Aramex Q2 2024 Results Conference Call

Monday, 12 August 2024

Moderator

Hello, ladies and gentlemen. Hope everyone is doing okay. This is Ahmed Hazem from EFG Hermes Research, and I'd like to welcome you all today to Aramex's Second Quarter 2024 Results conference call. With us on the line today is Mr. Othman Aljeda, CEO of Aramex; Mr. Nicolas Sibuet, CFO; Mr. Mohammad Alkhas, Chief Operating Officer of Aramex Logistics; Mr. Ala'a Saoudi, Chief Operating Officer of Aramex Express; and Ms. Anca Cighi, Investor Relations Director.

Without further delay, I'd like to hand over the call to Anca. Anca, please go ahead.

Anca

Thank you very much, Ahmed, and welcome, everyone. Thank you for joining our investor call.

Before we begin today's presentation, I would like to draw your attention to the usual disclaimer that we have on page 2 of our presentation. Some of the comments made on this conference call today may be forward-looking statements which are based on our view of the business and macroeconomic trends as we see them today. These elements can, therefore, change due to a variety of factors, and you should not assume that we will continue to hold these views in the future.

Our financial results for the second quarter of the year have been published on Thursday evening, and they are available online.

I will now hand over to Mr. Aljeda for the opening remarks. Please go ahead.

Othman

Thank you, Anca. Good morning, good afternoon, ladies and gentlemen. Thank you again for joining us today to discuss Aramex's performance in the second quarter of '24. I'd like to provide an overview of the factors that influence our results, especially the decline in net profit.

Historically, quarter two is a period where we experience the natural slow down, characterized by reduced business activity. However, this quarter, we faced additional pressure that compounded the seasonality. I will take them one by one and explain their impact on our business.

Firstly, we had more than 100 cumulative working days lost due to the Eid [ph 01:58] holidays and the rain disruptions. The first Eid holiday was from the 8th to the 12th of April, resulting an extended vacation period of approximately 9 days, with many people taking the weekend in between to travel. This was immediately followed by the severe rains and closure of the operations due to the floods, which lasted around one week, and which put an effective hold on operations and ecommerce activity.

The second Eid holiday was observed in June and was closely followed by the end of the school year. Again, this had led to many people and families traveling during Eid and extending their vacations to bridge to the end of the school year.

Secondly, was the impact on the loss of billing, meaning loss of revenue. From this reduction in working days associated with Eid and the rain disruption, the estimated loss is $12 million US. This is a very conservative estimate.

Thirdly, the estimate does not take into account the Ramadan peak. It's worth noting that in Q2 last year, we had a positive boost from Ramadan peak. In Q2 this year, we did not have such a boost as Ramadan completely shifted to Q1 this year. Our direct costs did not adjust fully to the loss of working days due to the fixed cost infrastructure component. So during Q2, we effectively had more days of costs than days of revenue.

To summarize, the operational disruptions not only constrained our ability to capitalize fully on the revenue opportunities available to us during this period, but also impact our costs due to the need to maintain the fixed infrastructure, manpower and service levels. Despite an 8% year-on-year increase in revenue, our net profit for Q2 did not keep pace with these gains, largely due to our bottom line being particularly sensitive to any shifts in the revenue and cost profile.

In Q2, we made $0.8 million [in net profit]. We had $2.4 million in negative impact from the loss of working days, and another $1.4 million impact from FX. This brings us to $4.6 million. On top of this, there is the missing Ramadan peak season.

I will hand over to Nicolas shortly to discuss the performance in more details. But before that, I'd like to focus on our strategic goals. We are doing very well in gaining volumes. We continue to invest in our sales infrastructure while controlling G&A. We paid down more debt, and we are reducing interest expenses to unlock more profitability. We have made investments in our network in Australia, and we now have more control and we can see a significant improvement in the volumes [voice fades 4:41]. We have optimized warehouses to effectively onboard the new customers, one in the Logistics sector. We are now prepared to capitalize on the market opportunity arising from supply chain shifts that our customers are undertaking.

We have talked about it previously. It is very important for our business. We see large customers and brands evolving from an international express model to a more integrated and localized model, where they can provide and hold stock closer to their consumers. We're ready for this, and we're supporting customers on their journey.

Our four products and flexible end-to-end service offering is a very strong competitive advantage for Aramex. While each of our four products comes with a different margin profile, we are comfortable with a consolidated GP margin of 24% to 25% for the group for the year 2024.

Thank you for your continued trust and support, and I look forward to your questions and further discussions. With this I will hand over to Nicholas. Thank you.

Nicholas: Thank you, Othman. Good afternoon, everyone, and thank you for joining again our conference call. We will go through our Q2 financials and then open up the floor to you and address any questions you may have. As our financial statements were published on Thursday, let me go through a few add ons.

Let's start with the International Express product. We have good volume growth of 21% year-on-year for Q2 2024. Volume growth is coming from the MENAT region, the US and South Asia. Volumes in the GCC decline primarily due to the factors explained by Othman in his introduction. We had more than 100 cumulative days, working days lost due to the two Eid holidays and the weather disruptions in the UAE, which lead to approximately $12 million in lost billings. We believe this is a conservative estimate, as in practice what we saw on the ground were extended vacations beyond the official holidays date. We estimated the loss of billing based on the official holidays date in each country across our operations.

In addition, there's a missed peak of the Ramadan season, which did not occur in Q2 2024 this year, and which was not included in our estimate as it shifted to Q1 this year. We have to recognize that the impact of the public holidays and the extended consequential slowdown of the economy in our core markets impacted both B2C and B2B businesses much more than previous years. As a company and as a team, we need to do a better job in forecasting our seasonality and explaining it ahead of time.

We expect a good second half of the year with continued growth in volumes year-on-year. Sequentially, we expect to see relatively stable volumes numbers in H2 2024 versus H1 2024. We expect Q3 to be a typical summer quarter, followed by the peak in Q4.

Let's move to the next slide to see the impact on financials. International Express revenue grew 5% in Q2 2024 compared to last year. Gross profit for Q2 24 was stable at $51.2 million US, with a healthy margin of 32%. Looking at our unique economics, you will note that the decline in revenue per shipment was followed by a decline in cost per shipment. The change in our customer mix is leading to a lower weight shipment profile, which is causing this adjustment per shipment, but no impact at the global product [voice fade 08:35].

As a reminder, we have a change in the cost profile of Domestic and International Express products, higher volume in International Express lead to a higher allocation of fixed direct cost to the International Express product, benefiting the cost profile of the domestic express product. Both Domestic Express and International Express products run on the same infrastructure in many of our countries. We are pleased to report that we are on track with our growth expectation for International Express revenue. We estimate the 10% revenue growth year-on-year for the International Express product in 2024.

On the following page, we see a healthy growth in volumes for the domestic product, up by 4% compared to the same period last year, mainly attributed to the turnaround strategy in Oceania. In our other regions, including the GCC MENAT and Africa, we saw declines in volume for the reasons discussed before: the missed Ramadan peak season, the rain disruption and the two Eid holidays.

Our recovery journey in Oceania is progressing well. With the regional franchisee acquisitions discussed last time, we have more control over our network. We see significant improvement in volumes and revenues in Oceania and are working on the profitability turn around. We have reduced our losses by 37% at EBIT level for the H1 2024 period in this region compared to the same period last year, and the team is making good progress in returning this market to profitability.

On the following page, let's look at the financial result for the Domestic product. Revenues were up 7% in Q2 2024. Excluding the impact of currency devaluation, which is mostly coming from the Egyptian pound devaluation, revenue grew 9% year-on-year. The gross profit is up 9% and the margin increased to 22% in Q224 compared to the same period last year, delivering an overall good performance. You will notice that GP margin is a healthy 22% in Q2 2024, higher than last year; however, below last quarter.

It's worth noting that our costs went up during the quarter, which impacted the margin performance equation. A few reasons for this. We acquired the franchisee in Melbourne, Australia, in February this year. So the full cost impact of this business was incurred in Q2 2024. We also incurred one-off costs in Oceania during Q2 related to the move to our new facility in Brisbane, and the acquisition of regional franchises in both Australia and New Zealand. The acquisition of these regional franchises is part of our turnaround plan for this region, and the program is well underway.

Moving to the next page, let's look at our freight forwarding business. Freight reported good volume growth and good revenue growth in Q2 2024 of 15% over the same period last year. This was driven by increased shipment volumes across land, both LTL and FCL, air freight kgs and sea LCL. The Freight LTL growth in volumes are primarily coming from the reclassification done in July last year, so this is the last quarter you are seeing this impact, and we expect to see more normalized growth rates going forward.

Sea freight volumes were effectively managed despite disruptions in Red Sea shipping lanes. Let's look at the profitability of this product. As a reminder, the freight rates are a pass through cost for us. We add the margin to that and sell onwards to the customers. During the quarter, we saw significant increase in freight rates globally. We also saw an increase in costs associated with congestion in certain regional ports and operational closures due to the backlog associated with the rains and the Red Sea disruptions. We are analyzing the margin evolution closely. Meanwhile, we continue to focus on capturing new volumes as we are developing new trade lanes. For example, we were awarded 177 lanes in 2024 versus 46 lanes in 2023 for one of our key customers. It takes time to develop and grow into these new lanes, adding more volume and ultimately unlocking profitability.

Moving on to page 19, please. Logistics, where we again reported stable revenue performance. We are forecasting the impact of the new customers obtained in the first half of this year to materialize in our H2 financials. It's worth noting that FX continues to impact the financials of this product. Excluding the FX impact, which is mostly coming from the Egyptian pound again, our revenue grew 5% versus a reported growth of 1% only in Q2 2024.

Costs increased during the quarter year-on-year and sequentially, which is mainly driven by the onboarding of new customers. Onboarding customers in the warehouses is a high workload activity requiring one-off efforts such as mobilization costs, mobilization of the new of new employees, optimization of warehouses for these new customers. We're already seeing the benefits of this investment in our most recent financial updates and more to come on that subject.

Subsequently, gross profit declined by 2024 in Q2 2024. Let's wrap up with the group financial results on page 22 and 23, followed by our outlook on page 27. We will then open the Q&A session.

All products contributed to the group for the revenue growth, Express grew 5%, Domestic grew 7%, Freight was up 15% and Logistics 1%. Looking at the GP at the gross profit performance, we see that our courier business performed well. Express was stable and Domestic grew 9%. Freight was down 8% and Logistic was down 24% for the reasons discussed just now. The group GP margin was 23% for the Q2 2024 period, lower year-on-year and sequentially. This is driven mostly by the missed billing opportunity due to the lower numbers of working days and the weather related impact. It's worth noting again that we remain comfortable with a 24% to 25% gross profitability margin expectation for the full year 2024.

Moving on to page 23, our Group results, we see a good growth of 8% year-on-year in revenues on the back of a very healthy growth in volumes. We discussed the direct cost performance per product and the GP performance.

Let's move to SG&A. We have three components, which are part of our SG&A. Let's take them one by one. First, selling expenses, these are growing in line with our focus on sales, and are up 5% in Q2 24, versus same period last year, growing at a slower pace than revenues. Secondly, G&A was effectively managed with a growth of 3% year-on-year. And the third component, which is incentive compensation expenses. You will remember that last year we did not pay bonuses due to performance. This year, our team are delivering good results against their sales target, and we're anticipating and accruing annual incentives accordingly.

Moving to EBITDA, EBITDA was down 6% year-on-year to $37 million. The EBITDA margin was a solid at 9%. The net profit declined 85% in Q2 2024 compared to the same period last year, driven by the decline in EBITDA due to the missed revenues, again, the impact of the seasonality, currency devaluation and a higher tax expense.

Our bottom line is particularly sensitive to any shift in the revenue and cost profile. It's 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.

On page 24, let's look at our guidance for the year. We expect to end 2024 with 8% to 9% growth in revenues and the GP margin in the range of 24% to 25%. Looking ahead to the next quarters, we expect Q3 to be a typical summer quarter for us, but ahead of Q2 24 and we will ramp up again for a peak in Q4. We will continue to prioritize operational efficiency, cost management and cash management. Capex will be maintained at around 2% of revenues.

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 June 2024, we have prepaid about $38 million of debt, with the rest balanced across the rest of the year. We are making very good progress here.

Our net debt to EBITDA ratio is now at 0.9, well below our bank covenants and our available cash balance is solid at $124 million US.

This concludes our presentation today. Thank you everyone for listening. Ahmed, please open the floor for the Q&A session. Thank you.

Ahmed Thank you, Nicolas. So we are now going to open the floor to Q&A. You may use the raise hand function or the Q&A box to ask your question. We have a question coming from IndarpreetIndarpreet Singh [ph]. IndarpreetIndarpreet, please unmute locally and ask your question.

IndarpreetIndarpreet Two questions from my side. So first, on your courier margins, this quarter your cost per shipment across both your Domestic and International seems to have dumped by about 7% to 9%. I wanted to understand the reason for this. The second question is on the tax charge for this quarter. It seems to be rather on the higher side. So what exactly is driving that? And if you could just help us understand with your expected tax rate for the full year.

Nicolas Thank you. Maybe, Alaa, you will take the questions on the cost on Express. Let me answer the tax question immediately.

So you have seen the seasonality and the work and the weather related impacts on the financials, and this has mostly impacted countries in the region where we are typically seeing very low corporate income tax rates. So basically, with a profitability becoming lesser in countries with low taxes, you are seeing a bigger load, in percentage basis, of tax coming from the rest of the network. Therefore, you have lesser profitability coming from the core markets, more profitability determined from, on a percentage basis, coming from other markets; hence, this incremental ETR on a quarterly basis only.

If you look at what I think is more relevant from an ETR management standpoint is to look at it on a 12-month basis. And if you look at the trailing 12 months, last 12 months, our ETR is at 22%, which is exactly in line with our guidance. So, we are comfortable with an ETR between 20% and 25%, closer to the 20%, and this is what we are seeing over the past 12 months.

And Alaa, to the question on—

Alaa Thank you very much. So as we presented, in terms of the volumes that we have, H1 compared to H1 last year, we had the growth of almost 32% in volumes. And based on that unit economic has adjusted accordingly. You know, the more volume that we have, it means less cost per shipment.

And as a reminder, we use the same infrastructure for both Domestic and Express. So we had a difference in the allocation. So when we had higher volume in International Express this led directly into higher allocation of fixed and direct cost to International Express product, which benefited directly the cost profile of the Domestic Express product. So based on that we had both products, cost per shipment going down. Thank you.

IndarpreetIndarpreet Thank you.

Ahmed Our next question comes from Nikhil Nisha [ph 22:32]. Nikhil, your line is open. Please unmute locally as well.

Nikhil Just a couple of them from my side. First of all, on the margin front for both Freight Forwarding and Logistics, they have been quite low in this quarter. Just to get some color on what we should expect for the second half, should those revert back to more normalized margins we saw perhaps in Q1 or previous quarters? So just some color on that.

And secondly, was there any one-off during the quarter, especially coming from the previous question on tax, was there any one-off somewhere within the P&L regarding the tax that we should be aware of?

And, just thirdly, once more on the interest rate, I think you talked about debt. So as the interest rate cycle is turning around, can you give us a bit of flavor on what kind of improvement we can see in case interest rates go down? What kind of upside in terms of lower financial costs can we see on the P&L going forward? Thank you.

Nicolas Okay. Thank you for your question.

So, first of all, on the taking your questions the opposite way, so starting with interest. So for the moment, we are still seeing interest rate. Our debt is denominated in dollars, so we are closely following the interest rate from the Fed. We are currently sticking to our plan of paying down debt, because we are not looking at it from a balance sheet standpoint. We are looking and focusing on reducing interest expenses. When we will see a profile of reduction of interest rates, and hopefully soon from the Fed, we will look at our strategy and potentially adjust it. For the time being, we are sticking to our plan, but let's closely monitor the situation. Maybe in a month from now, we will see a different profile and we will be challenging our position. For the time being, we stick to our plan.

In terms of one-off, there's nothing significant in terms of one-off, but if there is any one-off, they have been recognized in the Freight and the Logistic product. We have seen some demurrages cost due to the congestion of the certain ports, particularly in the Persian Gulf. We have seen some one-off impact because we have invested in additional facilities or additional equipment or human resources in order to develop trade lanes, and this is mostly relevant for our operation in the US, and particularly in Texas, in Houston, Texas, where we are growing our operation base.

With all that being said, we believe that, first of all, the one-off in terms of the demurrages and so forth should disappear with time as we are adjusting and recalibrating for different trade lanes and origin and destination. And we will also see the benefit of this different investment that we are seeing, and I don't want to give you particular colors into Q3, but we

	are already seeing on the Logistic product a significant improvement in terms of profitability of these customers that we invested for in Q2. And we are expecting the Logistic product to come back to more normalized gross profitability very, very quickly. Maybe Alkhas wants to complement a little bit in terms of the Freight margin again?
Alkhas	You're absolutely right, Nicolas. So at the end of the day, it's a competition that is fierce in the market for Freight Forwarding. If you see all the integrators results are not that great, but they are trying to capture one slice of the pie that everybody is competing for. Hence, the competition for certain trade lanes and certain movements between regions. And that's why we're trying to create a niche for us where we can capitalize our capabilities in certain areas. As Nicolas said, Texas is one of the basis for us concentrating on, especially for Logistics and Freight Forwarding, and we expect to normalize slowly but surely throughout the remainder of the year. But, you have to understand that the demand is still not that great, and the competition is fierce [voice fades 27:27].
Nikhil	Okay. Thank you very much.
Ahmed	Thank you. Our next question comes from Osman Siddiqui. Osman, your line is open. Unmute, locally as well.
Osman	Thank you for the opportunity. I just have one question. I mean, we see strong volumetric growth in shipment volume, especially in the International Express despite slow down or the impact of weather conditions in GCC. So I just wanted to understand, how different the gross margins are for the regions if you compare GCC versus the non-GCC countries? Despite having phenomenal growth in volumes, the gross profit and the yield per shipment were lower.
Nicholas	So you are referring particularly to Express International, correct?
Osman	Yes, yes.
Nicolas	So first of all, we don't disclose margin per product per regions. And again, the Express product is, if you look at the Express International profile in Aramex, this is a product that is coming from, I would say, four key markets. So you have four key outbound markets: US, Europe and the UK, China and now more recently, Turkey. And when we look at the profile of each one of these significant outbound markets into our core markets, into the GCC, into MENAT, into this core market, we are seeing, I would say, relatively similar type of profitability of the product. And what you are seeing this margin between 30% and 35%, 32% for the Express international product, this is something that we are seeing pretty much in all markets. And because it's a more globalized market, these are the kinds of margins that we are targeting in most of the pretty much [voice fade 29:39].
Osman	All right. Thank you.
Ahmed	So our next question comes from the Q&A box. What will be the normalized profit for the second quarter, once all various one-offs are adjusted for?

Nicolas So again, we are not giving guidance on net income yet. We are very comfortable with our guidance at top line level, growing around 8% for the group revenues compared to last year. We are comfortable with our guidance in terms of gross profitability between 24% and 25%, and we are also very comfortable with what we have done in terms of SG&A. So with all these parameters, we believe that all together, we are on target and we are very comfortable in achieving these targets for [voice fade 30:31].

Ahmed Thank you, Nicolas. But I think the question was also specifically on the second quarter, if there were certain one-offs in the second quarter that if adjusted for what would be the profit.

Nicolas Yes, again, it is not significant one-off in terms of cost. It's mostly a top line impact that is filtering through the net income, and this is what we will not see in Q3 and Q4. We will see more normalized top line activities, more working days and hopefully no bad weather conditions.

Ahmed Perfect. Our next question comes from Waruna [ph]. He's asking why have gross margins for International Express fallen despite a significant increase in volumes? Is there an increase in line haul costs? And what is your expectations on cost per shipment going forward?

Othman So maybe, Nicolas, I take part of that question. On the line haul side, no, we don't see an increase in line haul cost per kilo. And the way that we measure the line haul economics is dollar per kilo. And actually, the dollar per kilo has been reduced quarter-over-quarter this year, and going down. And again, based on the new profile of business, as Nicolas mentioned, and based on the new origin that we had, which is Turkey, this actually helped us in reducing the overall dollar per kilo on the line haul cost.

On the margins, International Express margins, as I explained previously, again, we shared the same infrastructure for both International Express and Domestic. And whenever there is a higher or wherever we receive the higher volume on the International Express, this led directly to higher allocation of the fixed direct cost on International Express product and this affected the overall GP margin of the product. In addition to what we explained on the number of days, non-productive days where the cost remained fixed, it's why we did not have revenue in these days.

Nicolas, would you like to add anything on that?

Nicolas I'd like to add just one thing. Something to note that in Q2 of last year, Turkey was not a lane for us. So it was the US, it was Europe, it was North America, and these are higher rate lanes because geographically, they are much further away, so they are sold at a higher rate. And the cost, obviously, is higher.

But with Turkey coming in, in Q2 of this year, which is significant volumes, the rate out of Turkey is much lower than the rest of the world because of the proximity and the cost involved. So this really disrupts the entirety of the revenue per shipment when you compare the lanes, if that makes sense.

Ahmed | I thank you, Othman. Thank you for that. We have a question coming from Deepa. Would like to know if shop and ship was moved to Florida for the potential sales tax benefits? And just to confirm if this quarter's tax expense in the P&L is a timing difference issue, or are there any benefits to come later on?

Alaa | So on MyUS part and shop and ship, we started the migration of our operation into Sarasota, into the MyUS. We have moved so far 15 destinations into MyUS, and we're continuing in that. We'll have another major destination for the end of the year, and we'll complete the major order shift by quarter one next year, once we complete an automation project that is currently happening in our operations in the MyUS facility.

On the tax, Nicolas, to you.

Nicolas | Sure. Thank you, Alaa. And again, on the tax, I think we have addressed this question a little bit earlier. I think from an effective tax rate standpoint, the Q2 performance is absolutely not predictable of future quarters. We are giving guidance on the full 12-year basis of an ETL between 20% and 25%, and we are very comfortable with that. We are trailing at 22% as we speak. Thank you.

Ahmed | Thank you, Nicolas. Thank you, Alaa.

We have a question from Mohammed Miseri [ph]. He just wants to know about the FX losses from the EGP devaluations, and why was it booked this quarter, despite the EGP devaluation taking place in 1Q?

Nicolas | Okay, the balance sheet impact on the GP devaluation was fully booked in Q1. What you are seeing in Q2 is more the P&L impact from a margin standpoint, where you see a lower revenue of this in dollar terms. Of course, lower cost as well. But all together, the margin in terms of dollar load is much less coming from Egypt. So this is what we were alluding to when we were talking about the impact of devaluation of Egyptian pounds. It's a P&L impact, of course. And again, I repeat, the full balance sheet impact of the devaluation was taken in Q1.

Ahmed | Thank you, Nicolas.

We have a question from Ahmed Kamel. Can you please shed some light on the performance KPIs of MyUS and any impact from the yen appreciation on the business coming from Japan?

Alaa | Othman, do you want to address that?

Othman | Well, look, the MyUS Japan lane is still not strong, purely because the Japanese yen is still very weak against the dollar, so people are not buying. But we're seeing other markets now come up for MyUS, new markets that we've never had before, such as the Caribbean's, where we're seeing now a massive increase in volumes out of the US. So basically, Japan, Angola, the big lanes that we had in MyUS and are now very affected with the currency situation are being replaced with new markets. Caribbean is being one. We're looking at Africa now and some parts of Europe. So while we've lost some business to some lanes, there is some lanes being gained and new markets being gained. Thank you.

Ahmed We have a question from Nitin. Is the business with the new e-tailer client in Turkey fully up and running? Do you expect the volumes from this client to go up further?

Othman Yes. So this new customer is there. I mean, we are now transitioning. They started with us now almost a year ago. It was completely cross-border. Today, we've started fulfilling locally in the UAE and in Saudi Arabia, so a big chunk of their stock is being replenished now in Dubai and in Saudi.

The cross border element will not disappear. They're not going to put 100% of their SKU's in these markets. You'll still have products coming out of Turkey, but that will decline. The cross border will decline, the domestic will increase, but the customer is fully integrated with us and that's the beauty of our four products, that we can do all of these things for them. So it's cross border, it's the warehousing, it's the last mile, it's the Freight Forwarding into here, and we're fully on track. And they're expecting a very, very strong second half of the year because they're going to do a lot of marketing activities in this region.

Ahmed Thank you. We have another question from Nikhil. Other income of $6.6 million in the P&L, what is this related to

Nicolas These are mostly FX gain that we are seeing. You know that we have presence in 65 countries, and what we have seen in Q2 is FX gain from the basket of currencies that we are exposed to. But we are not giving any guidance in this respect, of course, because we don't know the evolution of these currencies. And we are hedging naturally most of them, but there's still an impact. So this was a positive impact this year, this quarter.

Ahmed Thank you. As a reminder for everyone, you can use the raise hand function, or you can send your questions in the Q&A box. We'll give it one moment if further question comes.

Okay, we have another follow up question from Indarpreet. Indarpreet, your line is open. Unmute locally as well.

Indarpreet Hi, thanks for the question again. So one question on the Domestic side, the last couple of quarters we have seen some bit of growth returning to your Domestic product. And you also mentioned that your turnaround strategy in Oceania is going well. So, would you expect a pickup in volumes here on?

Othman Definitely. I think as I explained to you earlier, we're going to have a big shift from cross border to Domestic with the Turkish retailers. So we're going to see a big volume spike in Saudi Arabia, UAE, GCC, because they're holding stock here. And it's not just this line, it's not just them. It's other etailers that have been doing this over the last year that have been growing in domestic, Next being one of them, they've moved their stock here a year ago now, and the domestic side of their business has been growing at a very, very fast pace. I keep saying that once the customer comes closer to the consumer, volumes tend to grow, and that's what Etailers want.

They want to get closer to the consumer, and that's our positioning to all of the Etailers; hold your stock with us, replenish here.

So we expect an increase and a continuous increase in domestic not just from the cross border also, but we're also seeing increase in volume, especially in big markets like Saudi Arabia, where there's more and more local retailers popping up and growing very quickly. The Saudi market now is very interesting when it comes to domestic. Some of these SMEs are no longer SMEs. They've become quite significant etailers within a very short period. So it's a combination of new etailers popping up, cross border coming to domestic and definitely, the domestic scene will grow. And it's key for us to build our infrastructure around that. It's important that we have the largest fleet in the region. We have the right cost in place to take on all of the business.

Peak is going to be a very big peak in Q4, so we have to be ready, and we have to start building from now, and that's what we're doing.

Ahmed Thank you, Othman. I don't think we have any further questions or raise hands, so with that maybe back to you for any closing remarks.

Othman Thank you. So again, it was a very disappointing Q2 for us. Honestly, in 30 years in this business, I've never seen a quarter where there was so much disruptions in working days and two Eids and all, and the rain. But I'm quite confident that we have not lost any customers. This is purely an operation that will continue to deliver strong results.

Obviously, the loss of days impacted us heavily, and loss of revenue. Looking at the second half of the year, we're quite optimistic on the projections being given to us. As I said, again, customers are gaining traction with us, be it in Freight, Logistics, Express and Domestic; we're gaining lanes, we're gaining new etailers, and we're now ramping up for a very strong H2 and that's, I think, the key messaging here. Look at H1 as a whole, as a whole half year, and then the second half year, where you'll see a strong performance from us. So we're quite confident on that, and we're very ready for that. Thank you very much for today.

Ahmed Thank you, Othman, and thank you everyone for attending. You may now disconnect. Thank you.