Analyst Comment

NBK CAPITAL

January 31, 2010

ARAMEX (ARMX.DU)

- Aramex announced a 25% increase in FY2009 net profit to AED 184.3 million; 1% above our forecast of AED 182.3 million. This strong performance was achieved despite a 6% drop in total revenue to AED 1.96 billion; 1% above our forecast of AED 1.94 billion.

- In 4Q2009, Aramex reported an increase in total revenue of 5%, the first quarter in 2009 to show an increase in total revenue. We believe this is an early sign that Aramex will start posting top-line growth in 2010. In our last update on Aramex, we pointed to the improvement in airfreight traffic in the Middle East, which we expect to have a positive impact on Aramex's freight forwarding segment. The freight forwarding segment was the hardest hit segment in 2009 and is the main reason behind the drop in total revenue.

- These results reflect a year-on-year expansion in the net income margin from 7.1% in 2008 to 9.4 % in 2009, a testament to the effectiveness of Aramex's asset-light business model in tough times. Also, the 2009 results are proof that Aramex has been successful with curtailing costs, which allowed the company to significantly improve operating margins.

- The company's balance sheet remains strong with negligible debt and AED 502 million in cash. This gives Aramex the ability to pursue all the development and expansion plans that are set for 2010.

- Full financials are not yet available for us to formulate a final opinion on the performance of Aramex in 2009; however, we view the preliminary figures positively. Our fair value for Aramex, AED 2.10, is now 30% over the closing price of 28 January 2010 (AED 1.62), hence, our current recommendation on the stock is "Buy."

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Related Research

- Aramex Update - 06 December 2009
- Aramex Update - 11 August 2009

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