



SHUAACAPITAL_{PSC}

Agility (AGLT.KW)

Equity Research

Q1 2009 First Reaction

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Satisfactory results: Agility Logistics announced their Q1 '09 preliminary figures reporting net profits of KWD 36.95 mn implying a 1.6% decrease YoY and a 10.1% increase QoQ. Net margins have improved reaching 9.1% in Q1 '09 compared to 8.5% and 7.2% in Q1 '08 and Q4 '08 respectively. Reported revenues came at KWD 407.40 mn, (-8.1% YoY, -12.2% QoQ), with logistics and freight forwarding contributing to 94.3% of the total revenues. The revenue drop was higher than the decline in net profits, most likely the result of a change in the product mix and the company reigning in its cost base.

Drop in revenues likely a result of drop in GIL volumes: We believe that the drop in revenues was mainly driven by the drop in Global International Logistics (GIL) services amidst receding global trade. Since gross margins improved although revenues have dropped, this indicates, in our opinion, that higher margin services (such as the Defence and Government Services) contribution to total revenues has increased at the expense of the lower margin GIL service. We have previously highlighted this trend in our Q4 2008 results note.

No major change in balance sheet structure, except cash piles up: reported numbers reveal no major surprise as they are consistent with previous quarters, and the structure of the balance sheet hasn't change materially. Cash however has piled up to reach KWD 323.07 mn in Q1 '09 up from KWD 253.43 mn in Q4 '08. This increase comes from addition in retained earnings and a KWD 26.09 mn drop in receivables. The debt position merely increased 4.0% QoQ to reach KWD 430.39 mn implying a debt to equity ratio of 51.2% and a EBITDA interest coverage of almost 11 times. A reminder a KWD 29.59 mn bonds will mature in September of this year.

Prime vendor contract likely to be renewed on its last option: Agility has announced in March that they have received a preliminary notice from the US military (not a commitment) to invoke the final option to extend the prime vendor (PV) contract awarded in 2002 for an additional one and a half year till December 2010. This suggests in our view, that the renewal will likely take place.

Valuation at discount to peers, likely reflecting market discounting expiration of PV contract: At yesterday closing price, the company is trading at a trailing P/E multiple of 6.1x and a 2009 annualized P/E multiple of 5.9x, a discount to the industry average. We believe that the market is pricing in the expiration of the PV contract which contribute substantially to the company's bottom line.

Current stock price (KWD)	0.83
52-week range (KWD)	0.45 - 1.40
Number of shares ('000)	1,046,837
Free Float	61%
Market Cap (KWD '000)	868,874
Market Cap (USD '000)	2,989,933
P/E 2008	6.15
P/B 2008	1.15
Div. Yld 2008	0.00%

KWD '000	Q1 2008	Q4 2008	Q1 2009	FY 08
Logistics and freight forwarding revenues	422,516	441,665	384,245	1,744,584
Rental revenues	6,481	6,534	7,537	25,878
Other services	14,136	15,802	15,616	65,224
Total revenues	443,133	464,001	407,398	1,835,686
Total gross profit	150,894	173,352	154,421	652,942
Gross profit margin	36.0%	37.7%	37.9%	35.6%
Staff costs	65,822	77,897	64,860	287,646
Net finance cost	1,333	3,049	845	6,707
Net income	37,536	33,566	36,952	141,373
Net profit margin	8.5%	7.2%	9.1%	7.70%
Property, plant and equipment	210,925	221,106	224,187	221,106
Investment property	208,787	212,912	213,163	212,912
Interest bearing loans and borrowings including bonds	318,706	413,857	430,385	413,857

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