

April 15, 2010

AGILITY (AGLT.KW)

12-Month Fair Value: Under Review

Last Close (14 April 2010): KD 0.600

Recommendation: Under Review - Risk Level: Under Review

- Agility posted on the Kuwait Stock Exchange that the Defense and Logistics Agency has awarded the prime vendor contract for Iraq and Kuwait to another contractor. The statement also states that Agility will continue its role as a prime vendor for the next six months.
- This announcement represents a major setback for Agility, as the prime vendor contract is a major driving force behind the profitability of the company. The Defense and Government Services (DGS) segment accounts for approximately 40% of total revenue, of which the prime vendor contract represents the bulk. Moreover, the prime vendor contract generates high margins, and in our opinion contributes to at least 60% of the company's EBITDA (Agility does not disclose segmental performance). On the other hand, Agility's commercial logistics business group, Global Integrated Logistics (GIL), is mostly driven by the low margin (low single digits) freight forwarding platform. It is our opinion that even though GIL represents approximately 55% of total revenue, it will not be sufficient to sustain Agility's current level of profitability.
- We maintain our status on Agility as "Under Review" and we await more clarity on the matter.

Samir Murad, CFA

T. +965 2259 5145

E. samir.murad@nbkcapital.com

Related Research

- [Agility Analyst Comment - 12 April 2010](#)
- [Agility Analyst Comment - 01 April 2010](#)
- [Agility Analyst Comment - 04 February 2010](#)
- [Agility Analyst Comment - 23 December 2009](#)
- [Agility Analyst Comment - 18 November 2009](#)
- [Agility Analyst Comment - 17 November 2009](#)
- [Agility Analyst Comment - 11 November 2009](#)
- [Agility Analyst Comment - 06 August 2009](#)
- [Agility Analyst Comment - 14 July 2009](#)
- [Agility Update - 25 June 2009](#)

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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NBK CAPITAL**Kuwait****Head Office**

38th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050
Kuwait
T. +965 2224 6900
F. +965 2224 6905

MENA Research

35th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6663
F. +965 2224 6905
E. menaresearch@nbkcapital.com.kw

Brokerage

37th Floor, Arraya II
Al Shuhada Street, Block 6, Sharq
P.O.Box 4950, Safat 13050, Kuwait
T. +965 2224 6964
F. +965 2224 6978
E. brokerage@nbkcapital.com

United Arab Emirates**NBK Capital Limited**

Precinct Building 3, Office 404
Dubai International Financial Center
P.O.Box 506506
Dubai, UAE
T. +971 4 365 2800
F. +971 4 365 2805

Turkey**NBK Capital**

Arastima ve Musavirlik AS,
Sun Plaza, 30th Floor,
Dereboyu Sk. No.24
Maslak 34398, Istanbul, Turkey
T. +90 212 276 5400
F. +90 212 276 5401

NATIONAL BANK OF KUWAIT**Kuwait****National Bank of Kuwait SAK**

Abdullah Al-Ahmed Street
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
T. +965 2242 2011
F. +965 2243 1888
Telex: 22043-22451 NATBANK

Jordan**National Bank of Kuwait SAK**

Head Office
Al Hajj Mohd Abdul Rahim Street
Hijazi Plaza, Building # 70
P.O.Box 941297,
Amman -11194, Jordan
T. +962 6 580 0400
F. +962 6 580 0441

United States of America**National Bank of Kuwait SAK**

New York Branch
299 Park Avenue, 17th Floor
New York, NY 10171, USA
T. +1 212 303 9800
F. +1 212 319 8269

Vietnam**National Bank of Kuwait SAK**

Vietnam Representative Office
Room 2006, Sun Wah Tower
115 Nguyen Hue Blvd, District 1
Ho Chi Minh City, Vietnam
T. +84 8 3827 8008
F. +84 8 3827 8009

INTERNATIONAL NETWORK**Bahrain****National Bank of Kuwait SAK**

Bahrain Branch
Seef Tower, Al-Seef District
P.O. Box 5290, Manama, Bahrain
T. +973 17 583 333
F. +973 17 587 111

Lebanon**National Bank of Kuwait**

(Lebanon) SAL
Sanayeh Head Office
BAC Building, Justinian Street
P.O. Box 11-5727, Riyad El Solt
1107 2200 Beirut, Lebanon
T. +961 1 759 700
F. +961 1 747 866

United Kingdom**National Bank of Kuwait (Intl.) Plc**

Head Office
13 George Street,
London W1U 3QJ, UK
T. +44 20 7224 2277
F. +44 20 7224 2101

China**National Bank of Kuwait SAK**

Shanghai Representative Office
Suite 1003, 10th Floor,
Azia Center, 1233 Lujiazui Ring Rd.
Shanghai 200120, China
T. +86 21 6888 1092
F. +86 21 5047 1011

Saudi Arabia**National Bank of Kuwait SAK**

Jeddah Branch
Al-Andalus Street, Red Sea Plaza
P.O. Box 15385
Jeddah 21444, Saudi Arabia
T. +966 2 653 8600
F. +966 2 653 8653

Iraq**Credit Bank of Iraq**

Street 9, Building 187
Sadoon Street, District 102
P.O.Box 3420, Baghdad, Iraq
T. +964 1 7182198/7191944
+964 1 7188406/7171673
F. +964 1 7170156

NBK Investment**Management Limited**

13 George Street
London W1U 3QJ, UK
T. +44 20 7224 2288
F. +44 20 7224 2102

France**National Bank of Kuwait (Intl.) Plc**

Paris Branch
90 Avenue des Champs-Elysees
75008 Paris, France
T. +33 1 5659 8600
F. +33 1 5659 8623

ASSOCIATES**Qatar****International Bank of Qatar (QSC)**

Suhaim bin Hamad Street
P.O.Box 2001
Doha, Qatar
T. +974 447 3700
F. +974 447 3710

United Arab Emirates**National Bank of Kuwait SAK**

Dubai Branch
Sheikh Rashed Road, Port Saeed
Area, ACICO Business Park
P.O. Box 88867, Dubai
United Arab Emirates
T. +971 4 2929 222
F. +971 4 2943 337

Egypt**Al Watany Bank of Egypt**

13 Al Themar Street
Gameat Al Dowal AlArabia
Fouad Mohie El Din Square
Mohandessin, Giza, Egypt
T. +202 333 888 16/17
F. +202 333 79302

Singapore**National Bank of Kuwait SAK**

Singapore Branch
9 Raffles Place #51-01/02
Republic Plaza, Singapore 048619
T. +65 6222 5348
F. +65 6224 5438

Turkey**Turkish Bank**

Head Office
Valikonagl Avenue No. 1
P.O.Box 34371 Nisantasi,
Istanbul, Turkey
T. +90 212 373 6373
F. +90 212 225 0353