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ARMX Q2 2023 Conference call

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Ali Afifi Good afternoon, everyone, and welcome to Aramax 2Q 23 Earnings Call. This is Ali Afifi from EFG Hermes. And today, on the call, we have Mr Othman Aljeda, Chief Executive Officer, Mr Nicolas Sibuet, Chief Financial Officer, Mr Mohammad Alkhas, COO of Aramex Logistics, Mr Ala'a Saoudi, COO of Aramex Express, Miss Anca Cighi, Investor Relations Director, and Mr Mohammad Abeidat, VP of Technology. Without further ado, I'd like to hand over the call to management. Please go ahead.

Anca Cighi Thank you very much, Ali, and dear ladies and gentlemen, good day or good morning to you, and thank you for joining our investor call. Our financial results for the second quarter of the year are available on our IR website as well as the Dubai Financial Market website.

Before we begin this presentation, I would like to draw your attention to page number two. Some of the comments made on this call today may be forward-looking statements based on our view of the 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 our CEO for the opening remarks. Please go ahead.

Othman Aljeda Thank you, Anca. Good afternoon, ladies and gentlemen. Thank you for joining our call to discuss our financial results for the second quarter of 2023. We reported $378 million in group revenues, which is a decline of 8% compared to the same quarter of last year. As you know, the markets remain challenging, and you'd have seen the developments in the global industry, with volume softness in Express and the rates falling in freight forwarding.

Now let's unpack our revenue performance. Of the 8% decline in our revenues, it's worth noting that 3% is coming from currency devaluations and 2% is coming from decrease in working days in Q2 this year compared to the number of working days in Q2 of last year. And this is due to the shift in public holidays in certain markets. The remaining is attributed to the volume decline.

I would like to highlight that we have maintained our focus on the yield and the quality of revenue and we are indeed seeing encouraging signs across our business. We have significant growth in business from our time-definite products from SMEs and B2B customers, as well as from strategic verticals such as beauty products and industrials. Our focus on heavy yield businesses is reflected in our group margins. We maintained our GP at 25% and our EBITDA at 10%, despite the softness of the top line.

Of course, this performance was also sustained by our focus on efficiencies. In Q2 of 23 compared to Q2 of 22, we doubled our regional PUDO network. We further improved courier productivity by 8%, and we lowered our line haul costs by 25% per kilo.

However, given the current challenges, we know that we need to do more. We have a clear plan for further reductions in both our direct costs and our G&A expenses for the second half of the year. We expect to bring these down to pre-pandemic levels. These actions will counteract part of the weakness we are seeing in our net income performance. Therefore, our priorities for the second half of the year are to increase our efforts on cost management and remain focused on yield.

Product wise, I expect International Express and Freight business to remain challenging for the second half of the year, while our Domestic and Logistics products are resilient. Again, I need to highlight the strength of our home markets in the GCC, which remain our biggest contributor to the group revenues, which increased profitability by 3% during Q2 of 23.

Before handing over to Nicolas for the financial overview, our VP of Technology, Mohammad Abeidat, will take a couple of minutes to run through an important technology roll-out which is starting next week. Please go ahead, Moe. Thank you.

Mohammad Abeidat Thank you, Othman. Good afternoon or good morning, ladies and gentlemen. It's a pleasure to speak with you today. Let's move to page ten, please, thank you, for a brief overview of an exciting technology announcement, which is in line with our strategy to increase efficiency across operations and improve customer experience.

Next week, we're launching live tracking for our last mile deliveries. We are doing this using the new Mobility Services provided by the Google Maps Platform, and in partnership with OniGroup. It's a project that has been months in the making, and we're very pleased to see it come to life. As a matter of fact, I'm speaking to you today from Google's offices in London.

We're actually the first logistics company in our region to launch live tracking for courier drivers, and we are one of the first companies globally to launch this new, exciting product with Google. So how will this product work, and what exactly do we mean by live tracking?

If you think of your customer experience when ordering an Uber driver or Careem, this will be very similar to that. It will provide customers with live tracking and visibility of the location of our courier driver, the route and the estimated number of stops until it reaches you, the customer.

The courier will, of course, have several other deliveries to make alongside his or her route, hence the number of stops and visibility on the route is important for the customer. You will also get live updates based on the changes, such as real-time traffic conditions, at all times. You'll be able to see where the driver is on the map in real time as well.

The customer will be able to see a two-hour estimated slot for the delivery time at the start of the day, and as the driver gets closer to your destination, you'll be able to track the number of stops remaining and the exact time of arrival to your location.

In addition to the customer experience benefits, this also has an impact on our operational efficiency. The courier driver will have better route optimisation, be able to deliver more packages in a shorter timeframe, and overall, reduce fuel consumption and costs. I will now hand it over to Nicolas for the quarterly financial overview, and I remain on the call should you have any questions later on. Thank you.

Nicolas Sibuet Thank you, Moe. Good afternoon, everyone, and thank you again for joining this call. We will start with the product performance as usual, followed by the group-level overview. Next page, please, Anca. Thank you. Let's have a look at the volumes for the International Express product.

We saw a decline of 7%, year on year, in consolidated volumes reported in Q2 23 compared to Q2 2022 and a 2% growth, quarter on quarter, in Q2 2023 compared to the first quarter of this year. This performance is in line with the broader industry trends due to the softness in volumes compared to last year, whilst the improvement, quarter on quarter, provides an indication of what we are focusing on, stabilising volumes and growing them afterwards.

Analysing our volumes more closely, it is worth noting that we are seeing positive signs such as double-digit growth in our B2B volumes and time-definite products, which is in line with our strategy to focus on higher yield accounts while also diversifying the business. On the next page, that is the financial impact for this International Express product.

The International Express product growth profitability was resilient over the past few quarters, driven by a strong performance in the GCC markets, the addition of MyUS business and the continued strength of our Shop & Ship product.

Revenue was down 5% year on year in Q2 2023. It is worth noting that we have also seen an impact from the public holidays, as mentioned by Othman a bit earlier, during Q2 2023, which lowered the numbers of working days, impacting the revenues for Q2 this year compared to the same quarter last year.

Good cost management, including a decline in our line haul cost, did deliver an improvement in the gross profit margins, from 32% in Q2 2022 to 34% in Q2 2023. This is reflective of the attractive margins in the parcel forwarding business, which includes MyUS and Shop & Ship.

Looking at our per-shipment data, on a consolidated basis, the trends are also positive, and we can see consistent improvement over the past few quarters at gross profit levels. Looking more closely at the revenue per shipment evolution, we note growth from rate increases as well as the addition of MyUS counteracting the decline coming from the change in customer mix, the foreign currency impact and the drop of COVID-19 and fuel surcharges, as well as a decline in cash on delivery business.

So in summary, the International Express is probably the product that is most impacted in all the different products that we have running, and this is the area of the highest focus for the management. Turning to page 14, please, Anca, on the Domestic Express segment.

The Domestic product is resilient, with a 1% increase in volume in Q2 2023, year on year, driven by a strong performance in our own markets in the GCC and MENAT regions. We previously talked about the restructuring taking place in Oceania. Excluding this market, volume increase was 2% for the same time period.

Operationally, we doubled our PUDO network in our regional markets in Q2 2023 compared to the same period last year, while also increasing our sales force, especially SME specialists. We have seen significant revenue and volume growth from SMEs in year to date, particularly in the UAE and KSA, where we are currently focusing our sales effort, with plans to extend our SME offering and marketing activity throughout the network.

On page 15, it is worth noting that the financial performance of our Domestic product is impacted by currency devaluations amounting to $8.8 million on revenue and $3.4 million impact on gross profit level.

Excluding the foreign exchange translation impact, revenue grew 3% against a reported decline of 6%, while the gross profit declined 6% and the gross profit margin declined to 23%, impacted by the softness of the top line. There were a few one-off impacts in Q2 2023, such as fewer working days, and we expect the profitability of this product to return to historical levels in Q3 2023.

Looking at our per shipment KPIs. Currency devaluation and the decrease in fuel surcharges have offset improvement in revenue per shipment, which we have seen from rate increases and the change in customer mix, meaning more B2B customers.

As we progress with our strategy to refocus the Domestic product to a more premium offering, we expect the margin to recover to prior quarter levels. We remain focused on attracting higher yield business such as the time-definite products and more B2B clients, as well as implementing efficiency initiatives, such as the real-time package tracking that Moe just mentioned.

On the following page, we have seen much more headwinds in the freight industry globally, which have impacted our business as well. Sea freight rates declined significantly, which led to a shift in volumes away from air freight and back to sea freight. You will see this trend reflected in our business as well, with double-digit growth in sea freight volumes counteracted by a double-digit decline in air freight volumes. It is worth mentioning that last year, we had a higher number of charter flights which also contributed positively, and basically to the decline, year on year.

We are pleased with the resilience of our land freight product, despite the lower number of working days due to the shift of the public holidays in this region. Our Freight team remains focused on operational efficiencies, as discussed last quarters. We are glad to see these efforts reflected in a double-digit drop in direct cost, delivering a relatively stable gross profit and a three percentage point improvement in gross profit margin to 16%, while our EBIT and EBITDA margins were stable, despite the softness at the top line. Next page.

For the Logistics product, revenue is down 5% year on year, mainly due to the devaluation of currency in Egypt and other markets. Excluding this impact, revenue would be up 2%. During the second quarter of the year, we had an increase in cost as we are ramping up operations in key markets, and we have made new hires.

During Q2 2023, we also opened new facilities in Jeddah and in India, while the specialised pharma warehouse facility in the GCC is on track, opening in Q2 2024, with the corresponding financial impacted expected next year. It is worth noting that the energy vertical supported the resilience of the Logistics product, with revenue growth from energy businesses. Aramex won an important contract from a major oilfield service company in Houston, Texas, during Q2 2023.

As a reminder, last year, the performance of our Logistics product was positively impacted by certain one-offs associated with insurance refunds and other accounting adjustments. Therefore, we see a decline in absolute gross profit, EBIT and EBITDA, year on year.

The margins are in line with last year, reflecting the improved revenue quality and operational efficiencies. The gross profit margin was 15% in Q2 2023 compared to 15% average gross profit margins in 2022, while the EBITDA was 22% in Q2 2023 compared to the average 21% in 2022. The decrease in utilisation during Q2 2023 compared to the same period last year impacted the gross profit margin, which is expected to recover over the next few quarters as utilisation in the new and existing warehouses is building up. The following page, please.

Let's have a look at our consolidated group revenue. As we have discussed just now, during the second quarter of the year, the market was challenging, with added headwinds from inflation, currency devaluation and an average of two less working days across our network this quarter. The average revenue per day for the network is approximately $6 million a day, meaning that two working days has had an impact of approximately $12 million, contributing to a 2% decline in Q2 2023 revenue.

Domestic and Logistics were resilient, posting growth in revenues, when excluding foreign exchange impact. International Express continued to be challenging, as we have seen, with lower volumes. And in Freight, we have seen significant rate declines globally, in line with the rest of the industry.

The following page, we will look at the regional contribution to revenues. You will see softness in all markets, with the exception of the US, which is driven by the MyUS acquisition. The MENAT region had a robust performance. However, these markets were impacted by significant currency devaluations.

Excluding foreign exchange impact, group revenue declined 5% compared to the reported decline of 8%. It is worth noting that the volume of MyUS has been particularly impacted by the devaluation of currencies in the core markets where MyUS operates, such as Japan, Angola and so on, which drove down consumer spending.

On the following page, we provide the segmentation by region in this slide. The GCC remains a key contributor to group revenues, and this market also reported growth in gross profit during Q2 2023, while volumes were stable. What's important to note here is that we are well diversified across customers and geographies, with good exposure to our own region, which has a further favourable economic outlook and which is driving a good performance in our outbound markets.

On the following page, we will see a summary of our consolidated group results. Group gross profit declined in line with revenue, while the gross profit margin was maintained at 25%, reflecting our focus on efficiencies and cost management. It is worth noting that gross profit was impacted by $4.8 million in currency devaluation in Q2 2023. And excluding this foreign currency impact, our gross profit declined 4% compared to the reported decline of 9% in Q2 2023 versus Q2 2022.

For the Q2 23 period, organic SG&A, meaning excluding MyUS, was down 12%, while group SG&A, including MyUS, was down 3%. We have a robust plan in place to further reduce our cost for the organic business. In particular, we are implementing additional measures to reduce our organic G&A expenses in the second half of the year to reach similar levels to our 2018/2019 G&A expenses. This will be achieved through efficiency measures, headcount optimisation, IT spend optimisation, and others such as measurement of our sales force performance per individual.

We have also identified further measures to reduce our direct costs for the second half of 2023 through carrier negotiation, further fleet optimisation and through automation, the latter of which will result in lower fuel costs, lower labour hours and lower asset requirements. These actions have been taken to counteract the weakness we are seeing on our bottom line. Let's return to our Q2 results.

We maintained our EBIT and EBITDA margins at a stable level compared to the same period last year, at 4% and 10% respectively. As you know, we have an increase in finance expense of $600,000 in Q2 2023 compared to Q1 2023, which is composed of the interest expense for the loan and other finance expenses. The interest expense associated with the loan increased quarter on quarter, following the different central bank interest rate hikes.

We therefore closed the quarter with 57% decline in net profit due to the factors just discussed, currency devaluation in certain markets, softening at top line which is flowing through to the bottom line, and the interest expense associated with the recent acquisition of MyUS, and in line with our strategy to leverage the balance sheet.

On the following page, you will see our balance sheet. Our balance sheet remained strong and healthy. We ended the quarter with a cash balance of $137 million and an advantageous gearing ratio, with a net debt to EBITDA ratio of 2.6x. It is worth noting that our cash balance was impacted in Q2 23 by the payment of the dividends corresponding to the year 2022 and the repayment of our overdraft facility following a cash pooling exercise in the group that allowed us to repay 35 million of overdraft facilities during Q2 2023.

With this, now I will hand back to the Operator to open the Q&A session. Thank you.

Ali Afifi Yes, thank you for the presentation. As a reminder, if you want to engage in the Q&A session, you can use either the raised hand function for me to unmute you, or you can send your question in the Q&A box. Just remember, if you are speaking, you have to unmute locally. So we'll give it a minute. Our first question comes from Thomas Matthew. Please go ahead.

Anca Cighi Thomas, I think you are on mute, and we cannot hear you.

Thomas Matthew Apologies. Yes. Am I audible now?

Ali Afifi Yes. Please go ahead.

Thomas Matthew Yes. Thanks for the call, and just had a couple of questions on the International Express business. The first one is on volumes. You mentioned that volumes have declined year on year and it's in line with industry volume performance. Just trying to understand what's the drivers behind industry volume coming down and whether it's something that we can expect a similar decline for the coming quarters, especially Q4, where things typically pick up for this express business. That's one.

And the second one is on the revenue per shipment, which has gone up because of the factors that you mentioned. Now, I'm just trying to understand more background about how much more rate increases you can push into the market, because I understand volumes are in some sense declining.

So one of the factors that you mentioned was that that is some sort of lower volumes in the market. So I'm just trying to get some context around how much more rate increases you can push across, apart from the organic, the increase of MyUS shipments. Those are my two questions. Thank you.

Othman Aljeda Thank you, Thomas. I'll take them. So on the International Express softness, the first six months tend to be slower. It's always the second half of the year that's strong. When we look at the customer profile that we have today, we haven't lost much business. It's been a lot of customers who have down-traded.

So basically the e-tailers, specifically in Europe, North America, North America less because they've managed to gain new customers, and China also, so the main three markets into the region, we've seen a softness in buying power, and that's reflected on International.

And if you look at the Domestic revenue, that's been quite flat. So people are now shifting from buying international to buying more local. And also, local companies here are now starting to represent international companies. So you have more and more e-tailers putting stock in the region and fulfilling domestic, and less so cross-border because of the high costs involved, and becoming closer to the customer.

Will that continue to the second half of the year? I would say the third quarter might be a bit stable, but fourth quarter tends to be a strong quarter, as you know, because of the holidays, the promotions, the Black Fridays and so on. It all depends on, I guess, the purchasing power or the resilience of the purchasing power in the GCC. And that's the key market here. That's where most of the international business comes into, the GCC.

On the rate increase on the revenue per shipment, that's purely because we're trying to shift from e-commerce onto other verticals, so as I mentioned, B2B, and then specifically verticals like beauty products, same-day delivery, specialised pharma deliveries and so on, which come in at a higher margin, higher revenue.

But then the volumes are not the same as e-commerce. E-commerce volumes are much, much higher than the B2B business, but then at a lower margin. So we've seen, as mentioned before, a huge increase on the B2B side, and thus the increase in revenue per shipment.

Thomas Matthew Sure. Very clear. Thank you so much.

Anca Cighi Our next question is coming from Indar from SICO [unclear]. Please go ahead. Indar, I think you have your hand raised, but you are on mute.

Ali Afifi Please go ahead.

Indar Hi. Yes. So thanks for the opportunity. Two questions from my side, one on the Domestic operation side. If you could please explain the status of the turnaround plan in Oceania. When do you expect to start seeing volume growth in that market? And second question, if you could please just talk about your NVOCC with AD Ports. What's the status on that, and when do you expect to start seeing some business coming in from that part/segment. Yes. That's from my side.

Othman Aljeda So on Oceania, it's an ongoing progress. So we have actually engaged a third party now to assist us in the turnaround. Phase one is already completed. We are in the middle of phase two. We have put in, the last couple of months, significant price increases in the market and to our customers.

And in general, we're seeing the market itself improve in terms of pricing. So in the news, I don't know if you saw it, Australia Post, which is our main competitor, have put their prices up last month, finally, which allows the whole of the market to put their prices up, because they are the leader in the market, and they're the only player in Australia that can cover 100% of that country.

So everybody tends to follow Australia Post, and they've posted massive losses, so they're trying to restructure and increase prices, which comes in our favour obviously. So that's on one side. On the other side, we're going to have automation ready by September in Sydney, our largest facility, which will have massive cost-cutting measures in terms of labour cost, which is extremely high in Australia.

And on the third front, we've started now strengthening the international inbound into Australia. So one of the key lanes today for us now is US, and we managed to gain a major account out of the US into Australia. We're now targeting the UK and Asia into Australia, which are again large markets into Australia. Australia tends to be an inbound market. So the turnaround is on track, and we feel quite confident that by the end of the year, we will be back on track in Australia. The second question, I will leave it to Alaa to explain on the operations side.

Alaa Saoudi Sorry, Othman, the second question was on NVOCC. I think Alkhas.

Othman Aljeda Oh, sorry. Alkhas, yes. Sorry.

Mohammad Alkhas I'll take this. Thank you. The NVO is a partnership with Abu Dhabi Ports. NVOCC means, for people who don't know it, non-vessel-operating common carrier, which means we act like a shipping line, but we don't own the ships. We just rent the slots from the ships, and we move our containers on it.

Our plan is to start with 10,000 containers, with different sizes and different lanes, to operate on the infrastructure that Abu Dhabi Ports provides us. So we're going to tap into our network, our client base, their infrastructure and their feeder services' lines so that we can optimise on our costing and start offering a more and more sustained model for our big clients.

We can position containers between regions, and we're going to start with three main trade lanes, which is India-GCC, India-East Africa and intra-GCC and Red Sea. At a later stage, we will start reaching out to China and Singapore and Malaysia as well. So it's a JV that will enhance our capability to offer more and more solutions for our clients through the JV.

Ali Afifi Thank you. Our next question is from the Q&A box. Mr Mohammed Al-Thunayan is asking, how will management be able to reduce the G&A level back to 2018/2019 levels? Can management please quantify the impact?

Nicolas Sibuet Yes, let me take this question. So lots of work has already been undertaken on the SG&A. We are already seeing a run rate currently in Q2 similar to what we were seeing pre-COVID, back in 2019. And there's still further efforts to be undertaken, both in terms of headcount, in terms of IT system, in terms of insurance costs, in terms of all the different lines of the P&L, basically. So we are very comfortable with what we have already in the plan, and there's more to come as we uncover additional opportunities through our continuous efforts.

So today, as we speak, we are already on a run rate equivalent to pre-COVID levels, and we are very, very comfortable with lowering this bar even lower. So we have done it. We have achieved a 12% drop, Q2 23 compared to Q2 2022, and there's more savings to come on this aspect. We will not be limiting that to G&A as well. We are looking at everything. We are looking at selling expense as well, which is a significant component.

And this is also something of focus, as we want to absolutely ensure that our sales people are properly focused on delivering and capturing new business, and we are shifting their incentives towards bringing additional business. Business development is the key here in order to bring new accounts, new brands, new logos to our consumer mix. But the focus on G&A is absolutely on everything, and we are seeing the result of this already, 12% year on year, and more to come.

Ali Afifi Thanks. Our next question comes from Neetika Gupta. Please go ahead.

Neetika Gupta Neetika Gupta from U Capital. I have two questions. One is, I want to understand the freight forwarding business a bit better. So I've seen that there's a significant decline in the volumes for the air freight business. So what are the drivers for the same, and how do you see it panning out towards the end of the year and maybe into the next year? What could be the drivers for growth?

Secondly, I want to understand on the M&A. So I understand a big one has been done, what is your appetite for M&A at the moment? And what would be specific areas that you may be looking at? And the second part for this question is that what would be a comfortable level of gearing that you would be looking at in the medium term? Thank you.

Mohammad Alkhas Maybe I will answer the freight forwarding question. You have to understand that the freight rates tumbled [unclear].

Anca Cighi Sorry, Mr Alkhas, you were having some sound issues. Mohammad Alkhas, go ahead.

Mohammad Alkhas Sorry, me? Can you hear me? Hello?

Ali Afifi Can hear you now. Please go ahead.

Mohammad Alkhas Yes.

Ali Afifi Can hear you.

Mohammad Alkhas Sorry. Maybe I got cut. So let me restart. Feight rates globally have went down [unclear] levels. So all the craziness that happened during COVID and after COVID has died down now. This is because the capacity is available and the demand is not as strong as it used to be. And this will create a lot of shifting between products. So when there is a lot of capacity and there is a lot of price attractiveness to move by sea freight, everybody tries to move by sea freight.

That's why we saw, and globally we see it happening, that a lot of clients for freight have more planning, better planning for their stock. They want to sit on a stock pile that didn't cost as much like it used to, so that they can be competitive because of the lack of disposable income that's being spent on those items. So for us, what we see is, the air freight, there's a lot of capacity as well and the rates are going down, but the preferred mode of transport globally is by sea freight. So it's the cheapest thing for the traders.

Othman Aljeda On the second question, our appetite for acquisitions, we still do have an appetite for acquisitions. We've got a few in the pipeline. We are doing some DDs now. The problem is, because of the dynamics of the market in the last six months to nine months, a lot of changes have happened. So we really need to look at acquisitions very, very carefully now.

Because if we look at, for example, as Alkhas said, freight forwarding companies, we've seen a substantial drop in revenues and costs and everything. So any acquisition that we look at, we need to look at the forward projections rather than the previous projections, because moving forward is going to be different to the last two years during COVID. But yes, there is an appetite, but we need to make sure that we find the right target at the right price that will fit us.

And that's in our core geographies. We're not expanding into new geographies. It's literally solidifying what we have in our core markets or servicing our core markets. And that's mainly in Freight Forwarding and Logistics, and less so on International Express and Domestic.

Nicolas Sibuet And finally, Neetika, on the final question regarding the gearing ratio, we have modelled our business plan and the different acquisitions and the growth with capping the gearing to a net debt to EBITDA of 3.5x, which is a typical covenant that you will see in all the typical loan agreements with our financial institutions.

And if we look at the headroom that we have currently in the balance sheet, applying this ratio, we could still be financing between $250 million and $350 million of acquisition with our current level of balance sheet, excluding the additional EBITDAs that the new business acquired would be bringing.

So as it is today, we have a war chest of about $250 million to $350 million of additional gearing, leverage that we can bring to the balance sheet, plus any acquisitions that we'll do that will add to that. I hope I'm answering your question. Thank you.

Ali Afifi Thank you. As a reminder, if you want to ask any question, please use the raised hand function or send your questions through the Q&A box. We'll give it a couple of minutes. So it seems we have no questions at the moment. With that, I hand the call to management for final remarks.

Othman Aljeda Thank you. So as you can see, there's been a significant softness in the market, especially on the International Express. And that's something obviously we're looking at. There are three major things we're looking at. First of all is revenue generation, and that's key here. And that's us getting new business, new logos in our regions.

We've already deployed in Q1 and Q2 of this year over 100 commercial people, stationed all over the world. These guys obviously started between Q1 and Q2, so they need time to adjust and adapt and learn our industry. And we intend to see results coming in over the next six months.

The second element is the direct costs. We are working extremely, extremely hard to lower and become more efficient in all areas, be it the first mile, which is the pick-up, the line hauls. We're negotiating with most of the airlines now. And the airlines are now more adaptive because of their volume drop, so we are seeing costs go down from airlines. And we are now venturing out into new airlines also, so we're not relying so much on the Middle East airlines. We've started engaging American airlines, European airlines, and getting better costs out of there.

And then finally, the last mile. It's all about efficiency, how we can drive efficiencies through our couriers, through technology. And as Abeidat said, we're working with Google and other tech giants to enable us to become more efficient by at least 20% on operations.

And finally is the overhead, SG&A. As Nicolas said, that's something that we intend to continue to track and bring down over the next six months. We understand that there is a softness in the market, and that has to be done quite swiftly till tings turn around. And I think this is the key focus for us over the next six months. Thank you, everyone.

Ali Afifi Thank you, and thank you for the call. This concludes our call. You may now disconnect.

Othman Aljeda Thank you.