Yousef Husseini Good afternoon, ladies and gentlemen. This is Yousef Husseini from EFG Hermes on behalf of Ahmed Hazem. Thank you for joining us on Aramex's First Quarter 2024 Results Conference Call. We're going to start the call with a brief presentation by management, followed by a Q&A session. Without further ado, I'd like to hand the call over to Anca Cighi, IR Director, to get us started. Please go ahead, Anca.

Anca Cighi Thank you, Yousef, very much. I will just take a moment to share the presentation. Yousef, could you check the permission setting?

Yousef Husseini Yes, it's with you, Anca, so you should be able to share it at this time.

Anca Cighi All right. Apologies, everyone. Just, I hope the presentation is now visible.

Yousef Husseini Yes, it is. Please, go ahead.

Anca Cighi Thank you very much, Yousef. Dear ladies and gentlemen, good day to everyone. Thank you for joining our Investor Call today. I am joined by our executive leadership team, our CEO, Mr Othman Aljeda, our CFO, Nicolas Sibuet, and our CEOs, our CEO for Express, Mr Alaa Saoudi, and our CEO for Freight and Logistics, Mr Mohammad Alkhas. Our financial results for the first quarter of the year are available on our IR website and the DFM website.

Now, before we begin today's presentation, I would like to draw your attention to the usual disclosure page on page number two. Some of the comments made on this conference call today may be forward-looking statements based on our view of business and macroeconomic trends as we see them today. These elements, of course, can change due to a variety of factors, and therefore, you should not assume that we'll continue to hold these views in the future. I will now hand over to Mr Aljeda for the opening remarks. Please go ahead, sir.

Othman Aljeda Thank you, Anca, and thank you to everyone for joining us today to discuss our financial results for the first quarter of the year. We had a great start to the year. We had another record quarter for International Express volumes, we doubled our group net income and we significantly improved our margins and profitability, thanks to the hard work we've put in over the last couple of years. This means that we are on the right track with our recovery journey. Our International Express product, in particular, was the engine of growth for two consecutive quarters.

There are three messages I would like to focus on here. Firstly, the investment that we are making in operational efficiencies, such as automation, courier efficiency and technology rollout, as well as the cost controls we've put in place have unlocked value. With every additional dollar of sales that we are generating on the top line, a bigger percentage of that is flowing to the bottom line.

Secondly, we injected significant volumes into our network in Q1 of 24, a 44% increase in Express volumes over the same period last year, beating the record volumes from the peak period in Q4 23. That's now two quarters of significant volume increases passing through our network. And I'm particularly proud that we have delivered all these volumes with a high level of services, hitting all our internal delivery KPIs and ensuring customer satisfaction. This demonstrates the strength of our network and our capabilities to scale up operations efficiently in a highly competitive market.

Thirdly, the agility and strength of our network is important to our future success in navigating industry dynamics and customer trends. While we celebrate the success of the past six months, we remain laser focused on the future of our strategy. On the last investor call, we talked about the trends we see from customers and the relevancy of our four products.

And those bring me to the final remark. As e-commerce players grow, they move away from having only an international cross-border to a regional presence. This, of course, impacts volumes in the following way. High demand goods are stored and distributed regionally, which requires a freight solution, followed by a warehousing and fulfilment solution.

On top of that, we add the last-mile delivery solution to the end customer, which is our Domestic Express product that ships locally, or International that ships regionally across the GCC. And, of course, we also have the return solution. Goods that are not sold regionally will continue to be shipped through an international cross-border model, which flow through our International Express hubs.

We are now uniquely positioned to cater to the needs of our customers, where we follow them on their growth journey and scale up and adapt our services accordingly, moving volumes across our four products, as needed. This protects us from volume leakage to competitors.

Looking to the future, our focus remains on executing our long term strategy to further increase sales, maintain operational efficiency and improve profitability. I will now hand over to our CFO, Nicolas, for the financial analysis. Thank you very much.

Nicolas Sibuet Thank you, Othman. Good afternoon, ladies and gentlemen, and thank you for joining our conference call for Q1 24. We will go through the financials and then open up the floor to you to address any questions you may have. As our results were published on Thursday last week, I will keep my remarks short, addressing key developments. On the following page, Anca, please.

Let’s start with the International Express product on page 13. We had another record quarter, benefiting from client wins and seasonality. Our volumes are up 44% year on year, thanks to a great performance in the MENAT region and GCC region, while all other regions were showing good resilience levels.

We remain focused on driving sales, and we expect Q2 and Q3 this year to also see growth in volumes, however, at a lower pace due to the seasonality impact we saw in the first quarter of this year and last quarter of last year. This is quite important to note for the coming quarters. Let's move to the next slide to see the impact on financials.

Our International Express revenue is up 14% year on year, a strong performance, reflecting the growth in volumes. We scaled up efficiently, benefiting from good cost discipline and more efficient operations, delivering 19% growth in gross profit. The gross profit margin improved two percentage points to 34% in Q1 2024. We continue to expect a high single-digit growth year on year for the International Express product in 2024.

On the following page, we see healthy growth in volumes for our Domestic product, up 7% in Q1 2024 and stable compared to the peak season of Q4 2023. This is a strong result. We also see more volumes flowing through our network due to the shift from international cross-border to the regional cross-border model that Othman has explained earlier. We expect this to benefit the Domestic volumes and the intraregional Express volumes. Higher volumes lower our cost per shipment in the countries benefiting from these volumes and improve the overall profitability of all other accounts.

In Oceania, volume growth continues, and we are starting to see improvement in our financial profile on the back of the actions we are taking. We are taking over multiple regional franchises, which is a critical step to getting better control of our network and our pricing.

While we consolidate the regional franchises in Australia and New Zealand, we also need to restructure them to be able to unlock value. Hence, our recovery journey is still ongoing in this region. We will continue investing in automation, like we did with our state-of-the-art automation facility in Sydney, and this is key also for the recovery in Australia.

Moving to page 16, let's look at the financial results for Domestic Express. Revenue for Q1 2024 increased 5% year on year and quarter on quarter. Two of our largest Domestic Express regions, namely Oceania and GCC, both posted significant growth in revenues.

It is worth noting that the Domestic product continues to be impacted negatively by currency devaluation. In Q1 2024, we had a negative impact of $3.3 million on Domestic Express revenues, which is coming mostly from Egypt. Excluding the currency devaluation impact, Domestic Express grew 9% year on year in Q1 2024 versus a reported growth of 5%.

The gross profit increased to 25% in Q1 2024 compared to the same period last year, showcasing the company's achievements in terms of volume growth, operational efficiencies, particularly in the last mile, that enhance courier productivity, as well as the out-of-home network in key markets. In addition, the cost profile of Domestic Express benefited from a lower allocation of fixed costs in Q1 2024.

Effectively, the higher volume in International Express led to a higher allocation of fixed direct costs to the International Express product. Both Domestic Express and International Express products run on the same infrastructure locally, such as the hubs, local depots, last mile, etc.

Moving to page 17, let's look at our Freight Forwarding business. We posted double-digit growth in volumes across air, sea and land freight in Q1 2024 compared to the same period last year. This is a good operational result for the team for all subproducts and, in particular, for sea freight Less-than-Container Load, which doubled volumes year on year. However, as a reminder, the growth in land freight is also due to the reclassification, done in July 2023, from heavy domestic shipments in Ireland and UK to the land freight business.

On the last investor call, we talked about the dynamics of freight volumes and rates. We saw some shifts from air freight into sea freight, as customers had time and opportunity to optimise their supply chain and mode of transportation in a more cost-effective manner over the last few quarters.

Overall, we see higher cost, due to competitive pressures, leading to lower profitability year on year. Our cost is up 5% year on year in Q1 2024, growing at a faster rate than revenues and negatively impacting GP on the bottom line. In this market environment, we’ve focused on winning business on our key lanes and in our key verticals. Therefore, you see good improvement across all indicators since the last three quarters and Q4 2023, with growth in top line and bottom line for our Freight business in Q1 2024.

Going forward, we expect the freight market to remain dynamic, and we are ready to adapt our operations accordingly and continue servicing our customers. You can see the evolution of the freight rates globally on the Drewry index. We now see increases globally, which is usually a positive indicator for future revenue evolution. But we remain extremely cautious.

Page 18, Logistics, where we report a stable performance compared to last year. What is important to note here is that the revenue and GP were maintained, and our GP and EBITDA margins were healthy at 15% and 20%, respectively. It's worth noting that we had $600,000 in exchange losses in Egypt on this product only, resulting in a negative value for EBIT. The focus for Logistics for this year continues to be on rebalancing the product towards more quality revenue and building capacity in our key countries and warehouses.

Let's skip ahead to page 21, please, for the summary of our group financial results. A couple of important messages here. Our SG&A was well managed, with 4% growth year on year. This is slightly ahead of what we initially budgeted for. However, we also had strong revenue growth, and our teams delivered good results against their sales targets. We therefore had an increase in expenses associated with selling and incentive compensation expenses. Excluding the latter, our SG&A was maintained at the same level as last year, as guided in prior quarters.

Moving onto GP, as you know, our intent is to keep the GP margin stable at about the 25% mark. So what we saw in the first quarter of this year is very healthy growth in the GP of 10% year on year and excellent management of the gross profit margin, in line with our expectation, if not slightly ahead, delivering a GP margin of 25.7%.

We previously talked about our focus on operational excellence and cost management so that we build a strong infrastructure that's agile and able to scale up and down efficiently. We are now scaling up. And what we are seeing is more of the sales dollars being converted to profit and positively impacting our bottom line. We have a healthy growth of 18% in our EBITDA, and our net profit has doubled.

Looking ahead to the next quarters, we expect Q2 and Q3 to grow at a slower pace, noting that the next two quarters will not have the benefit of seasonality and high volume growth seen in Q1 24 due to Ramadan and in Q4 2023 due to the end-of-the-year peak season. We will therefore continue to prioritise operational efficiencies, cost management and cash management.

We are working towards lowering our interest expenses in today's high rate environment and have planned about $50 million to $70 million debt reduction for this year. By the end of the month of May 2024, we would have already prepaid about $28 million of debt, with the rest balanced across the rest of the year. We are delivering as per our plan and as announced.

In terms of CapEx, we plan to maintain the CapEx level at similar levels to last year to continue investing in critical infrastructure, technology roll-out and our sustainability agenda. Therefore, we expect a CapEx-to-revenue ratio of approximately 2% for the full year of 2024. On page 24, please, Anca.

Our focus is clear. We need to unlock more value for our shareholders. We are working on this. We have clear KPIs, which we are working towards. The revenue growth rate is very important. We need more sales to unlock more value from our infrastructure and improve profitability.

We are laser-focused on sales, we continue to build sales specialism per vertical and per product, and we have a clear compensation target to reward our people. We also need to maintain the operational excellence and discipline we have put in place. This will deliver good margins.

Our EBITDA margin, at 12%, is at a benchmark level. We are working to improve this further. Our ROIC is at 5.2%, an improvement over the last year, however, well below our WACC. And this remains a key area of attention for the management team. We are focused on growing NOPAT and recovering ROIC to pre-2019 levels.

Our debt leverage is good, currently at 0.8 net debt to EBITDA, showing a good trend versus last year and well below our bank covenants. We also improved our cash cycle by five days. We now have the lowest DSO on record, facilitated by a daily focus on management of receivables and payables, evidenced by the increase in cash flow from operating activities.

Our free cash flow was $14 million in Q1 2024, stable versus the same period last year and double-digit growth compared to last quarter, driven by the improvement in operating cash. We are seeing an encouraging start to our recovery story, and we are celebrating these successes with our team, but we know that there is still a lot of work to be done. This concludes our presentation today. Thank you, everyone, for listening. Yousef, please open the floor for the Q&A session.

Ahmed Hazem Hello. Hi, everyone. This is actually Ahmed Hazem from EFG. So we can now open the floor for Q&A. If you have a question, you can use the Raise Hand function, or you can send your questions in the Q&A box. We have our first question from Thomas Mathew. Thomas, please unmute locally as well and ask your question.

Thomas Mathew Congrats on the results. I just have a couple of questions. The first one was on the International Express business. You secured significantly higher volumes. But if you look at it from a pricing standpoint, it's come down significantly. Just wondering what we're missing there. Is that a mix thing between Shop and Ship and MyUS? That's number one. And if you could probably give a higher split of the MyUS business from the total revenue, because that would be helpful.

My second question was on the Freight business as well, something which is slightly similar to the question that I asked on International Express. If you could probably just explain to us about the pricing environment. As we understand, I think sea freights are up. I'm just trying to understand what we've missed out on the pricing front, because volumes are significantly up, but revenues are pretty much stable year on year. Those are my two questions for now. Thank you.

Nicolas Sibuet Thank you very much. Let me let me take these questions, if you want, and maybe Mohammad Alkhas might be completing on the Freight side. In terms of International Express and the pricing or the per-shipment revenue, effectively they went down.

But it's also due to a change in mix of shipments. We are shipping much more lighter and smaller packages than in prior quarters, and particularly compared to Q1 2023. So the business mix in terms of volume and density has changed. We are shipping much more shipments, in terms of absolute volumes, but at a much lower weight. So the revenue per shipment is coming down.

What we are targeting is basically maintaining this gross profitability at 34% on the Express business. This has nothing to do with MyUS or Shop and Ship. MyUS and Shop and Ship are relatively both stable. We don't provide segregated data on this product. But in terms of revenue and profitability across both products, including their product mix, it's very consistent with what we were seeing in Q1 2024.

To Freight, there's different elements, and many different elements, impacting the Freight revenues and the profitability as well. On the revenue, we saw at the beginning of the year very soft pricing in terms of air freight rates and sea freight rates, but by the end of the quarter, these rates were significantly higher.

But at the same time, competition is fierce. In order to capture volumes, we probably, and in many cases, have to lower our pricing to basically gain volumes and open new trade lanes. We are very much focused on opening and consolidating our business position in key trade lanes but also opening new trade lanes.

And in opening new trade lanes, we have to basically have a very aggressive commercial approach in order to create the initial critical mass in terms of volumes which will hence, in the future, deliver better profitability. Mohammad, you might want to expand on this, if you want.

Mohammad Alkhas No, it's the same as you told us, Nicolas. It's opening up new trade lanes, having new market share in our energy sectors, getting more trade lanes out of our clients, which we have to be competitive with. And if you look at the products volumes, our biggest increases in LCL business, which has a very low revenue per cubic metre, let's say, the transactions are doubled, but the revenues will not be as much on the total freight product altogether.

Thomas Mathew Apologies, just a follow up question on the first, International business again. This lighter shipment phenomenon that you are seeing, is that something that we should assume going forward, where it's more number of volumes, lesser pricing because of light shipments? Is that something that we can assume because of some shift in how the industry is operating? Or would we see a reversal of how the pricing would increase because the shipment weight could increase?

Nicolas Sibuet So let me answer this question a bit differently, if you don't mind. What we are seeing is the marketplace and the big e-commerce players, initially, and we have seen that in the history of Aramex, they start moving express end-to-end from China into Middle East, from Turkey into Middle East, from Europe into Middle East, from the US into Middle East. And whenever they are reaching critical mass, they start fulfilling locally and creating inventory in countries or in regions, and last mile-linked.

What we believe will be happening with most of the volumes that we are seeing in Express International and most of the growth that we are seeing is that we will see a displacement of a portion of these volumes into the Logistics product and to the last mile as we will shift the business from an Express product, a 100% Express product, to a more balanced approach, with, of course, still Express, but a much more intense activity in terms of Logistics and Warehousing and last mile, Domestic Express.

And this is a trend that is very important, and this is again the importance of the four products that we have, the relevance of the Express product, Domestic product, Freight and Logistics, which allow us not only to retain the customers and the clients we have, not only in terms of Express business only, but if they need, and when they are ready with reaching that critical mass, we are ready to offer to them a local solution in terms of inventory management and last mile.

Thomas Mathew Very clear. Thank you.

Ahmed Hazem Thank you. We have a couple of questions in the Q&A box, coming from Nitin. What led to the $6.2 million in impairments, and what are these financial investments? And the other question is, can you provide more colour on the e-tailer clients you added in the fourth quarter?

Nicolas Sibuet The second part of the question, sorry?

Ahmed Hazem He's asking…

Othman Aljeda I can take the second part. So the second part is we have onboarded a significant new customer out of Turkey, which was discussed now. They have started with us in Q3 of last year. And we are working very closely with them now to fulfil obviously the cross-border, which we have done. And now we're going to the second phase with them, which is the logistics and local distribution. So that's basically the biggest significant e-tailer that we have onboarded in the last six months. I think the first question is for you, Nicolas.

Nicolas Sibuet And this was on goodwill, right?

Mohammad Alkhas Yes.

Nicolas Sibuet On goodwill, we have acquired a regional franchise in Australia, and we have adjusted accordingly the goodwill for this transaction.

Ahmed Hazem Thank you, Nicolas. Thank you, Othman. So as a reminder for everyone, you can use the Raise Hand function, or you can send your questions in the Q&A box. I think Thomas Mathew has raised his hand again. Thomas, your line is open. Please unmute locally as well.

Thomas Mathew Thanks again for taking my questions. In terms of Freight Forwarding, if you could provide us with an update on the NVOCC arrangement that you have, that will be helpful. And also, for the Logistics segment, you were mentioning in your full year guidance that you would probably still be able to achieve, over a period of time, the doubling of capacity. An update on that front would be also helpful. Thank you.

Nicolas Sibuet Mohammad, you want to take this question on Freight?

Mohammad Alkhas The NVOCC is still in progress. We are still in discussions with our partners, and we will update you in due course. There is nothing additional to compare on this stage. But for the second question about the Logistics, you said, can you repeat the second question about the Logistics?

Thomas Mathew Yes. It's about doubling capacity.

Mohammad Alkhas So it's on capacity. Yes, we are moving forward with this. We have a big CapEx budget that we are trying to deploy as soon as possible. We have some expansion plans here in Dubai, where we are targeting our core markets to expand because of all the capacity that is consumed by all the onboarding of new clients into our warehouses. And we're trying to expand in other core areas, like in Egypt, if it goes well, if it's stable enough, and in Morocco, if all goes well with our plans there.

Thomas Mathew Perfect. Thank you.

Ahmed Hazem Thank you. We have a question in the Q&A box from Indarpreet. Within the International Express segment, your Europe volumes have come off significantly over the last few quarters. Could you please share the reasons behind this?

Alaa Saoudi So maybe I'll take that. I'll take that question. I think that this is in the same line with what Nicolas has explained previously on how we're seeing the business shift. So we had clients who were using us out of Europe, and they shifted already their business into our Logistics facility in Dubai, and they started moving business out of Dubai facility.

As Nicolas mentioned, this is something that we're seeing as a trend. It started in Europe, and before, it started in China, with SHEIN as a client, one of the biggest clients that we had. We saw that shift previously with SHEIN, and now we're seeing that with different European clients.

So as again Nicolas mentioned, once the clients reach a maturity level at a certain stage, then directly, they start shifting into the region. And because of the product mix that we have, we are able to maintain their business, on shorter lanes, of course, Express lanes. Instead of Europe into the GCC, it's now from Dubai into the GCC, which also affects the revenue per shipment, as explained before. Thank you.

Ahmed Hazem Thank you, Alaa. I see that Salah has a question and has his hand raised. Please, Sala, unmute locally and ask your question as well.

Othman Aljeda I think you're on mute.

Ahmed Hazem Yes, Salah, you're still on mute. Can you please unmute locally and ask your question? Salah, you're still on mute. Just as a reminder, until Salah unmutes locally, you can send your question in the Q&A box or use the Raise Hand function.

Okay, so we have another question from Indarpreet, until maybe Sala gets his mike fixed, Indarpreet, please, your line is open. Actually, sorry, Indarpreet, Salah's mike is now open. Salah, can you hear us? Can you say something? So we'll move to Indarpreet for now. Indarpreet, please unmute locally and ask your question. Hello, Indarpreet?

Indarpreet Singh Yes, am I audible?

Ahmed Hazem Yes, you're audible now. Please go ahead.

Indarpreet Singh Yes, hi. So thanks for the opportunity. So just further to the question earlier on realisations, wanted to understand on your International Express relations, should one expect your relations to stabilise at current levels, or would you expect some further decline in relations going forward?

Othman Aljeda I'll take this question. So I think the International product for us is quite buoyant now. We are in a strategic place in the Middle East, where we have the capacity to take what we want. So in terms of International Express, we are now picking and choosing who we want to deal with.

Obviously, the last couple of years, there's been a lot of disruptions with the Chinese e-tailers, the Chinese new entrants and so on. So as Aramex, we've repositioned. And that's what we've been working on very hard over the last three years is repositioning ourselves to become a premium player in this market. So we are not after low-yielding margins anymore. We are after high-yielding margins. Our service levels are excellent when compared to others. So we're going after that market.

And on the International Express side, with these e-tailers coming into this region, there will always be a balance between International and Domestic. Fast-moving items will always be stored domestically, slower-moving items will always be stored internationally, and that's where we'll fulfil. So there's always this mix of International Express, Logistics and Domestics, and that's where we want to enter. We want to enter the market where we offer the clients not just one solution but all of the solutions that they can fulfil and operate in our region.

And that's where the difference is, because we have a lot of start-ups that have come in the last two or three years that only offer last mile. There's not much been in the middle mile or first mile, and we're taking advantage of that. So as I said, again, we're not focusing on low-yielding margins. We're now focusing on the better-yielding margins, the brands, and that's the positions we have.

And now, people are coming to us because we are in this position. There is a gap in the market between the integrators, the big guys, and the start-ups, and that's where we are. That's our position. We are a regional player. We are the biggest player in the Middle East. We have the biggest scale. And we want to focus on that, but with the right margins. So we are now picking and choosing who we want to deal with, and at the right pace. And that's the right formula. And I think we've found the right position for us in the market.

Indarpreet Singh Understood. Thanks.

Ahmed Hazem Thank you, Othman. Thank you, Indarpreet. We'll give Salah another chance with his mike. Sala, please try to unmute locally.

Salah Can you hear me now?

Ahmed Hazem Yes, we can hear you. Please go ahead.

Salah Okay, perfect. Good afternoon, gentlemen. I've got three questions. I think the first question, probably you've touched on, so we can keep it brief. But on the e-tailer side, specifically the European ones, we've seen some significant headwinds and challenges with some of them, the likes of Matches, Yoox and Farfetch.

I know, probably that's maybe not a large portion of the business, but can you just help us better understand some of these challenges and how they could have implications on your business, if there are some trends that are happening that we should be aware of? You mentioned a shift towards maybe some of the Chinese e-tailers. That could be one aspect of it. But I'd just like to bring it down to your positioning in Aramex. So that's one question.

And the second question is related to Saudi Arabia. And again, we've seen a significant amount of investment by some of the local champions based on the Vision 2030 and the growth profile there into the logistics arm, into the handling and building a more diversified and, I would say, integrated value chain. How are you positioning yourself also within this environment? I think these two questions, and then I'll save the last one.

Othman Aljeda Thanks, Salah. So in terms of the e-tailers, Farfetch, all these guys, we work closely with these brands. And I'll give you some examples of success stories that we've had. So Next is a good example. Next was one of our biggest international clients out of the UK into the region. But we work closely with Next. So we advised them. We went in to them, and we came up with a plan where we transformed their business to having, again, as I said, the fast-moving items stored in Dubai and slower-moving items out of the UK.

And just by this example, we used to do half of what we do in terms of volumes, internationally versus domestic. And that doesn't mean International is going slowly. It's just because they, as an e-tailer, now are closer to their customers in the Middle East, they are fulfilling, they're giving solutions, they're giving this, their sales are up, that means that benefits us, and it gives us…

We were in the past doing just an International cross-border product for them. Now, today, we are doing International cross-border out of the UK, we're doing domestic out of Dubai, cross-border out of Dubai into the region, and that's how they go. And the volumes have doubled. So that's the journey we're going with the e-tailers, and that's an important journey that we're doing.

In terms of Saudi Arabia, I'm in Saudi Arabia right now, Salah, it's booming. And I'm glad to say that we're in a very good position today, purely because we can feel that all of these start-ups, all of these companies that have come up in the last couple of years are now suffering. They're bleeding. We feel that. Customers are coming back to us. I think there's a lot of potential in Saudi Arabia. Our ambition is to be one or two in this market, and we're in that position today, and we want to continue to dominate Saudi Arabia.

There's a lot of opportunities here, not just on the Express. I think there's massive opportunities in Freight Forwarding, just because of the logistics and the infrastructure they're trying to build in Saudi Arabia. And we're very close to that. So we've won a lot of tenders with NEOM and the other Logistics parts and so on in Saudi Arabia, and we're focusing on that. Saudi Arabia and the UAE are the two key markets for us, and they will continue to be the two key markets for us, and we will continue to invest in these in these markets.

Salah And on that point, maybe, so the likes of, let's say, Saudi Logistics, I've come across, that they want to vertically integrate further. SISCO, also a port operator, is also investing in logistics and trying to venture into warehousing and the 3PL model as well maybe into the last mile. Do you find that these are…? Is Aramex able to complement some of these offerings, or are you competing head-to-head with them?

Othman Aljeda No, I'm not competing. In Saudi Arabia, I'm working with everyone. So I'm here. Actually, I'm meeting with ministers. I'm meeting with a lot of officials. We are investing in Saudi Arabia. We're committing to their vision. So this is a market for us. We are still dominant here, and I don't want to lose that position. I want to actually grow that position. So we're now doubling down what we were doing in Saudi Arabia. We're looking at other options. We're working with all the authorities.

And I think the potential here is massive, Salah, and I see that. And there's so much business in Saudi Arabia. It has slowed down a little bit, I can say, the vision of 2030 might have been pushed back a bit, but there's still a lot of traction, and there's a lot of energy that I see in Saudi Arabia.

Salah Okay, thank you. And maybe the last question is for Nicolas. You mentioned something that obviously is quite important to us, the return on invested capital profile being depressed at around the 6% level, and you mentioned that obviously that's a target that you want to try and improve on by targeting your NOPAT and your profitability.

But again, this ties just to the strategy of improving volumes and managing your costs, or is it also a function of your vision into acquisitions and probably acquiring potentially higher market segments, whether it's a geographic footprint or a business in itself, in order to try and bridge that gap? Because that gap seems to be quite large and permanent, so just help me better understand that target of probably increasing that return on invested capital to something that's more manageable or something that reflects your cost of capital and WACC.

Nicolas Sibuet Yes, absolutely. We will limit the questions to two, three maximum, in the future. But that's okay. Listen, on ROIC, the first thing is that if your fundamental and organic business does not deliver, you can keep on adding M&A activity, you will just be diluting and diluting. So the first layer is fixing the organic business. We have stable SG&A and growing volumes, which will create higher EBIT. And that's the main focus on the organic.

Now, you're absolutely right, we will not be able to achieve a WACC-level or above-WACC-level ROIC just organically, or it will take many years. So we need to complement that with M&A. M&A today, our equity pricing is a little bit undervalued. We don't believe that there is enough value in our shares to use this as a currency, and we are focusing on basically leveraging and debt leveraging.

With the current environment and high interest expenses, we need to remain extremely cautious on the investment and the potential targets that we are looking. And the targets that we are looking are complementary to what we are doing, either in terms of geographies or in terms of verticals that we like to play in.

And whenever we look at these high value verticals, we are able to identify small and medium-sized companies, highly profitable, and this is what we are targeting. So these are not gamechanger acquisitions. These are smallish transactions, between $50 million and $100 million potentially.

We are looking at a couple of them right now. We are going through the full-fledged due diligence, and we will see where it goes. But we are not looking today at a transformative acquisition, because they are not coming with the level of profitability that we are expecting under the current interest expense environment. So, more to come. But again, it has to be the right target at the right time, with the right financing.

Ahmed Hazem Perfect. Thank you, Othman, and thank you, Nicolas. So we have a question from the Q&A box from Nitin again. Your volumes in International were up 3% Q over Q, despite 4Q being seasonally strong. What's driven this growth, and how likely will this sustain in the coming quarters?

Othman Aljeda You want to take that, or should I? It's up to you. Okay. So there were two peaks we had. We had Q4 obviously. Always, Q4 is a peak, because you have the sales happening in Black Friday and then obviously Christmas and so on. So we had a very strong quarter in Q4 because of that peak. And then Q1, we had Eid, which is another big peak period for us because of people shopping. And that was mainly focused on people buying from Turkey. So we had a fantastic Q1.

And that will continue, I think. I think it won't continue at the same pace, because they are seasonal and festival periods. But I think, moving forward, the intention of these e-tailers and their appetite for coming into the market in the Middle East and tying up with us is big. And that's where we see the opportunity.

Ahmed Hazem Thank you, Othman. We have a follow-up from Indarpreet. Indarpreet, please unmute locally and ask your question. Hi, Indarpreet.

Indarpreet Singh Hi. Apologies. My hand was raised by mistake.

Ahmed Hazem Okay. Thank you. So there are no further questions in the Q&A box or raised hands. So with that, maybe I'll hand back to the Aramex management team.

Anca Cighi Thank you, Ahmed, very much. Thank you, everyone, for joining. I will hand over to Othman for the concluding remarks.

Othman Aljeda Thank you, Anca. Thank you, everyone, for joining this investor call. Again, as I said, for me, I'm very proud of the achievements over the last six months. This is now two quarters where it's been positive for us. It's been a tough two years to three years in the past period, but I think we're in the right position now. Our strategy is paying off.

We have been under a lot of pressure in terms of prices, in terms of the macroeconomics, in terms of post-COVID. But I think, where we are today, our strategy is very clear. We want to enable everyone to do trade in the Middle East. Our core market is Middle East-Africa, and that's our goal, is to make sure that everyone is enabled to do the best deal that they can in the Middle East, and that's our transportation solution for them.

So we are no longer just looking… In the past, we looked at certain things in certain angles. Now, no. We are looking at everything altogether. It's not just the last mile element or logistics element or first mile element. It's a total solution for our customers. And this is the only way we can differentiate ourselves from everyone else in the market, whether it's a start-up, Chinese and so on. We need to become a premium player in the Middle East, and that's where we are heading, and we're now seeing the rewards of that.

So the last remark is I want to thank everyone in the Aramex management, in the Aramex team, everyone across the world. We employ 16,000 people, and I thank them all for making this turnaround happen. And it is a turnaround, and we're very proud of that. So thank you very much.

Ahmed Hazem Thank you, Othman, and thank you for the entire Aramex management team. And thanks, everyone, for joining. This concludes the call. You may now disconnect.

Mohammad Alkhas Thank you.