

ARAMEX (ARMX.DU)

- Aramex announced very strong results for 2Q2009. Net profit increased by 30% to AED 50 million compared to AED 38.4 million achieved in 2Q2008. This increase in net profit was achieved despite a 10% decline in total revenues from AED 539.3 million in 2Q2008 to AED 485 million in 2Q2009; which were 4.2% below our forecast of AED 506.5 million.
- The net profit margin expansion that we witnessed in 1Q2009 was seen again; albeit to higher level and reached 10.3% in 2Q2009, compared to 7.1% achieved in 2Q2008. This comes in line with our expectations for 2009 of declining revenues coupled with an increase in net income; however, not by the same magnitude that has been achieved by Aramex.
- The freight forwarding segment continued its weak performance and saw a 22% decline in revenue in 1H2009. This was weaker than our forecast of an 11% decline.
- According to the Aramex press release, the weakness portrayed by the freight forwarding segment was mitigated by a strong showing from international express and domestic express segments. Specific mention was made regarding a 6% increase in revenues from the GCC in 1H2009.
- In our last update (dated March 10, 2009) we mentioned that the international express and the domestic express will be the segments to focus on in 2009, which has so far proved to be correct. Also, we mentioned that we expect that Aramex could see some positive contributions from changes in outsourcing trends in the MENA region. This appears to be the case, as management has highlighted in the press release that they are witnessing an accelerated trend in outsourcing as clients attempt to cut down costs.
- The performance of Aramex in 1H2009 continues to be a testament for the effectiveness of its asset-light model during turbulent times. Also, the 1H2009 results are proof that Aramex has been successful with its cost cutting program, which allowed the company to significantly improve its margins.
- Full financials are not yet available for us to formulate a final opinion on the performance of Aramex in 2Q2009. Also, no reference was made to any one time gains or losses.
- Since our latest update on Aramex (March 10, 2009), the stock price has rallied by 73% from AED 0.96 to AED 1.66 (as of July 29th, 2009); closing the gap with our fair value of AED 1.82. Our current recommendation on the stock is "Hold"
- We will issue an update on Aramex to incorporate its latest performance and revise our forecast accordingly.

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