

ADNOC Logistics & Services PLC (ADNOC L&S)

Solid performance across all segments and the consolidation of Navig8 drove revenue growth

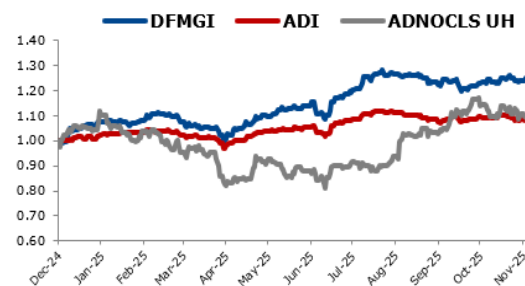
Current Price
AED 5.56

Target Price
AED 6.70

Upside/Downside (%)
+21%

Rating
BUY

- Revenue rose 36.3% YOY to USD 1,266 Mn in 3Q25, driven by the robust performance across all business segments.
- ADNOC L&S will join the MSCI Emerging Markets Index after a USD 317 Mn share placement raised free float to 22%.
- The Company plans to distribute a USD 325 Mn dividend for 2025, distributed quarterly, and is committed to 5% annual dividend growth from 2026 onward.
- Free cash flow stood at USD 70 Mn in 3Q25, with a low net debt/EBITDA ratio of 0.73x in 3Q25.
- Plans to invest up to USD 7 Bn by 2028, with an additional USD 3 Bn earmarked for fleet expansion, M&A, and joint ventures, focusing on integrated logistics and growth in LNG and gas sectors.



3Q25 Net Profit lower than our estimate

ADNOC Logistics & Services Plc's (ADNOC L&S/the Company) net profit rose 17.4% YOY to USD 205 Mn in 3Q25, lower than our estimate of USD 221 Mn. The increase in net profit is mainly driven by higher revenue, share of profit from joint venture and finance income, partially offset by an increase in direct cost, G&A expenses, finance cost, NCI, and tax expenses, coupled with a decrease in other income.

P&L Highlights

ADNOC L&S revenue rose 36.3% YOY to USD 1,266 Mn in 3Q25, primarily driven by the robust performance across all business segments. Revenue from Integrated Logistics grew 8.7% YOY to USD 662 Mn in 3Q25, due to growth of higher Jack-Up Barges (JUB) utilization and earnings from three new strategic acquisitions of JUBs, increased contracted logistics volumes, and faster execution of the Hail & Ghasha project, along with higher vessel chartering activity for OSVs, partially offset by Mooring project contribution & higher G-Island progress in 3Q24. Offshore Contracting revenue grew 22% YOY to USD 351 Mn and Offshore Services grew 19% YOY to USD 169 Mn. In contrast, Offshore Projects fell 21% YOY to USD 141 Mn in 3Q25. Shipping revenue surged from USD 226 Mn in 3Q24 to USD 500 Mn in 3Q25 supported by increase in revenue from gas carriers, partially offset by a decrease in revenue from dry-bulk and containers. This rise in shipping revenue was mainly due to the Navig8 Tankers revenue consolidation. Meanwhile, services revenue grew 11% YOY to USD 103 Mn in 3Q25. ADNOC L&S direct cost increased 40.1% YOY to USD 988 Mn in 3Q25. EBITDA of Integrated Logistics services increased 23.1% YOY to USD 215 Mn in 3Q25, and EBITDA Margin increased from 28.7% in 3Q24 to 32.5% in 3Q25. Furthermore, the Shipping segment EBITDA grew 76.9% YOY to USD 147 Mn in 3Q25

Stock Information

Market Cap (AED, mm)	41,135.65
Paid Up Capital (mm)	3,994.45
52 Week High	6.22
52 Week Low	4.01
3M Avg. daily value (AED)	83,230,440

3Q25 Result Review (USD, mm)

Total Assets	9,655
Total Liabilities	3,088
Total Equity	6,567
EBITDA	379
Net Profit	205

Financial Ratios

Dividend Yield (12m)	2.64
Dividend Pay-out (%)	36.20
Price-Earnings Ratio(x)	14.67
Price-to-Book Ratio (x)	2.25
Book Value (AED)	0.68
Return-on Equity (%)	16.08

Stock Performance

5 Days	-2.11%
1 Months	-5.60%
3 Months	6.72%
6 Months	17.30%
1 Year	-2.28%
Month to Date (MTD%)	-3.14%
Quarter to Date (QTD%)	-3.81%
Year to Date (YTD%)	2.39%

with an EBITDA margin of 29.4%. However, the Services business EBITDA declined 2.5% YOY to USD 18 Mn in 3Q25 with a reduction in EBITDA margin to 17.6%. As a result, total EBITDA rose from USD 275 Mn in 3Q24 to USD 379 Mn in 3Q25 with an EBITDA margin of 30.0% in 3Q25. The operating profit rose 22.8% YOY to USD 234 Mn in 3Q25. Share of profit from JV increased from USD 3 Mn in 3Q24 to USD 12 Mn in 3Q25. Furthermore, finance income grew 42.1% YOY to USD 5 Mn in 3Q25. On the other hand, finance costs grew substantially from USD 6 Mn in 3Q24 to USD 22 Mn in 3Q25 due to the addition of borrowings. Additionally, tax expense increased 12.6% YOY to USD 19 Mn in 3Q25. NCI contribution stood at USD 5 Mn in 3Q25 compared to nil in 3Q24.

Balance Sheet Highlights

ADNOCLS' cash and cash equivalents reduced from USD 499 Mn in 2Q25 to USD 284 Mn in 3Q25. Net debt stood at USD 1,112 Mn in 3Q25, down from USD 1,260 Mn in 2Q25. The net debt to EBITDA ratio fell from 0.79x in 2Q25 to 0.73x in 3Q25. ADNOCLS' total capex increased to USD 296 Mn in 3Q25 from USD 270 Mn in 2Q25. Moreover, the Company's free cash flow stood at USD 70 Mn in 3Q25, up from USD 62 Mn in 2Q25.

Target Price and Rating

We maintain our BUY rating on ADNOC L&S with a target price of AED 6.70. ADNOCLS witnessed solid performance, underpinned by 36.3% YOY revenue growth and a 37.7% YOY increase in EBITDA during 3Q25. The Company plans to invest up to USD 7 Bn by 2028, with an additional USD 3 Bn earmarked for fleet expansion, M&A, and joint ventures, focusing on integrated logistics and growth in LNG and gas sectors. The Company delivered USD 80 Mn in value efficiencies during 2Q25 and 3Q25, targeting USD 100 Mn for 2025, and expects USD 65 Mn in recurring annual efficiencies from 2026 onward. ADNOC L&S maintains a positive long-term outlook for tanker demand, supported by rising ton-mile requirements, limited newbuild deliveries, and an aging fleet eligible for scrapping. Tanker rates are projected to remain strong, driven by the OPEC+ unwinding schedule, seasonal demand, and sanctions on the dark fleet. The Company expanded its fleet with two LNG carriers Al Rahba and Al Reef, as part of a six-vessel program from Jiangnan Shipyard, and took delivery of Gas Yongjiang and Gas Minjiang, the first two of nine Very Large Ethane Carriers under a 20-year charter expected to generate USD 4 Bn in long-term revenue. There are 22 vessels scheduled for delivery through 2028, comprising 11 LNG, 7 VLEC, and 4 VLGC units generating an additional long-term contracted revenue of USD 10 Bn. Moreover, the company also has USD 26 Bn forward contracted revenues including USD 21 Bn from ADNOC Group (2025+) targeting a strong outlook with an expected EBITDA CAGR growth of 9% (2024-29). Pending deliveries are spread across the timeline with one more in 2025, five in 2026, six in 2027, and ten in 2028, indicating a steady ramp-up in fleet expansion over the medium term. ADNOC L&S is set to join the MSCI Emerging Market Index following ADNOC's USD 317 Mn share placement, which raised free float to 22%, likely attracting over USD 200 Mn in passive inflows and enhancing liquidity. While maintaining a conservative outlook for 4Q25 due to seasonal trends and depreciation, the Company expects 2025 revenue growth in the high 20% range, EBITDA up mid-20%, and net income up low to mid double digits in 2025, with strong medium-term growth (2026–2029) driven by expansion and long-term contracts. ADNOC L&S signed a long-term agreement with TA'ZIZ to develop chemical ports, generating a revenue of over USD 1.3 Bn over the first 27 years along with 85% average EBITDA margins. The Company plans to invest over USD 3 Bn in incremental Capex by 2029 to drive expansion and achieve its targeted unlevered IRR. Financial capacity objectives include maintaining a net debt-to-EBITDA ratio of 2.0–2.5x and an average cost of debt of around 5%, with financing costs absorbed through subsidiary retained earnings. Additionally, ADNOC L&S aims to lower its effective tax rate to 6% in 2025, reinforcing its commitment to operational efficiency and shareholder returns. ADNOC L&S plans to distribute a USD 325 Mn dividend for 2025, distributed quarterly, and is committed to 5% annual dividend growth from 2026 onward. These factors collectively support our BUY rating on the stock.

ADNOC L&S - Relative valuation

(at CMP)	2024	2025F
PE (x)	15.13	13.06
PB (x)	2.34	1.97
EV/EBITDA	10.01	9.37
EPS (AED)	0.375	0.435
BVPS (AED)	2.430	3.396
DPS (AED)	0.136	0.161
Dividend yield (%)	2.4%	2.9%

FABS Estimates & Co Data

Note – ADNOC Logistics & Services listed on ADX in 2023. Thus, the financial multiple for the prior period is unavailable

ADNOC L&S – P&L

USD mm	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	928	1,258	1,266	1,074	17.8%	36.3%	0.6%	3,549	4,780	34.7%
Direct cost	-705	-949	-988	-778	26.9%	40.1%	4.2%	-2,609	-3,613	38.5%
Gross profit	223	309	278	296	-6.2%	24.5%	-10.1%	941	1,167	24.1%
G&A expenses	-37	-50	-43	-50	-14.2%	16.5%	-13.8%	-142	-214	51.3%
Other expenses	0	0	0	0	NM	NM	NM	-4	-4	0.0%
Other income	9	5	3	5	-45.9%	-68.9%	-45.9%	20	50	NM
Provision for ECL, net	-4	-1	-3	-1	NM	-28.5%	107.9%	3	-10	NM
EBITDA	275	400	379	351	8.1%	37.7%	-5.2%	1,149	1,473	28.2%
EBIT	191	263	234	250	-6.1%	22.8%	-10.7%	817	989	21.0%
Share of profit from JV	3	8	12	7	65.7%	NM	50.6%	14	30	NM
Finance income	4	5	5	6	-4.7%	42.1%	15.0%	16	22	38.3%
Finance costs	-6	-24	-22	-24	-6.7%	NM	-7.2%	-18	-98	NM
Profit before tax	191	251	229	238	-3.9%	19.7%	-8.7%	829	951	14.7%
Income tax expense	-16	-15	-19	-14	29.4%	12.6%	22.9%	-73	-57	-21.7%
NCI	0	7	5	3	52.7%	NM	-27.3%	0	18	NM
Net Profit	175	229	205	221	-6.9%	17.4%	-10.2%	756	876	15.8%

FABS estimate & Co Data

ADNOC L&S - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross margin	24.0%	24.6%	21.9%	-209	-263	26.5%	24.4%	-209
EBITDA margin	29.7%	31.8%	30.0%	31	-186	32.4%	30.8%	-156
Operating margin	20.6%	20.9%	18.5%	-204	-236	23.0%	20.7%	-234
Net profit margin	18.8%	18.2%	16.2%	-262	-196	21.3%	18.3%	-298

FABS estimate & Co Data

Key Developments:

- **8 January 2025:** ADNOC L&S has finalized its USD 1.04 Bn acquisition of an 80% stake in Navig8 TopCo Holdings Inc., effective January 1, 2024. The company also plans to purchase the remaining 20% between 2026 and mid-2027 for USD 335 Mn to USD 450 Mn. This transaction adds 32 tankers to ADNOC L&S's fleet, broadens its service offerings, and is projected to increase earnings per share by at least 20% in 2025. Additionally, annual synergies of around USD 20 Mn are expected starting in 2026.
- **8 January 2025:** ADNOC Logistics & Services Plc announced plans to issue a Hybrid Capital Instrument (HCI) valued between USD 1.1 Bn and USD 2.0 Bn (AED 4 to 7.3 Bn). The initial USD 1.1 Bn (AED 4 Bn) will be used to finance the Navig8 acquisition, while the remaining USD 0.9 Bn (AED 3.3 Bn) is earmarked for future investments through December 31, 2026. The HCI carries a rate below SOFR + 150 bps and supports the company's target leverage ratio of 2.0 to 2.5x Net Debt to EBITDA.
- **26 May 2025:** ADNOC L&S announced the delivery of *Al Rahba*, its second newly built LNG carrier from China's Jiangnan Shipyard. The vessel is part of a six-carrier order placed in 2022 and features a capacity of 175,000 m³. Equipped with advanced energy-efficient technologies, including dual-fuel engines that cut methane emissions by up to 50%, the *Al Rahba* enhances ADNOC L&S's ongoing strategic fleet expansion program.
- **11 June 2025:** Borouge Plc and ADNOC Logistics & Services Plc have entered into a 15-year strategic partnership valued at USD 531 Mn to handle logistics for up to 70% of Borouge's yearly output. The agreement covers port operations, container handling, and feeder vessel services, with ADNOC L&S committing at least two dedicated ships. Borouge anticipates more than USD 50 Mn in cost savings over the next five years and aims to increase its production capacity by 1.4 Mn tonnes per year by the end of 2026.
- **14 August 2025:** ADNOC L&S announced the delivery of Gas Yongjiang, the first of nine Very Large Ethane Carriers (VLECs) constructed by Jiangnan Shipyard for its joint venture, AW Shipping. The vessels will operate under 20-year charter agreements expected to generate around USD 4 Bn in revenue. ADNOC L&S also took delivery of *Al Reef*, the third of six LNG carriers from the same shipyard, as part of its ongoing fleet modernization program. The remaining VLECs are scheduled for delivery between 2025 and 2027.
- **28 August 2025:** Abu Dhabi National Oil Company (ADNOC) announced its intention to sell up to 222 Mn ordinary shares, representing roughly 3% of ADNOC L&S share capital, through a bookbuild offering targeted at professional and institutional investors. The bookbuilding process will conclude before market opening on August 29, 2025, with settlement anticipated by September 3, 2025. Any unsold shares will be subject to a six-month lock-up, with the offering expected to increase ADNOC L&S's free float to 22%.
- **29 August 2025:** ADNOC has completed a USD 317 Mn institutional placement of 222 Mn shares in ADNOC L&S, equivalent to 3% of the company's share capital. The shares were priced at AED 5.25 each, increasing ADNOC L&S's free float to 22%. The offering was oversubscribed seven times during a four-hour bookbuilding process. Following the transaction, ADNOC retains a 78% ownership stake and has committed to a six-month lock-up period before any additional share sales.
- **9 October 2025:** ADNOC L&S and TAZIZ have signed a 50-year agreement to develop a dedicated chemicals port within the TAZIZ Industrial Chemicals Zone in Ruwais. Under the deal, ADNOC L&S will construct, own, and operate the USD 300 Mn facility, which is scheduled for completion in 4Q26 and is expected to generate around USD 1.3 Bn in revenue over 27 years. TAZIZ aims to produce 4.7 Mn tons of chemicals annually by 2028, supporting the UAE's industrial and economic development objectives.
- **6 November 2025:** ADNOC L&S announced that it is expected to be added to the MSCI Emerging Markets Index, effective November 25, 2025. The inclusion follows a USD 317 Mn secondary share offering in

August that increased the company's free float to c. 22%. ADNOC L&S has more than USD 26 billion in long-term contracted revenue and plans to distribute USD 325 million in dividends for 2025. It becomes the fourth ADNOC Group company to join the index, enhancing its global visibility and accessibility to international investors.

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value ADNOC Logistics & Services. We have assigned 70% weight to DCF, 20% to RV, and 10% to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	7.13	70.0%	4.99
Relative Valuation (RV)	6.87	20.0%	1.37
DDM Method	3.29	10.0%	0.33
Weighted Average Valuation (AED)			6.70
Current market price (AED)			5.56
Upside/Downside (%)			+21%

1) DCF Method:

ADNOC Logistics & Services is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It is arrived after using the cost of equity of 8.2% and the cost of debt of 4.7%. Cost of equity is calculated by using a 10-year government bond yield of 4.8%, beta of 0.9 and equity risk premium of 4.1%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (USD, Mn)	2,758
Terminal value (USD, Mn)	13,507
Cash (as of Sept 2025)	-1,901
FV to Common shareholders (USD, Mn)	15,210
No. of share (Mn)	7,398
Current Market Price (AED)	5.56
Fair Value per share (AED)	7.13

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	978	1,089	1,175	1,241	1,323	1,494
Depreciation & Amortization	432	494	510	552	584	586
Capex	-1,736	-607	-1,325	-1,294	-976	-956
Change in Working Capital	3	-44	-37	-46	-48	-78
Free Cash Flow to Firm (FCFF)	-323	932	323	453	883	1,046
Discounting Factor	0.99	0.92	0.85	0.79	0.73	0.68
Discounted FCFF	-80¹	855	275	357	645	707

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local as well as international peers to value ADNOC Logistics & Services and it is valued using the EV/EBITDA multiple. The Integrated & Marine business is valued at EV/EBITDA multiple of 10.3x and the Shipping business is valued at EV/EBITDA multiple of 8.7x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
<u>Integrated & Marine peers</u>					
ADNOC DRILLING CO PJSC	24,203	11.8	11.2	16.9	15.9
EMIRATES CENTRAL COOLING SYS	4,356	11.7	10.7	17.2	14.6
DUBAI ELECTRICITY & WATER AU	37,295	10.1	9.6	18.2	16.9
ABU DHABI PORTS CO PJSC	6,371	9.8	8.8	16.6	13.1
DTC	1,822	11.1	10.3	17.3	16.2
Average		10.9x	10.1x	17.2x	15.4x
Median		11.1x	10.3x	17.2x	15.9x
Max		11.7x	10.7x	17.3x	16.2x
Min		10.1x	9.6x	16.9x	14.6x

Source: FAB Securities

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
<u>Shipping peers</u>					
QATAR GAS TRANSPORT(NAKILAT)	7,178	14.6	14.2	14.8	14.6
CMB. TECH NV	2,829	11.6	8.7	NA	NA
STAR BULK CARRIERS CORP	2,133	8.3	5.8	17.3	7.8
DORIAN LPG LTD	1,172	6.6	6.5	8.3	7.7
GOLAR LNG LTD	3,999	22.4	22.8	28.2	47.1
FLEX LNG LTD	1457	11.1	10.6	13.9	12.6
FRONTLINE PLC	5365	9.0	7.1	13.3	9.0
Average		11.9x	10.8x	15.9x	16.5x
Median		11.1x	8.7x	14.3x	10.8x
Max		13.1x	12.4x	16.6x	14.1x
Min		8.7x	6.8x	13.4x	8.1x

Source: FAB Securities

3) DDM Method:

ADNOC Logistics and Services plans to pay USD 325 Mn dividend in 2025 and expects to pay on a progressive basis in the forthcoming period with a minimum growth of 5% per annum. The dividend is discounted at the cost of equity of 8.4%.

Sum of PV (USD, Mn)	1,630
Terminal value (USD, Mn)	5,007
FV to Common shareholders (USD, Mn)	6,638
No. of share (Mn)	7,398
Current Market Price (AED)	5.56
Fair Value per share (AED)	3.29

DDM Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
H1		171	179	188	197	207
H2	162	171	179	188	197	207
Total Dividend	162	341	358	376	395	415
Discounting Factor	0.99	0.91	0.85	0.78	0.72	0.67
Present Value of Dividend	161	312	303	294	285	277

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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