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CONFERENCE CALL ON ARAMEX'S RESULTS FOR THE 3Q OF 2024

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Moderator:
Anca, please go ahead.

Anca Cighi:
Thank you, Michael. Dear ladies and gentlemen, good day to everyone. And thank you for joining our investor call. I'm joined today by our executive leadership team, our CEO, Othman Al-Jeda, our CFO, Nicolas Sibuet, our CEO for Express, Mr. Ala'a Saoudi, and our CEO for Freight and Logistics, Mohamed Alkhass. Our financial results for the third quarter of the year are available on our IR website and the BFM website. Before we begin today's call, I would like to draw your attention to page number two. Some of the comments made on this conscious call today may be forward-looking statements, which are based on our view of business and macroeconomic trends as we see them today. These elements can change due to a variety of factors. And therefore, you should not assume that we will continue to hold these views in the future. I will now hand over to Mr. Al-Jeda for the opening remarks. Please go ahead, sir.

Othman Al-Jeda:
Thank you, Anca. Good afternoon to you all, and thank you for joining us today to discuss Aramex's financial results for the third quarter of 2024. I am pleased to share our performance highlights and to talk about the trends we are seeing in our industry and core markets. Let's start with Q3 results. We are excited about the market sharing that we are making, as you can see from the significant growth in volumes. We also reported double-digit growth in group revenues, supported by double-digit growth across the board for all our product lines. This reflects our focus on sales specialism and the strength of our network in our key markets. Despite industry pressures, we delivered 18% growth in group revenues and significantly improved gross profitability and EBIT. Our GP margins contracted slightly, while our focus on efficiency and cost management delivered stable EBIT and EBITDA margins. There is more work to be done. As you know, our bottom line is particularly sensitive to any shifts in revenues and cost profile. Therefore, it is very important that we continue to focus on gaining more volumes as the business benefits from economies of scale, and this is our path to unlocking future profitability. Let's now talk about the changes we are seeing in the industry and how our business is positioned to respond to these. There are two key trends we are seeing. Firstly, near-shoring. This is the practice of bringing, holding, and fulfilling inventories closer to end consumers. We have previously talked about this, and we know that our warehousing business plays a strategic role here. Secondly, direct injection. This is a demand for international freight holding where basically brands and retailers consolidate their inventory for the initial leg of their journey overseas, and then inject the stock directly into

our network. These two trends align perfectly with our strengths and provide the pathway for sustainable growth for Aramex, where we strategically utilize our full infrastructure. We are helping retailers and brands enhance their supply chain resilience, reduce transit times, optimize costs, and increase sales. And most importantly, as soon as these customers start fulfilling locally, they see significant growth in volumes. As you know, a key competitive advantage that Aramex has is the relevancy of our four products. So, we do freight for the first leg. We focus on warehousing fulfillment, and we add regional cross-border, which is the international express product, plus the domestic last mile services for these customers. The strategic goal is here to sell two to three products to each customer and offer an integrated solution. I would like to highlight that while we navigate these changes, there is one constant that is guiding us. Our commitment to delivering exceptional service. Customer excellence continues to be a top priority, and we are proud of these positive feedback that we have received amidst these industry shifts. In closing, I want to express my gratitude to my team for their commitment. I will also thank you, our valued investors, for your continued trust and support. With that, I will hand over to Nikola for the financial overview. Thank you.

Nicolas Sibuet:
Thank you, Othman. Good afternoon, everyone, and thank you for joining our conference call for Q324. It's always a pleasure to be speaking to you and have the opportunity to communicate about our company results and progress. Our financial statements were published on Thursday last week. Let me go through a few highlights. After this, we'll open the floor to you, and we look forward to your questions. Let's start with the international express product. We have another quarter of great volume growth, 34% year-on-year in Q324, and 33% year-on-year for the nine-month period. Volume growth is coming from the GCC and MENAT regions, while in all other markets, we see a stable performance. The sequential quarter movement you are seeing for the international express product is the result of the near-shoring trends we have been talking about. So this is not volume leakage at group level, but a shift to more domestic volumes. As we see customers holding more and more stock locally, we see a transfer of volume across the business. This is a transfer of volume from international express into our domestic express product, flowing through our logistic business. This dynamic flow of volume across the product reflects the evolution of the current customer base as they penetrate more new markets. Let's move to the next slide to see the impact on financials. We report 10% growth in revenues for Q324 and the nine-month period, which is in line with our expectation. Gross profit for Q324 was relatively stable at $49 million, with a healthy margin of 32%. In Q3 last year, we had an adjusted margin of 33% at GP level. For the nine-month period, we see 6% growth in GP and a GP margin of 33%. The changes in our customer mix are leading to a lower weight per shipment, which is impacting our margin. Looking ahead, we are on track with our gross expectations for international express revenue. When you adjust your models for the Q424, I would take the following into account. Q4 is typically a high season for us due to increase in e-commerce activity and shopping activities associated with the end-of-year seasonality. We expect this to be the case in 2024 as well. And when comparing to Q1 this year or Q4 last year, it's important to remember these two quarters delivered record volumes. Moving to the next page, please. On page 15, we see a healthy growth for our domestic product. Up by 18% in Q3 2024 compared to the same period last year. We see good growth in the same region, GCC and MENAT, where we are gaining market shares and

benefiting from strong regional economies and healthy consumer demand. The transfer of volume from Express International to Domestic Express is very significant, as explained before. You will note that the biggest contributor to volume growth in Q3 was Oceania. Our recovery journey in Oceania is progressing very well on the back of the turnaround strategy, including the consolidation of our distribution network in this market. Moving to page 16, let's look at the financial results for Domestic Express. Growth is driven by volume expansion, including the transfer of volume from International Express as well as the recovery of Oceania. And a better utilization of the fixed infrastructure and efficiencies in operation. Revenues are at 27% on the back of the 18% growth in volumes. GP improved to $30 million, a 50% increase year on year, and the GP margin is up 4 percentage points to 24%. We see similar trends for the nine month period, and we are gearing up for the busy Q4 season. It's important to remember that both Domestic Express and International Express products run on the same infrastructure. Therefore, we track the profitability of the whole combined product in addition to the view per product. Let's take a look at the consolidated product on page 17. And this is a new slide that we're bringing. Our Express product consolidated, international and domestic. The consolidated product saw a healthy growth in volumes over the last four quarters, reflecting the customer wins we have talked about and the shift from International Express and to Domestic Express. When a brand or e-tailer moves stock to the region and fulfills locally, we see significant growth in volume as a result of them being closer to the end consumers and being able to provide the same day or next day delivery with a more convenient return option as well. What we are seeing this year is a 20% growth in volume in Q3, 24, and a 13% growth for the nine month period. The increase in volumes is leading to a healthy and sustainable growth in our consolidated Express business. Revenue grew 70% and the GP margin was 28% in Q3, 2024. For the nine month period, revenue was up 11% and the GP margin was 29% in line with the same period last year. Stable EBIT and stable EBITDA margins allowed for a healthy expansion in business in absolute terms in Q3 and for the nine months of 2024. Moving to the next page, please, Anca. Let's look at our freight forwarding product. The operating environment remains challenging this quarter. We see persistent volatility, dynamic pricing and disruptions, which are leading to lower margin across the industry. We also saw an increasing cost associated with congestion in certain regional posts due to the backlog at the Red Sea, impacting demurrage cost. Looking at the volume performance, freight delivered good growth across air, sea, and road products. As you know, Aramex has deep specialization in a few verticals, energy, e-commerce, and retail. We have strong capabilities on specific lanes connecting global export hubs with the GCC and the broader region. We need to refocus on our strengths and double down on this. We are therefore reassessing certain activities, focused on gaining volumes on specific trade lanes for the freight product in order to stabilize margin and create a better profitability for freight business in the next quarters. On page 19, let's review the financial profile of the freight forwarding product. We grew revenue 22% to $122 million on the back of volume growth across the business. Our gross profit was $14.5 million for Q3 2024, down from $15.8 million US in Q3 last year. As you remember, freight is a pass-through cost activity for us, so we do monitor the evolution of our GP EBIT margin and the conversion ratio of EBIT to GP. The evolution of these margins and ratios is similar with the broader trend we are seeing in the industry. We are monitoring this KPI very, very closely. Moving to the logistic product. As Othman mentioned, we have a very good story for logistics, and this is on the back of the actions we have taken to clean up the customer base. There's more to be done, of course, and we remain focused on our growth strategy for this product. As mentioned on the last call, we onboarded new customers into our warehouses this year. We are now seeing the financial impact of this win, growing the utilization rate of our facilities and better quality revenue are leading to a better margin profile. We will continue to grow our contract logistic footprint in key markets. Let's wrap up the group financial results on page 23, please, followed by our outlook on page 26. We will then open to Q&A session. On page 23, our group results, we see a good growth of 18% year-on-year in revenues on a consolidated group basis, on the back of a very healthy growth in volume through our four products. We discussed the direct cost performance for product and the GP performance. Let's move to SG&A. We have two main components which are part of our SG&A. First, selling expenses. These are growing in line with our focus on sales specialism and are up 17% in Q3-24 versus same period last year, growing at a slower pace than revenue. Important to note, selling expenses, a percentage of revenue are 6% in Q3-24, which is in line with 6% in Q3-2023. Secondly, G&A was effectively managed with a growth of 5% year-on-year. As a percentage of revenue, we improved G&A expenses to 14% in Q3-24 compared to 16% in Q3-2023. Overall, our SG&A ratio as a percentage of revenue also improved to 20% in Q3-2024 compared to 21% in Q3-2023, and is in line with what we have been posting earlier this year. Our EBITDA was up 17% year-on-year to $43 million. The EBITDA margin was stable at 10%. The net profit and net profit margin improved for the quarter and the nine-month period. Can you still hear me? I got disconnected. Am I back in?

Moderator:
Yes, we hear you. Go ahead.

Nicolas Sibuet:
Yes, thank you.

Othman Al-Jeda:
We hear you.

Nicolas Sibuet:
Thank you. So with this, let's move to page 27 to have a look at our expectation for the full year performance. We expect to end 2024 with approximately 9% year-on-year growth in revenues and a GP margin in the range of 24% to 25%. We will control the G&A expenses while selling expense will grow in line with our sales targets. Operational efficiencies and cash management are very important to be able to sustain a recovery in our bottom line. This year, we have paid down $43 million of our debt. Following a reassessment of our capital structure and central banks driving interest rates down, we have halted our debt repayment process. We will still be able to achieve our target of interest expense for 2024, but are now focusing on repurposing our cash surplus to investment and growth. CAPEX will be maintained at around 2% of revenues. Looking at our effective tax rate, or ETR, it's important to note that we expect an increase to approximately 27% for the full year of 2024. We are recognizing non-recurring items driving ETR higher this year. In addition to the factors discussed last quarter, we see a change in the profit mix this year with more contribution from higher tax jurisdiction and implementation of corporate income tax in many new jurisdictions. We expect a normalization of the ETR next year in the 20% to 25% range.

Our net debt to EBITDA ratio is 2.1x, including IFRS 16, which is well below our bank governance. We end the quarter with a cash position of $122 million. This concludes our presentation. Thank you, everyone, for listening. Anca, please go ahead. We can move with the Q&A session. Thank you.

Anca Cighi:
Thank you very much, Nicolas. Before we open the Q&A session, we would very much appreciate your input on a couple of questions. They will help us prepare our IR calendar for next year and, of course, give you, our investors, a better service. So, Michael, if you could please open the survey. It will take 10 seconds, and then we will move on to the Q&A session.

Moderator:
Thank you very much, Anca. The survey is now being displayed on your screen. If you are dialed in via the webcast, we'll give a few moments before we move to the Q&A. Okay, thank you very much for those who have participated. We will now be moving to the Q&A part of the call. If you are dialed in via the phone, please press star 2 on your keypad. That's star 2 on your keypad for any questions. If you are dialed in via the web, you may also ask a voice or a text question. We'll give a moment or so for any questions to come through. Yes, once again, ladies and gentlemen, star 2 for any questions. That's star 2 for any questions. You may also ask a voice or a text question if you are dialed in via the web. Okay, thank you. We have a question for Mr. Brian Mugabe from Change Global. Please go ahead, sir. Your line is open.

Brian Mugabe:
Hello, can you hear me?

Moderator:
Yes, please go ahead, Mr. Brian.

Brian Mugabe:
Okay, great. I just wanted to check. I know you mentioned before the impact that the Red Sea situation was having with regards to the land freight volumes. Are you still seeing that occurring?

Othman Al-Jeda:
Alkhass, maybe you can take that one, please.

Mohamed Alkhass:
Sure. Can you hear me?

Moderator:
Yes, please go ahead.

Mohamed Alkhass:
Hello?

Moderator:
Yes, we can hear you. Please go ahead.

Mohamed Alkhass:
Excellent. So thank you, Brian, for the question. The Red Sea is still going through some rough times, as you can see the news, and it's expected to continue for the very near future. The land freight is still a strong product that we manage out of Dubai for the regional land freight product that we have, and there's a lot of demand on doing a land bridge between Dubai and other countries around the Saudis so that they don't go to the Red Sea, but we see that as a stable demand. It's not getting a lot of traction in terms of doing it because it's so costly to move it through a multi-modal product through land freight, but we still have some clients that are still using this, but the effect on our product in general is not noticeable.

Brian Mugabe:
Okay. Thank you.

Moderator:
Okay. Thank you very much. Just once again, star two for any questions. That's star two for questions. You may ask a voice or a text question if you are dialed in via the web. Okay. We have a question for Mr. Nikhil Mishra from Alramz Capital. Please go ahead, Nikhil. Your line is open.

Nikhil Mishra
Yeah. Thank you for the presentation and taking the questions. Couple of questions from my side. First of all, on the debt repayment, you mentioned around 43 million of debt repayment done this year. I think earlier you had given a target of around 50 to 70 million. Is that the target still valid, or are you happy with the current debt repayment schedule? And also, what was the reason for any changes in the target, if any changes there? Secondly, there have been strikes in US ports and also, I think, Canada ports. So, have you seen any impact of those strikes on your supply chain or in terms of delay in the shipments or changes in the rates there? Any color on that, please? Thank you.

Nicolas Sibuet:
Yeah. Thank you, Nikhil. Let me take your first question regarding the debt and the prepayment program. As you know, we had initially a commitment to pay between $50 and $70 million maximum of debt, and this was on the back of a high-interest-rate environment driven by the central banks. In September, we've seen the Fed and other central banks also starting reducing their lead rates, putting less pressure on the going-forward basis. Of course, as always, we're in a very volatile environment, but we are seeing the cost of our debt going down with the 50 base points provided by the Fed in September, an additional 25 base points last week. So, we thought that the fact that we had also already delivered quite substantially the balance sheet and reached the target that we had in terms of interest expense, we thought and aligned with our different stakeholders that it would make sense to start preserving cash for future investments that we are planning during 2025. So, this is a rationale behind this hold on the debt prepayment.

Nikhil Mishra:
Okay, yes. And on the strikes in the US and Canada ports?

Mohamed Alkhass:
I can take that. So, the effect of this is temporary when it happened, but it didn't get resolved. So, they resolved it until January, until the new president takes seat. But there's going to be another strike maybe in January. And all of this is affecting the East Coast ports of the US mostly because of the automation that the unions are against. So, what we see is, and you have to understand that, we do not move a lot of freight into the US. It's not our major trade lane to go directly to the US, it's the opposite, we move out of the US. So, this will create some delays in the equipment, some delays in port congestion, and it will create some problems in terms of volatility of spot rates that we operate on. So, still not gone, but it's a ripple effect throughout the total supply chain. When the equipment don't come back on time, it will create some bottlenecks for moving products out of the origin countries. Does that answer your question?

Nikhil Mishra:
I'll ask someone to quantify that. Can you tell me how much of your volumes go to those ports or those particular regions currently?

Mohamed Alkhass:
Very minimal, very minimal. Our core markets work on receiving goods from those origins in the US and not vice versa. We don't move a lot of stuff into the US. So, the effect will not be felt financially on us. We cannot share volumes per product, but it's not significant at all.

Nicolas Sibuet:
But Nikhil, it's important also, just on freight. Most of our freight business is actually air freighted. So, we move, and you will see that in your presentation, which is called the volume on air freight and land freight and sea freight. You will see that most of our volumes are moved through air freight solution or land freight solution in the region, in the GCC. The sea freight is a very small product overall for Aramex.

Nikhil Mishra:
Okay, thank you. I think that's very clear. And another follow-up question, if I may, on the margins, gross margins. So, Q3 has been a bit, has seen some divergent changes in the margins for different segments, with the domestic going up significantly, whereas freight forwarding going down, and also, I think, International Express. So, are these new levels, which we saw in Q3, should those be the base, should that be the run we should see going forward, or should we see as nine months or the first half as the right run rate for the margins going forward for different segments? Just some color on that, please.

Nicolas Sibuet:
Yeah, Nikhil, so let me take this one again. So, we try to explain the shift between Express International and domestic, and I think what is interesting to look at is the combined volumes and the combined profitability of the solution. If you go back to this new slide that we have created this

year on page 17, you will see that volumes are growing. If you combine the two products, the volumes are growing, the profitability of the combined Express product, international and domestic, is stable. So, basically, the movement that you are seeing, the recalibration or the transfer of volumes from Express International to domestic solution because of this nearshoring, because of this local fulfillment that all the main e-tailers and brands are pushing forward is basically impacting negatively, as you rightly said, the Express, but highly supportive of the domestic solution. So, at the end, Nikhil, what is important is to drive more volumes because more volumes will lower the cost per shipment in any case because somehow both products go through the same depots, the same warehousing, the same automation, the same last-mile solution, and it creates efficiency. So, altogether, we are more comfortable with the trends that are happening today because when you replace a shipment that was shipped with a cross-bordering element end-to-end, now that you are facing the local fulfillment and the capabilities that we have on the ground in each country, we are, instead of moving one shipment end-to-end, we move multiple shipments because the consumers are closer to the fulfillment capabilities, and altogether, it increases business. So, I think it's important to look at it from a global product as well.

Nikhil Mishra:
Okay, thank you. That's very clear. Thank you very much.

Moderator:
Okay, thank you very much. Just, once again, star two for any final questions. Star two. In the meantime, I'll read a text question from Mr. Brian from Change Global. Are you able to provide levels of warehouse utilization at present compared to 2023 levels?

Nicolas Sibuet:
Akhass, you want to take it, or I can take it?

Mohamed Alkhass:
It's up to you. You can take it if you want.

Nicolas Sobuet:
So, we have four countries where we clearly have strength in this logistic product. It's the UAE, Saudi, Egypt, and Morocco. We're at full capacity in Egypt, in Morocco, and reaching almost full capacity in the UAE. We still have a little bit of capacity in Saudi, but it will be in KSA, but it will be over the next few months also pretty much full. So, compared to last year, it's a significant change. Last year, if I recall, we were probably in the high 70s in terms of utilization. We are getting into the high 80s. Alkhass, do you confirm these numbers?

Mohamed Alkhass:
Yes, and in logistics in general, once you reach a threshold of 85% and above, your warehouse is considered full and you need to manage it. So, for us, we have plans to add more square meters, and we will announce it once we finalize those deals, especially in the core markets that Nicolas mentioned.

Moderator:
Okay, thank you very much. Another text question from Mr. Zohaib from Al Rayan Investments. Will the management be distributing dividends for 2024?

Nicolas Sibuet:
This is a discussion that is not... Maybe, Othman, you want to take it? Sorry.

Othman Al-Jeda:
No, no, it's okay. You go ahead.

Nicolas Sibuet:
This is not yet discussed. This will have to be discussed with our board and then submitted to AGM. For the moment the discussion is fluid and depends on the arbitrage between focus on growth and potential investment in new warehousing and potential M&A programs versus dividends. So, the situation is up to the board and the AGM for the time being. It's a little bit too soon for us to answer this question.

Moderator:
Okay, thank you very much. We'll leave it for another 30 seconds for any additional questions. Okay, it looks like we have no further questions at this point. I'll be passing the line to Mr. Othman for concluding remarks. Please go ahead.

Othman Al-Jeda:
Thank you, everyone. So, look, as you can see from our numbers, we're very buoyant on the top line, and that's key for us. As mentioned before, we are seeing a shift, especially on the express side, from international to domestic, and we're moving with that energy. The key for us is warehousing and logistics in our core markets, and we are investing in that. We are expanding in that. And that's going to be our key, because everything will drive around that. So freight forwarding, last mile, will all go around us maintaining the ability to fulfill customers locally. And that's the shift we're seeing now, becoming more global to local, and we're doubling on that. And we're very encouraged by the numbers on the top line, the volumes, meaning we are gaining market share, and that will eventually create efficiencies. And that's a very positive, forward-looking view. Now, coming to Q4, obviously, as you all know, this is a key quarter for us, historically. Usually, most of our profits come from Q4 because of the seasonality, and we are now doubling down on the ground infrastructure. The volume projections we are getting are quite positive for the Q4. And that's our goal for the next quarter, is to make sure we have a very strong Q4 to complement a good year. Thank you very much.

Moderator:
Thank you very much. This concludes today's conference call. We'll now be closing all the lines. Thank you, and goodbye.

Othman Al-Jeda:
Thank you.