

July 26, 2010

ARAMEX (ARMX.DU)

12-Month Fair Value: AED 1.91

Last Close (25 July, 2010): AED 1.67

Recommendation: Accumulate - Risk Level: 3

- Revenue for Aramex increased by 15% in 2Q2010 to AED 557 million. According to the company's press release, the growth in revenue is a result of an improvement in all business segments, as well as strong growth in freight forwarding operations. The outperformance of the freight forwarding segment in 1H2010 comes in line with our expectations, notwithstanding the fact that freight forwarding was the worst-performing segment in 2009.
- Net profit increased by 10% in 2Q2010 to AED 55 million. Despite the slight decline, the net profit margin for Aramex remained strong at 10.0% in 2Q2010 compared to 10.3% in 2Q2009. Such a decline in the net profit margin is normal when the freight forwarding segment outperforms.
- Full financials are not yet available for us to formulate a final opinion on Aramex results; however, we view these preliminary numbers positively. Based on these preliminary figures we can conclude that Aramex has so far been able to maintain the margins it achieved in 2009, which were driven by cost-cutting efforts. The performance of Aramex in 1H2010 has been better than our expectations for the year, for which we forecast an 8% increase in revenue to AED 2.1 billion, and a 5% increase in net profit to AED 194 million. Accordingly, we re-iterate our fair value for Aramex of AED 1.91 (last close AED 1.67) and "Accumulate" recommendation.

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Related Research

- Aramex Analyst Comment - 02 May 2010
- Aramex Analyst Comment - 27 April 2010
- Aramex Analyst Comment - 31 January 2010
- Aramex Update - 06 December 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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