

# GROUP CEO LETTER

## Dear valued stakeholders,

Aramex has been changing the way we move goods globally and domestically for the past 40 years. And this has become more evident in recent years as we continue to play an important role in peoples' and businesses' daily lives. People are depending more heavily on us to purchase all types of goods and products with the increasing expectation of receiving them almost instantaneously. For businesses we are a strategic partner - our business provides their business with growth opportunities. In 2022, we moved products reliably while navigating challenging supply chains and providing a seamless, transparent, and trackable first-to-last experience.

■ **Othman Aljeda**  
Chief Executive Officer

Our success is owed to our laser-sharp focus on customer service excellence. We invested in front and back-end technology to boost our operations and customer interface. We expanded geographically to reach more cities and more remote locations. We automated our operations so that there is a seamless ebb and flow of packages moving from the first to the last mile efficiently and at reduced costs. We also invested in our people by upskilling them and hiring the right talent that can help us deliver on our promise to our customers. We did all that while also delivering value to our shareholders, being an active corporate citizen and further embedding sustainability into our core operations and caring for the health of our planet.

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### Our Forte

Our commitment to our people is the one constant over our 40 years of operations. Since our founding, we knew that the formula to success lies with the people. Innovative ideas, solutions, and good customer service can only come from an energized, connected, and motivated workforce. And that is why we dedicated 2022 to celebrating our accomplishments over the past four decades and building more meaningful ties with our 16,000+ global and diverse workforce. Feeling connected to the Aramex brand and its values is how we build a global company that can better drive our vision - to deliver what our customers value most everywhere, on time, every time. I am very proud to lead a team of passionate, hardworking, and entrepreneurial Aramexians, and I look forward to celebrating more moments - big or small - in the coming years with them.

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## Our Performance

For the Full Year 2022, our top line was relatively unchanged from the previous year at AED 5.9 billion. However, the makeup of our revenue has changed. We are seeing greater contribution from our B2B offering, specifically Freight-Forwarding. Collectively the B2B segment, which includes Freight-Forwarding and Logistics & Supply Chain Solutions, made up 36% of our revenue in 2022, compared to 29% in 2021.

We also have less customer concentration risk, with no single customer making up more than 7% of our revenue. Our more balanced and diversified top line will serve us well as we enter a period of global economic tepid growth and as we continue to capitalize on growth opportunities in our home markets, specifically GCC and other MENAT countries.

## Normalized Net Profit for the Full Year was up 9% YoY to AED 173 Million

In October 2022 we concluded the acquisition of MyUS, a global technology-driven platform that enables cross-border e-commerce, and our largest acquisition to date. A profitable business with superior cash conversion, MyUS complements Aramex's Shop & Ship offering and expands coverage of new destinations.

Our profitability margins have held firm despite an inflationary cost environment, with Normalized<sup>[1]</sup> Gross Profit Margin and EBITDA Margin for Full Year 2022 at 24% and 11% respectively. Importantly, we stabilized our Group SG&A which means we have a leaner organization that is more cost efficient, agile, and ready to sustain future growth.

Normalized Net Profit for the Full Year was up 9% YoY to AED 173 million compared to Normalized<sup>[2]</sup> Net Profit of AED 158 million in Full Year 2021. This is predominantly attributed to the realization of cost and operating efficiency enhancements in our business as well as the strong contribution of our Freight-Forwarding business to the topline and bottom line.

The booming GCC economies contributed to our performance in 2022. We benefitted from improving consumer sentiment in that region as well as an increase in business activity, predominately driven by the oil and gas and other industrial and manufacturing sectors. The Purchasing Managers Index (PMI) readings for all GCC economies pointed to expansionary business conditions, while consumer spending has also increased, especially through online channels. According to Saudi Central Bank statistics, the number of e-commerce transactions in KSA in 2022 was almost double compared to 2021 and more than tripled compared to 2020, demonstrating the boom in online shopping. In the UAE, the e-commerce market has been performing exceptionally and is expected to reach USD 9.2 billion in 2026 according to analysis by the Dubai Chamber of Commerce, with mobile retail sales expected to record a CAGR of 15.6% over the 2022-2026 period to reach USD 4.6 billion.

In terms of sectors, e-commerce and industrials remain our key growth drivers and will continue to fuel our long-term growth. Other industry verticals were also strong contributors to our performance including retail, healthcare, and SMEs.

### Our Champion

The Express products have been our bread and butter since 1982 and continue to be the top contributor to our business and financial performance. While we have seen some softness in volumes compared to 2021, however, we are encouraged by the still relatively high volumes on both the International and Domestic front. This year our focus in the Express products was two-fold: optimize

and digitize our operations and improve our offering and customer interface. On the optimization and digitization front, we adopted a fleet management platform to help optimize our fleet performance, we also continued the rollout of the semi-automated hubs initiative as well as digitizing storage methods. We invested in our IT and data systems, leveraging AI to help us better manage busy seasons and optimize routes.

We are also very excited about the successful testing of the drone and roadside bot deliveries conducted in Dubai and Oman. This is part of our "Future Delivery Program" aimed at enhancing last-mile logistics using smarter, greener and faster shipping solutions. Our collective efforts helped us realize more efficiencies for these products and translated to a 10% improvement in the productivity of our Champion couriers for average daily pick-ups and drop-offs while 96% of our customer care cases in the fourth quarter 2022 were handled by our new chatbots. We expect to continue benefitting from those performance enhancement and digitization measures over the mid to long term.

In response to customer trends, in 2022 we launched new products including premium services in the GCC with faster delivery times. We also introduced new solutions including paperless returns and e-commerce fulfilment solutions. We have doubled our PUDO network in the GCC in 2022 vs 2021.

Our ability to further deliver on our growth ambitions this year was enabled by our strategic shareholder GeoPost / DPDgroup. More specifically, the relationship with Europe's largest parcel delivery network, GeoPost / DPDgroup, has helped us add more trade lanes to our network, including Italy, France, Germany, Netherlands, and Czech Republic.

In the last two and half months of the year, the International Express product benefitted from the MyUS combination. So far, we are pleased with the results, and we look forward to unlocking further value for our business, customers and shareholders from this acquisition over the long-term realizing revenue and cost synergies.

### Our Rising Stars

The Freight-Forwarding and Logistics & Supply Chain Solutions products performance was strong throughout the year. The Freight-Forwarding business witnessed a 27% YoY increase in revenue to AED 1.7 billion with Gross Profit Margin coming in at 14%, a 2-percentage point improvement from 2021 predominately driven by an increase in air and land freight volumes throughout the year. The Logistics & Supply Chain Solutions has also benefitted from our focus on cost optimization and driving quality earnings, with the gross profit margin jumping to 15% in 2022 from 10% in 2021.

<sup>[1]</sup> Normalizations for 2022 include financials results generated by MyUS following the acquisition; costs and fees related to the acquisition of MyUS and other extraordinary items mostly associated with the logistics product.

<sup>[2]</sup> For 2021, normalizations include the gain from the sale of InfoFort and other extraordinary items. This normalization provides a like-for-like comparison for the reporting periods Q4 & FY 2022 to Q4 and FY 2021.



The strategic investment in scaling this business has paid off. Over the course of the year we won new customers, expanded into high-growth potential verticals including SMEs, and gained significant market share across major industry verticals such as industrials, retail and healthcare. We also increased our warehousing space in key markets to more than 800,000 sqm across owned, managed and leased warehouses. We also invested in automating several facilities in key markets to increase efficiency. Importantly, we focused on quality revenue to help us drive quality earnings.

Our success is owed to our expertise, operational capabilities, and customer-oriented approach underpinned by superior digital solutions and a knowledgeable workforce. We know that while our customers value a seamless experience, transparency and real-time monitoring of their shipments, we believe that it is our personalized and tailored approach that has enabled us to grow our customer base in our home markets, especially in UAE and Saudi Arabia. As mentioned at the start of this letter, we are moving from being a service provider to valued strategic partner.

**Our Global Appeal**

40 years ago, when we first started operations, we were connecting the Middle East to the United States, and we were focused on a niche customer base. Today, we have a global network that reaches over 70 countries and territories, and we operate on major international trade lanes. With a clear strategic roadmap for growth, we are seeking to further connect the world and facilitate global trade.

In 2022, our global appeal expanded beyond geographic territories. We became the first UAE onshore, DFM-listed company to allow 100% foreign investor ownership of our listed shares. The decision to remove the foreign ownership limit on our shares is in line with our global growth ambitions and commitment to unlock greater value for all shareholders, and was enabled by the landmark UAE Commercial Companies reform. As a constituent of the FTSE Emerging Market Index, the FTSE4Good Index and the MSCI Small Cap Emerging Market Index, we witnessed an increase of the stock’s weight in these indices, followed by an increase in passive money flows during 2022.

**Our Impact**

Sustainability and Environmental, Social, and Governance (ESG) have been part of our DNA for forty years – since we started to scale our operations in Jordan and beyond. From early on, we recognized the need to build a business based on sustainable practices, to create value and positive impact in our communities. This continues to be embedded in our day-to-day business practices and efforts across our network.

On the Environmental front, we are proactively taking steps to measure, manage and mitigate the impact our business has on the environment. To support us in achieving our Science Based Targets Initiative (SBTi) targets, which we have committed to since 2021, we are undergoing a climate risk assessment conducted by a third party, which will provide us with a comprehensive plan for managing our environmental and climate impacts, further solidifying our commitments to mitigate our emissions. This will help us achieve the measured SBTi at 1.5 degrees Celsius for both scope 1 and scope 2 emissions, and 2-degrees Celsius for scope 3<sup>[3]</sup> emissions by 2030. We are confident in our ability to deliver on those commitments and have been shifting to different environmentally friendly technologies – such as including electric vehicles as part of our fleet in Amman - Jordan, and exploring and testing drone and roadside robotic delivery services– as well as investing in renewable energy to achieve our targets with zero compromise on customer expectations and quality of service.

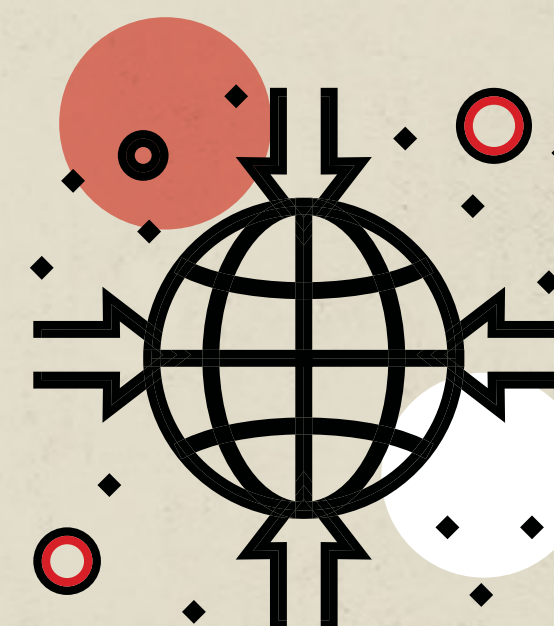
On the Social front, in 2022, we continued to build on our partnerships with local and international community and youth organizations as part of our “Delivering Good” Program and our sustainability strategy. This year we focused on enhancing our social partnerships and investment model to support our commitment and contribution to our sustainability pillars; Education and Youth Empowerment and Entrepreneurship. We

also continued to strengthen our existing partnerships and supporting our extensive base of beneficiaries and organizations to ensure that we build sustainable and transformative projects and programs in close collaboration with our stakeholders and communities. In doing so, this will help us achieve our goal of increasing the number of beneficiaries by 5% every year. In addition to our social projects, we are committed to leveraging our operations and capabilities to respond to emergencies and provide community relief when needed and possible.

To strengthen the Governance of our sustainability strategy, we continually conduct training on human and labor rights, along with our compliance and code of conduct training. We are proud to receive the Dubai Chamber SMART CSR Label for 2022, which is the first CSR Label in the region that builds on international sustainability and responsible business standards, while considering local relevance and context.

**Our Long-term Focus**

Looking ahead, our 5-year business strategy provides us with a clear roadmap to grow our business and deliver long term value for all our stakeholders. We have earmarked AED 2.4 billion in capital expenditure over the next five years to sustain our organic growth plans for our four product lines.



We want to boost volume capacity, increase activity along key trade lanes, and scale the Logistics & Supply Chain Solutions product by doubling our specialist warehousing space by 2027. We also want to hire more talent to focus on further building our competencies in the Freight-Forwarding business. We aim to further expand and diversify our customer base by focusing on high growth industry verticals such as e-commerce, SMEs, retail and industrials.

To remain lean and green, we will invest in technology that will lower our emissions, increase our efficiencies and enhance our superior customer service levels. We also have several M&A opportunities in the pipeline, as inorganic growth remains a key component of our growth strategy. We have a strong balance sheet and are well prepared to execute on these opportunities.

Today, 53% of the Group revenue originates from our home markets in the GCC and other MENAT countries. With the projected continued strong economic growth in the region, driven in large part by pro-growth and pro-trade government initiatives as well as

buoyant consumer sentiment, we are optimistic in our ability to further increase our market leadership position across our four products.

We have a very busy five years ahead, but we are ready to deliver on our growth plans and unlock greater value for all our stakeholders.

I would like to thank our Board of Directors for their ongoing support and guidance; and thank you, our shareholders, for your trust in the Aramex brand. I would also like to thank my team and all Aramexians for their valuable contributions to the business, and our partners and customers for their support.

Sincerely,

**Othman Aljeda**  
Group CEO  
Aramex



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[3] Scope 3 is highly dependent on our suppliers' CO2 reduction efforts