AGILITY
(Public Warehousing Company - PWC)

NBK

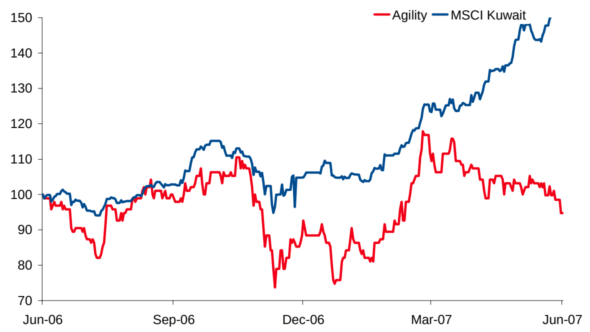
June 28, 2007

Key Data

Current Price*	Avg. Value Traded per Day
KD 1.520	KD 4.1 mln
52-Week High	**Market Cap**
KD 1.867	KD 1.4 bln
52-Week Low	**Current Number of Shares**
KD 1.167	951.7 mln
Reuters	**Bloomberg**
AGLT.KW	AGLTY KK
Ownership Structure	
Privately Held: 41%	Public: 59%

Sources: Reuters, Zawya, and MENA Equity Research
**Price as of close on June 27, 2007*

Rebased Performance



Sources: MSCI, Reuters, and MENA Equity Research

Key Ratios

	2005 a	2006 a	2007 f	2008 f	2009 f
P/E	10.3	8.8	8.7	8.1	7.6
EPS Growth	34%	13%	2%	7%	6%
EV/ EBITDA	9.9	6.8	6.6	6.3	6.0
EBITDA Margin	32%	21%	19%	18%	16%
EBITDA Growth	62%	45%	3%	5%	6%
Dividend Yield	2.7%	4.2%	4.0%	4.3%	4.6%
PBV	2.7	2.1	1.8	1.6	1.4
ROAE	38%	27%	23%	21%	20%

1Q2007 EBITDA a	2Q2007 EBITDA f
KD 49.6 mln	KD 53.3 mln
1Q2007 EBITDA f	**3Q2007 EBITDA f**
KD 53.7 mln	KD 54.7 mln

Sources: Reuters and MENA Equity Research
a = actual, f = forecast

Analyst

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Highlights

12-Month Fair Value: KD 2.005

Recommendation: Buy – Risk Level: 3**

Reason for Report: First-Quarter 2007 Update

- Agility had a 33.9% growth in revenues in 1Q2007 compared with 1Q2006, but net income grew by only 1.9% over the same period. Operating income fell by 11.4% in 1Q2007. An increase of KD 6.7 million in the fair value of investment properties was the main reason behind the rise in net income.
- We were not surprised by the slowdown seen in 1Q2007, as our forecast growth for FY2007 net income was 3.3%.
- The performance in 1Q2007 shows that Agility is facing challenges controlling operating expenses. However, with focus shifting to integration, we expect a reduction in operating costs in the coming quarters. In our opinion, a slowdown in acquisition activity can speed up the integration process and help reduce operating costs.
- Agility has taken a step forward by reporting revenues on a gross basis rather than on a net basis, as previously was the case for revenue from logistics services. However, segment reporting by business lines has decreased as logistics services and freight forwarding have been grouped in one segment that accounts for 97% of total revenue. The reduction in the disclosure of segmental revenue will not affect our analysis in 2007, but it makes it more difficult to analyze the company in the years to follow.
- Auditors of Agility's financial statements for FY2006 made a qualification regarding a KD 10.1 million bank guarantee that was withdrawn by the General Administration of Customs. The auditors believe this transaction should be expensed, but management disagrees. Management says there is no basis for the guarantee to be withdrawn, and it is confident of winning its case in court.
- Major debt payments, amounting to KD 73 million, are due in the second half of 2007. According to management, these payments will be paid from cash as the company revises its capital structure.
- This report is an update. Readers are advised to read this report in conjunction with our initiation of coverage report, published on December 14, 2006.

***Please refer to page 5 for recommendations and risk ratings.*

VALUATION

We were not surprised by the 1.9% growth in net income in 1Q2007. In our previous report on Agility, we forecast net income growth to drop to 3.3% in FY 2007. Agility's performance in 1Q2007 was relatively weaker than 1Q2006 on the operating level. Even though EBITDA came in 7.6% below our expectations, however, we opted not to make any material change in our forecasts, as we expect Agility to get a better grip on its operating expenses in the rest of the year.

Our new fair value estimate for the share price of Agility is KD 2.005, just 3 fils lower than our previous estimate of KD 2.008 (after adjusting for a 1-for-5 bonus shares issue). To arrive at the fair value for Agility, we used a combination of discounted cash flow (DCF) and peer comparison based on forward price/earnings-to-growth (PEG) multiples. We specified a weight for each method, as shown in Figure 1. Given an upside potential of 32% from yesterday's close, we reiterate our "Buy" recommendation. However, we are concerned with some areas of the business, as well as with the decline in the quality of disclosure (as discussed below). We will be monitoring the company's performance in the coming quarters and might increase the cost of equity if our concerns are not appeased.

Our 12-month fair value for Agility is KD 2.005

Figure 1 Fair Value per Share

Valuation Method	Value	Weight
Discounted cash flow (DCF)	KD 2.197	70%
Peer comparison	KD 1.557	30%
Weighted average fair value	**KD 2.005**	**100%**

Source: MENA Equity Research

FIRST-QUARTER PERFORMANCE

- Agility's total revenues increased by 33.9% in 1Q2007 compared with 1Q2006, while net income saw a modest increase of only 1.9% over the same period.

- It is important to note that Agility has changed the way it reports revenue in its financial statements. In previous financials, revenue from logistics services was reported on a net basis, because the company did not recognize any profit margins on the goods provided under the Prime Vendor contract. However, Agility is now reporting the entire billable amount for the Prime Vendor contract as part of revenue from logistics and freight forwarding and is recognizing the cost of goods supplied as part of cost of revenue. This new method of reporting revenues has no impact on the bottom line.

- Previously, Agility reported "logistics services revenue" and "freight and project forwarding revenue" separately. In the 1Q2007 financials, however, it has opted to group them. We regard this move as a decline in the level of disclosure.

- Revenues from logistics and freight forwarding increased by 31.7% in 1Q2007, with almost half of this growth coming from acquisitions made in the second half of 2006.

- Agility saw a 19.7% decline in rental revenue in 1Q2007. According to management, this decline is due to an approach of not booking revenues earned from areas that are under dispute with the government, even though rental fees are being collected from contracted clients. The land plots under dispute relate to the Al-Jahra Fish, Meat, and Vegetables Market Project contract and three contracts in the Mina Abdulla Zone. According to the latest news in the press, Agility has won the dispute regarding the Al-Jahra Fish, Meat, and Vegetables Market Project contract; therefore, we expect to see rental revenue go back up to its previous levels.

- Agility's EBITDA had a slight dip of 0.3% in 1Q2007, even though total revenues increased by 31.7%. This led to a decline in EBITDA margin from 17.2% in 1Q2006 to 13.0% in 1Q2007.

- The decline in EBITDA margin shows that Agility is facing challenges controlling operating expenses. With all operating expenses increasing, the 43.8% increase in salaries and employee benefits can be singled out as having the most impact on preventing EBITDA growth. According to management, most of the growth in operating expenses is the result of the acquisitions made in the second half of 2006.

- Depreciation and amortization increased by 73.7% in 1Q2007, which led to an 11.4% decline in operating income.

- 1Q2007 was obviously not a good quarter for Agility, a company that witnessed 38.3% and 55.6% increases in operating income in FY2006 and FY2005, respectively.

- Income tax paid by Agility's foreign subsidiaries declined by 45% in 1Q2007 compared with 1Q2006. Management attributes most of this decline to better tax planning.

- Net income increased by 1.9%, namely due to a KD 6.7 million change in fair value of investment properties. In 1Q2006, Agility did not record any changes in the fair value of investment properties. Without this increase in the fair value of investment properties, Agility's net income would have declined by about 14%. Investment properties comprise properties held under operating leases and properties built on leased land.

Revenues increased by 31.7% in 1Q2007; however, a significant portion of this growth is the result of acquisitions made in the second half of 2006

Figure 2 First-Quarter Performance

Income Statement (KD Thousands)	First-Quarter Results			Common Size	
	2006	2007	Change	2006	2007
Logistics and freight forwarding	276,247	369,990	33.9%	95.5%	97.1%
Rental revenue	5,165	4,150	-19.7%	1.8%	1.1%
Others	7,740	6,789	-12.3%	2.7%	1.8%
Total Revenue	**289,152**	**380,929**	**31.7%**	**100.0%**	**100.0%**
Cost of revenue	181,902	245,686	35.1%	62.9%	64.5%
Net Revenues	**107,250**	**135,243**	**26.1%**	**37.1%**	**35.5%**
Salaries and employee benefits	35,866	51,576	43.8%	12.4%	13.5%
Professional and legal fees	2,736	5,966	118.1%	0.9%	1.6%
Travel and marketing	2,203	3,864	75.4%	0.8%	1.0%
Rent	3,329	4,937	48.3%	1.2%	1.3%
Provision for doubtful accounts	156	458	193.6%	0.1%	0.1%
Other general and administrative expenses	13,189	18,828	42.8%	4.6%	4.9%
EBITDA	**49,771**	**49,614**	**-0.3%**	**17.2%**	**13.0%**
Depreciation/amortization	6,475	11,244	73.7%	2.2%	3.0%
Operating Income	**43,296**	**38,370**	**-11.4%**	**15.0%**	**10.1%**
Change in fair value of investment properties	0	6,725		0.0%	1.8%
Interest income	2,937	4,600	56.6%	1.0%	1.2%
Interest expense	(4,282)	(4,687)	9.5%	-1.5%	-1.2%
Investment income	(232)	329	-241.8%	-0.1%	0.1%
Other, net	800	517	-35.4%	0.3%	0.1%
Net Income Before Taxes	**42,519**	**45,854**	**7.8%**	**14.7%**	**12.0%**
Income tax	720	393	-45.4%	0.2%	0.1%
National labor support tax	1,028	1,070	4.1%	0.4%	0.3%
Contribution to KFAS	415	432	4.1%	0.1%	0.1%
Directors' remuneration	35	44	25.7%	0.0%	0.0%
Minority interest	(621)	2,198	-453.9%	-0.2%	0.6%
Net Income	**40,942**	**41,717**	**1.9%**	**14.2%**	**11.0%**

Source: Agility financial statements

OUTLOOK

We were not surprised by the slowdown seen in 1Q2007, as our forecast for growth in net income was 3.3% for FY2007. Our new forecast of 2.6% EBITDA growth in FY2007 still shows that we are expecting performance to improve in the coming quarters.

We did not make any major changes to our forecasts for Agility, even though we have seen some weak signs in 1Q2007 performance that concern us. The slowdown in operating income could imply that Agility is facing challenges controlling operating expenses. However, with management shifting focus from increasing revenues to improving bottom-line results, we expect to see reductions in operating costs as effects of integration start to kick in.

RECENT NEWS

- **June 25, 2007:** Agility and Transcar won the global shipping contract for two phases of Pearl Gas to Liquids in Ras Laffan, Qatar. The development of the project will involve more than 1 million freight tons of cargo needed for construction.

- **June 18, 2007:** Agility acquired Synergy Transport Limited and Synergy Logistics Limited for a total consideration of KD 3.9 million. Both companies specialize in oil and gas transport and have operations in Southeast Asia, the Middle East, and the United States.

- **May 23, 2007:** Agility completed the acquisition of Leader Group, a freight forwarder and provider of shipping agency services based in Alexandria, Egypt.

- **May 14, 2007:** Agility made an acquisition in China by taking over freight company Guangzhou Runtang International Transport Company.

- **April 4, 2007:** Agility announced its acquisition of WTS of Houston and its sister company, World Transportation Services. Both companies are based in Houston, Texas. WTS has expertise in project forwarding, with a specific focus in the oil and gas industry. Both companies were acquired for a consideration of KD 1.6 million.

- **April 4, 2007:** Jordan's Aqaba Development Company signed a build-operate-transfer contract with Agility and Kawar Group for a logistics village in the Port of Aqaba. The length of the contract is 25 years.

- **April 2, 2007:** Agility acquired freight forwarders LEP International Pty Ltd Australia and LEP International (NZ) in New Zealand. Agility previously had a 25% stake in both companies. On the same day, Agility announced that it had acquired Pan Orient Shipping Services, based in Australia.

Risk and Recommendation Guide

	Risk Level*				
	1	2	3	4	5
Buy			■		
Accumulate					
Hold					
Reduce					
Sell					

**1 being least risky*

FINANCIAL STATEMENTS

Balance Sheet (KD Thousands)		Historical				Forecast		
Fiscal Year Ends December	2004	2005	2006	2007	2008	2009	2010	2011
ASSETS								
Cash and Short-Term Investments	19,480	203,276	317,176	326,593	411,275	526,163	630,597	707,622
Total Receivables, Net	67,088	214,269	271,935	272,131	308,159	350,258	398,686	446,442
Total Inventory	66,910	64,312	59,235	61,613	62,449	64,322	64,461	66,395
Other Current Assets, Total	9,954	27,929	54,206	56,694	64,200	72,971	83,060	93,009
Total Current Assets	**163,432**	**509,786**	**702,552**	**717,031**	**846,082**	**1,013,714**	**1,176,804**	**1,313,468**
Property/Plant/Equipment, Total - Net	97,096	197,055	212,100	216,342	220,669	229,496	238,675	243,449
Goodwill, Net	3,399	162,992	188,162	188,162	188,162	188,162	188,162	188,162
Intangibles, Net	-	-	20,386	20,386	20,386	20,386	20,386	20,386
Long-Term Investments	116,938	165,109	193,302	212,632	233,895	257,285	283,013	311,315
Other Long-Term Assets, Total	-	5,529	3,875	4,069	4,272	4,400	4,532	4,668
TOTAL ASSETS	**380,865**	**1,040,471**	**1,320,377**	**1,358,622**	**1,513,467**	**1,713,443**	**1,911,573**	**2,081,448**
LIABILITIES & EQUITY								
Accounts Payable	98,956	188,685	301,613	294,809	320,999	364,853	398,686	427,840
Current Port. of LT Debt/Capital Leases	35,005	25,993	91,820	71,978	50,459	50,459	64,321	25,993
Other Current Liabilities, Total	5,145	10,967	14,876	14,740	12,840	14,594	16,612	18,602
Total Current Liabilities	**139,106**	**225,645**	**408,309**	**381,527**	**384,298**	**429,905**	**479,618**	**472,435**
Long-Term Debt	33,776	228,558	162,701	116,716	142,250	163,328	170,000	200,000
Other Liabilities, Total	4,680	39,741	61,250	65,183	69,399	73,921	78,775	83,988
Total Liabilities	**177,562**	**493,944**	**632,260**	**563,426**	**595,947**	**667,154**	**728,393**	**756,423**
Total Equity	**203,303**	**546,527**	**688,117**	**795,196**	**917,520**	**1,046,288**	**1,183,180**	**1,325,025**
TOTAL LIABILITIES AND EQUITY	**380,865**	**1,040,471**	**1,320,377**	**1,358,622**	**1,513,467**	**1,713,443**	**1,911,573**	**2,081,448**

Income Statement (KD Thousands)		Historical				Forecast		
Fiscal Year Ends December	2004	2005	2006	2007	2008	2009	2010	2011
Total Revenue	143,568	453,237	1,013,052	1,133,881	1,283,997	1,459,410	1,661,190	1,860,176
Cost of Revenue	-	158,489	514,594	601,399	705,187	826,854	969,474	1,114,895
Gross Profit	**140,872**	**287,253**	**489,234**	**532,482**	**578,810**	**632,556**	**691,717**	**745,281**
Selling/General/Admin. Expenses	49,726	150,963	289,449	317,487	353,099	394,041	440,215	483,646
Depreciation/Amortization	7,612	17,787	34,742	40,702	39,331	40,515	39,795	40,981
Unusual Expense (Income)	5,278	-	-	-	-	-	-	-
Operating Income	**80,952**	**125,998**	**174,267**	**174,294**	**186,379**	**198,000**	**211,707**	**220,655**
Interest Income(Exp), Net Non-Operating	(1,442)	(3,251)	(1,083)	(3,943)	121	2,238	4,547	7,051
Other, Net	23,381	25,753	6,633	11,608	8,706	6,529	3,265	1,632
Net Income before Taxes	**102,891**	**148,500**	**179,817**	**181,958**	**195,206**	**206,767**	**219,518**	**229,339**
Provision for Income Taxes	3,265	5,773	10,628	10,008	10,736	11,372	12,074	12,614
Net Income after Taxes	**99,626**	**142,727**	**169,189**	**171,950**	**184,470**	**195,395**	**207,445**	**216,725**
Minority Interest	(1,125)	(877)	(2,672)	(2,806)	(2,946)	(3,093)	(3,248)	(3,410)
Net Income	**98,501**	**141,850**	**166,517**	**169,145**	**181,524**	**192,302**	**204,197**	**213,315**

KEY FINANCIAL RATIOS

Key Financial Ratios	Historical			Forecast				
Fiscal Year Ends December	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Liquidity								
Current Assets-to-Current Liabilities	1.2	2.3	1.7	1.9	2.2	2.4	2.5	2.8
Quick Ratio	0.6	1.9	1.4	1.6	1.9	2.0	2.1	2.4
Capital Structure & Solvency								
Total Debt-to-Equity	0.3	0.5	0.4	0.2	0.2	0.2	0.2	0.2
Long Term Debt-to-Equity	0.2	0.4	0.2	0.1	0.2	0.2	0.1	0.2
Times Interest Earned	36.5	16.7	9.5	11.1	13.9	13.1	12.4	12.3
Return on Investment								
Return on Average Assets	35.7%	20.0%	14.1%	12.6%	12.6%	11.9%	11.3%	10.7%
Return on Common Average Equity	62.2%	37.8%	27.0%	22.8%	21.2%	19.6%	18.3%	17.0%
Return on Average Invested Capital	39.5%	27.8%	26.0%	24.6%	24.8%	24.9%	25.0%	24.2%
Operating Performance								
Gross Profit Margin	98.1%	63.4%	48.3%	47.0%	45.1%	43.3%	41.6%	40.1%
EBITDA Margin	61.7%	31.7%	20.6%	19.0%	17.6%	16.3%	15.1%	14.1%
Operating Profit Margin	56.4%	27.8%	17.2%	15.4%	14.5%	13.6%	12.7%	11.9%
Net Profit Margin	68.6%	31.3%	16.4%	14.9%	14.1%	13.2%	12.3%	11.5%
EPS	0.12	0.15	0.17	0.18	0.19	0.20	0.21	0.22
EPS Growth	152.6%	33.8%	13.4%	1.6%	7.3%	5.9%	6.2%	4.5%
Asset Utilization								
Accounts Receivable Turnover	3.1	3.2	4.2	4.2	4.4	4.4	4.4	4.4
Fixed Assets Turnover	0.9	1.2	1.8	1.8	2.0	2.1	2.3	2.5
Total Assets Turnover	0.5	0.6	0.9	0.8	0.9	0.9	0.9	0.9
Market Measures								
Price-to-Earnings Ratio	14.9	10.3	8.8	8.7	8.1	7.6	7.2	6.9
Dividend Yield	0.0%	2.7%	4.2%	4.0%	4.3%	4.6%	4.9%	5.1%
Dividend Payout Ratio	0.0%	26.7%	37.3%	35.0%	35.0%	35.0%	35.0%	35.0%
Price-to-Book	7.2	2.7	2.1	1.8	1.6	1.4	1.2	1.1
EV/ EBITDA	16.1	9.9	6.8	6.6	6.3	6.0	5.7	5.5

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