

EQUITY REPORT

ARAMEX PJSC
(ARMX.DU)

Company Overview

In 1982, ARAMEX International Limited Co. (ARAMEX) initiated its operations as an express wholesaler to US express delivery companies. Over the years, the company managed to expand its operations and solidify its position worldwide while developing additional services. ARAMEX currently provides international and domestic express package delivery, freight forwarding, logistics, and many other transportation services within the Middle East and the Indian subcontinent.

Incorporated under the laws of Bermuda, the Amman-based firm succeeded in gaining foothold in over 35 countries with 200 offices staffed with around 6130 employees.

In 1997, ARAMEX saw its shares listed on the NASDAQ Stock Exchange, the first such listing by an Arab company. However, in February 2002, the company was acquired by an Emirati private equity firm, Abraj Capital, and was delisted from the NASDAQ on Feb. 9th, 2002. In June 2005, ARAMEX's shares went public on the Dubai Financial Market (DFM) under the name of Arab International Logistics (AIL) with the ticker ARMX.

The chief goal of AIL is to invest in the freight, express, and logistics businesses by acquiring major stakes in companies operating in the same field in the Middle East and other parts of the world. In May 2006 AIL obtained the shareholders' approval to change its name to ARAMEX (PJSC).

ARAMEX is a founding member of Global Distribution Alliance (GDA) which encompasses 37 leading logistics express providers from across the globe. Each member extensively covers a different region of the world, with the group's network spanning most regions through 12,000 offices in more than 220 countries and a gigantic fleet of vehicles.

Main Services Provided by ARAMEX:

International Express Delivery Services

ARAMEX offers international express services to its customers with time-sensitive delivery requirements, where the client enjoys the advantage of tracking the shipment through an advanced on-line tracking system. This service targets retail and wholesale express accounts. Retail customers include large companies such as banks, pharmaceutical, services, manufacturing, as well as regional distribution companies. Wholesale customers are either one of GDA members or other express delivery companies that are unable to deliver the shipments to a certain destination - such as the Middle East that is covered mainly by ARAMEX. Express shipments usually range in weight between 0.1 kg and 50 Kgs.

Domestic Express Delivery Services

This is a cost effective solution that serves time-critical small shipments within one country such as city-to-city shipments, overnight and same-day domestic services, as well as domestic

document return and cash-on-delivery services. Customers benefiting from this service include banks, local distributors, e-commerce-related businesses and pharmaceutical companies.

Freight Forwarding Services

Through its one of the most extensive freight delivery networks in the Middle East, ARAMEX provides numerous services including sea, air, and land freight forwarding, customs clearance, warehousing, and break bulk services in addition to door-to-door and airport-to-airport services. The weight of freight shipments usually exceeds 50Kgs on average. It is worth noting that freight shipments are more time-efficient than express shipments.

Logistics Services

Aramex provides a wide array of logistics services through its three major logistics services centres located at Queen Alia International Airport in Jordan, Jabal Ali Free Trade Zone in Dubai, and Bahrain Free Zone. In addition, the company boasts centres in Saudi Arabia, Lebanon, Kuwait, and the US. Logistics services include warehousing, distribution, supply chain management, customs clearance, as well as various storage options.

Catalogue Shopping Services

In 1996, ARAMEX introduced its new catalogue shopping services through its 'Shop the World Direct Catalogue' centres. The stations allow customers to shop from world-famous consumer catalogues then order their purchases through one of "Shop the World" locations in Jordan, Kuwait, Egypt, Lebanon, Qatar, Bahrain, UAE, Palestine, and Saudi Arabia - to where purchases are later delivered.

US Mailbox Service

ARAMEX provides special services such as the "Shop & Ship" service which grants customers a mailing address in the US and the UK without the need to reside there. Afterwards, Aramex forwards the mail contents to the local address of customers.

Magazines & Newspaper Distribution

The company acquired the Jordan Distribution Agency in November 2002 which is the market's leading distributor of various types of publications.

Customers

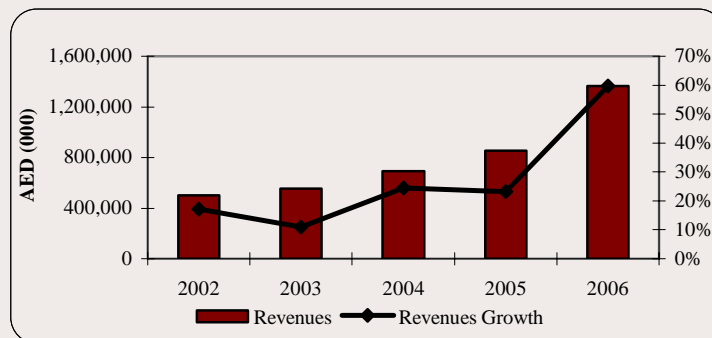
ARAMEX serves two types of customers: retail, which are served and charged directly, including express and freight forwarding accounts, and wholesale customers which chiefly comprise of express accounts. The company's clients are so diverse in terms of their requirements, geographical locations - even corporate accounts are not concentrated in one specific industry.

Acquisitions

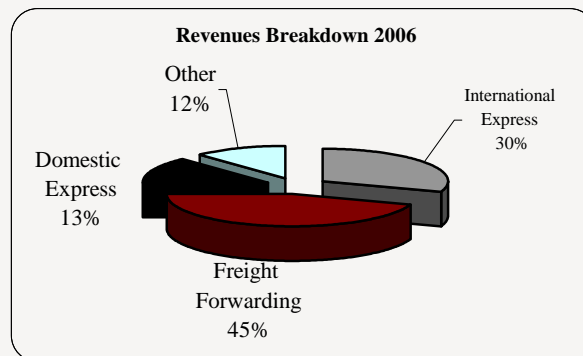
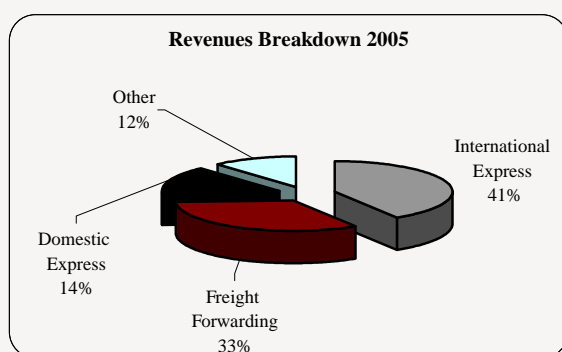
- In January, 2005 ARAMEX acquired Al Khazen Distribution, Palestine's sole independent publications distributor that specialises in the distribution of Arabic publications.
- ARAMEX acquired InfoFort in July 2005 for AED51 million. InfoFort is a top document storage and management company in the Middle East and North Africa. The Dubai-based firm has been operating in the UAE since 1999 and in Egypt since 2001.
- In September 2005, ARAMEX took over Priority Airfreight of the UK, a leading express service provider that specializes in courier traffic between the UK and the US.
- In February 2006, ARAMEX bought the Egypt-based Freight Professionals, a major freight forwarding company specialising in air and sea freight. The AED6 million deal is expected to strengthen ARAMEX's presence in the Egyptian market.
- In April 2006, ARAMEX acquired the Dublin-based TwoWay-Vanguard, a logistics and freight service provider in a deal worth AED95 million. The company has 15 offices across the UK, Ireland, and the Netherlands. The acquisition is expected to enhance ARAMEX's presence in the European transportation and logistics market.
- In November 14th, 2006, ARAMEX purchased Docaman Limited, a documents and records storage, scanning, and management services provider for AED15 million. InfoFort will cooperate with the Dubai-based company to help it solidify its network in the region.

Financial Highlights

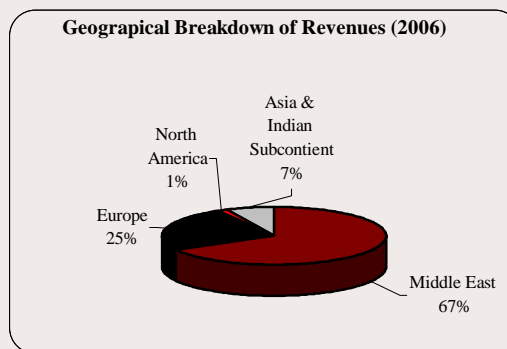
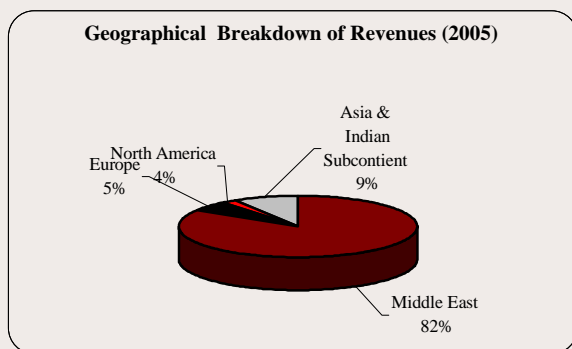
ARAMEX's revenues showed an outstanding growth during the last few years as they jumped from AED501 million in 2002 to AED1,364 million in 2006; a Compounded Annual Growth Rate (CAGR) of 28.4%. In 2006, revenues soared by 60% from a year earlier. A note to be considered is that unlike in previous year, when ARAMEX relied on its own operations as the main source of revenues, the new acquisitions helped the company diversify its revenue stream. Indeed, branching out into new lines of business, i.e. the supply chain management and catalogue services, contributed to building a solid base of revenues.



As indicated in the charts below, the contribution of the international express service to total revenues came to 30.2% in 2006 versus 41.1% in 2005. Meanwhile, freight forwarding accounted for 44.8% of total revenues in 2006, up from 33.1% in 2005, with TwoWay-Vanguard cited as the chief growth engine. Revenues generated from domestic services constituted an average of 11.8% of the total in 2006, while other services contributed around 12%.



In terms of the geographical breakdown of revenues, it was the Middle East region that generated the highest revenues, with an average share of 75.4% of the total in 2005 and 2006. It is worth mentioning that the region's contribution to total revenues declined from 84% in 2005 to 67% in 2006 after the buyout of the Europe-based TwoWay-Vanguard. The acquisition pushed revenues from Europe from 5.2% in 2005 up to 25% in 2006. "Asia and the Indian subcontinent", and North America maintained an average contribution of 7.8% and 1.7%, respectively, in 2005 and 2006. Should the company press ahead with its acquisition strategy outside the Middle East, we expect higher contribution from other parts of the world.



The cost of services include the cost of shipping, airline expenses, freight forwarding, distribution, inbound costs, and any other related expenses. The cost of services in 2006 increased by 66% to AED743.966 million versus AED447.230 million in 2005. The increase, which came against a huge rise in total revenues, led to a 52% growth in gross profit to AED619.837 million in the fiscal year 2006 against 2005.

The company's operating expenses; salaries, benefits, communication, vehicles, operating material, printing and stationary, maintenance, governmental fees, and uniform expenses were also higher by 61% in 2006 over 2005, amounting to AED191.911 million. The higher operating costs came in line with the higher revenues, on the one hand, and new acquisitions, on the other. However, the percentage of operating expenses to total revenues was constant for the last three years at 14%, meaning the company had managed to control its expenses. The non-asset based business model that ARAMEX adopts has helped it rein in expenditure and make the necessary adjustments it in a relatively flexible way.

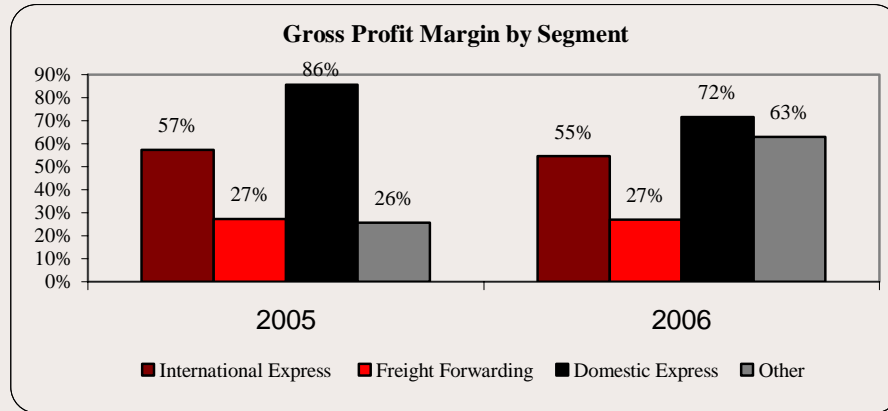
The ratios of "general and administrative" and "selling" expenses to total revenues fell from 18% and 6%, successively, in 2003 to 17% and 4%, respectively, in 2006. Therefore, the EBITDA and operating income ratios grew considerably in 2006 by 29% and 26% to AED133,338 million and AED109.321 million, successively, against a year earlier. Consequently, ARAMEX's bottom line registered a growth of 28%, which translated into a net income of AED95.224 million at the end of the fiscal year 2006. It is notable that the growth in operating income was relatively in line with the growth in net income.

As for profitability margins, figures reveal that they fluctuated over the years after the addition of new business lines, and as the company benefited from the economies of scale and the cost control strategy. The drop in profit margins in 2006 was noticeable due to the significant increase in freight forwarding revenues following the acquisition of TwoWay-Vanguard. Although other business segments; express, catalogue, and logistics services, had a positive contribution on profit margins, their impact was suppressed by the freight forwarding line which had a lower profit margin.

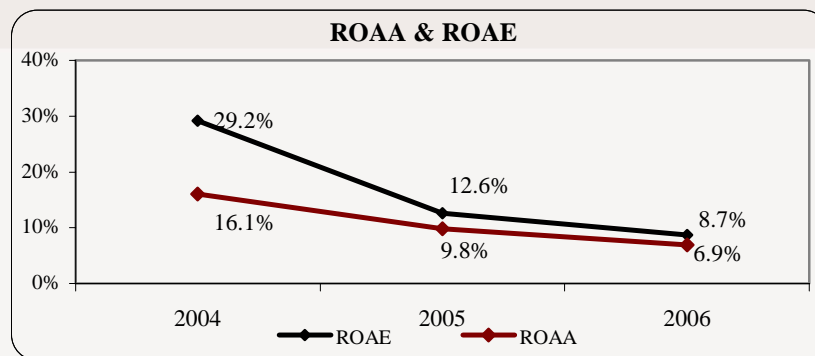
| Profitability Ratios | | | | |
|-------------------------|-------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| Gross Profit Margin | 48.5% | 45.5% | 47.6% | 45.4% |
| Operating Profit Margin | 8.5% | 8.4% | 10.1% | 8.0% |
| EBITDA Margin | 10.7% | 10.5% | 12.1% | 9.8% |
| Net Income Margin | 6.6% | 6.9% | 8.7% | 7.0% |

Source: Jordinvest

Domestic services registered the highest gross profit margin of 72% in 2006 - although lower than the 86% achieved in 2005 - while the gross profit margin of international express fell from 57% to 55% in 2006. Freight forwarding maintained the same margin year-on-year. As mentioned above, other lines added much to the profitability margins.



Moving to return ratios, we see that Return on Average Assets (ROAA) stood at 6.9% in 2006 while Return on Average Equity (ROAE) hit 8.7%. The reason behind the convergence between the two figures is that the company is not leveraged. The change in the ownership structure is behind the differences in the figures in the last couple of years.



ARAMEX's receivables turnover ratio has improved over the years as a result of the company's policy of accelerating the collection process. The ratio stood at 4.4x in 2001 and settled at 6.63x in 2006.

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------|------|------|------|------|------|
| Receivables Turnover (Times) | 4.4 | 4.8 | 5.0 | 5.9 | 6.3 | 6.6 |
| Average Receivables Collection Period (Days) | 83.0 | 76.0 | 73.0 | 61.9 | 57.9 | 55.3 |

Source: Jordinvest

With more than AED222.562 million in cash balance, ARAMEX enjoys a comfortable liquidity position, following the capital increase that took place in 2005, and which is projected to be used in financing future expansion schemes.

On the debt front, the company did not obtain any significant loans as evident by the low Interest Bearing Debt / Equity ratio of 4.21% as of end of 2006. We anticipate that the company might opt to obtain more debt to finance its expansion plans.

The company's EGM, held on April 3rd, 2007, approved the distribution of 10% of capital in stock dividends for 2006, bringing the total capital up to AED1.1 billion.

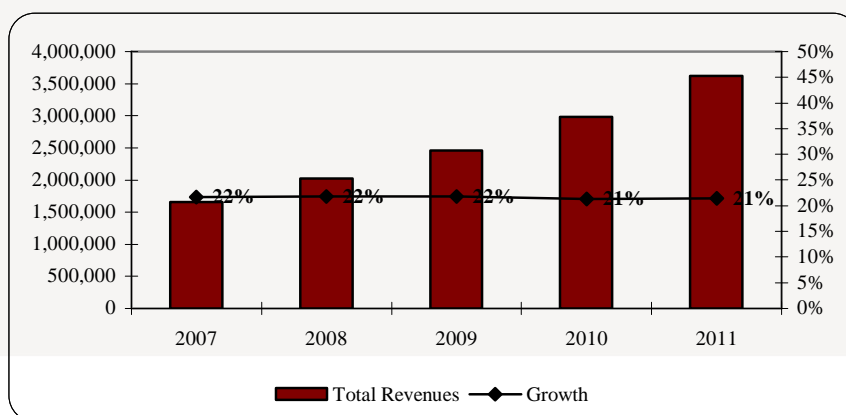
Forecast

In our forecast, we have not taken into consideration any potential future acquisitions, despite the fact that the management confirmed plans to enter the US and Chinese markets. Such schemes would indeed affect the company's revenues, profitability, and debt position.

- We anticipate that the freight forwarding and international express segments will continue to post impressive growth between 2007 and 2011, driven mainly by ARAMEX's strong logistics market in the region. This will be boosted by the company's plans to increase its market share regionally and to penetrate new markets. TwoWay-Vanguard is expected to be a main growth driver in the freight forwarding line. Based on the above, we believe that the freight forwarding revenues will surge by 25% and the international express revenues will jump by 20% over the forecast period. Any new acquisition will further push up our growth estimates.

- In the domestic express category, we have assigned a growth rate of 20% based on the historical trend of this line and the expected growth in trade in the Middle East.

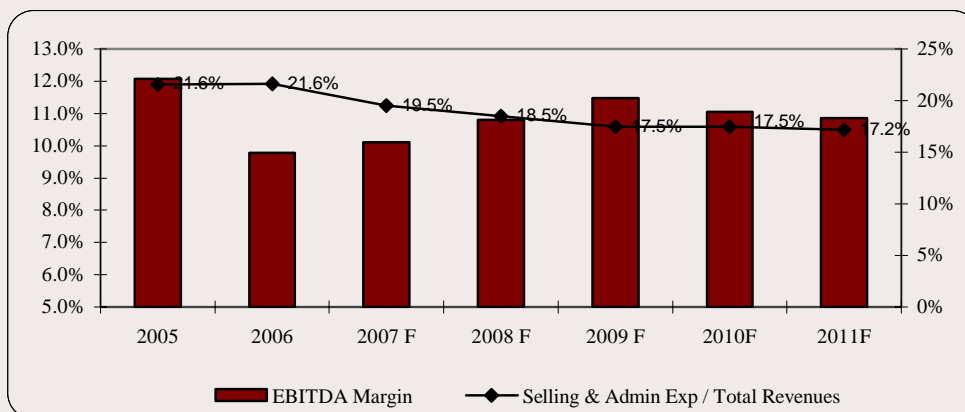
- Despite its relatively small contribution to total revenues, other revenues, including magazines and newspaper distribution, catalogue shopping, and others, are forecast to account for 15% of total revenues over the forecast period, witnessing a steady growth onward.



- The cost of services is projected to increase alongside the growth in revenues. The costs of international express, freight forwarding, domestic express, and other services are forecast to make up 44%, 73%, 26% and 56% successively, of total revenues - based on the historical trend.

- In line with the rapid pickup in business, ARAMEX will likely maintain a strict control over costs. Selling expenses and "general and administrative" expenses are expected to constitute 4%

and 15%, respectively, of total revenues in 2007, but were reduced gradually in later years. As a percentage of sales, the sum of both items is projected to fall from 22% in 2006 to 17% by 2011.



In light of the above, the profitability margins for ARAMEX will be as follows:

| Forecasted Profitability Margins | | | | | |
|----------------------------------|-------|-------|-------|-------|-------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Gross Profit Margin | 43.6% | 43.3% | 43.0% | 42.5% | 42.0% |
| EBITDA Margin | 10.1% | 10.8% | 11.5% | 11.0% | 10.9% |
| Net Income Margin | 7.6% | 8.1% | 8.6% | 8.2% | 8.0% |

Source: Jordinvest

- We anticipate that net profit will markedly grow in the coming few years given ARAMEX's leading role in the Global Distribution Alliance (GDA) and its flourishing business in the Middle East and other markets.

| Forecasted Net Profit | | | | | |
|-------------------------|---------|---------|---------|---------|---------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Net Profit in AED (000) | 125,702 | 162,964 | 210,918 | 243,560 | 288,868 |
| Growth | 32.0% | 29.6% | 29.4% | 15.5% | 18.6% |
| Net Profit Margin | 7.6% | 8.1% | 8.6% | 8.2% | 8.0% |
| EPS (AED) | 0.11 | 0.15 | 0.19 | 0.22 | 0.26 |

Source: Jordinvest

Outlook

- 1) The company's main objective is to expand in existing markets; the Middle East and the Indian subcontinent, and to penetrate new markets such as China, the US, and the Far East. Through its membership in the GDA, ARAMEX has built strategic partnerships with industry leaders, and will continue to forge strategic alliances. The company is also mulling the acquisition of complementary businesses in order to enhance its distribution services.
- 2) ARAMEX plans to provide a fully-integrated package of transportation services of the highest quality. The "Shop the World" service is one example of the full transportation solution, which covers inventory, warehousing, and logistics management services.
- 3) The company plans to capitalize on top-notch technology as part of ongoing efforts to improve the quality of services, accelerate growth, and boost revenues.

Valuation

Jordinvest has applied the Discounted Cash Flow (DCF) method and the multiple valuations approach in arriving at a fair value of AED2.85 based on the new number of shares of 1.1 billion - following the 10% capital increase.

In the DCF, we have used a risk free rate of 4.9%, which is equal to that of the US 30-year treasury bonds, and a risk premium of 5.6%. Therefore, we have arrived at a cost of equity ratio of 9.98%, which was used as a discount rate given that the company has a low debt level. A 5% perpetual growth rate was assumed given the UAE's booming economy and the promising logistics industry in the Middle East. The DCF fair value of AED2.85 means that the company is trading at a 47% discount to the current fair value. Since ARAMEX adopts a non-asset based model and will likely continue to do so in the future, capital expenditures will likely account for only 5% of total revenues. The working capital, on the other hand, is projected to make up 20% of total revenues implying the average of the last four years.

| Discounted Cash Flow Valuation | | | | | |
|--------------------------------|---------------|---|----------|----------|----------|
| <i>Figures in AED (000)</i> | 2007 (F) | 2008 (F) | 2009 (F) | 2010 (F) | 2011 (F) |
| FCF | 144,463 | 189,302 | 246,896 | 285,137 | 340,827 |
| PV of FCF | 131,357 | 156,514 | 185,613 | 194,916 | 211,849 |
| PV Terminal Value | 2,229,553 | | | | |
| Net Borrowing | 21,685 | Calculated using an estimated cost of equity of 9.98% | | | |
| Value of Equity | 3,131,487 | | | | |
| Number of Shares Outstanding | 1,100,000,000 | | | | |
| Fair Value (AED) | 2.85 | | | | |

In our revision, we found that ARAMEX is the only company of its kind that is listed on the regional stock markets. Thus, we have examined companies at the international level which, relatively, provide similar services to those offered by ARAMEX. ARMX is trading at a P/E of 22.41x based on the 2006 earnings, which is below the average P/E of 23.17x for a group of peers for the same period. In addition, ARMX trades at a P/BV of 1.66x, which is also below the average of 4.11x.

| Peer Comparison Based on 2006 Results | | | |
|---------------------------------------|--------------|-------------|-------------|
| | P/E (x) | P/BV (x) | P/Rev (x) |
| FEDEX | 18.57 | 2.92 | 1.04 |
| UPS | 18.40 | 4.99 | 1.63 |
| Expedito International | 40.39 | 8.88 | 2.05 |
| EGL Inc. | 37.91 | 5.11 | 0.66 |
| Sinotrans Limited | 15.36 | 1.44 | 0.41 |
| Yusen Air & Sea Serv. | 8.41 | 1.33 | 0.35 |
| ARAMEX | 22.41 | 1.66 | 1.56 |
| * Average | 23.17 | 4.11 | 1.02 |

Source: Jordinvest *The average excludes ARAMEX

Based on our projections used in the DCF model, the multiples will fall to attractive levels where the P/E and EV/EBITDA multiples will rest at 16.9x and 12.7x, respectively, in 2007 and will reach 7.39x and 5.42x, successively, by 2011 using the current price of AED1.94.

| Valuation Summary | | | |
|-------------------|--------|-----------------------|-------------|
| Method | Weight | Value Per Share (AED) | |
| DCF | 80% | 2.85 | 2.28 |
| P/E | 10% | 1.71 | 0.17 |
| EV/EBITDA | 10% | 1.22 | 0.12 |
| Fair Value | | | 2.57 |

Source: Jordinvest

The two multiples; the P/E and EV/EBITDA, yielded the prices of AED1.71 and AED1.22, respectively, with each given a weight of 10%, whereas the DCF was given a weight of 80%. Therefore, we arrived at a fair value of AED2.57 per share assigning a **Buy** recommendation.

| Income Statement | 2005 A | 2006 A | 2007 F | 2008 F | 2009 F | 2010 F | 2011 F |
|-------------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| AED (000) | | | | | | | |
| International Express | 351,161 | 411,751 | 494,101 | 592,921 | 711,506 | 853,807 | 1,024,568 |
| Freight Forwarding | 282,985 | 611,188 | 763,985 | 954,981 | 1,193,727 | 1,492,158 | 1,865,198 |
| Domestic Express | 120,874 | 176,962 | 212,354 | 254,825 | 305,790 | 351,659 | 404,408 |
| Other | 98,832 | 163,902 | 188,487 | 216,760 | 249,274 | 286,666 | 329,665 |
| Total Revenues | 853,852 | 1,363,803 | 1,658,928 | 2,019,488 | 2,460,297 | 2,984,290 | 3,623,839 |
| Total Cost of Services | 447,320 | 743,966 | 935,350 | 1,145,055 | 1,402,884 | 1,716,111 | 2,101,239 |
| Gross Profit | 406,532 | 619,837 | 723,577 | 874,434 | 1,057,413 | 1,268,178 | 1,522,600 |
| Other Operating Expenses | 119,117 | 191,911 | 232,250 | 282,728 | 344,442 | 417,801 | 507,337 |
| Selling Expenses | 46,462 | 57,961 | 66,357 | 80,780 | 86,110 | 102,958 | 114,151 |
| Administrative Expenses | 137,891 | 236,627 | 257,134 | 292,826 | 344,442 | 417,801 | 507,337 |
| EBITDA | 103,061 | 133,338 | 167,837 | 218,100 | 282,420 | 329,619 | 393,774 |
| Depreciation | 16,604 | 24,017 | 25,369 | 32,639 | 41,497 | 52,240 | 65,286 |
| Amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Profit | 86,458 | 109,321 | 142,467 | 185,460 | 240,923 | 277,379 | 328,488 |
| Gain or Loss of Fixed Assets | 249 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exchange Gain (Loss) | 1,508 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Income (Loss) | 341 | -1,135 | 2,986 | 3,635 | 4,429 | 5,372 | 6,523 |
| EBIT | 88,556 | 108,186 | 145,453 | 189,095 | 245,352 | 282,751 | 335,011 |
| Interest Income | 753 | 8,564 | 9,954 | 12,117 | 14,762 | 17,906 | 21,743 |
| Interest Expense | -895 | -3,309 | 3,318 | 4,039 | 4,921 | 5,969 | 7,248 |
| EBT | 88,414 | 113,441 | 152,089 | 197,173 | 255,193 | 294,688 | 349,506 |
| Income Tax | 3,925 | 4,437 | 7,604 | 9,858 | 12,759 | 14,734 | 17,474 |
| Net Profit After Tax | 84,489 | 109,004 | 144,485 | 187,315 | 242,434 | 279,954 | 332,032 |
| Minority Interest | 10,087 | 13,780 | 18,783 | 24,351 | 31,516 | 36,394 | 43,164 |
| Net Income | 74,402 | 95,224 | 125,702 | 162,964 | 210,918 | 243,560 | 288,868 |

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