

ARAMEX

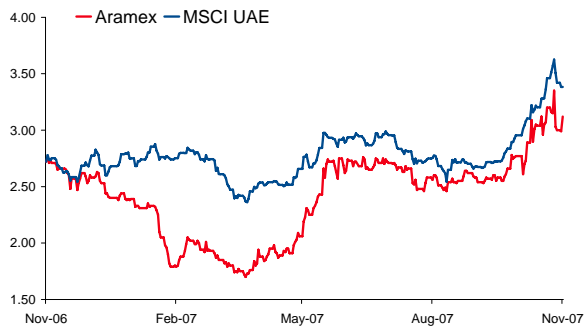
On Track

Key Data

Current Price*	Avg. Value Traded per Day
AED 2.99	AED 23.3 mln
52-Week High	Market Cap
AED 3.35	AED 3.29 bln
52-Week Low	Current Number of Shares
AED 1.70	1,100 mln
Reuters	Bloomberg
ARMX.DU	ARMX UH
Ownership Structure	
Privately Held: 45%	Public: 55%

Sources: Reuters, Zawya, and NBK Capital
*Price as of close on November 13, 2007

Rebased Performance



Sources: MSCI, Reuters, and NBK Capital

Key Ratios

	2006 a	2007 f	2008 f	2009 f	2010 f
P/E	34.5	26.0	20.5	15.7	14.0
EPS Growth	28%	33%	27%	31%	12%
EV/ EBITDA	23.5	17.0	13.9	11.4	10.3
EBITDA Margin	10%	10%	11%	12%	12%
EBITDA Growth	30%	38%	23%	22%	11%
Dividend Yield	0.0%	1.9%	2.4%	3.2%	3.6%
PBV	2.9	2.6	2.4	2.2	2.0
ROAE	9%	10%	12%	15%	15%
3Q2007 EBITDA a	4Q2007 EBITDA f				
AED 41.6 mln	AED 50.5 mln				
3Q2007 EBITDA f	1Q2008 EBITDA f				
AED 39.1 mln	AED 52.0 mln				

Sources: Reuters and NBK Capital
a = actual, f = forecast

Analyst

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Highlights

12-Month Fair Value: AED 2.86

Recommendation: Hold – Risk Level: 3**

Reason for Report: Third-Quarter 2007 Update

- Total revenues for Aramex increased by 25.2% in 3Q2007 compared to 3Q2006. All segments continued to report double-digit growth rates, with the most impressive growth in the logistics segment.
- On an operating level, Aramex's performance in 3Q2007 was solid, with EBITDA increasing by 25% compared to 3Q2006. The 14.5% growth in net income did not match growth in EBITDA due to a one-time investment write-off and tax expenses of AED 1.8 million.
- Aramex's operating performance in 3Q2007 was close to our expectations; Aramex posted an EBITDA of AED 41.6 million, just 6.4% higher than our forecast of AED 39.1 million.
- We did not make any major changes to our forecasts for Aramex. Our 12-month fair value estimate for the share price of Aramex is AED 2.86. To arrive at this fair value estimate, we used a combination of discounted cash flow (DCF) and peer comparisons based on forward price/earnings-to-growth (PEG) multiples.
- Moving forward, we expect to see double-digit growth rates—in the range of 10% to 15%—over the next three years in all major segments of Aramex.
- Since our fair value estimate is 3.3% lower than the market price, our recommendation for Aramex is "Hold".
- Aramex has stated on several occasions that it is seeking to acquire other logistics companies with operations in Southeast Asia, China, and the United States. In 2007, no major acquisition has yet been made, as management has indicated that it is taking its time in selecting acquisition targets.

**Please refer to page 4 for recommendations and risk ratings

VALUATION

On an operating level, the financial results posted by Aramex in 3Q2007 were close to our expectations; Aramex posted an EBITDA of AED 41.6 million, just 6.4% higher than our forecast of AED 39.1 million. However, growth in net income was slower than expected due to a one-time investment write-off and tax expenses of AED 1.8 million.

Therefore, we did not make any major revisions to our forecasts for Aramex. We increased our fair value estimate for the share price of Aramex from AED 2.81 to AED 2.86. As seen in Figure 1, the value achieved from the discounted cash flow (DCF) model increased by 16.9%. This increase is mostly due to a reduction in the cost of equity from 12% to 11.4%, reflecting changes in the risk-free rate. The fair value estimate, based on peer comparisons of forward price/earnings-to-growth (PEG) multiples, was affected by a decline in the market prices of the peers, which led to a decline in the peer PEG. The new fair value target is 3.3% below the current market price—thus, our “Hold” recommendation.

Figure 1 Fair Value per Share

Our 12-month fair value for Aramex is AED 2.86

Valuation Method	Old		New		Change
	Weight	Value	Weight	Value	
Discounted cash flow	70%	AED 2.30	70%	AED 2.69	16.9%
Peer comparison	30%	AED 4.00	30%	AED 3.25	-18.8%
Weighted average fair value	100%	AED 2.81	100%	AED 2.86	1.6%

Source: NBK Capital

THIRD-QUARTER PERFORMANCE

- Total revenue increased by 25.2% in 3Q2007 compared to 3Q2006. All segments continued to report double-digit growth rates, with the most impressive growth registered by the logistics segment. 3Q2007 was the first quarter in 2007 in which revenue growth was not influenced by the acquisition of TwoWay Vanguard (on April 13, 2006). In a recent conference call, Aramex’s management stated that most of the growth seen in 3Q2007 is organic, as the MENA region is booming and Aramex is seeing higher demand for its services.
- According to Aramex’s management, the growth in logistics revenue appears to have been constrained by a lack of availability of warehousing space, namely in the UAE, whose current capacity is full. Also, management indicated that there appears to be enough demand to absorb the new warehousing capacity currently being built. In 9M2007, investment in new warehousing capacity totaled around AED 25 million.
- EBITDA grew by 25% in 3Q2007 in comparison with 3Q2006, with the company maintaining the same EBITDA margin of 9.2%.

- Growth in net income was lower than growth in EBITDA due to a one-time investment write-off and tax expenses of AED 1.8 million. Net income grew by 14.5% in 3Q2007 compared with 3Q2006, while the net income margin declined to 5.7% from 6.3% in 3Q2006 due to the write-off.

Figure 2 Third-Quarter Performance

Income Statement (AED Thousands)	Third-Quarter Results			Common Size	
	2006	2007	Change	2006	2007
International Express	107,579	124,559	15.8%	29.8%	27.6%
Freight Forwarding	168,389	214,996	27.7%	46.7%	47.6%
Domestic Express	47,740	56,200	17.7%	13.2%	12.4%
Logistics	15,534	28,719	84.9%	4.3%	6.4%
Others	21,558	27,230	26.3%	6.0%	6.0%
Total Revenue	360,800	451,704	25.2%	100.0%	100.0%
Cost of Revenue	196,051	241,433	23.1%	54.3%	53.4%
Gross Profit	164,749	210,271	27.6%	45.7%	46.6%
Selling/General/Admin. Expenses, Total	83,303	99,496	19.4%	23.1%	22.0%
Other Operating Expenses, Total	48,170	69,168	43.6%	13.4%	15.3%
EBITDA	33,276	41,607	25.0%	9.2%	9.2%
Depreciation/Amortization	7,725	9,672	25.2%	2.1%	2.1%
Operating Income	25,551	31,935	25.0%	7.1%	7.1%
Interest Income(Exp), Net Non-Operating	1,047	1,167	11.5%	0.3%	0.3%
Other, Net	527	347	-34.2%	0.1%	0.1%
Net Income Before Taxes	27,125	33,449	23.3%	7.5%	7.4%
Provision for Income Taxes	1,232	3,185	158.5%	0.3%	0.7%
Minority Interest	3,211	4,300	33.9%	0.9%	1.0%
Net Income	22,682	25,964	14.5%	6.3%	5.7%

Sources: Aramex financial statements and NBK Capital

Most of the 25.2% growth in revenue in 3Q2007 is organic

OUTLOOK

We have made minor changes to our forecasts for Aramex. With the logistics segment continuing to exceed our expectations, we increased our 2007 revenue forecast for that segment by 25%, which led to a 1% increase in our forecast for total revenues. The remaining segments are still in line with our expectations. Also, we incorporated the effect of the write-off made in 3Q2007. We also made a slight adjustment to the cost structure in order to achieve a net income margin close to the management guidance margin of 7%.

Looking forward, we expect to see double-digit growth—in the range of 10% to 15%—in all major segments over the next three years. Economic growth in the MENA region will be driver for future growth, especially in the Express and Logistics segments. Also, we expect to see some improvements in overall margins, especially when TwoWay's profitability begins to improve and nears the profitability levels of the rest of the group. Given Aramex's operating structure, we are not worried about rising fuel costs affecting the long-term profitability of the company. Management has indicated that its dynamic pricing process allows it to pass on to clients any cost increases resulting from rising fuel prices. In terms of acquisitions, management stated that it is taking its time in selecting acquisition targets, but that it is still planning to expand in Asia and the United States.

FINANCIAL STATEMENTS

Balance Sheet (AED Thousands)		Historical					Forecast				
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
ASSETS											
Cash and Short-Term Investments	54,727	54,040	340,360	222,562	157,802	202,272	277,335	356,097	449,804	554,871	
Total Receivables, Net	115,528	127,828	158,784	261,655	338,698	389,028	437,680	480,540	514,213	549,684	
Total Inventory	1,388	2,284	-	-	-	-	-	-	-	-	
Prepaid Expenses	4,943	6,376	7,938	21,769	-	-	-	-	-	-	
Other Current Assets, Total	5,737	9,512	12,409	56,561	98,044	112,613	126,697	139,104	148,851	159,119	
Total Current Assets	182,324	200,041	519,491	562,547	594,545	703,913	841,712	975,740	1,112,868	1,263,674	
Property/Plant/Equipment, Total - Net	38,986	44,520	78,116	128,143	158,377	185,403	215,347	245,398	281,950	314,116	
Goodwill, Net	32,206	32,867	628,343	803,731	803,731	803,731	803,731	803,731	803,731	803,731	
Intangibles, Net	-	-	4,022	3,613	3,613	3,613	3,613	3,613	3,613	3,613	
Other Long-Term Assets, Total	56,288	4,404	8,287	14,382	15,820	17,402	19,142	21,057	23,162	25,479	
TOTAL ASSETS	309,803	281,832	1,238,259	1,512,416	1,576,086	1,714,062	1,883,545	2,049,539	2,225,324	2,410,612	
LIABILITIES & EQUITY											
Accounts Payable	47,422	64,897	71,356	131,366	169,349	194,514	218,840	240,270	257,106	274,842	
Short-Term Debt (Balancing Debt)	1,429	1,271	3	27,435	-	-	-	-	-	-	
Current Port. of LT Debt/Capital Leases	3,496	3,456	5,505	8,306	10,383	12,978	16,223	20,278	25,348	31,685	
Other Current Liabilities, Total	35,566	44,583	66,655	123,340	42,783	49,140	55,286	60,700	64,953	69,434	
Total Current Liabilities	87,913	114,206	143,519	290,447	222,514	256,632	290,349	321,248	347,408	375,961	
Long-Term Debt	3,309	2,582	4,731	13,379	16,724	20,069	22,075	23,179	24,338	25,555	
Deferred Income Tax	11	22	36	34	37	41	45	50	55	60	
Minority Interest	9,913	11,999	15,353	19,287	20,251	21,264	22,327	23,443	24,616	25,846	
Other Liabilities, Total	16,233	19,230	24,051	41,073	43,537	46,150	48,919	51,854	54,965	58,263	
Total Liabilities	117,379	148,039	187,690	364,220	303,064	344,156	383,715	419,774	451,381	485,685	
Total Equity	192,424	133,793	1,050,569	1,148,196	1,273,022	1,369,907	1,499,830	1,629,765	1,773,943	1,924,927	
TOTAL LIABILITIES AND EQUITY	309,803	281,832	1,238,259	1,512,416	1,576,086	1,714,062	1,883,545	2,049,539	2,225,324	2,410,612	
Income Statement (AED Thousands)											
Fiscal Year Ends December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Total Revenue	556,594	693,171	853,873	1,363,803	1,782,621	2,047,515	2,303,580	2,529,157	2,706,383	2,893,073	
Cost of Revenue	286,853	377,627	447,331	743,966	953,245	1,086,723	1,209,440	1,328,174	1,420,952	1,519,543	
Gross Profit	269,741	315,544	406,542	619,837	829,376	960,792	1,094,140	1,200,983	1,285,432	1,373,529	
Selling/General/Admin. Expenses	134,226	149,240	183,932	293,759	382,372	435,097	483,752	529,858	565,634	603,206	
Depreciation/Amortization	12,351	14,750	17,031	24,846	35,488	38,697	35,779	40,671	39,170	42,834	
Other Operating Expenses, Total	75,937	93,635	119,120	191,911	262,045	298,937	334,019	364,199	387,013	413,709	
Operating Income	47,227	57,918	86,459	109,321	149,470	188,061	240,590	266,255	293,614	313,780	
Interest Income (Exp), Net Non-Operating	(488)	33	(143)	5,255	5,645	4,295	6,590	9,773	13,397	17,610	
Other, Net	(2,329)	26	2,101	(1,135)	1,750	-	-	-	-	-	
Net Income before Taxes	44,410	57,977	88,417	113,441	156,865	192,356	247,180	276,028	307,012	331,391	
Provision for Income Taxes	1,675	3,239	3,926	4,437	9,757	9,618	12,359	13,801	15,351	16,570	
Net Income after Taxes	42,736	54,738	84,490	109,004	147,108	182,738	234,821	262,227	291,661	314,821	
Minority Interest	(5,836)	(7,151)	(10,085)	(13,780)	(20,498)	(22,548)	(24,802)	(27,283)	(30,011)	(33,012)	
Net Income	36,900	47,587	74,405	95,224	126,611	160,190	210,019	234,944	261,650	281,809	

Risk and Recommendation Guide

Recommendation	Upside (Downside) Potential	Risk Level*				
		1	2	3	4	5
Buy	more than 20%					
Accumulate	between 10% and 20%					
Hold	between -5% and 10%					
Reduce	between -10% and -5%					
Sell	less than -10%					

*1 being least risky



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