SHUAA CAPITAL PSC

Aramex (ARMX.DU)
A Regional Brand on a Global Mission

Equity Research **Initiation Coverage**

May 27th, 2008

Current Price:	AED 2.55	**Country:**	United Arab Emirates
Fair value Target:	AED 3.08	**Sector:**	Logistics
Recommendation:	BUY	**Exchange:**	Dubai Financial Market

Sector Coverage Team

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- From a small express wholesaler for the Middle East, Aramex has evolved to a Middle East focused worldwide provider of integrated supply chain solutions. The company has more recently embarked upon an aggressive expansion strategy to position and retain its place amongst the leading players of the industry, and capitalizing on a Global Distribution Alliance, in which it is one of the largest members.

- While remaining an asset light operation, Aramex has nevertheless grown to incorporate 307 offices in 195 cities, employing over 7,000 employees and serving a client base of over 50,000 companies, based mainly in the ME, Europe, India and America. The asset light nature of the operation has kept CAPEX of less than 5% of revenues, although an increasingly active acquisition strategy should utilize much of the company's cash and impact its capital structure going forward.

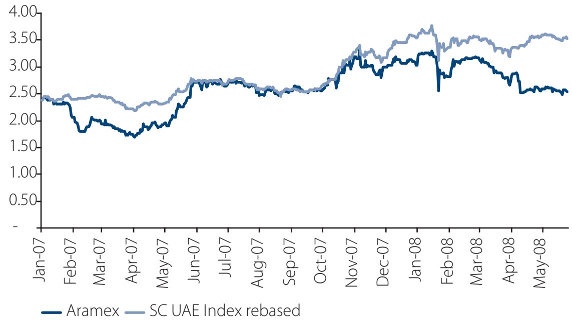
- Aramex retains a significant competitive advantage within its core market of the Middle East. The company is targeting further geographic expansion in an effort to set up a robust global network, however, the Middle East region is likely to remain the dominant region, and hence should be the main growth driver for the company for the foreseeable future. In light of this, we anticipate that Aramex will continue to witness double digit growth for our forecast period, driven by high and sustained regional growth in economic activity, increased trend of outsourcing supply chain management solutions, continued reduction in trade barriers in the region, significant expenditure on the region's transportation infrastructure and Aramex's ability to capitalize on all the above trends.

- While the current stock price seems to already incorporate expectations of growth, we believe that it does not fully capture the inherent sustainability of anticipated double digit growth or the potential benefits of prudent and targeted geographic expansion, or the potential returns from leveraging the brand. We initiate coverage on Aramex with a BUY recommendation based on a fair value target of AED 3.08 per share, implying an upside potential of 21% from the current levels of AED 2.55 per share.

Year	Net profits (AED '000)	BVPS (AED '000)	EPS (AED '000)	RoAE (%)	RoAA (%)	P/E (x)	P/B (x)
Dec 10E	209,789	1.23	0.17	14.5%	9.9%	14.71	2.08
Dec 09E	178,082	1.16	0.15	13.1%	9.2%	17.33	2.20
Dec 08E	148,318	1.10	0.12	11.4%	8.4%	20.80	2.32
Dec-07	121,552	1.17	0.11	10.0%	7.6%	23.08	2.18

52 - week range (AED)	2.43-3.35
Number of shares ('000)	1,210,000
Free float (%)	55%
Market Cap (AED '000)	3,085,500
Market USD '000)	840,049
Div Yld. 2007 (%)	0%

Aramex stock performance vs. SC UAE Index rebased



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Investment Highlights

• From a small express wholesaler for the Middle East, Aramex has evolved to a Middle East focused worldwide provider of integrated supply chain solutions, offering services that are at the heart of the business, such as express delivery, freight forwarding and warehousing, in addition to value added services that have complemented the company's business model and accelerated its growth.

• The company has more recently embarked upon an aggressive expansion strategy to position and retain its place amongst the leading players of the industry, and capitalizing on a Global Distribution Alliance, in which it is one of the largest members. It has also identified opportunities to leverage a well established brand and streamlined operations.

• While remaining an asset light operation, Aramex has nevertheless grown to incorporate 307 offices in 195 cities, employing over 7,000 employees and serving a client base of over 50,000 companies, based mainly in the ME, Europe, India and America. The asset light nature of the operation has kept CAPEX of less than 5% of revenues, although an increasingly active acquisition strategy should utilize much of the company's cash and impact its capital structure going forward, from virtually no debt today.

• As an integrated service provider, Aramex retains three main revenue streams. They are freight forwarding (46% of total revenues), express (42% of total revenues) and other (12% of total revenues) as on 31 December 2007. We expect the mix to be retained at roughly the same levels going forward, assuming future acquisitions do not impact the mix materially.

• Aramex retains a significant competitive advantage within its core market of the Middle East, which today represents over 65% of the company's revenues. However the company is targeting further geographic expansion in an effort to set up a robust global network, targeting regions that have considerable trade activity with the region or in absolute terms, or where the current alliance partner does not have the capacity to offer appropriate service. However, the Middle East region is likely to remain the dominant region, and hence should be the main growth driver for the company for the foreseeable future.

• We anticipate that Aramex will continue to witness double digit growth both in terms of revenues and profitability for our forecast period, driven by high and sustained regional growth in economic activity (to which growth in logistics and supply chain services is highly correlated), increased trend of outsourcing supply chain management solutions, continued reduction in trade barriers internationally and within the region, further economic diversification and industrial production, significant expenditure on the region's transportation infrastructure and Aramex's ability to capitalize on all the above trends due to its leading market position and significant investment in further developing its global network.

• Aramex today represents the most evenly balanced play on the Middle East's underlying trends of growth in economic activity and trade, while incorporating access to the increasingly global ambition of a successful Middle Eastern brand. While the current stock price seems to already incorporate expectations of growth, we believe that it does not fully capture the inherent sustainability of anticipated double digit growth or the potential benefits of prudent and targeted geographic expansion, or the potential returns from leveraging the brand.

• We initiate coverage on Aramex with a BUY recommendation based on a fair value target of AED 3.08 per share, implying an upside potential of 21% from the current levels of AED 2.55 per share. The target was based on a 70% weighting on a Discounted Cash Flow valuation (DCF) and a 30% weighting towards a multiples based peer valuation.

Company Overview

The starting point

An express wholesaler in ١٩٨٢, evolving to an integrated service provider today

The history of Aramex can be traced back to 1982 when a privately held company for express delivery was established with only two offices: Jordan and New York. The company initially functioned as an express wholesaler for American express delivery companies such as FedEx, Purolator, Burlington, Emery and Airborne Express in the Middle East, with DHL as its main rival in the region. As FedEx established its own presence in the Middle East, Aramex evolved its business model by establishing and selling its own branded services to the region and rest of the world.

Within the first decade of starting its operations, Aramex developed a global alliance called Overseas Express Carrier (OEC) with Seattle-based Airborne Express, the third largest air courier provider in the USA with its major hub in Ohio. In the first instance, this alliance enabled Aramex to gain access to different markets through Airborne's offices and international network in Belgium, Canada, China, Singapore and UK, while Aramex utilised its own physical network and infrastructure in the Middle East.

However, Airborne Express was bought by DHL in 2003. This acquisition posed a significant threat to Aramex as DHL gained access to information about Aramex's operations, and effectively disrupted Aramex's global network that had been established through the alliance. The fact that Aramex survived this threat and managed to rebuild its own network within a period of six months with little disruption has since been celebrated by the company as one of its most endearing achievements, and a testament to the viability of Aramex's business model within a global industry dominated by giants.

Over the years, the company has managed to evolve its operations from that of an express wholesale delivery provider to a worldwide provider of integrated supply chain solutions, offering services that are at the heart of the business, such as express delivery, freight forwarding and warehousing, in addition to value added services that have complemented the company's business model and accelerated its growth.

Product progression

Source: Aramex, SHUAA Capital

Capitalizing on GDA alliance to expand services & coverage

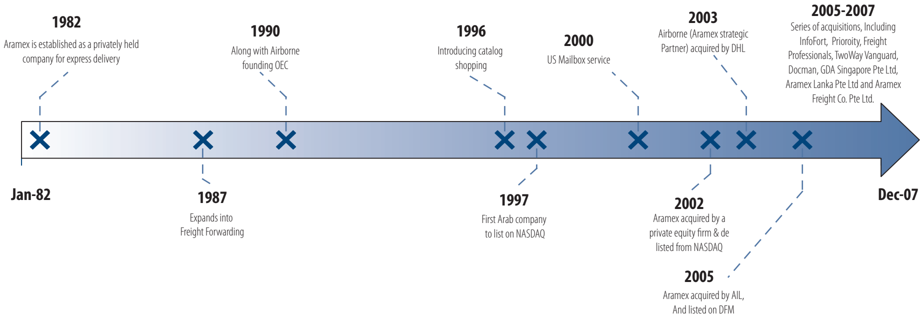
Aramex embarked upon an aggressive expansion strategy to position and retain its place amongst the leading players of the market, and capitalizing on the Global Distribution Alliance (GDA) - an alliance of more than 40 leading logistics and transportation providers operating in more than 240 countries worldwide. Today, Aramex has become one of the largest players in the alliance.

Leveraging its expansion strategy and GDA alliance, Aramex has embarked on an organic and inorganic growth strategy in harmony with the rapid changes in industry trends; and is currently positioned well among the most recognized global brands in the space, especially within its key areas of operations in the Middle East and Asia.

Today, Aramex is a provider of a full range of supply chain management services. It has moved from being an express operator based in Jordan with two offices, to a quasi-international company that operates 307 offices in 195 cities, employing over 7,000 employees, and with main hubs in Dubai, Hong Kong, Liege, London, New York and Singapore.

The company benefits from a solid client base of over 50,000 companies, based mainly in the ME, Europe, India and America. These include trading companies, pharmaceutical companies, banks, service and information companies, manufacturing, regional distribution companies and express companies. In addition, Aramex intends to introduce a system of franchising to add depth to its global network, especially for countries in Central Asia, Africa and Eastern Europe., as it builds on a brand that has achieved significant recognition and value in its core markets.

Timeline



The Global Distribution Alliance (GDA) and its role

GDA alliance of more than 40 leading solution providers

GDA is an alliance of more than 40 leading logistics and transportation providers around the world, operating in more than 240 countries with 12,000 offices worldwide, more than 66,000 employees, and an excess of 33,000 vehicles. GDA's annual international express shipment volume is around 5 mn shipments, totalling around 12 mn kilograms.

Main purpose to widen client base and geographic coverage

The main purpose of this alliance is to offer timely and trustworthy solutions for an extensive worldwide customer base spread across Africa, Europe, ME, the Indian Subcontinent and the Americas. Moreover, the specific regional focus of member companies such as, Aramex in ME, Posten in the Swedish market and IOL Express in the Madagascar market, is leveraged by all other members to establish worldwide access.

Aramex is one of the major members of the alliance along with Toll Priority, which has a market capitalization of USD 8 bn. Main members of GDA network across various regions include:

Africa: Express Handling Services (EHS), Dawn Wings, IOL Express

Asia: Toll Priority, Kerry EAS, Jupiter Global, RAF, YCS Express

Europe: Leman, Air Express, Ziegler Express, MRW, Jonar Transport, Posten Express (PEX), Pegasus, Scancargo, Manx Independent Couriers, Cargo Partners, Trans Express, MRW, Primacosped

MENA & Indian Subcontinent: Aramex (the only company within the alliance to cover this region).

South America: International Bonded Couriers LLC (IBC)

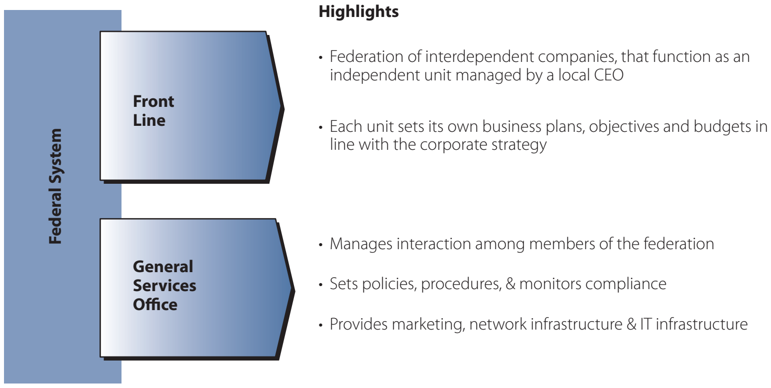
Central America: IBC and IB Express

Australasia: Toll Priority

This network is a federation of independent companies managed locally by their own CEO with their own business plans, objectives and budgets. The managing body at federal level defines corporate strategy, provides marketing, network and IT infrastructure, and manages the interaction between different companies. All member companies are linked to Aramex's main office that manages the interaction of members, sets policies and procedures, monitors compliance and, most importantly, provides the network and IT infrastructure.

Aramex business model

Chart below illustrates Aramex's business model



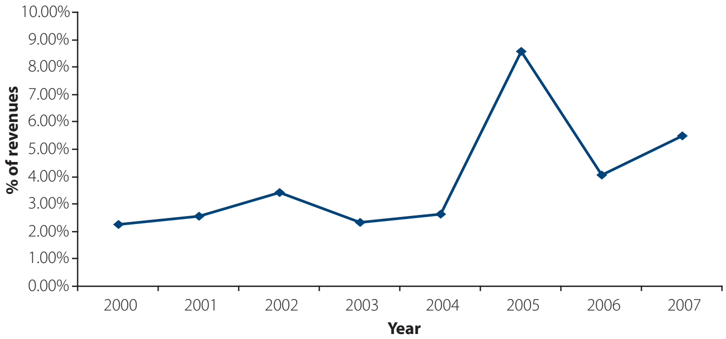
Source: Aramex, SHUAA Capital

Non Asset-Based company

Asset light company

Despite treading the path of expansion and leveraging, Aramex has managed to remain an asset-light company, maintaining yearly CAPEX of around 3% of total revenues. This commitment to asset composition explains the reasons for wet leasing most of assets rather than direct purchase. Wet lease is defined as an arrangement between the lessor who provides the lessee with the trucks, drivers, maintenance and insurance and charges on an hourly basis.

Capital expenditures - % revenues



Source: Aramex, SHUAA Capital

The year 2005 was an exceptional year when CAPEX / revenue shot up to 9%, explained by increase in work in progress representing the AED 17 mn (USD 4.6 mn) warehouse facility in Jebel Ali under construction.

The approximate percentage of capital expenditures in2007 of 5% to total revenues is in line with other peers which save Aramex expenses such as maintenance or upgrade costs that the company can forgo in times of activity slow down.

	2007 CAPEX as a % of revenues
Aramex	5.48%
DPWN	3.49%
FedEx	8.18%
TNT	3.35%
UPS	5.67%

Source: Reuters, SHUAA Capital

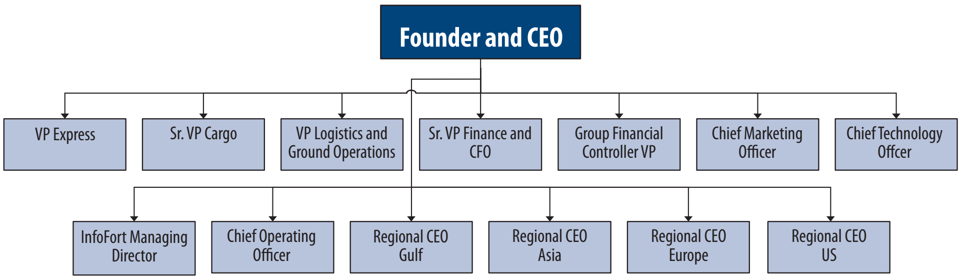
Global reach

Source: Aramex, SHUAA Capital

Organization structure

Aramex is organized as a network of interdependent companies that function as independent units managed by a local CEO. Each unit sets its own business plans, objectives and budgets in line with the overall corporate strategy and report directly to the CEO.

Other relevant departments and reporting hierarchy is shown in the chart below.



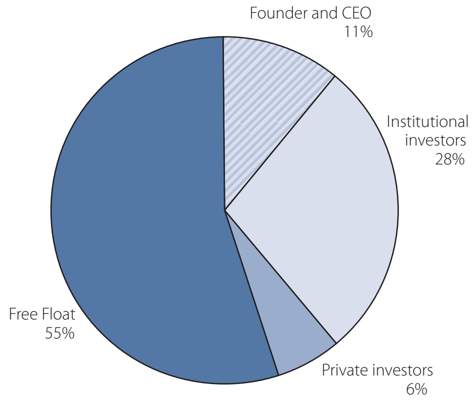
Source: Aramex, SHUAA Capital

The management

Mr. Fadi Ghandour, the CEO, is an entrepreneur who set out to create "a FedEx for the MENA region" in 1982. Under his supervision, and after two decades of successful implementation of expansion strategies and acquisitions, Aramex evolved from being a service provider to American companies in the MENA region to become the dominant regional brand with global ambitions.

Mr. Ghandour is also a founding partner of Maktoob.com, the world's largest Arab online community, as well as a member on Board of Abraaj Capital, a private equity firm in the MENA region with USD 5 bn assets under management.

Ownership structure:

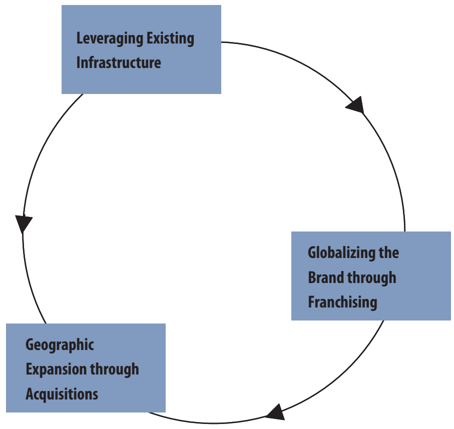


Source: SHUAA Capital

Growth strategy

Highlights

- Expand into key Geographic areas that are main pillars in the global trade through Acquisitions. Such acquisitions will secure the Global Alliance, develop a more secure global network and provide Aramex with sources for growth.
- To supplement the acquisition strategy, Aramex plans on expanding its brand by franchising in developing countries. This will provide Aramex with a revenue stream, expand the brand with minimal capital requirement.
- To further leverage the existing regional infrastructure Aramex plans on expanding the products; supply chain management, and document storage to existing Aramex locations within the Middle East and Subcontinent.



Source: Aramex, SHUAA Capital

Key strategy to be achieved through organic and inorganic growth

The company's key growth strategy has been to expand its geographical reach and product competencies both through organic growth and acquisitive inorganic growth. This core strategy has been consistently applied to fit emerging industry trends in a rapidly changing environment.

The commitment to its core strategy has paid off for Aramex as today, having a wide geographic coverage and providing the full spectrum of supply chain services, is a prerequisite for survival of supply chain services providers as much for Aramex as it is for other providers regionally and globally. Consequently, Aramex made a seamless transition from being an express company to becoming a recognized player providing fully integrated supply chain services solutions.

Inorganic growth through acquisitions-

Acquiring profitable and cash rich companies

The company aims to acquire profitable companies or cash rich companies seeking to improve profitability and margins in target geographies or missing links within its supply chain and logistics management operation.

Aramex has managed to achieve improvements in its operating margins by making currently profitable acquisitions more efficient by outsourcing technology and other back office functions of acquired entities to its existing back office.

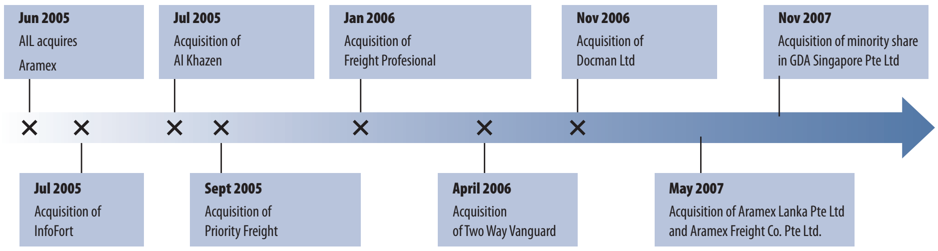
Advantage	Highlights
Strategic	• Aramex currently has operations in the Middle East, South Asia as well as key countries in Europe and covers the rest of the world using the GDA alliance • However to achieve its mission, Aramex needs to expand its scope geographically • There are countries that Aramex has identified as critical to assure stability of the alliance and allow Aramex to achieve the mission of setting up an independent network. These are countries that have considerable trading volumes, where the current alliance partner does not have the capacity to offer the appropriate service, or the partner's long term strategy is not in line with the Aramex strategy
Performance	• In order to maintain its mission drive and growth, Aramex needs to sustain on improve on its margins. Acquiring profitable companies or cash rich companies provides a powerful weapon, money that can be re-invested or returned to shareholders • Even if the acquisition targets are currently profitable, they may become more efficient by outsourcing technology and back office functions to the existing Aramex back office. Aramex will also improve operating margins by aggregating the volumes of acquired companies

Source: Aramex, SHUAA Capital

Since, there are a number of small to medium sized family owned business within the region that can possibly be integrated with the existing Aramex operation and produce considerable efficiencies; Aramex continuously seeks to identify such companies to grow revenues and profit improving efficiencies and leveraging on higher synergies.

The acquisition spree:

Throughout the past three years, Aramex has embarked on several acquisitions,



In November 2007, Aramex acquired the business of GDA Singapore Pte Ltd, an express carrier in Singapore. Acquisition cost was AED 1.64 mn (USD 0.45 mn) and is expected to contribute around AED 142,000 (USD 38,670) to the company's bottom line in 2008.

In May 2007, Aramex acquired the remaining 50% of the share capital of Aramex Lanka Private Limited and Aramex Freight Corporation Lanka Private Limited for AED 5.91 mn (USD 1.61 mn). The acquisition is expected to decrease the minority interest by AED 0.29 mn (USD 79,000) this year.

In November 2006, Aramex acquired Docman Limited, a document and records storage and management specialist. This acquisition follows the previous acquisition of InfoFort in July 2005, another specialist in document storage and management in the MENA region.

In April 2006, Aramex continues its international expansion with the acquisition of TwoWay Vanguard in Europe a freight and logistics specialist, with leadership position in the UK, Ireland and Holland where it has 15 offices. This improved Aramex's presence in some of the key European markets which contributed 25% of Aramex's overall revenues in 2006 as oppose to 5% in 2005.

In January 2006, Aramex improved its prospects in the ME with the acquisition of Freight Professionals, one of the main air and sea freight forwarding companies in Egypt.

In 2005, Aramex acquired Priority Freight, a UK-based express service provider that specializes in express traffic between the UK and US markets, and Al Khazen, the only independent publication distribution company in Palestine.
Building on the acquisitions made so far, the company has budgeted around USD 200 mn for further consolidation of other supply chain solution providers securing access to

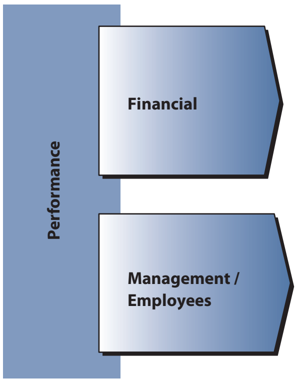
new markets and command a bigger market share. The success of this expansion strategy depends on achieving a mix of services necessary to maintain healthy net margins, and, more importantly, on how well and fast the acquired entities are integrated into the existing network.

Acquiring a member of the GDA might be an option but at the expense of tapping new markets

That is why we assume that acquiring a member within the GDA might be a good approach given member's familiarity with the existing systems at Aramex. One could also argue against the approach by highlighting the opportunity cost of using the funds for acquisitions in new, untapped markets rather than an acquisition in a market which is already penetrated by Aramex via its affiliation with GDA.

Guidelines for acquisition targets:

Advantage | **Highlights**



Financial:
Established company with stable cash flow
Healthy working capital with a flow ratio below 1.25
Profitable company with margins in lieu with Aramex's margins.
Capacity to support reasonable levels of leverage to allow for acquisition financing (Debt should not exceed 4x EBITDA)
Clean books with accredited auditors
Non-asset based companies

Management / Employees:
Experienced management teams that is willing to continue post acquisition.
Track history of having met projections and budgets
Diversified client base with minimal reliance on top clients or on network of agents.
Not part of or affiliated with an already established network
Strong corporate culture that is in line with Aramex'
Ability to change and incorporate the Aramex Accounting policies and IT systems.

Source: Aramex, SHUAA Capital

Organic growth

Organic growth: more customized solutions and better quality services

Aramex plans to develop more customized solutions for its customers, as well as improve quality of services provided. Towards this, Aramex can widen its coverage by opening new centers and offices as was the case in previous years when:

Aramex opened logistics centers in key markets, such as in Jebel Ali Free Zone, Cairo Airport and Jeddah in Saudi Arabia, and expanded its key center at London Heathrow Airport. It also opened offices in Bangladesh and Vietnam.

Aramex signed an agreement with Dubai Logistics City, to establish a 65,000 square meter center.
In the future, Aramex will continue its organic growth with opening of new centers and offices in emerging business and commercial hubs, like the free trade zones which are becoming a trend to stimulate economic activity especially industrial activity in the regions, as well as continue the expansion in the US or Asia.

Not only expanding geography but also offering complementary services

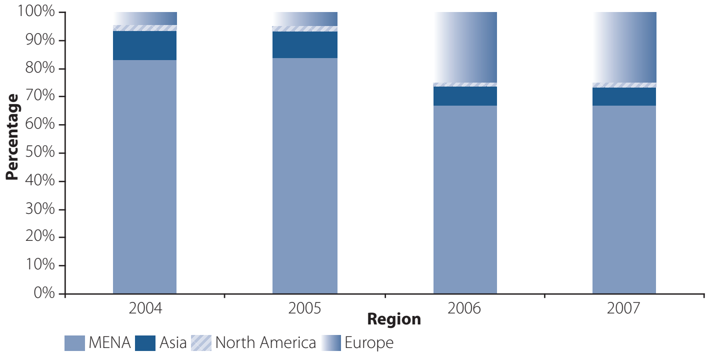
Not only will growth be accomplished through opening new offices or expanding the presence, but also by packaging services to benefit from key business trends and evolving customer requirements. The document storage service is one such example. It is already offered to existing customers but has the potential to attract new customers who might end up using other services on offer at Aramex. The added cost for such a service both in terms of revenues and profits and in terms of range of services is minimal for Aramex versus the prospective gains.

Geographical focus

Most sales are generated in the Middle East

Aramex, today, serves a diverse base of global customers across all industries. It has operations in the ME, Europe, India and America catering to retail customers, trading and manufacturing companies, financial services companies, information and technology companies, regional distribution companies and express companies. The company has achieved this growth through successful acquisitions and expansion of its existing product portfolio.

Geographic concentration of revenues



Source: Aramex, SHUAA Capital

Target regions

US and Asia are qualify as target regions on the back on growth prospects

There are countries that Aramex has identified as critical to achieve its mission of setting up a global independent network while assuring stability of the GDA alliance. These are countries that have considerable trading volumes or where the current alliance partner does not have the capacity to offer appropriate service. These could also be the ones where the partner's long term strategy is not in line with the Aramex strategy. Looking in-depth at some of these:

United States: Aramex is looking to gain more control over its express delivery infrastructure and supplement the express solution with acquisition of a freight forwarding company or a number of local delivery messengers with offices in the main US international gateways.

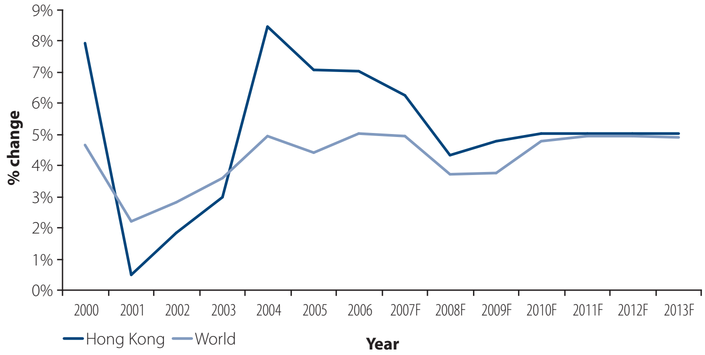
China: It is essential for international transportation companies owning a network within China to service rising volumes of both exports and imports. Hence, such a network should be equipped to offer an international express, domestic express and freight forwarding products.

India: Aramex already maintains a medium-sized operation in India that offers an international and domestic express service and freight forwarding. It is considering expanding its operations by acquiring a company with a countrywide infrastructure.

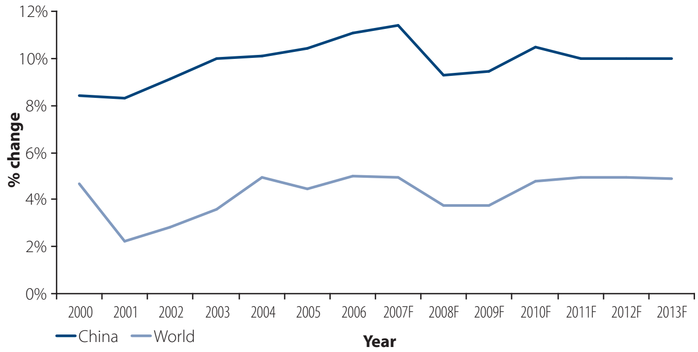
Asia: Hong Kong and Singapore are the main distribution gateways to the Far East. Aramex already has an operation in Hong Kong and is negotiating a joint venture with an established operator in Singapore.

The importance of these regions is evident in their high GDP levels and positive growth rates exhibiting a strong positive correlation with overall trade activity and, hence, with the logistics industry.

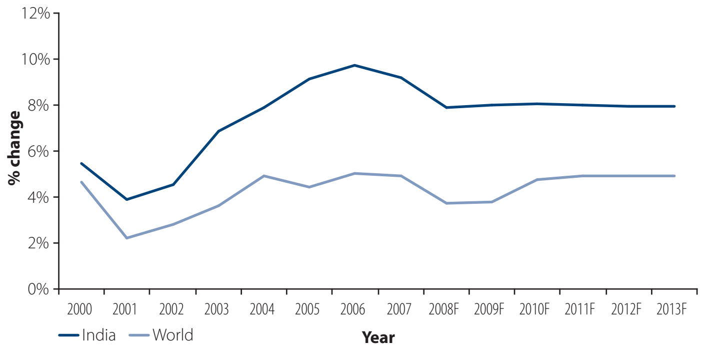
Global real GDP growth vs. Hong Kong



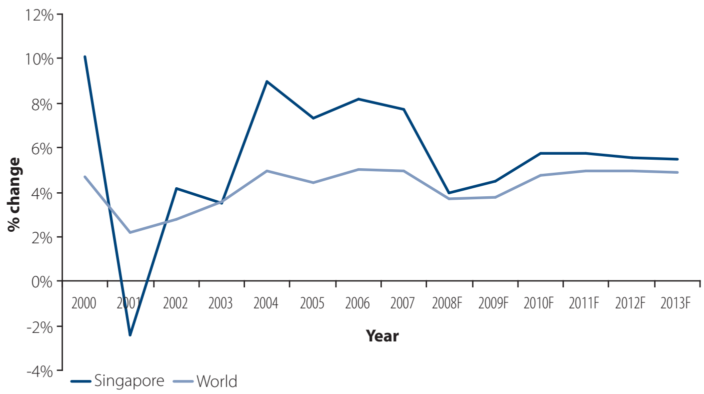
Global real GDP growth vs. China



Global real GDP growth vs. India

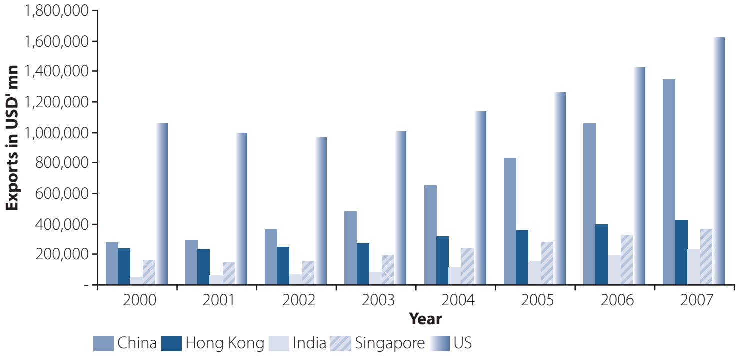


Global real GDP growth vs. Singapore



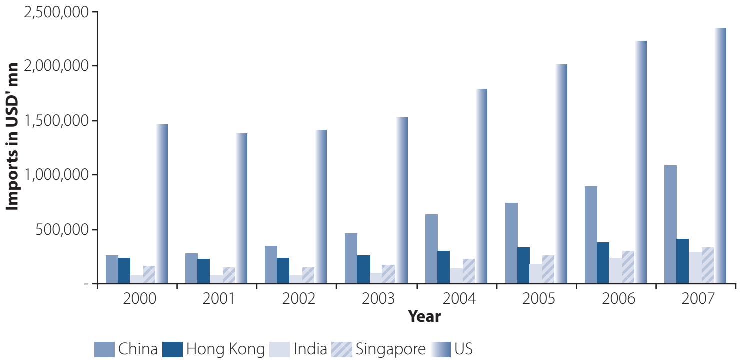
Source: IMF, WEO

Exports



Source: WTO

Imports



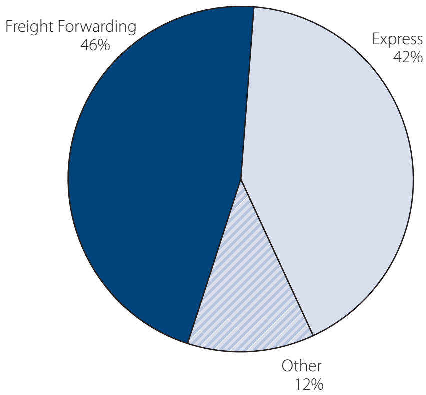
Source: WTO

Product focus

Revenue breakdown by business segments

Aramex has emerged as an integrated service provider with three main product streams - express contributing (42%) to total revenues, freight forwarding accounting for (46%) of total revenues and other, contributing (12%) to total revenues as on 31 December 2007.

Revenue breakdown 2007



Source: Aramex, SHUAA Capital

Aramex's revenue breakdown is in line with global industry norms. Overland transportation continues to be the main revenue generator for logistics companies in developed countries, accounting for anywhere between 50-80% of sales.

Although the current industry trends are very encouraging for the entire product range, the choice of mode of transportation and operator's margins depend on the weight of the product and its time sensitivity. The lower margin freight forwarding business is expected to grow at a global CAGR of 9.38% till 2010 in comparison to an average global CAGR of 5% - 6% for the higher margin express business.

Express and postal

Scope
Express delivery involves door-to-door worldwide delivery of small shipments, ranging in weight from 0.1 kgs to 50 kgs, providing transportation systems as well as cross-border clearance and collection of payments from customers. Completing the loop, Aramex also delivers company products and goods to the end user, collects cash and delivers it back to the company.

To add customer convenience to the process of transporting goods, express delivery companies provide the sender access to information on the progress of shipments from pick-up to delivery including a proof of delivery. These companies also handle customs clearance as well as the payment of duties and taxes when required at a border.

Express revenues are a function of the number of deliveries and the resulting yield per item, which, in turn, are a function of economic activity reflected in the growth of real GDP, the spending patterns and the structure of the market.

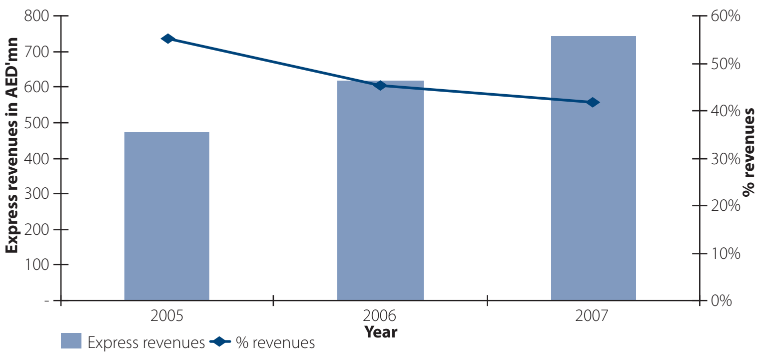
An express delivery operator helps to maximize operational efficiency, reduce production shutdowns, and facilitate implementation of best international techniques such as build-to-order while minimizing inventory costs. In addition, small companies can take advantage of high quality, rapid delivery services which they could not have provided in-house. The express delivery solutions business is especially important for knowledge-based sectors, or industries that provide time-sensitive or high value products and services, such as pharmaceuticals, biotechnology, financial and business services.

In domestic express, Aramex may act as the "mail messenger" of a certain company; handle the distribution of monthly invoices, marketing and promotional materials, and coordinate internal letters and correspondence between the branches and head office. The latter is a growing sub-sector given the globalization and expansion of most businesses across distant locations.

Revenue contribution
Although Aramex's revenues from express delivery segment have increased in absolute terms from AED 472 mn (USD 128.5 mn) in 2005 to AED 617 mn (USD 168 mn) in 2006 and AED 744 mn (USD 202.5 mn) for 2007, its contribution to total revenues, however, has decreased from 55% in 2005 to 45% in 2006 and 42% in for the 2007 in favor of other activities.

The contribution of express services to total revenues dropped as a result of the acquisition of TwoWay Vanguard in 2006. The initial drop in revenue contribution reflected increasing diversification of services, reduced concentration risk, and a new positioning as a recognized integrated supply chain solutions provider.

Express revenues



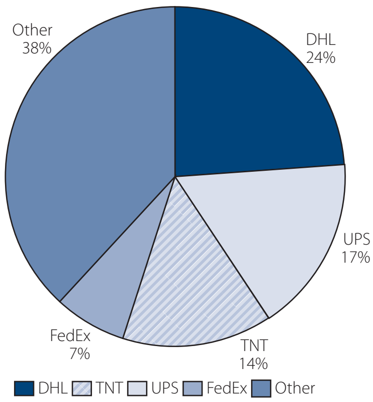
Source: Aramex, SHUAA Capital

Global and regional players

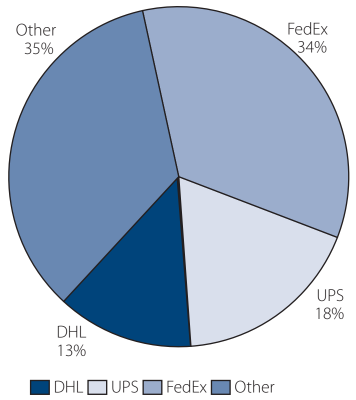
Express and postal market dominated by the "Big Four"

Today, the global express industry is dominated by the big four "integrators": FedEx, UPS, DHL, and TNT. Express revenues are a function of the number of deliveries and subsequent fees, which, in turn, are a function of growth of real GDP explaining the spending patterns of outsourcers. The global express market is growing at an annual average rate of 6% to 8% till 2006, as globalization fuels the expansion of worldwide trade, and more shipments need to be handled swiftly and reliably. It is expected to continue growing at a CAGR of 5% - 6% till 2010. Hence, the `big four' are currently pursuing growth strategies to benefit from the global positive economic outlook.

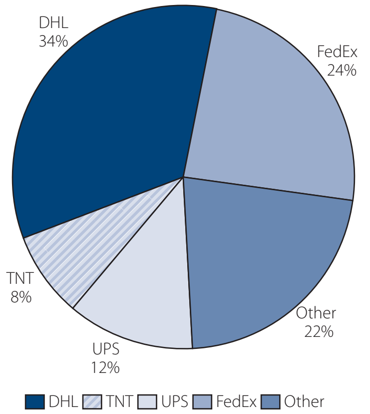
European international CEP market*



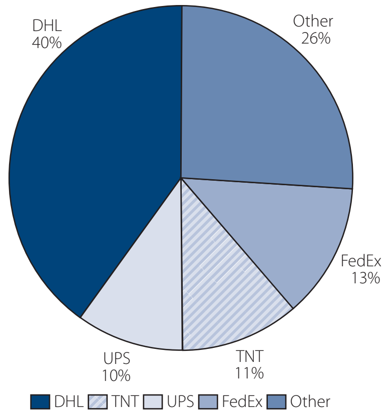
US international CEP market*



Asian international CEP market*



EEMEA markets international CEP market*



**CEP - Courier, express and postal*
Source: DHL

Global players

Deutsche Post World Net

Deutsche Post initiated its expansion spree with the acquisition of Airborne in 2003 (3rd largest express delivery in the US prior to the acquisition) and, later, managed to integrate it with DHL, the express arm of Deutsche Post, within a short period of time. This integration was quasi-completed when DHL and Airborne were combined into one product line, common ground network and one customer interface. In 2007, Deutsche Post witnessed a 2% increase in express and postal revenues reaching USD 42.9 bn from USD 42 bn in 2006.

FedEx

FedEx' recorded an increase of 7% in its Express and Ground segment revenues, from USD 26.8 bn in 2006 to USD 28.7 bn in 2007, reflecting increased market share due to the company's extensive network and expansion strategies. For instance, acquisitions of ANC Holding Ltd. (ANC) in UK, and Tianjin Datian W. Group (DTW Group) in China are expected to enhance FedEx presence in these strategic markets and promote it as a leading global player in the express industry. Another target geography identified for acquisitions by the company is India.

UPS

UPS recorded a 4.5% increase in revenues from USD 39.5 bn in 2006 to USD 41.3 bn in 2007. Fuelling its growth, UPS initiated in 2006 a five-year plan that would involve CAPEX of USD 1 bn to expand its air hub in Louisville (USA) and improve its sorting capacity by 60%. UPS, which celebrated its 100th anniversary in August 2007, operates more than 3,000 facilities worldwide, serving more than 7.9 mn customers. In 2007, UPS delivered a record 3.97 bn packages despite the slowing global economy.

TNT

TNT revenues increased from USD 14.3 bn in 2006 to USD 15.7 bn in 2007 implying a 9.8% growth. TNT had undertaken a severe restructuring in 2006 to renew focus on its core-competencies of managing delivery networks as well as improve revenue stream. The company divested business operations such as the contract logistics division and cut down on its workforce (around 35,500 employees) to improve efficiency. Further, TNT has initiated standardization of its mail division procedures to enhance productivity and ensure fast and swift service. The underlying strategy is to capitalize on the growth prospects of emerging markets in Asia and aim at becoming the leading integrated services provider in India.

Regional players

Emirates Post

One of the main regional players who is expanding aggressively in the express and postal market is Emirates Post. The company recorded 20% increase in net profits in 2007 reaching a level of USD 51.7 mn (AED 190 mn). With four subsidiaries specialized mainly in courier services, logistics solutions, electronic documents handling and direct marketing, the company provides a wide array of services ranging from express mail service, to private and public P.O. Box, degree verification, global instant cash, marketing solutions and other services.

To expand its operations and be closer to its customers, Emirates Post has established alliances such as those with Air Arabia and Western Union.

Other regional players

Other regional players include Emirates Corporation for Commercial Postal Services, Fast Express, General Postal Corporation, Jordan Post Company, LibanPost, Skynet Worldwide Express and Public Posts Establishment in the Middle East; NAQEL and Saudi Post in Saudi Arabia, and Algerie Poste, Barid Al Maghrib, Egypt Post, Office National des Postes, Posts and Telegraphs Public Corporation in North Africa.

Apart from direct competition, some of these regional players compete with Aramex through alliances with global players such as SMSA Express – FedEx and SNAS DHL Worldwide Express in Saudi Arabia.

Aramex express and postal advantage

The competitive advantage of Aramex primarily lies within the region of the Middle East in which it enjoys a leadership position, and which is a high growth market that has proven to be more resilient to global shocks.

Aramex's dominant position in the Middle East puts it at an advantage

Its wide network and quasi dominance of the express and postal market in the Middle East gives it an edge over other players. Additionally, Aramex is currently upgrading its extensive land network by including additional routes to link Dubai to Muscat, Manama, Doha and some regions in Saudi Arabia.

As an indicator of the success of its express and postal business, Aramex has succeeded in building strong relationships with its customers and score high on customer satisfaction ratings. Pegged on this customer-focused strategy, Aramex is promoting a transparent approach evident in the issuance of Sustainability Report – 2006, the first in the Arab World, to communicate its strategy, goals and commitment that it holds towards society and environment.

To better compete with global players and take advantage of expected growth, Aramex could pursue strategies outlined above such as undertaking strategic acquisitions, leveraging its existing land and transport infrastructure, and establishing strong alliances with airlines to facilitate efficient flow of goods.

Freight forwarding

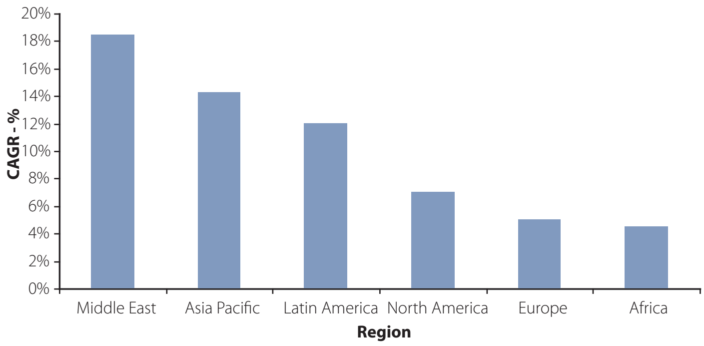
Scope
Freight forwarding involves multi-modal transportation using air, ocean or road transport, to reach an optimum combination of cost, speed and reliability.

Freight forwarding is divided into three categories:
Air freight: associated with air cargo services, whereby the forwarder establishes alliances with or has access to different airlines or super carriers.

Ocean freight: associated with the capacity and throughput of port operators, requiring the forwarder to master the know-how of loading, unloading, and cargo consolidation.

Road freight: associated with the transport infrastructure in a specific region, highlighting the advanced network used by the forwarder to ensure the timely and safe delivery of the product.

CAGR of feight forwarding growth by region 2006-2010



Source: Transport Intelligence

Freight forwarding is positively correlated with real GDP growth as a proxy of trade, but the intensity of the effect varies depending on the region and how developed this region is. We estimate that a 1% increase in real GDP would contribute to a 3.1% increase in freight forwarding revenues in Asia, excluding China, or 1.81% in Asia-including China, 4.17% in Europe, 3.83% in Americas and 4.11% in developing markets like the Middle East.

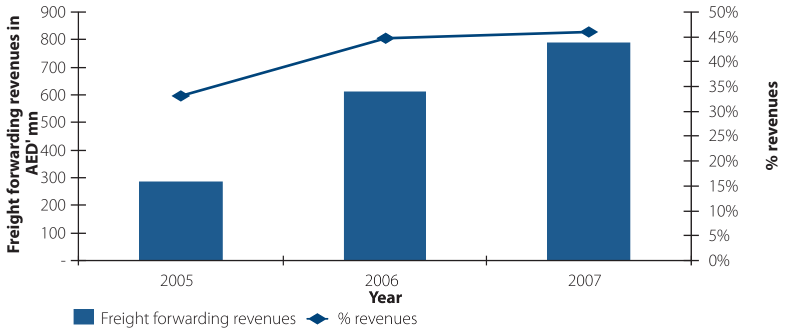
Revenue contribution
Gross margins of freight forwarding services (that contributes 46% of total revenues) have been improving since 2002. Further improvement is indicated by the acquisition of TwoWay Vanguard, a leading freight and logistics specialist in the UK, Ireland and Holland, where it has 15 offices in 2006.

The initial contribution of the TwoWay Vanguard acquisition was a negative one in 2006 because Aramex incurred one-time integration costs. These costs were essential at the time of acquisition to integrate the freight forwarding business, consolidate the IT systems and ensure a smooth transition. However, the deal boosted the contribution of freight forwarding to the company's overall revenues, on the back of the international domestic express business and improved Aramex's presence in some of the key European markets.

The gross revenues from freight forwarding grew from AED 283 mn (USD 77 mn) in 2005 to AED 611 mn (USD 166.3 mn) in 2006 and AED 824 mn (USD 224 mn) for 2007 bringing up the sector's contribution to total revenues from 33% in 2005 to 46% as at 2007. It also increased Aramex's exposure to Europe from 5% of its total revenues in 2005 to 25% of its total revenues in 2007.

We expect margins to improve slightly this year as Aramex completes integration of TwoWay Vanguard businesses with its own.

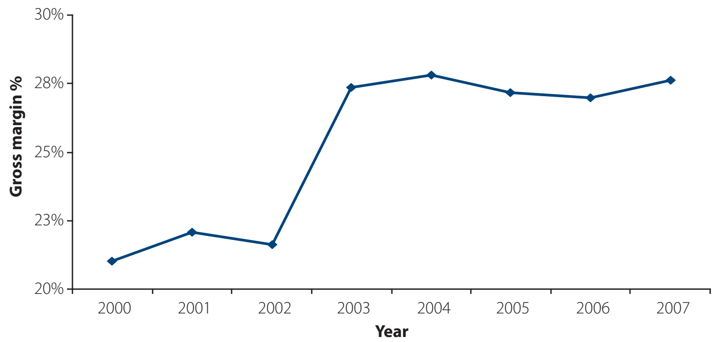
Freight forwarding revenues



Source: Aramex, SHUAA Capital

The contribution of freight forwarding to Aramex's total revenues is AED 611 mn (USD 166 mn), which is almost 0.1% of the world's total freight forwarding turnover. Although, as a global player, Aramex still has a long way to go; as a regional player it is one of the largest. Given that the ME region is expected to grow at a higher rate than the global average; Aramex has an opportunity to leverage its position to consolidate market share of the regional markets and expand its reach within this region.

Freight forwarding margins



Source: Aramex, SHUAA Capital

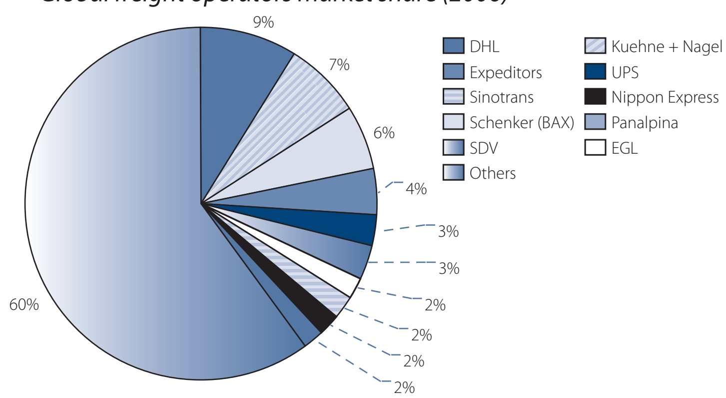
Global freight forwarding expected to grow at a CAGR of 9.4% till 2010

Looking ahead, global freight forwarding is expected to increase at a CAGR of 9.4% annually from 2006 till 2010, based on the anticipated growth in trade and the liberalization of trade barriers. This gives Aramex an opportunity to grow globally alongside with global players. Competing with global majors on the international stage will, however, once again pose the challenge for Aramex to prove its global positioning and integrated solutions platform.

Global and regional players

The market size of the global freight forwarding industry is approximately USD 139 bn controlled mainly by four big players, DHL, Kuehne + Nagel, Schenker and Panalpina who together have a around 26% of the total market share. Other big players include UPS and Expeditor, each having a market share of 3%.

Global freight operators market share (2006)



Source: Transport Intelligence

Global players

DHL supply chain division (under the Deutsche Post World Net group) including DHL Global Forwarding, DHL Exel Supply Chain and DHL Freight recorded a 5.6% increase in revenues from USD 35.6 bn in 2006 to USD 37.6 bn in 2007, mostly explained by the acquisition of Exel a leading supply chain management company at the end of 2005. Following this deal, the company successfully integrated Exel and DHL into one harmonized logistics division, "DHL Exel Supply Chain", and set a synergy target of USD 232 mn for 2008. The strategy of DHL supply chain is to operate in attractive markets with high growth potential, anticipate customer needs and enhance the company's toolkit to ultimately reach standardization and growth targets.

Kuehne + Nagel, a Swiss-based supply chain solutions provider has capitalized on the market environment favoring higher demand for outsourcing and logistics activities. To keep up with the industry trend, Kuehne + Nagel acquired the ACR European Group logistics provider in late 2005; this was considered the largest acquisition in its history. Subsequent acquisitions include that of G.L. Kayser and Cordes & Simon. Today, the company operates more than 500 logistics centers covering 7 mn sq. meter of warehouse space in 55 countries, employing over 50,000 employees worldwide. The successful integration of ACR European Group boosted the company revenues by 16% in 2007 from a base of USD 13 bn in 2006 to USD 15.11 bn in 2007.

Schenker, a business unit of German-based Deutsche Bahn, witnessed an appreciation of 6.2% in logistics revenues from USD 19.3 bn in 2006 to USD 20.5 bn in 2007. Schenker acquired BAX, a US logistics company from Brinks Company in late 2005, in line with the strategy to become a leading international supply chain provider by expanding share in stronger markets such as the Asia-Pacific, China and the USA. The successful integration of BAX, the appointment of Schenker as the official service provider of freight and logistics during the 2008 Olympics in China, the opening of new logistics centers in Asia and Europe and the use of Dubai to build an extensive freight network in the Middle East and the pursuing of further acquisitions such as Spain-Tir contributed to the revenues growth of Schenker and its premium positioning among the global supply chain providers.

Panalpina, a Swiss-based Company, offers air freight, ocean freight and supply chain management services. The company's revenues increased by 12.8% reaching USD 7.67 bn in 2007. According to the company, the rise in the tonnage and the booming activity in some countries such as China and India leading to higher traffic on Asian routes, contributed greatly to the increase in air and ocean freight operations. The company is similar to Aramex in that it is non-capital intensive and benefits from the flexibility of an asset-light model.

Regional players

Prominent among the regional players are Agility, Al-Futtaim Logistics and GAC World.

In 2007, Agility ranked 5th globally in terms of profitability recording USD 576 mn as net income. Agility is a provider of supply chain and freight solutions to companies and governmental organizations throughout the Middle East and globally. It expanded its services portfolio from a warehouse leasing company since establishment in 1997 to a company focusing on three core operations today, Defense and Government Services (DGS), Global Integrated Logistics (GIL) and Investments.

The DGS business today constitutes substantial proportion of the company's profitability, even after the major acquisitions of Trans-Link, Transoceanic and GeoLogistics in 2005, which expanded Agility's portfolio of services to include events and exhibitions logistics, freight forwarding and project forwarding.

Al-Futtaim Logistics, UAE based logistics services provider, providing full range of supply chain management solutions, solutions such as warehousing, inventory management, domestic / international distribution and other valued-added services. Al Futtaim Logistics aims at becoming one of the largest logistics companies in the GCC and Middle East but, presently, its activities remain highly concentrated in the UAE region, specifically in Jebel

Ali Free Zone where its main warehouse or hub is located. The scope of activities of the company is also restricted to warehouse management and distribution services.
Finally, GAC Logistics is considered another competitor to Aramex in the GCC and Middle East region. It is the freight forwarding and distribution arm of the Dubai headquartered GAC Group, a company that started in 1950s in Kuwait, and managed to expand it geographic coverage and range of operations to serve customers around the world. GAC Logistics operates an integrated network worldwide, and specializes in a comprehensive range of supply chain and logistics solutions. These include air and sea freight, warehousing and distribution, door-to-door transportation, project logistics, international moving and courier services.

In 2005, GAC acquired UK-based multinational freight forwarding company, Benair Freight International Limited, and is now considering maritime expansion deals in the Indian Subcontinent. At the end of 2006, GAC operated 230 offices in 40 countries globally.

Aramex freight forwarding advantage

Advantage lies in Aramex modal and inter-modal network

Freight forwarding was first launched in 1987 out of selected locations in Aramex's network, and was expanded to all Aramex locations six years later. One of the key drivers to proficiency in freight forwarding is the modal and inter-modal network of the forwarder, which Aramex is developing in the Gulf region (UAE, Oman, Saudi Arabia, Kuwait, Bahrain and Qatar). The company is, currently, upgrading its truck fleet in Saudi Arabia, and opening a new facility in Dubai Logistics City.

Aramex, familiar with the regional export and import rules and regulations, also acts as an agent for global freight forwarders within the Middle East, South Asia and Europe. It provides them with different services such as advising on handling fees and port charges, co-loading, customs clearance and others.

Other tailored services within the scope of the company are exhibitions handling and chartered aircrafts. As a distinct value add, it currently operates a separate unit "Aramex Perishables" to deal with products like food, fruits, vegetables, meat, and dairy products. This unit is equipped with technology to monitor the temperature and humidity of the storage units, preserve perishable products and ensure delivery to the end user appropriately.

Other services

Logistic Services – Provides flexibility and efficiency to the supply chain by reducing inventory, increasing transaction speed and, hence, sales.

Document Management – Following the acquisition of InfoFort in 2005, Aramex began offering document management services. It currently provides information storage, filing, document retrieval, digital archiving, record retention and other document related services. This activity was further reinforced upon the completion of Docman acquisition in 2006, a document and records storage and management specialist focused on the energy and finance sectors located in Dubai, UAE . We believe, the rising wave of outsourcing of document management will create enough room for expansion in this sector.

Shop and Ship – This service allows the customers to have a mailbox in the UK or the USA without actually residing there. The consumer purchases goods online and Aramex delivers the good to his local address in any of the 17 countries in which this service is available.

Catalog Shopping - Since 1996, Aramex has been offering catalogue shopping service, also called "Shop the World Direct Catalog Center". In 2005, Aramex acquired Adabwafan.com, the premier virtual shopping site in Lebanon to capitalize on this business. Aramex has the option to start alliances or partnerships with brick and mortar stores in order to facilitate the flow of goods from warehouses (that could be managed by Aramex itself) to customer premises. This business today is a small business and is losing popularity in favour of the shop and ship and internet business.

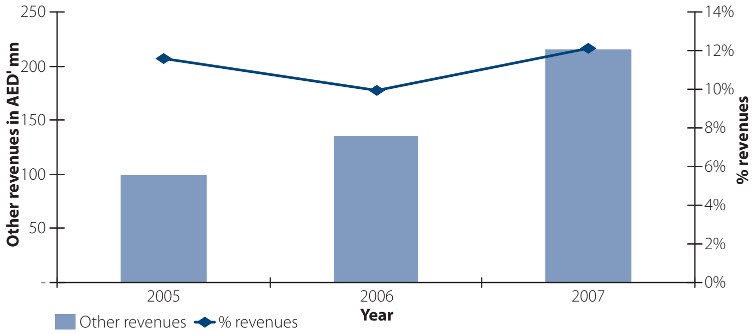
Magazines & Newspapers Distribution - Since the acquisition of Jordan Distribution Agency in 2002, Aramex has been providing a service for magazines and newspaper distribution, mainly in Jordan. The growth strategy for this service may mean acquiring or establishing joint ventures with other companies in similar markets such as Lebanon, Syria and Kuwait markets where Aramex enjoys a familiarity advantage and is already well established.

Revenue contribution
The revenues from these services increased from AED 99 mn (USD 27 mn) in 2005 to AED 136 mn (USD 37 mn) in 2006 and to AED 216 mn (USD 59 mn) as at 2007. Other services revenue contribution has remained relatively stable through 2005 to 2007, between 10 - 12% of total revenues.

Other services contribution to gross profits is important to the product mix

Having mentioned the above, it is important to point out that the contribution of these services to the gross profit is much higher than its contribution to revenues, as margins are significantly higher. These services are likely to remain an important fixture to the product mix.

Other revenues



Source: Aramex, SHUAA Capital

Regional players
Since these services are still concentrated in the ME region, we will focus on the regional players such as the Electronic document center, subsidiary of Emirates Post and Metrofile Middle East.
Electronic document center offers data storing and archiving, document management and other paper-related services.

Metrofile Middle East, a joint venture between Al Serkal Group and M'Sharie, inaugurated in 2007 a record storage facility with 520,000 square feet capacity. (M'Sharie is the private equity arm of Dubai Investments.) It plans to increase this storage capacity to 1.75 mn square feet in 2008. The joint venture aims at becoming the largest document storage center in the ME. Metrofile believes that the growth in this sector is fuelled by the high cost of renting that has made in-house storage an inconvenient alternative for most businesses.

Aramex's other services advantage
The wide range of services that Aramex offers to meet almost all needs of its customers, end to end, is considered its main advantage in the region.

Additionally, the specific expertise of Aramex in the region empowers its customers to realize added value in their operational processes as also tailor their business solutions to ensure competitive advantage. Prominent amongst these are, Standard Operating Procedures (SOPs) and Job Operating Procedures (JOPs), parameters that test effectiveness of business processes and in time detection of flaws, if any.

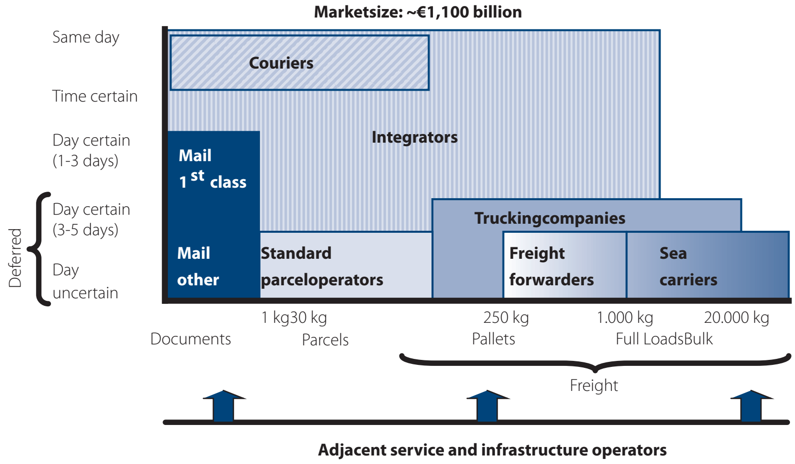
Market Analysis

The competition

Market size estimated at USD 1.6 tr

Supply chain services industry today is based on fully integrated model which has been growing at a CAGR of 10% since 1990s. The market size as estimated by TNT is almost USD 1.6 tr. The chart below shows the market size as per time to delivery and weight of parcel.

Our market today

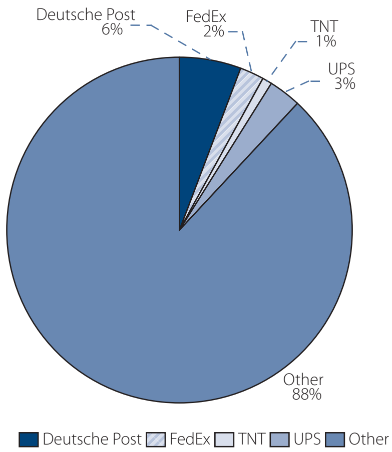


Source: TNT

"Big Four" control 12% of the market

The biggest four players in the global market, in terms of revenues, are Deutsche Post World Net, United Parcel Services (UPS), FedEx Express and TNT Express Worldwide. The "Big Four" dominate almost 12% of the global supply chain solutions market.

Total market share



Source: Bloomberg

In addition to offering tough competition on the global scale, some of these have established alliances with regional players to bring this competition closer home for Aramex. Examples include SMSA Express – FedEx and SNAS DHL Worldwide Express in Saudi Arabia.

The increasing penetration of ME market by global majors carries a lot of significance for Aramex as most of its revenues are generated from this region. Deutsche Post World Net has 2.9% of its revenues or USD 2.5 bn (AED 9.2 bn) generated in regions like the ME and other developing markets, whereas TNT has only 0.95% or USD 150 mn (AED 551 mn) of its revenues generated in ME and Africa. This is comparable with Aramex who has USD 325 mn (AED 1,193 mn) revenues generated in these regions. Since, the MENA region has above average growth potential, regional companies such as Aramex have an opportunity to leverage the first mover advantage despite the increasing presence of global majors.

Aramex advantage

The global express and postal market is expected to increase at a CAGR of 5 - 6% till 2010. To better compete with global players and take advantage of expected growth, Aramex has to pursue strategic acquisitions, leveraging existing land and transport infrastructure, and establishing strong alliances with airlines to facilitate the flow of goods including documents.

In this context, the competitive advantage of Aramex lies within the ME region with its widespread presence and quasi dominance of the express and postal market in the region giving it an edge over other players. Realizing this, Aramex is upgrading its extensive land network by including additional routes to link Dubai to Muscat, Manama, Doha and some regions in Saudi Arabia.

Growth drivers

Market driven by ….

The outlook for supply chain services is positively correlated with GDP growth of the region where the revenues are originated; and with the spending patterns of individuals and businesses in these regions.

Below is a table showing different growth rates expected for various solutions within the supply chain over 2006 to 2008, based on different economic indicators of the world and specific regions.

Growth potential

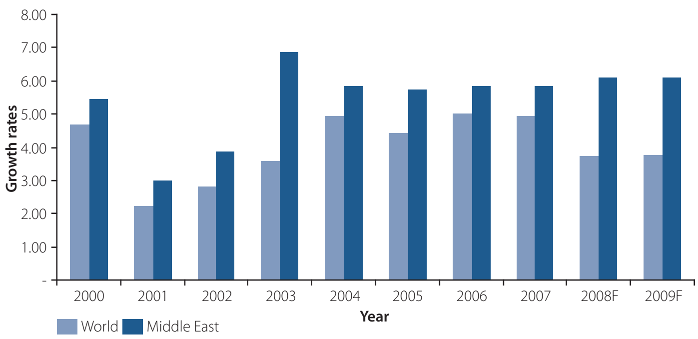
World economy growth	2007	2008	Logistics markets	Estimated CAGR 2006-2008)	
World trade volume1)	7.5%	7.8%	Express	Global Americas	5-6% 3-5%
Real GDP growth1)				Europe	5-7%
World	3.2%	3.5%		Asia Pacifi c	8-10%
Industrialised countries	2.4%	2.8%	Air freight	Global	4-6%
Developing countries	6.4%	6.1%	Sea freight	Global	8-11%
East Asia and Pacific	8.7%	8.1%	Contract Logistics	Americas	8-10%
South Asia	7.5%	7.0%		Europe	8-10%
Europe and Central Asia	5.7%	5.5%		Asia Pacifi c	10-12%
Latin America and Caribbean	4.2%	4.0%	Mail	Global universal postal services	–3/3%
Middle East and Africa	4.9%	4.0%		Global mail outsourcing & services	8-12%

1) Source: World Bank. HSBC.

Above average growth in Middle East

According to IMF, the Middle Eastern region is expected to witness impressive real GDP growth of 6.09% in both 2008 and 2009 respectively - growth levels that are higher than the global average of 3.73% and 3.77% for the same period. This accelerated growth is likely to reflect on Aramex's performance and revenue growth since almost 67% of its revenue is generated from this region.

Real GDP growth in World vs. ME



Source: IMF, WEO

Focus on building a core infrastructure complete with network components such as adequate ports, serviceable roads and smooth custom procedures, will not only encourage logistics industry but also keep the associated costs in check within the region.

Difficulties in hiring and retaining trained staff are also paving the way for greater outsourcing of various components of supply chain management. With increasing complexity of businesses and criticality of being 'on-time' with their products in different markets, supply chain solutions is no more just an option.

Increasing outsourcing trend

Outsourcing is a must to concentrate efforts of core operations

To lead an increasingly competitive and integrated market, customer retention and on-time availability became just as important success drivers as cost cutting in an effort to improve economic efficiencies and maximizing performance. Outsourcing emerged as businesses came under pressure to lower costs, be it labor or other direct costs, and accelerate time to market. Businesses are now looking to separate manufacturing process from sales and, therefore, increased outsourcing. Other important benefits of outsourcing include ensuring life cycle systems security and a scalable approach to flexibly.

In fact, outsourcing has been made mandatory by organizations adopting the new efficiency mantras. These include:

Integration: Bringing together demand signal, order processing, sourcing, manufacturing and sales operations allowing the companies to serve their customers better and, most importantly, faster.

Lean strategies: Aiming at reducing the inventory levels, shortening lead times and meeting the customer demand. This can be achieved through employing inventory optimization techniques and identifying the changes in the orders either as a long-term change in customers' spending pattern or a temporary change.

Global sourcing: Exploiting all efficiencies in the production process including technology, global coverage, and favorite supplier relationships. Companies that resort to e-sourcing save up to 25% of their costs compared to other companies.

Automated warehouse: Substituting human capital with advanced technology reduces operational risks and eliminates the possibility of human error, increasing velocity of turnover.

Global outsourcing uptake

Under-penetrated market of Middle East

Almost all enterprises, from governmental entities to commercial institutions, are availing of the option to achieve internal efficiencies in their operations. The current global spending on outsourcing is estimated at USD 487 bn and is expected to grow at an average rate of 6.9% annually through 2009 to reach USD 557 bn that year. The low penetration rate regionally and globally (with the exception of Europe and US) suggests that outsourcing might increase substantially in the coming years. Hence, while outsourcing is expected to increase at a CAGR of 6.9% globally till 2009, it is expected to grow by 24% in the ME for the same period.

Clearly, Asia, especially China, and the ME suffer from low outsourcing penetration rates. For instance, ME and Africa have less than 10% of business processes outsourced as compared to over 20% in Europe and USA. Significantly for Aramex, this gap is more pronounced in markets which Aramex is currently pursuing as part of its growth strategy.

Some of the major logistics contracts on a global scale have been –

DHL concluded a strategic partnership with Dubai Industrial City to develop and operate TransPark. TransPark is a logistics park designed to offer a cost-effective model for supply chain management and assist the companies located in Dubai Industrial City in inventory management, warehousing, freight forwarding and other logistics services.

DHL Logistics won in 2006 a 10-year deal totaling USD 1.56 bn to deliver all procurement and logistics services across an initial 500,000 products supporting 600 hospitals and other health providers in England.

Toshiba partnered with UPS to handle receipt of laptops, repair and shipment back to the owner within an average one day and half as part of Toshiba initiative to improve customer service.

The supermarket chain Carrefour awarded Kuehne + Nagel a contract to manage its retail supply chain related to the receiving of goods, storage, quality control, distribution and others in Turkey.

Agility won in February 2008, a contract to provide full food services to American forces for 11 dining facilities located throughout Kuwait.

Agility was awarded a five-year contract in November 2007 to provide a number of logistics services for Matrah Cold Stores (MCS) in the Sultanate of Oman - Sultanate's leading grocery wholesale distributor of food and tobacco products.

Agility was awarded USD 25.7 mn contract to supply the US air forces in the military base in Kyrgyzstan with daily supply and maintenance services.

GAC along with Samudera Indonesia Group renewed its contract with Nestle Indonesia to manage the distribution and warehousing needs of the company in the country.

Global economic and trade performance

Healthy real GDP growth in key regions where Aramex operates

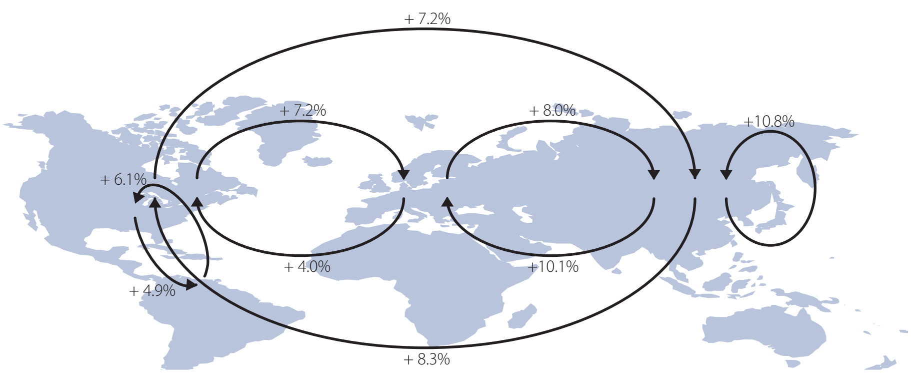
As mentioned earlier in this report, we believe that a 1% increase in the real GDP will promote a 3.1% increase in freight forwarding revenues in Asia, excluding China, or 1.81% in Asia-including China, 4.17% in Europe, 3.83% in Americas and 4.11% in developing markets like the Middle East.

Increasing trade between countries brings efficient logistics services under the spotlight. As per IMF World Economic Outlook, the global trade reached USD 33.3 tr in 2007 and is expected to reach USD 36.4 tr in 2008 from USD 15.8 tr in 2000 implying a CAGR of 11.25% and 11% respectively.

Emerging markets are expected to grow at a faster pace than developed markets or high income markets, Import growth in emerging markets came to around 12.5%, compared to only 6.8% in the high-income countries. On the export side, growth in developing countries and emerging markets was twice as high as in developed markets since 2000 (10.8% versus 5.1% a year on average).

Intra-Asian trade flows remain the largest trade lane in the global arena and continue to grow at an outstanding 10.8% (CAGR 2006 – 2009). The following diagram shows the most important international trade flows (foreign trade volumes larger than ˆ100 billion) and their growth rates.

International trade flows 2006 – 2009[1] (Compound annual growth rate – CAGR)



Source: Global Insight, The World Bank

Above average growth encourages increased spend on "additional services or value added services" such as customs clearance, product handling and inventory management creating new opportunities for freight forwarders such as Aramex.

Outsourcing spending patterns shifting in favor of supply chain solutions providers will get a further boost from higher economic activity leading to higher turnover volumes, with cash generated reflecting positively on all lines of business.

Lowering of trade barriers

More liberalized economies

With lowering of international and intra-regional trade barriers and restrictions, all GCC countries are now members of the WTO. The process of unifying customs levels and currency across the GCC, in preparation for the common market between member states, is further facilitating intra-regional trade. Combined with the plans to expand the union to neighbouring states, the outlined structural changes position ME as a promising and favourable trade block for above average growth.

Diversification drive

The GCC countries have been firmly pursuing diversification to be less reliant on volatile oil revenues. This strategy is likely to boost logistics businesses in the region as the new non-oil related businesses will require new logistics solutions. Further, the movement of freight traffic by water ways is not utilized nearly as much in the region as is the case internationally, and thus there is still a considerable amount of growth potential and operational improvement to be achieved.

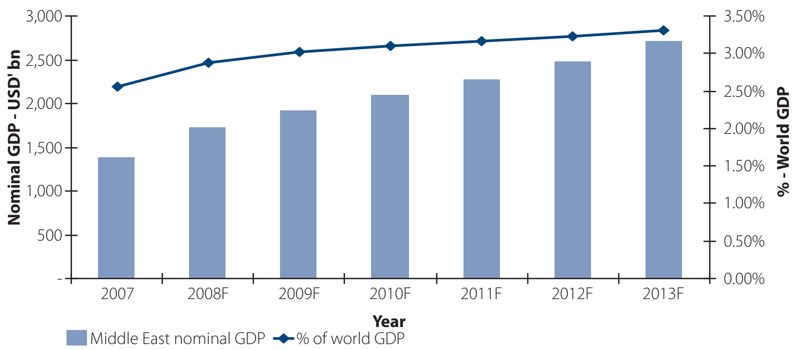
All the factors outlined above coupled with Aramex strategy should lead to above average growth for the company. More so, as it mainly operates in the Middle East region, currently, considered a "boom area" for new opportunities.

Economic environment

A key success factor for the regional logistics sector is the GDP growth in the region. Businesses are more likely to require logistics solutions in a growth environment.

According to the IMF, the nominal GDP for the Middle East will grow from USD 1.4 tr in 2007 to USD 2.7 tr in 2013, in absolute terms. Relative to the world GDP, the Middle East output will grow from 2.60% in 2007 to 3.30% in 2013.

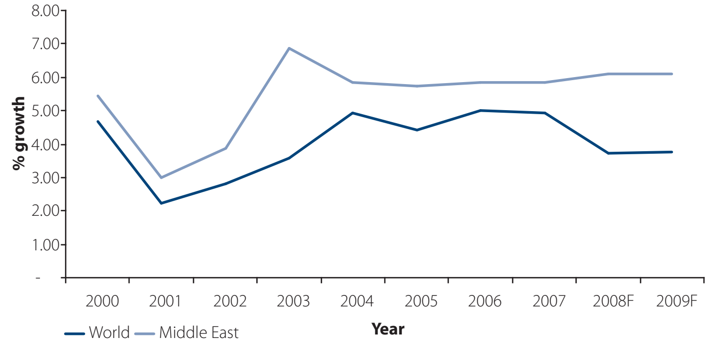
Middle East GDP as % of world GDP



Source: IMF

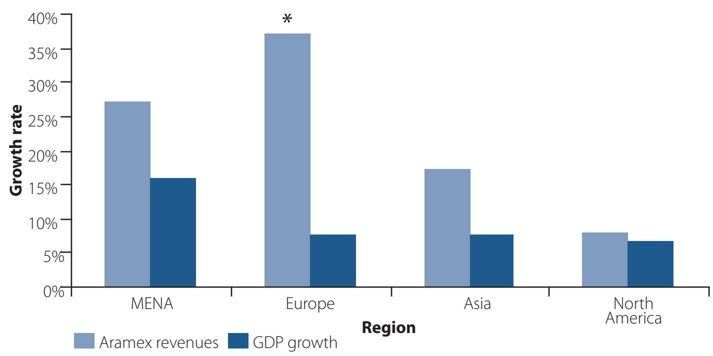
The growing economy, high demographic growth, structural reforms to encourage investment, increased participation from private sector, high personal consumption and huge infrastructural spending portrays a perfect setting for companies such as Aramex.

Real world GDP growth vs. Middle East



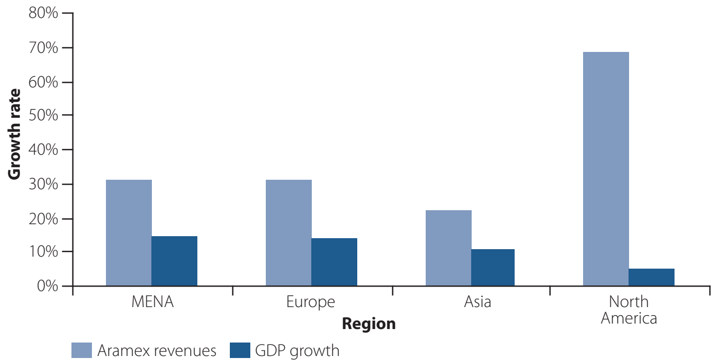
Source: IMF, WEO

Growth in regional GDP vs. Aramex's regional revenues - 2006



** Excluding TwoWay Vanguard*
Source: Aramex, IMF, WEO

Growth in regional GDP vs. Aramex's regional revenues - 2007



Source: Aramex, IMF, WEO

Regional infrastructure expenditure

The region is experiencing a major thrust in construction, ground transportation, aviation and logistics services. An estimated 2,837 projects worth more than USD 2.4 tr, being carried out mainly in Saudi Arabia and the UAE, are throwing up opportunities for most industries including transportation and logistics. Dubai is still the major hub in the region largely because of the success of its industrial free zones and port in Jebel Ali. Road and Transport Authority in the UAE is planning to undertake construction projects worth USD 22 bn on different road, rail and marine projects to be completed by 2020.

Complementing these is the international logistics hub and platform, "Dubai Logistics City," that can act as a distribution hub and provide logistics companies with other services to maximize their efficiency. The airport in DLC which is due to start operational end of 2008 is expected to handle 12 mn tonnes of cargo a year.

However, Dubai is not the only city planning to improve its infrastructure, as Riyadh (Saudi Arabia), Manama (Bahrain), Bubiyan Island (Kuwait), Doha (Qatar) are also expanding their logistics-related infrastructure. Saudi Landbridge Project proposes to build a new 950 km railway line from the capital, Riyadh, west to the Red Sea port of Jeddah, and a 115 km line from Dammam north along the Gulf coast to Jubail; the existing Riyadh - Dammam railway will also be upgraded.

Also on the anvil are airport expansions in regional hubs. Oman plans to spend USD 3 bn; Jordan has granted BOT agreement to a consortium led by Aeroports de Paris to upgrade Queen Alia International Airport; Sharjah plans to raise USD 500 mn in debt to expand its current terminal or develop a new facility and runway, and Dubai plans on making its airport a major hub with investment of more than USD 80 bn with a capacity close to 120 mn passengers by end 2008

Continuous expansion of regional ports capacity is also being undertaken. Capacity at Salalah port in Oman is estimated to reach 7.5 mn TEUs by 2012 in comparison with 3.8 mn TEUs in 2007. DP World is expected to double its capacity to reach over 90 mn TEUs by 2013 as per SHUAA Capital's estimates from its current level of 54 mn TEUs.

Outside the GCC, Egypt's massive Port Said, benefiting from its location between Jebel Ali and Rotterdam, is expected to grow from the current level of 8 mn TEUs to 14 mn by 2015. Jordan, Morocco, Algeria and Tunis are all undergoing sizeable port developments of their own. Collectively, these plans will benefit the sector and the region, as a whole, in the long run.

Consolidation

On a global as well as regional level, the industry of express and logistics is moving towards consolidation and higher outsourcing. The worldwide mergers and acquisitions indicate an industry scenario dominated by multi-modal and global solutions provider and supported by small players focused on niche markets. In 2006, the total disclosed value of mergers and acquisition (M&A) deals transacted in the global transport and logistics industry rose to USD 73.4 bn (Transport Intelligence), an increase of 8.6% over the previous year.

Global M&A deals

Parent	Target	Region	Line of business	Type of transaction
FedEX	Pafex	India	Express	Acquisition
TNT	Mercurio S.A.	Brazil	Express	Acquisition
DHL	Vietnam Post & Telecommunications	Vietnam	Express	Joint venture
Kuehne + Nagel	GL Kayser Spediteur	Germany	Freight forwarding and logistics	Acquisition
Kuehne + Nagel	Cordes & Simon Group	Germany	Logistics	Acquisition
ABX Air	Cargo Holding International Inc.	USA	Air Cargo	Acquisition

Regional M&A deals

Parent	Target	Region	Line of business	Type of transaction
Agility	Leader Group	Egypt	Freight forwarding	Acquisition
Agility	LEP International Ltd	New Zealand	Freight forwarding	Acquisition
Agility	Synergy Shipping Pte Ltd (SSPL)	Singapore	Logistics	Acquisition
Agility	Synergy Logistics Pte Ltd (SSPL)	Singapore	Logistics	Acquisition
Agility	Guangzhou Runtong International Transportation Company Ltd	China	Freight forwarding	Acquisition
Agility	World Transportation Services	USA	Logistics	Acquisition
Agility	Global Express Line	USA	Freight forwarding	Acquisition
Agility	MedGroup	France	Freight forwarding	Acquisition
GAC	Ole R Olsen (ORO)	Norway	Freight forwarding	Acquisition
GAC	Laser Logistics	South Africa	Logistics	Joint venture

The Goalpost

To become the 5th global logistics and express transportation provider by 2010

The mission statement of Aramex is "To become the 5th global logistics and express transportation service provider by the year 2010." This take a look at the current position of Aramex and evaluate what strategy options the company has in the current market scenario to reach this goal efficiently and effectively within the next two years.

Important milestones to reach the goalpost

Widen and strengthen operational network

According to Aramex management, the regions considered as high priority for expansion are China and the USA. This is driven by a view to have more robust presence and control over the primary nodes in the company's operational network.

The European, American and Asian markets respectively constitute 36%, 29% and 17% of the supply chain market, and 82% in aggregate making them essential stops in any global leadership strategy. Aramex has already started to increase its market share in the European market through the acquisition of TwoWay Vanguard in 2006.

Policy options
Aramex intends to pursue acquisitions as part of its growth strategy, in regions where its current GDA partner does not have the capacity to offer appropriate service, or the partner's long term strategy is not in line with Aramex's strategy or the regions either enjoying or expecting considerable trading volumes. These include the American market and the Asian market such as China, Hong Kong, Japan, Singapore and other countries in Europe.

Besides this, Aramex can acquire more companies inside GDA alliance serving the twin objectives of improving Aramex's worldwide coverage and ensuring stability of the alliance. Aramex's in-depth knowledge of the companies within the alliance will ensure that redundancies of efforts and presence are not duplicated.

Leverage synergies from acquisitions

The synergic effect of an acquisition, when combined with established infrastructure and industry knowledge, promise to create a competitive edge for Aramex. For instance, TwoWay Vanguard manages a "Control Tower" at Aaslmeer (Netherlands) where perishable products are stored at controlled temperatures before being transported to their destinations. Aramex could capitalize on this expertise and infrastructure of TwoWay Vanguard to help accomplish an "air and land cool chain management" system in Dubai for storing and transporting perishables items to the neighbouring countries (Middle East, Gulf countries, Far East).

Policy options
Drawing further efficiencies from synergies post acquisitions becomes easier if both the acquirer and the acquired share similar corporate culture. For instance, the operational synergies of both Aramex and TwoWay Vanguard reside in the high-quality service benchmark, cutting edge technology, and customer focused strategy making possible a smooth and fruitful transition.

New products and services

Aramex has been enhancing its existing infrastructure on different levels such as - new products and services to fill gaps in delivery schedules; new facilities and warehouses to meet the increasing demand both globally and regionally for freight forwarding and logistics services, and upgraded IT infrastructure to better connect with its suppliers, customers and employees.

Aramex, along with the British Embassy in Bahrain, recently launched a Visa Application Centre to be opened in Bahrain Financial Harbor. This centre, to be managed by an

Aramex team, will perform all checks, fees collection and interview procedures to ensure effective processing of UK visa applications.

Policy Options
The company has the option to leverage its existing distribution channel for magazines and newspapers, establish fresh partnerships or joint ventures, or acquire new targets to reinforce its service network to offer product insurance, recycling and waste management in logistics.

Given Aramex's endeavor to constantly introduce updated distribution mechanisms and technology, it may consider dealing with new sectors such as government.

Adopt franchising model

Having built significant brand value in the region, Aramex is now looking at marketing its brand globally through franchising. All of its products fall within the franchising category and may be made available to the franchisee. This essentially involves granting the franchisee the right to operate using Aramex trade name and trademarks, similar to a licensing technique.

Franchising, however, would warrant Aramex to offer training to the franchisee staff, know-how policies and procedures manuals, information system, technology infrastructure and access to global alliance networks. The company would also have to audit regularly and conduct on spot-checks at the franchisee location for ensuring compliance with quality benchmarks in operations and branding.

The strategy seems promising to Aramex since it leverages Aramex's global network, generates additional income and increases brand awareness among a wider customer base at a relatively low cost. The risk is on quality control and potential brand quality dilution.

The focus, at Aramex, is on providing advanced supply chain solutions and other business related services such as IT solutions through the franchisee. Looking at other players and assessing their approach to franchising could help benchmark Aramex's strategy. For instance, TNT constantly monitors the quality level of the services at franchisee level. Other franchisors such as FedEx, run their franchise according to three dimensions, "operate independently, compete collectively and manage collaboratively". Despite the operational differences, the overall strategy of marketing the brand name of the franchisor remains the same across players.

Steps taken so far

As per Peers identified and various global players, Aramex is the 30th largest courier and freight provider (refer to Appendix 2) in terms of market capitalization; 43rd in terms of revenue (refer to Appendix 3) and 37th in terms of net income (refer to Appendix 4).

Geographic expansion led growth

Access to Europe through acquisition of TwoWay Vanguard

Geographic expansion was the main driver towards the acquisition of TwoWay Vanguard located in Europe. In addition, acquiring a well established company eliminates some of the barriers to entry, such as initiation costs, capital requirements needed to build infrastructure, marketing brand name in a new segment, and gaining customer loyalty.

In 2005, the percentage of revenues from European operations accounted for 5% of Aramex total revenues (prior to the acquisition of TwoWay Vanguard). This compared poorly with 75% contribution to Deutsche Post's total revenues and 87% to that of TNT's total revenues for the same year. Clearly, gaining a foothold in Europe was a critical move towards realizing Aramex's ambitions to becoming the 5th largest global logistics and express transportation service provider. Following the acquisition of TwoWay Vanguard, Aramex exposure to Europe increased from 5% in 2005 to 25% in 2007.

Added synergies

Acquisition of TwoWay Vanguard allowed Aramex to avoid large investments in building infrastructure in Europe, mainly United Kingdom, Netherlands and Ireland, due to the well-established distribution network of TwoWay Vanguard spread across 15 locations in these areas.

The benefits of synergies of this acquisition should materialize in the coming months of 2008. In 2006, TwoWay Vanguard contributed AED 284 mn (USD 77.3 mn) to revenues and AED 3.54 mn (USD 0.96 mn) loss to the bottom line. But, Aramex implemented a restructuring program in 2007 and managed to transform the contribution into a positive one. The restructuring followed a two-step process:

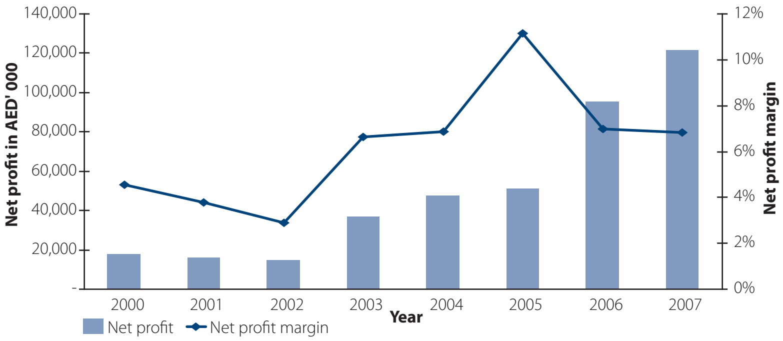
- Improving margins by cost savings and eliminating inefficiencies in the supply chain management.
- Removing the low margin or low return customer accounts and capitalizing on the profitable clients.

The cumulative impact of integration of acquired entities is evident in the improvement of the gross profit and net profit margins throughout the years.

Gross profit and gross profit margin

Source: Aramex

Net profit and net profit margin



Source: Aramex

Built infrastructure support- New facility at Dubai Logistics City

Aramex manages a facility in Jebel Ali Free Zone, built in March 2006, on a land area of 430,000 square feet. The facility includes a warehousing facility of 161,000 square feet and a temperature-controlled area offering storage with temperatures between 18 to 20 degrees centigrade to store perishables. Also, Aramex operates several facilities in Lebanon, Jordan, Saudi Arabia, Morocco, Bahrain, Egypt, India and Iran. It also expanded its European operation at London Heathrow and moved to a new 30,000 square feet (where the operations of Aramex, Priority Airfreight and TwoWay Vanguard have been brought under one roof). But to accommodate the increasing demand for outsourcing by corporate customers in the ME and South Asia, Aramex needs to, and has already, proceeded in building a new facility of 700,000 square feet in Dubai Logistics City at an estimated cost of USD 38 mn (AED 140 mn).

New trucking system in Saudi Arabia

The Saudi government is undertaking "Saudi Landbridge Project" to develop infrastructure, tourism and industry with an estimated cost of USD 5 bn in Saudi Arabia. The impetus to infrastructure development in KSA led Aramex to improve its fleet of trucks connecting Dammam, Riyadh and Jeddah. The company has invested in 600 vehicles and equipped these with advanced technology.

Technology upgrade

Logistics and express delivery today are fostering an efficient and effective mechanism of operations through "digitization of business processes". In an industry where competition is intense and most markets interrelated, higher expectations of customer service is leading companies to invest in upgrading their technology infrastructure. In major companies such as UPS, the IT department supports the logistics line through multiple applications. One example is a supply-chain visibility tool called Flex Global View, which connects manufacturers and suppliers to UPS.

In the same vein, Aramex has equipped its modern trucks with GPS-tracking system enabling customers to track shipment or delivery order online. It also recently put in place a state-of-art tracking system called "Privileged Aramex Customer Kit" (PACK) which allows customers to track their shipments and invoices online.

Since the level of IT sophistication is becoming a major success factor in the industry, Aramex is investing heavily to deliver sophisticated IT solutions to its clients.

Internalizing competencies

Most significantly, Aramex has been careful to internalize the competencies of its critical partners, and reducing its reliance on outside/ independent providers. For instance, given the reliance of Aramex on the Airborne network, the acquisition of Airborne Express by DHL in March 2003 could have reflected negatively on the company profitability and operations. However, the deal proved to be a key turning and success point for Aramex as the company managed to rebuild its own network by capitalizing on the GDA within six months. Henceforth, Aramex resumed its organic and inorganic growth strategy in harmony with the rapid changes in industry trends.

SWOT Analysis

Strengths

- Expertise and local knowledge of ME
- Long regional track record
- Worldwide network
- Wide service portfolio
- An integrated approach
- Recognized quality of service

Opportunities

- Integrating new strategic activities like document storage
- Landing contracts like govt contracts with higher margins
- Heavy infrastructure spend in the region
- Governmental backing to make Dubai a regional hub
- Rising stature of DP World as a global leader
- Strategic location amidst emerging economies experiencing impressive growth
- Possibility of alliances with GDA members
- Unleveraged

Threats

- Increase in distribution and transportation costs
- Rising cost of repairs and maintenance
- Relatively elastic demand
- Inability to pass these surcharges to customers
- Devaluation of the US dollar
- Rising fuel prices
- Revenue mix

Weaknesses

- Limited presence in the Americas
- Limited presence in emerging economies
- Heavy reliance on the ME market

Risks

High oil prices and a slow down

Turbulent financial markets, a weak US dollar and high oil prices and the fears of a US recession affecting other parts of the world's economy have the potential to noticeably hamper global expansion. Leading economic institutions and organisations forecast for 2008 that global GDP will advance more slowly and global trade grow a little faster than in the previous year.

Competition at home

Regional presence of global players has been growing at an average of 25% throughout the past few years in the UAE alone. Global majors have drawn ambitious investment plans to solidify their footprints. DHL is undertaking a major future hub investment of 50,000 square meters in Dubai World Central Airport to be operational by 2008.

Accessing synergies

Smooth and seamless integration of the acquired businesses with its existing business underpins Aramex's expansion strategy.

Differing regulations

Presence in different countries makes it subject to different sets of laws and regulations. Also, countries are introducing new compliance requirements with regard to quality, environmental issues and customer service.

Digitalization of the mail service

"Soft" ways of communication replacing hard documents

Revenue mix:

Main contributors of revenues for Aramex are express and freight forwarding, how ever each has different gross margins, freight forwarding has the lowest. Should the revenue mix be more towards the freight forwarding, gross and net margins will decrease.

Passing rising costs to clients

It seems that Aramex has been passing rising costs to clients and this is apparent by the stable gross profit margin. However we fear should costs rise too fast the company will not be able to pass it along to clients fearing slower demand.

External factors

Natural disasters, failing or underdeveloped infrastructure, labor strike, obsolescence of technology, intellectual property theft, unreliable suppliers, and geopolitical upheaval could prevent logistics service provider from meeting their delivery timelines. Among all risks, the clear leader is the availability, cost, and quality of labor.

Financial Analysis and Forecast:

The company has been achieving strong and sustained levels of growth in revenues and net profits over the past few years. The company managed to grow its revenues at a CAGR of 29% between 2002 and 2007 on back of growth in trade levels and utilization of the company's services, as well as from contributions from acquisitions. Also, being well prepared for the changes that took place in the industry allowed Aramex to capitalize on the favourable conditions in the MENA region, where the majority of its revenues come from.

Our projections going forward assume growth in revenues as a multiple of anticipated GDP growth. Growth in real GDP reflects increased consumption, investments and net exports, which, in turn, highlight increased market opportunities and economic activity. Different regions of the world have different multiples of growth depending on the levels of outsourcing and on the developments of the markets themselves. In the Middle East, the multiples of real GDP growth are higher than those of Asia which is higher than multiples in developed markets of the US and Europe.

It is important to note that our projections take into account solely the organic growth prospects of the company. Aramex, along with the industry, today, is going through major consolidation making it difficult to take the inorganic growth into account.

Revenues:

31% revenue growth in 2007

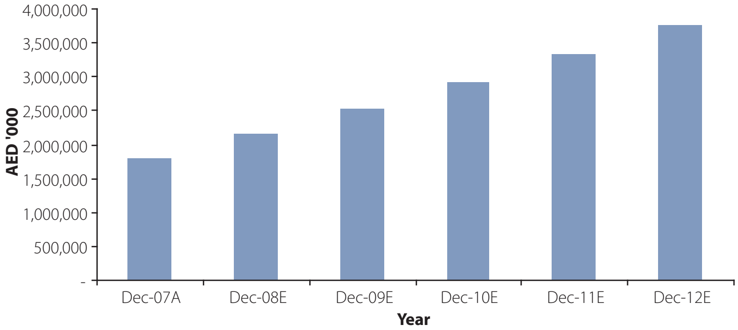
Driven primarily by organic growth, revenues in 2007 increased by almost 31% over that of 2006, reaching around AED 1.78 bn (USD 485 mn). Almost 90% of the revenues were contributed by two services, the express business (both domestic and international) and the freight forwarding business.

Revenue expected to grow at a CAGR of 16% over the next 5 years

We expect revenues to grow at a CAGR of 16% over the next five years to reach almost AED 3.8 bn (USD 1.03 bn) by 2012, driven by strong outlook on the region in terms of trade and increased outsourcing.

The break down of the revenues has changed over the past years. As we mentioned earlier, the company has moved from having most of its revenues from the express business to a present level of 40%. We expect that Aramex will maintain this breakdown except for domestic express which we believe will witness faster growth given its small base and on the back of their wider operations today in terms of geographic coverage.

Revenues



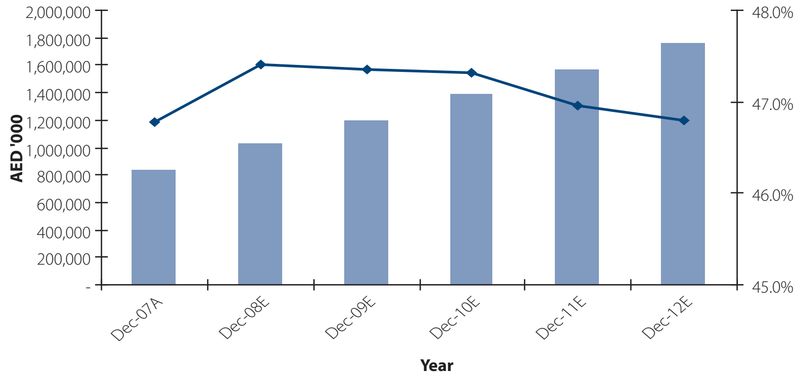
Source: Aramex, SHUAA Capital

Gross margins expected to be maintained within 47% - 48% but a risk of a product mix

Based on what we have mentioned, that gross profit margin going forward should be maintained at current levels of 47% - 48%by 2012. We anticipate that the revenue mix will not change, any additional operating cost will be passed along to the clients. However worth mentioning that should the projected mix change, whereby freight forwarding gets a higher portion at the expense of express and other services, the gross margins will drop. The gross margin for freight forwarding is around 25% compared to the express which is closer to 67% for both international and domestic.

Aramex achieved in Q1 2008 revenues of AED 495 mn (USD 134.8 mn) a 24% growth YoY but on par with Q4 2007 revenues, however it managed to record higher gross profit margins, almost 200 bps higher than that of Q1 and Q4 2007 respectively. The increase in revenues YoY came across all revenues lines, as express increased by 23%, freight forwarding by 21% and Logistics & other revenues increased by almost 35%; however on QoQ basis, express and Logistics & other revenues witnessed marginal growth, while freight forwarding decreased by 5%.

Gross profits vs. gross profit margins



Source: Aramex, SHUAA Capital

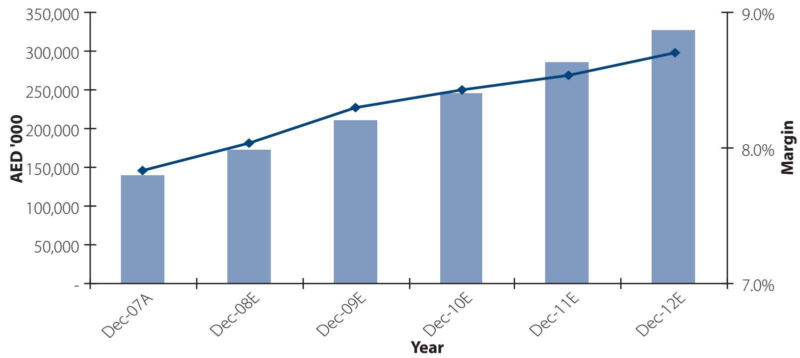
In terms of geographic breakdown of revenues, the MENA represents almost 57% of freight forwarding revenues and almost 77% of express revenues. We estimate that these percentages (again based on organic growth) will drop gradually to reach around 52% of freight forwarding revenues and 73% of the express revenues. This movement is inline with growth prospects in Europe, especially after the acquisition of Two Way Vanguard in 2006, and also in Asia.

Net profits:

Net profits expected to grow at a CAGR of 18% over the next 5 years

Net Income has been growing at a CAGR of 53% since 2002, and net margins have been fluctuating around the levels of 7% - 9% over the same period. We are expecting net profits to grow by 24% in 2008, reaching AED 148.4 mn (USD 40.4 mn) from AED 121.5 mn (USD 33 mn) in 2007. We also expect that between 2007 and 2012 net profits will grow inline with revenues by a CAGR of 18%. Margins are expected to hover around 7% - 8%.

Net profits vs. net profit margins



Source: Aramex, SHUAA Capital

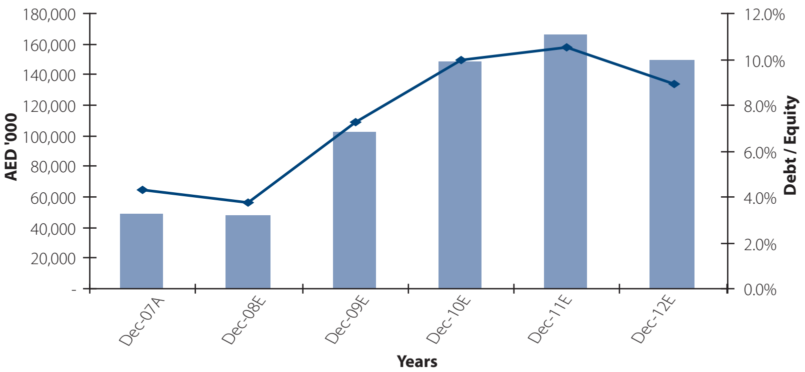
Net profits for the first quarter of the year increased by 29% YoY and 11% QoQ reaching AED 36.2 mn (USD 9.9 mn), Net margins have also improved slightly reaching 7.3% compared 7% in Q1 2007 and 6.6% in Q4 2007. The interest received on excess cash has also decreased with the decreasing interest rates, should interest rate levels be maintained at the same level as they were in Q1 2007, the net profit margins would have been even higher.

CAPEX and loans

CAPEX almost 3% of company's revenues. Aramex is almost un-leveraged

Aramex is expected to become more leveraged. Till date the debt on Aramex's books is almost negligible due to low fixed assests composition of the balance sheet. Going forward, we are expecting this structure will change. The company, as mentioned above, is building a 65,000 sq m warehouse in Dubai Logistics City (DLC), costing almost AED 140 mn (USD 38.1 mn), to be financed through debt. Our model assumes that any CAPEX to be made during the next years will be made on debt and equity basis; we are assuming that almost 70% - 75% of the CAPEX will be made on debt basis. However, the effect on cash flows should be minimal given that CAPEX (excluding acquisition CAPEX) is only 3% of the company's revenues.

Debt

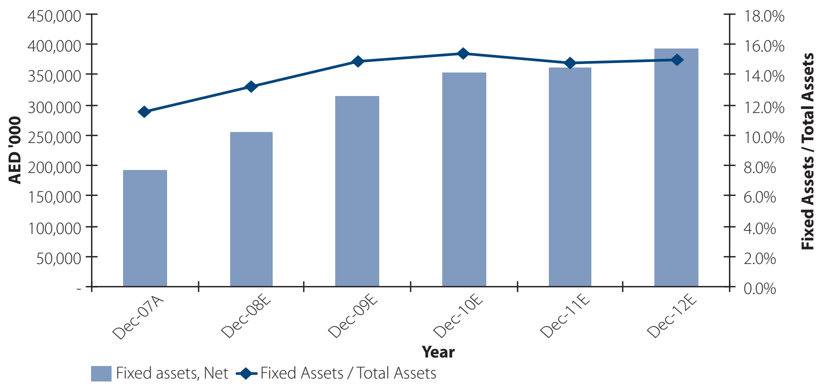


Source: Aramex, SHUAA Capital

Asset light company

The company has and will remain an asset light company, the fixed assets of the company, today, represent 12% of its total assets. As per our expectations, this percentage will increase slightly to reach 15% of total assets by the year 2012. The company has a flexible fleet of trucks in the MENA region that reaches up to 2,000 available trucks at any point. These trucks are on lease basis.

Fixed assets



Source: Aramex, SHUAA Capital

Excess cash to be used for inorganic growth

Currently, a fair amount of excess cash remains idle on the company's financials, which might be perceived as a liability given the opportunity cost that is foregone. Even though our expectations still show excess cash, this cash is likely to be directed towards inorganic growth which we do not take into account in our model.

Prospects:

Prospect 1:

The management of the company clearly stated that they have almost USD 200 mn allocated for acquisitions with one major acquisition identified and negotiations still in early stages. The target markets are Asia and US. As per previous deals or management guidance, Aramex pays a multiple of 10 – 12 times the earnings of a targeted company. Assuming that the amount above mentioned is to be utilized fully in acquisitions, almost USD 17 (AED 64 mn) mn to USD 20 mn (AED 75 mn) of more net income could be added to their bottom line, which almost translates into USD 243 mn (AED 914 mn) – USD 285 mn (AED 1,072 mn) in revenues - almost half of what they achieved in the year 2007.

The hidden value of an acquisition will depend on several factors, of which are the profitability and margins of the acquired company, on how fast these acquired entities be integrated with the existing Aramex network, promoting margins even higher and on synergies with current operations.

Prospect 2:

The Defense Supply Center Philadelphia (DSCP) in the US is considering re tendering a prime vendor contract for full line food distributor responsible for the supply and delivery of semi-perishable and perishable items to US troops in the region. This contract has been awarded to Agility in 2002, and has been a very profitable contract with margins that are much higher than that of the supply chain management services margins. The re-entering of this contract will involve breaking down this contract into three, serving three different regions, Jordan, Kuwait and Turkey. The size of the contract for the three regions combined is almost USD 1.57 bn, and duration of two years with an option to extend for a further four years.

Given that Aramex dominates the Jordanian market, having the highest market share, and that it has existing capabilities and facilities located in Jordan, we believe that Aramex might submit a bid for the region of Jordan. We further believe it is very likely for the company to land the full or part of this contract, of almost USD 265 mn per year, for the Jordan region.

Should the company land this contract or part of it, this will significantly boost it profitability margins, which, we believe, might reach up to around 15% in net margins, bearing in mind that on the previous setting these contracts used to yield 30% - 50% in net margins.

Valuation:

We initiate coverage on Aramex with a BUY recommendation based on a fair value target of AED 3.08 per share, implying an upside potential of 21% from the current levels of AED 2.54 per share. The target was based on a 70% weighting on a Discounted Cash Flow valuation (DCF) and a 30% weighting towards a multiples based peer valuation. The target value has been reached based on organic growth assumptions, and, we believe the upside from the current levels is based on the positive expected growth in real GDP, which acts as a major driver for this industry, in addition to the positive underlying prospects for the industry, given Aramex's prominent position within it.

Aramex today represents the most evenly balanced play on the Middle East's underlying trends of growth in economic activity and trade, while incorporating access to the increasingly global ambition of a successful Middle Eastern brand. While the current stock price seems to already incorporate expectations of growth, we believe that it does not fully capture the inherent sustainability of anticipated double digit growth or the potential benefits of prudent and targeted geographic expansion, or the potential returns from leveraging the brand.

Peer Valuation	30%	2.55	0.77
DCF Valuation	70%	3.31	2.31
Fair Value per share	**100%**		**3.08**

We suspect that the upside potential may be even higher than that mentioned above mainly due to potential hidden value proposition in a complete regional operation with control over a robust global network. Such a proposition may prove highly enticing for global operators or regional strategic investors looking to tap into the sector's anticipated growth in the region, and hence implies a potential acquisition premium.

The possibility that Aramex will land the tender for supplying and delivering food to US troops in the region is another factor that could boost the company's medium term returns and overall value.

Our estimated DCF was based on a five year projection of Free Cash Flow (FCF) of Aramex, a Weighted Average Cost of Capital (WACC) of 9% and a terminal growth rate of 4%. The DCF resulted in an estimated equity value of AED 3.99 bn or a value per share of AED 3.30.

WACC \ Perpetual Growth	**3.00%**	**3.50%**	**4.00%**	**4.50%**	**5.00%**
8.00%	3.41	3.74	4.15	4.68	5.38
8.50%	3.09	3.35	3.68	4.08	4.60
9.00%	2.82	3.04	3.30	3.62	4.02
9.50%	2.60	2.78	2.99	3.25	3.56
10.00%	2.41	2.56	2.74	2.95	3.20

The peer valuation was based on a simple average of both trailing 2007 and forward P/E multiple, EV / EBITDA and P/B multiples of globally listed supply chain services providers. The resultant equity value was estimated at AED 3.1 bn, implying a value per share of AED 2.55. Some of these identified peers are listed in the table shown below.

NAME	Country	Net Margin	P/E 2007	P/E 2008	P/B 2007	P/B 2008	EV/EBITDA 2007	EV/EBITDA 2008	Net fixed assets / Total assets
ALLCARGO GLOBAL LOGISTICS LT	INDIA	17.94	25.86	17.88	8.49	3.00	25.38	9.19	0.23
BLUE DART EXPRESS LIMITED	INDIA	8.79	21.70	NA	4.84	NA	11.46	NA	0.37
BOLLORE	FRANCE	5.03	10.59	10.64	1.18	1.03	18.98	23.35	0.12
BUSINESS POST GROUP PLC	BRITAIN	2.12	16.54	15.81	2.95	2.94	8.27	7.51	0.32
CIA DISTRIB INTEGRAL LOGISTA	SPAIN	2.42	17.37	18.09	4.16	3.70	11.68	9.66	0.09
CSX CORP	US	13.32	21.63	18.25	3.04	3.13	10.12	9.11	0.85
DIMERCO EXPRESS TAIWAN CORP	TAIWAN	20.41	18.76	12.14	3.61	2.39	11.32	9.38	0.04
DYNAMEX INC	US	3.62	16.92	15.99	2.68	NA	9.17	8.73	0.07
FREIGHTWAYS LTD	NEW ZEALAND	87.62	17.64	13.54	5.67	5.07	9.44	8.91	0.21
GATEWAY DISTRIPARKS LTD	INDIA	48.35	17.77	13.86	2.24	1.89	14.66	8.07	0.62
GATI LTD	INDIA	3.77	33.82	24.12	4.15	2.36	19.49	12.37	0.54
HANJIN TRANSPORTATION CO	SOUTH KOREA	0.50	35.57	16.47	1.00	NA	20.32	22.56	0.48
INTEGRATED DISTRIBUTION SERV	HONG KONG	2.17	28.79	22.63	0.01	5.42	23.98	1.81	0.14
INTEREUROPA	SLOVENIA	11.07	8.32	19.69	1.41	1.33	15.36	11.18	0.70
KOREA EXPRESS CO LTD	SOUTH KOREA	6.00	23.66	NA	2.63	NA	6.14	NA	0.57
NIPPON EXPRESS CO LTD	JAPAN	1.92	15.51	16.76	1.11	1.01	5.32	4.99	0.45
NISSIN CORP	JAPAN	0.99	15.11	NA	0.86	NA	6.31	NA	0.29
PACER INTERNATIONAL INC	US	2.76	11.04	11.49	2.20	2.11	6.70	6.87	0.07
RYDER SYSTEM INC	US	3.87	17.30	16.18	2.31	NA	5.20	4.87	0.73
SA DE GERANCE & D'ARMEMENT	FRANCE	1.38	45.14	NA	3.61	NA	13.28	NA	0.18
SHENZHEN FEIMA INTERNATION-A	CHINA	7.29	38.87	39.71	10.95	NA	40.95	NA	0.01
SINGAPORE POST LTD	SINGAPORE	31.59	14.29	14.42	9.65	8.74	11.73	11.42	0.63
STEF-TFE	FRANCE	2.30	13.00	11.06	2.49	2.00	6.88	5.91	0.45
TDG PLC	BRITAIN	2.11	15.43	17.76	1.28	1.29	7.50	6.29	0.43
TOLL HOLDINGS LIMITED	AUSTRALIA	17.12	27.11	13.65	1.55	1.51	7.86	7.53	0.37
C.H. ROBINSON WORLDWIDE INC	US	4.43	33.07	29.62	10.15	9.30	18.84	16.87	0.06
DEUTSCHE POST AG-REG	GERMANY	2.19	20.19	12.44	2.44	2.20	5.03	5.02	0.04
EXPEDITORS INTL WASH INC	US	5.14	37.45	33.05	7.73	4.74	19.65	16.98	0.24
FEDEX CORP	US	5.72	14.48	15.44	1.99	1.95	5.66	5.89	0.53
FORWARD AIR CORPORATION	US	11.44	23.01	20.70	5.47	5.10	12.38	11.07	0.43
GEODIS	FRANCE	1.12	18.83	16.18	1.98	1.84	6.85	5.89	0.18
GLOVIS CO LTD	SOUTH KOREA	3.23	30.87	20.85	4.82	3.97	19.05	17.99	0.20
HUB GROUP INC-CL A	US	3.61	21.45	20.34	4.69	NA	12.06	12.08	0.06
KINTETSU WORLD EXPRESS INC	JAPAN	3.13	12.10	12.10	1.69	1.50	5.93	5.41	0.25
KUEHNE & NAGEL INTL AG-REG	SWITZERLAND	3.10	24.81	21.51	6.15	5.11	13.00	12.22	0.16
NORBERT DENTRESSANGLE	FRANCE	2.73	12.01	11.17	1.99	1.51	5.34	3.20	0.34
OESTERREICHISCHE POST AG	AUSTRIA	5.29	16.54	16.23	2.21	2.34	6.66	6.71	0.35
PANALPINA WELTTRANSPORT -REG	SWITZERLAND	2.44	17.30	17.21	3.21	3.21	8.33	9.25	0.07
SINOTRANS AIR TRANSPORT-A	CHINA	7.56	18.73	19.85	2.34	2.16	11.81	16.86	0.14
TEGMA GESTAO LOGISTICA	BRAZIL	6.18	26.47	11.13	3.53	2.72	12.81	6.10	0.13
TNT NV	NETHERLANDS	9.06	13.52	11.07	5.01	4.62	7.30	6.43	0.25
UNITED PARCEL SERVICE-CL B	US	0.77	17.26	17.50	6.26	6.06	32.77	9.30	0.45
UTI WORLDWIDE INC	BRITISH VIRGIN	2.25	22.48	21.12	2.97	2.43	11.58	10.58	0.07
YAMATO HOLDINGS CO LTD	JAPAN	2.88	18.63	16.28	1.41	1.30	5.80	5.26	0.42
YUSEN AIR & SEA SERVICE CO	JAPAN	3.88	11.86	13.46	1.50	1.36	5.83	5.56	0.22
Average		8.68	20.86	17.50	3.59	3.12	12.32	9.46	0.30

Financials

Income Statement AED '000

Year to December	Dec-07A	Dec-08E	Dec-09E	Dec-10E	Dec-11E	Dec-12E
Express Revenues	744,073	927,907	1,127,106	1,360,076	1,616,941	1,891,833
Freight forwarding revenues	823,993	981,919	1,134,602	1,291,285	1,437,475	1,585,260
Logistics and other services	215,722	252,919	262,920	273,343	282,874	292,744
Total Operating Revenues	**1,783,788**	**2,162,745**	**2,524,628**	**2,924,704**	**3,337,290**	**3,769,836**
Express and related expenses	(271,283)	(339,622)	(408,351)	(486,773)	(572,871)	(661,625)
Freight forwarding and related expenses	(596,226)	(716,841)	(841,061)	(969,781)	(1,104,829)	(1,247,180)
Other revenues related costs	(80,623)	(80,798)	(79,849)	(84,210)	(92,737)	(96,784)
Total Operating costs	**(948,132)**	**(1,137,261)**	**(1,329,261)**	**(1,540,764)**	**(1,770,437)**	**(2,005,589)**
Gross Profits	**835,656**	**1,025,484**	**1,195,367**	**1,383,940**	**1,566,852**	**1,764,247**
Operating expenses	(268,548)	(337,738)	(394,159)	(468,863)	(541,052)	(641,555)
Selling expenses	(79,224)	(103,574)	(116,003)	(128,763)	(141,640)	(155,804)
General and administrative expenses	(344,871)	(407,309)	(466,089)	(527,716)	(587,061)	(626,941)
Other operating expenses (income)	3,566	947	-	-	-	-
Operating Income - EBIT	**146,579**	**177,810**	**219,116**	**258,598**	**297,099**	**339,947**
Interest Income	8,070	7,663	8,734	9,963	11,286	12,569
Interest Expense	(4,132)	(5,024)	(9,879)	(11,781)	(11,338)	(9,965)
Net Income Before Tax and other provisions	**150,517**	**180,448**	**217,971**	**256,780**	**297,048**	**342,550**
Income Tax	(9,450)	(7,996)	(10,899)	(12,839)	(14,852)	(17,128)
Net Income	**141,067**	**172,452**	**207,072**	**243,941**	**282,195**	**325,423**
Shareholders of the company	**121,552**	**148,318**	**178,082**	**209,789**	**242,688**	**279,863**
Minority interest	(19,515)	(24,134)	(28,990)	(34,152)	(39,507)	(45,559)

Balance Sheet AED '000

Year to December	Dec-07A	Dec-08E	Dec-09E	Dec-10E	Dec-11E	Dec-12E
ASSETS						
Cash and cash equivalents	238,856	272,006	310,252	353,956	398,458	439,448
Accounts receivable, Net	319,152	393,550	459,401	532,202	607,280	685,989
Other current assets	95,985	105,171	122,769	142,224	162,287	183,321
Total current assets	**653,993**	**770,727**	**892,422**	**1,028,382**	**1,168,025**	**1,308,758**
Fixed assets, Net	192,986	255,667	315,875	354,346	361,560	392,382
Goodwill	803,399	803,399	803,399	803,399	803,399	803,399
Other non-current assets	3,924	-	-	-	-	-
Other Intangible assets	3,493	3,144	2,829	2,546	2,292	2,063
Available for sale investments	17,040	17,040	17,040	17,040	17,040	17,040
Total non current assets	**1,020,842**	**1,079,250**	**1,139,144**	**1,177,331**	**1,184,291**	**1,214,883**
Total Assets	**1,674,835**	**1,849,977**	**2,031,565**	**2,205,714**	**2,352,316**	**2,523,641**
LIABILITIES						
Accounts payable	132,093	162,021	189,374	219,506	242,526	274,738
ST loans and current portion of long term debt	13,056	28,727	50,261	70,537	96,579	102,150
Bank overdrafts	20,191	16,153	12,922	10,338	8,270	6,616
Accruals	109,977	139,239	160,180	184,642	208,336	233,694
Deferred revenues	7,120	10,007	11,681	13,532	15,441	17,442
Sales and other taxes	6,518	9,375	10,943	12,678	14,466	16,341
Other payables	15,797	17,088	19,700	22,402	25,206	28,373
Others	4,788	5,451	6,371	7,385	8,486	9,613
Total current liabilities	**309,540**	**388,059**	**461,434**	**541,020**	**619,311**	**688,969**
Term loans	14,707	57,729	85,129	84,950	44,444	20,621
Provisions for end of service indemnity	39,428	40,219	40,963	41,866	42,742	43,805
Other Liabilities	539	5,210	6,089	7,058	8,110	9,187
Total non current liabilities	**54,674**	**103,158**	**132,181**	**133,874**	**95,296**	**73,614**
Total Liabilities	**364,214**	**491,217**	**593,615**	**674,895**	**714,607**	**762,583**
SHAREHOLDER EQUITY						
Minority Interest	25,444	31,105	37,349	43,999	50,899	58,696
Share Capital	1,100,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Proposed bonus shares	-	-	-	-	-	-
Proposed Director Fees	1,600	1,600	1,600	1,600	1,600	1,600
Statutory Reserve	13,699	30,944	51,651	76,046	104,265	136,807
Retained earnings	153,464	96,711	148,950	210,774	282,545	365,555
Fair Value reserves	14,320	-	-	-	-	-
Foreign currency translation	3,694	-	-	-	-	-
Total Shareholders Equity	**1,285,177**	**1,327,655**	**1,400,601**	**1,486,820**	**1,586,810**	**1,702,362**
Total Liabilities & Shareholders Equity	**1,674,835**	**1,849,977**	**2,031,565**	**2,205,714**	**2,352,316**	**2,523,641**

Key Ratios

Year to December	Dec-07A	Dec-08E	Dec-09E	Dec-10E	Dec-11E	Dec-12E
Growth						
Revenues	30.8%	21.2%	16.7%	15.8%	14.1%	13.0%
Gross profit	34.8%	22.7%	16.6%	15.8%	13.2%	12.6%
EBITDAR	32.0%	4.8%	31.3%	20.5%	15.5%	35.7%
Net profit	29.4%	22.2%	20.1%	17.8%	15.7%	15.3%
Total assets	10.7%	10.5%	9.8%	8.6%	6.6%	7.3%
Shareholders' equity	11.9%	3.3%	5.5%	6.2%	6.7%	7.3%
Margins						
EBITDAR margins	3.6%	3.2%	3.5%	3.7%	3.7%	4.5%
EBITDA margins	10.2%	10.9%	11.5%	11.8%	11.9%	11.4%
Net profit margins	7.9%	8.0%	8.2%	8.3%	8.5%	8.6%
Gross margins	46.8%	47.4%	47.3%	47.3%	46.9%	46.8%
Earnings / Returns						
RoAE	10.0%	11.4%	13.1%	14.5%	15.8%	17.0%
RoAA	7.6%	8.4%	9.2%	9.9%	10.6%	11.5%
Liquidity & Leverage						
Current Ratio	2.11	1.99	1.93	1.90	1.89	1.90
Interest coverage (x)	35.47	35.39	22.18	21.95	26.20	34.11
Long Term Solvency						
Total asset to equity	1.30	1.39	1.45	1.48	1.48	1.48
Total liabilities to total assets	0.22	0.27	0.29	0.31	0.30	0.30
Debt to Assets	0.02	0.05	0.07	0.07	0.06	0.05
Debt to Equity	0.03	0.07	0.10	0.11	0.09	0.07
Total Liability to Equity	0.28	0.37	0.42	0.45	0.45	0.45
Efficiency						
Total asset turnover	1.07	1.17	1.24	1.33	1.42	1.49
Fixed asset turnover	9.24	8.46	7.99	8.25	9.23	9.61
Current asset turnover	2.73	2.81	2.83	2.84	2.86	2.88
Long Term asset Turnover	1.75	2.00	2.22	2.48	2.82	3.10
Valuation						
No of shares in issue ('000)	1,100,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000
EPS (AED)	0.11	0.12	0.15	0.17	0.20	0.23
EPS growth (%)	0.28	0.11	0.20	0.18	0.16	0.15
P/E (x)	23.08	20.80	17.33	14.71	12.71	11.03
BVPS (AED)	1.17	1.10	1.16	1.23	1.31	1.41
P/B (x)	2.18	2.32	2.20	2.08	1.94	1.81
EV/EBITDA	2.47	2.52	2.54	2.54	2.51	2.48
EBITDA per share (AED)	0.16	0.19	0.24	0.28	0.33	0.36
Dividend pay-out ratio (%)	0.0%	58.1%	58.1%	58.1%	58.1%	58.1%
Operation Cash Management						
Accounts Receivable Turnover	6.02	6.00	5.92	5.90	5.86	5.83
Days Receivable	60.62	60.84	61.66	61.88	62.31	62.61
Accounts Payable Turnover	8.10	7.73	7.57	7.54	7.66	7.75
Days Payable	45.06	47.20	48.24	48.43	47.63	47.07

Appendices

Appendix 1 - Social responsibility and commitment

Similar to the culture it fosters in the working environment, Aramex advocates the progress of the communities it serves. It rewards innovation, excellence and achievement through improving literacy in the under-developed areas, funding education, encouraging entrepreneurship and sponsoring sports events. Some of the company's main contributions include:

- Aramex established the "Arab Foundation for Sustainable Development" in 2006 engaged in improving the quality of life of people in underprivileged societies.
- Aramex initiated "Aid Lebanon with Us" campaign to assist the displaced Lebanese following the war in summer 2006.
- Aramex contributed to the relief following the earthquake in Pakistan in October 2005.
- Aramex provides aid to the underprivileged community in Jordan through contribution to the Jabal Al-Natheef pilot initiative, aiming at assisting community members to obtain loans to start their own small business or project, creating job opportunities and implementing social infrastructure. This activity is at the heart of Aramex corporate social responsibility plan to assist the individuals in needy areas.

Appendix 2 – Aramex ranking in terms of market capitalization

Name	Region	Mkt cap USD mn	Rank
UNITED PARCEL SERVICE-CL B	UNITED STATES	74,040	1
DEUTSCHE POST AG-REG	GERMANY	37,124	2
FEDEX CORP	UNITED STATES	29,069	3
TNT NV	NETHERLANDS	14,705	4
KUEHNE & NAGEL INTL AG-REG	SWITZERLAND	12,990	5
C.H. ROBINSON WORLDWIDE INC	UNITED STATES	10,888	6
EXPEDITORS INTL WASH INC	UNITED STATES	9,998	7
SNCF PARTICIPATIONS	FRANCE	7,906	8
YAMATO HOLDINGS CO LTD	JAPAN	6,418	9
BOLLORE	FRANCE	5,587	10
NIPPON EXPRESS CO LTD	JAPAN	5,507	11
TOLL HOLDINGS LIMITED	AUSTRALIA	5,327	12
RYDER SYSTEM INC	UNITED STATES	4,062	13
KOREA EXPRESS CO LTD	SOUTH KOREA	4,009	14
THE PUBLIC WAREHOUSING CO KS	KUWAIT	3,986	15
CIA DISTRIB INTEGRAL LOGISTA	SPAIN	3,594	16
PANALPINA WELTTRANSPORT -REG	SWITZERLAND	3,264	17
OESTERREICHISCHE POST AG	AUSTRIA	2,988	18
GLOVIS CO LTD	SOUTH KOREA	2,360	19
UTI WORLDWIDE INC	BRITISH VIRGIN	2,190	20
GRINDROD LTD	SOUTH AFRICA	1,708	21
SINOTRANS AIR TRANSPORT-A	CHINA	1,701	22
GEODIS	FRANCE	1,591	23
SINGAPORE POST LTD	SINGAPORE	1,591	24
HUB GROUP INC-CL A	UNITED STATES	1,163	25
FORWARD AIR CORPORATION	UNITED STATES	998	26
KINTETSU WORLD EXPRESS INC	JAPAN	979	27
STEF-TFE	FRANCE	900	28
NORBERT DENTRESSANGLE	FRANCE	887	29
ARAMEX CO	UNITED ARAB EMIRATES	866	30

The foreign currencies figures were converted at the prevailing rate on 7 May 2008.
Source: Bloomberg, Reuters, SHUAA Capital

Appendix 3 – Aramex ranking in terms of revenues

Name	Region	Sales USD mn	Rank
DEUTSCHE POST AG-REG	GERMANY	97,726	1
UNITED PARCEL SERVICE-CL B	UNITED STATES	49,692	2
FEDEX CORP	UNITED STATES	35,214	3
NIPPON EXPRESS CO LTD	JAPAN	18,054	4
TNT NV	NETHERLANDS	16,749	5
KUEHNE & NAGEL INTL AG-REG	SWITZERLAND	16,186	6
YAMATO HOLDINGS CO LTD	JAPAN	11,640	7
BOLLORE	FRANCE	9,846	8
CIA DISTRIB INTEGRAL LOGISTA	SPAIN	8,596	9
PANALPINA WELTTRANSPORT -REG	SWITZERLAND	8,210	10
GEODIS	FRANCE	7,358	11
C.H. ROBINSON WORLDWIDE INC	UNITED STATES	7,316	12
TOLL HOLDINGS LIMITED	AUSTRALIA	7,041	13
RYDER SYSTEM INC	UNITED STATES	6,566	14
THE PUBLIC WAREHOUSING CO KS	KUWAIT	6,290	15
SNCF PARTICIPATIONS	FRANCE	5,768	16
EXPEDITORS INTL WASH INC	UNITED STATES	5,235	17
UTI WORLDWIDE INC	BRITISH VIRGIN	4,379	18
OESTERREICHISCHE POST AG	AUSTRIA	3,563	19
EGL INC	UNITED STATES	3,218	20
LOGWIN AG	GERMANY	3,144	21
STEF-TFE	FRANCE	2,973	22
NORBERT DENTRESSANGLE	FRANCE	2,776	23
KINTETSU WORLD EXPRESS INC	JAPAN	2,753	24
GLOVIS CO LTD	SOUTH KOREA	2,435	25
GRINDROD LTD	SOUTH AFRICA	2,271	26
NISSIN CORP	JAPAN	2,090	27
PACER INTERNATIONAL INC	UNITED STATES	1,969	28
YUSEN AIR & SEA SERVICE CO	JAPAN	1,780	29
FRANS MAAS GROEP NV-CVA	NETHERLANDS	1,698	30
HUB GROUP INC-CL A	UNITED STATES	1,658	31
SUPER GROUP LTD	SOUTH AFRICA	1,539	32
VANTEC GROUP HOLDINGS CORPOR	JAPAN	1,435	33
KOREA EXPRESS CO LTD	SOUTH KOREA	1,416	34
TDG PLC	BRITAIN	1,307	35
SA DE GERANCE & D'ARMEMENT	FRANCE	1,229	36
SINOTRANS AIR TRANSPORT-A	CHINA	1,208	37
GUANGDONG NAN YUE LOGISTIC-H	CHINA	884	38
MARUZEN SHOWA UNYU CO LTD	JAPAN	865	39
HANJIN TRANSPORTATION CO	SOUTH KOREA	737	40
BUSINESS POST GROUP PLC	BRITAIN	636	41
ALPS LOGISTICS CO LTD	JAPAN	602	42
ARAMEX CO	UNITED ARAB EMIRATES	486	43

The foreign currencies figures were converted at the prevailing rate on 7 May 2008.
Source: Bloomberg, Reuters, SHUAA Capital

Appendix 4 – Aramex ranking in terms of net income

Name	Region	Net Income USD mn	Rank
DEUTSCHE POST AG-REG	GERMANY	2,137	1
FEDEX CORP	UNITED STATES	2,016	2
TNT NV	NETHERLANDS	1,517	3
TOLL HOLDINGS LIMITED	AUSTRALIA	1,205	4
THE PUBLIC WAREHOUSING CO KS	KUWAIT	576	5
KUEHNE & NAGEL INTL AG-REG	SWITZERLAND	502	6
BOLLORE	FRANCE	495	7
UNITED PARCEL SERVICE-CL B	UNITED STATES	382	8
NIPPON EXPRESS CO LTD	JAPAN	346	9
YAMATO HOLDINGS CO LTD	JAPAN	336	10
C.H. ROBINSON WORLDWIDE INC	UNITED STATES	324	11
EXPEDITORS INTL WASH INC	UNITED STATES	269	12
RYDER SYSTEM INC	UNITED STATES	254	13
CIA DISTRIB INTEGRAL LOGISTA	SPAIN	208	14
PANALPINA WELTTRANSPORT -REG	SWITZERLAND	200	15
OESTERREICHISCHE POST AG	AUSTRIA	188	16
GRINDROD LTD	SOUTH AFRICA	169	17
SINGAPORE POST LTD	SINGAPORE	109	18
UTI WORLDWIDE INC	BRITISH VIRGIN	99	19
SINOTRANS AIR TRANSPORT-A	CHINA	91	20
GEODIS	FRANCE	83	21
GLOVIS CO LTD	SOUTH KOREA	79	22
NORBERT DENTRESSANGLE	FRANCE	76	23
KINTETSU WORLD EXPRESS INC	JAPAN	72	24
KOREA EXPRESS CO LTD	SOUTH KOREA	71	25
YUSEN AIR & SEA SERVICE CO	JAPAN	69	26
STEF-TFE	FRANCE	68	27
SUPER GROUP LTD	SOUTH AFRICA	60	28
HUB GROUP INC-CL A	UNITED STATES	60	29
EGL INC	UNITED STATES	56	30
PACER INTERNATIONAL INC	UNITED STATES	54	31
FORWARD AIR CORPORATION	UNITED STATES	45	32
INTEREUROPA	SLOVENIA	40	33
KUWAIT & GULF LINK TRANSPORT	KUWAIT	39	34
NISSIN CORP	JAPAN	37	35
VANTEC GROUP HOLDINGS CORPOR	JAPAN	37	36
ARAMEX CO	UNITED ARAB EMIRATES	33	37

The foreign currencies figures were converted at the prevailing rate on 7 May 2008.
Source: Bloomberg, Reuters, SHUAA Capital

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