

August 06, 2009

AGILITY (AGLT.KW)

- Despite a 10.5% decline in total revenues in 2Q2009, Agility continued to display an improvement in operating margins which has led to an increase in overall profitability. Net revenues had a flat performance in 2Q2009, but the net revenue margin increased from 33.7% in 2Q2008 to 37.8% in 2Q2009—a continuation of the trend seen in 1Q2009.
- Agility achieved an EBITDA of KD 53.6 million in 2Q2009, a result that is 5% higher than our forecast of KD 51 million. The EBITDA margin improved from 11.2% in 2Q2008 to 12.9% in 2Q2009; however, this is slightly lower than the 13.1% EBITDA margin achieved in 1Q2009. Furthermore, salaries and employee benefits declined by 5.6% in 2Q2009 compared to 2Q2008, which in our opinion reflects some cost-cutting measures that have been made by the group.
- Global Integrated Logistics (GIL), which is being affected by the decline in global trade volumes, saw a decline of 15.8% in revenue in 1H2009 compared to 1H2008. However, this was compensated for by the expansion in net revenue margin from 25.9% in 1H2008 to 31.2% in 1H2009. Agility attributes the improvement in net revenue margins for GIL to better procurement from major suppliers.
- Defense and Government Services (DGS) continues to be resilient to the financial crisis as it recorded an increase in revenues of 4.3% in 1H2009 to KD 351.3 million, but saw a slight drop in net revenue margins from 35.2% in 1H2008 to 34.3% in 1H2009.
- Net income increased by 8.3% in 2Q2009 (3.2% in 1H2009) to KD 38 million (KD 75 million in 1H2009).
- Another impressive result is the 42% increase in cash from operating activities benefiting from an improved working capital position.
- Agility's balance sheet remains strong; with a net debt-to-equity ratio of 10% and a cash position of KD 329 million.
- Since our latest update on Agility (25 June 2009), the stock price has risen by 11% from KD 1.100 to KD 1.220 (as of 5 August 2009); this is 17 % above our fair value of KD 1.040. Our current recommendation on the stock is "Sell."

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RELATED RESEARCH

- Agility update – 25 June 2009
- Agility update – 20 Nov. 2008

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