

# ARAMEX: Results in line with expectations – HOLD



EARNINGS FLASH • 2Q13 • UAE/Transportation • 29 July 2013

## REVENUES

**AED845m +4.3% QoQ**

Q2 2013: AED810m

## NET PROFIT

**AED72.3m +4.2% QoQ**

Q2 2013: AED69.4m

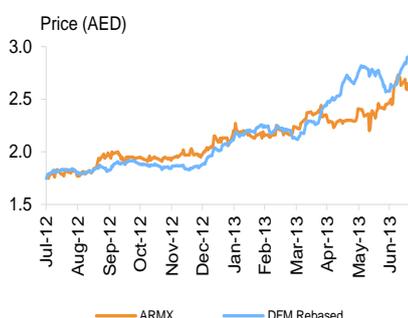
## NET MARGIN

**8.56% flat QoQ**

Q2 2013: 8.56%

|                             |                |  |
|-----------------------------|----------------|--|
| <b>Recommendation</b>       | <b>HOLD</b>    | <p><b>Revenues &amp; net profit in line with expectations.</b> Aramex posted 2Q13 net profit of AED72.3m, up 12.3% YoY and 4.2% QoQ. This was in line with both ours and consensus estimate of AED72.5m and AED72.2m for the quarter. Top-line came in at AED845m for the quarter, growing 8.0% YoY and 4.3% QoQ, also coming in line with both ours and consensus expectations</p> <p><b>Net margin fairly improves YoY.</b> 2Q13 net margin was 8.6%, slightly improving by 33bps YoY, while remaining flat QoQ</p> <p><b>Robust top-line backed by Core markets.</b> Sales during the period were positively affected by the group's strong performance in core markets, especially, the Gulf Cooperation Council (GCC) countries, supported by growth in express logistics and e-commerce. In addition, African operations contributed considerably to the group's overall performance</p> <p><b>However, organic growth wanes.</b> Despite the strong performance in 2Q13, Aramex's organic growth was moderate, owing to weak economic growth in Europe and the ongoing political and economic instability in the MENA region which accounts for more than 70% of Aramex's business. However management expects to achieve strong results going forward in these regions</p> |
| Market price (AED)          | 2.56           |  |
| Target price (AED)          | 2.52           |  |
| Downside potential (%)      | 2.73           |  |
| Free float (%)              | 90             |  |
| Foreign ownership limit (%) | 49             |  |
| Market cap. (AEDm)          | 3,206          |  |
| Market cap. (USDm)          | 873            |  |
| Shares outstanding (m)      | 1,464          |  |
| <b>Reuters code</b>         | <b>ARMX.DU</b> |  |
| <b>Bloomberg code</b>       | <b>ARMX.UH</b> |  |

## ARMX vs. DFM Rebased



Source: Bloomberg, NAEEM Research  
Closing price as of 25 JULY 2013

**Inorganic growth on its way.** Management has reconfirmed its commitment to making further strategic acquisitions in key emerging markets, in line with its strategy to expand its global network in emerging growth markets such as in Africa, and Asia. Additionally, the priority is also centered round building deeper connections between its hubs in the Middle East and Africa, and capitalizing on the growing intra-Asia and Asia-Africa trade corridors. Aramex is currently looking for a new acquisition in Central Asia and expects something to be announced by the end of 2013. We believe upcoming acquisitions to strongly contribute to revenue over the longer term

**We maintain our HOLD recommendation.** Overall, we view the results from a neutral perspective, as the reported numbers are quite similar to what we had expected from the group. Our forecast reflects the expansion measures and initiatives already highlighted by the company and indicate double-digit growth in revenues over the next few years.

**We recommend ARMX as a HOLD but raise our target price (TP) marginally to AED2.52/share from AED2.49/share.**

## ARMX: 2Q13 Results Summary

| In AEDm    | 2Q13a | 1Q13a | 2Q12a | YoY (Δ) | QoQ (Δ) | 6M13a | 6M12a | YoY(Δ)  |
|------------|-------|-------|-------|---------|---------|-------|-------|---------|
| Revenue    | 845   | 810   | 782.3 | 8.01%   | 4.32%   | 1,655 | 1,528 | 8.30%   |
| Net profit | 72.3  | 69.4  | 64.4  | 12.35%  | 4.23%   | 141.7 | 125.3 | 13.11%  |
| Net margin | 8.56% | 8.56% | 8.23% | 0.33pps | -       | 8.56% | 8.20% | 0.36pps |

Source: Company data, NAEEM Research

# Disclosure Appendix

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| <b>Rating</b> | <b>Upside/Downside potential</b> | <b>Rating distribution as of 29 July 2013</b> |
|---------------|----------------------------------|---|
| BUY           | >20%                             | 41%   |
| ACCUMULATE    | >10% to 20%                      | 13%   |
| HOLD          | +10% to -10%                     | 38%   |
| REDUCE        | <-10% to -20%                    | 6%  |
| SELL          | < -20%                           | 3%  |

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