elaine Kerr	Board Member	Independent
9	Mr. Gamal Anwar El Sadat	Board Member	Independent

Source: www.dfm.ae, US Research

Income statement (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Rendering of services	5,246	5,510	6,069	5,926	6,125	6,499	7,030	7,645	8,468
Cost of services	-2,468	-3,977	-4,638	-4,502	-4,659	-4,931	-5,324	-5,781	-6,391
Gross profit	**2,778**	**1,534**	**1,431**	**1,424**	**1,466**	**1,568**	**1,706**	**1,864**	**2,077**
Selling and marketing expenses	-204	-221	-273	-258	-263	-276	-292	-306	-339
Administrative expenses	-885	-792	-888	-908	-934	-975	-1,055	-1,128	-1,228
Oher operating expenses	-1,044	-136	17	-15	-10	-10	-10	-10	-10
Other income, net	4	15	18	1	-	-	-	-	-
Operating profit	**650**	**400**	**306**	**245**	**258**	**307**	**350**	**421**	**500**
Finance income	12	10	6	5	5	5	5	5	5
Finance expense	-84	-66	-60	-73	-73	-72	-71	-71	-27
Share of profits from JV/associates/disposal	4	11	10	9	10	10	10	10	10
Profit before tax	**583**	**355**	**262**	**187**	**200**	**250**	**294**	**365**	**488**
Income tax expense	-82	-109	-81	-26	-30	-38	-44	-55	-73
Profit for the year from cont ops	**501**	**246**	**181**	**161**	**170**	**213**	**250**	**310**	**415**
Extraordinary items	-	23	47	4	-	-	-	-	-
Profit for the year	**501**	**270**	**228**	**165**	**170**	**213**	**250**	**310**	**415**

Balance Sheet (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Property, plant and equipment	1,005	957	941	884	904	923	946	971	1,003
Right of use assets	854	890	894	861	948	972	975	948	1,042
Goodwill	1,128	1,136	1,003	1,758	1,758	1,758	1,758	1,758	1,758
Other intangible assets	214	216	201	324	321	321	321	321	321
Other non-current assets	72	78	67	77	78	79	79	80	83
Total non-current assets	**3,274**	**3,277**	**3,107**	**3,903**	**4,008**	**4,052**	**4,079**	**4,078**	**4,207**
Accounts receivable, net	1,196	1,094	1,219	1,130	1,225	1,300	1,406	1,529	1,440
Other current assets	272	272	294	284	233	247	266	289	320
Bank balances and cash	1,000	1,255	769	768	691	755	830	954	759
Total current assets	**2,469**	**2,621**	**2,283**	**2,183**	**2,149**	**2,301**	**2,502**	**2,772**	**2,518**
Assets held for sale	-	218	11	7	-	-	-	-	-
TOTAL ASSETS	**5,743**	**6,115**	**5,400**	**6,093**	**6,158**	**6,353**	**6,581**	**6,849**	**6,724**
Share capital	1,464	1,464	1,464	1,464	1,464	1,464	1,464	1,464	1,464
Reserves	-367	-278	-299	-399	-400	-379	-354	-323	-282
Retained earnings	1,520	1,504	1,501	1,445	1,513	1,598	1,698	1,822	1,988
Total Equity attributable to shareholders	**2,617**	**2,691**	**2,665**	**2,510**	**2,576**	**2,683**	**2,808**	**2,963**	**3,170**
Non-controlling interests	15	16	11	9	10	11	11	12	13
Total equity	**2,633**	**2,707**	**2,676**	**2,518**	**2,587**	**2,693**	**2,819**	**2,975**	**3,183**
Interest-bearing loans and borrowings	158	162	137	1,086	1,050	1,038	1,027	934	65
Lease liabilities	673	701	755	757	834	855	858	834	917
Employees' end of service benefits	147	149	149	164	153	160	169	177	196
Deferred tax liabilities	50	58	42	31	30	30	30	30	30
Other non-current liabilities	-	-	18	16	14	10	10	10	10
Total non-current liabilities	**1,027**	**1,071**	**1,101**	**2,054**	**2,081**	**2,093**	**2,094**	**1,985**	**1,218**
Accounts payable	267	329	344	325	349	370	399	434	511
Lease liabilities	190	187	180	182	208	214	215	208	229
Bank overdrafts	151	68	153	131	36	31	26	21	16
Interest-bearing loans and borrowings	583	543	27	39	43	38	33	133	333
Other current liabilities	893	1,117	913	838	852	913	993	1,092	1,233
Total current liabilities	2,083	2,243	1,618	1,515	1,490	1,567	1,667	1,889	2,323
Liabilities held for sale	-	94	5	5	-	-	-	-	-
Total liabilities	**3,110**	**3,408**	**2,724**	**3,574**	**3,571**	**3,660**	**3,762**	**3,874**	**3,541**
TOTAL EQUITY AND LIABILITIES	**5,743**	**6,115**	**5,400**	**6,093**	**6,158**	**6,353**	**6,581**	**6,849**	**6,724**

Cash Flow (in AED Mn)	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Operating cash flow	860	1,107	317	566	638	735	877	1,060	1,637
Investing cash flow	-674	-199	367	-932	-117	-125	-136	-148	-164
Financing cash flow	-252	-562	-1,061	479	-516	-374	-399	-398	-1,111
Change in cash	163	255	-485	-1	-77	63	75	124	-195
Beginning cash	837	1,000	1,255	769	768	691	755	830	954
Ending cash	**1,000**	**1,255**	**769**	**768**	**691**	**755**	**830**	**954**	**759**

Ratio Analysis	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e
Per Share										
EPS (AED)	0.358	0.342	0.184	0.156	0.113	0.116	0.145	0.171	0.212	0.283
BVPS (AED)	1.661	1.798	1.849	1.828	1.720	1.767	1.840	1.925	2.032	2.174
DPS (AED)	0.165	0.165	0.130	0.130	0.095	0.070	0.087	0.103	0.127	0.170
FCF per share (AED)	0.275	0.127	0.620	0.467	-0.249	0.356	0.417	0.506	0.623	1.006
Valuation										
Market Cap (AED ,Mn)	6,003	5,212	6,413	6,003	5,154	4,012	4,012	4,012	4,012	4,012
EV (AED,Mn)	5,790	5,103	5,931	5,551	5,642	4,450	4,365	4,269	4,147	3,667
EBITDA	801	979	760	668	609	712	854	1,006	1,205	1,471
P/E (x)	11.4	10.4	23.8	26.3	31.2	23.6	18.9	16.0	12.9	9.7
EV/EBITDA (x)	7.2	5.2	7.8	8.3	9.3	6.3	5.1	4.2	3.4	2.5
Price/Book (x)	2.5	2.0	2.4	2.2	2.0	1.6	1.5	1.4	1.3	1.3
Dividend Yield (%)	4.0%	4.6%	3.0%	3.2%	2.7%	2.5%	3.2%	3.7%	4.6%	6.2%
Price to sales (x)	1.2	1.0	1.2	1.0	0.9	0.7	0.6	0.6	0.5	0.5
EV to sales (x)	1.1	1.0	1.1	0.9	1.0	0.7	0.7	0.6	0.5	0.4
Liqiudity										
Cash Ratio (x)	0.4	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	1.0	0.8	0.8	0.8	0.6	0.6	0.6	0.7	0.7	0.7
Quick Ratio (x)	0.9	0.7	0.7	0.7	0.5	0.5	0.6	0.6	0.6	0.6
Returns Ratio										
ROA (%)	11.2%	8.7%	4.4%	4.2%	2.7%	2.8%	3.3%	3.8%	4.5%	6.2%
ROE (%)	21.6%	19.0%	10.0%	8.5%	6.6%	6.6%	7.9%	8.9%	10.4%	13.0%
ROCE (%)	18.5%	13.7%	7.0%	6.0%	3.6%	3.6%	4.4%	5.1%	6.3%	9.4%
Cash Cycle										
Accounts Payable turnover (x)	8.0	9.2	12.1	13.5	13.9	13.3	13.3	13.3	13.3	12.5
Receivables turnover (x)	4.5	4.4	5.0	5.0	5.2	5.0	5.0	5.0	5.0	5.9
Payable Days	45.7	39.5	30.2	27.1	26.3	27.4	27.4	27.4	27.4	29.2
Receivables days	81.9	83.3	72.5	73.3	69.6	73.0	73.0	73.0	73.0	62.1
Cash Cycle	36.1	43.8	42.3	46.3	43.3	45.6	45.6	45.6	45.6	32.9
Profitability Ratio										
Net Margins (%)	10.3%	9.6%	4.9%	3.8%	2.8%	2.8%	3.3%	3.6%	4.1%	4.9%
EBITDA Margins (%)	15.7%	18.7%	13.8%	11.0%	10.3%	11.6%	13.1%	14.3%	15.8%	17.4%
PBT Margins (%)	12.3%	11.1%	6.4%	4.3%	3.2%	3.3%	3.8%	4.2%	4.8%	5.8%
EBIT Margins (%)	13.5%	12.4%	7.3%	5.0%	4.1%	4.2%	4.7%	5.0%	5.5%	5.9%
Effective Tax Rate (%)	16.1%	14.0%	30.7%	31.1%	13.8%	15.0%	15.0%	15.0%	15.0%	15.0%
Leverage										
Total Debt (AED ,Mn)	623	891	773	318	1,257	1,130	1,108	1,087	1,089	414
Net Debt (AED ,Mn)	-213	-109	-482	-452	488	439	353	257	135	-344
Debt/Capital (x)	0.4	0.6	0.5	0.2	0.9	0.8	0.8	0.7	0.7	0.3
Debt/Total Assets (x)	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1
Debt/Equity (x)	0.3	0.3	0.3	0.1	0.5	0.4	0.4	0.4	0.4	0.1
Net Debt/Equity (x)	-0.1	-0.0	-0.2	-0.2	0.2	0.2	0.1	0.1	0.0	-0.1

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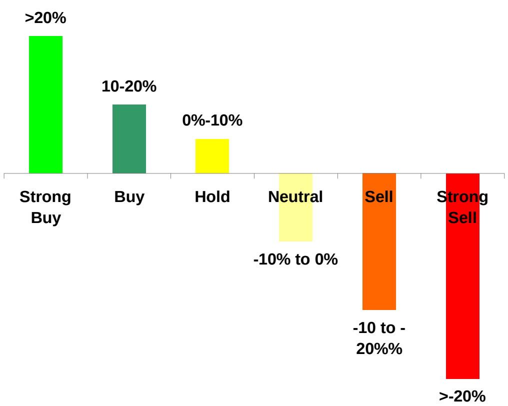
Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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