# Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Industrial | Market: ADX

# ADNOC Logistics & Services PLC (ADNOCLS)

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| AED 6.74 | AED 8.40 | +25% | BUY |

## 3Q26 Net Profit higher than our estimate

- Revenue surged from USD 1,266 Mn in 3Q25 to USD 3,291 Mn in 3Q26, primarily driven by robust performance in Shipping segment, partially offset by decline in revenue from Integrated Logistics and marine services segment.
- Integrated Logistics revenue declined 17.6% YOY to USD 545 Mn in 3Q26, mainly due to the absence of revenue from the Al Omairah Island EPC project following its completion in 4Q25. The decline in Integrated Logistics revenue was partially offset by incremental revenue from additional jack-up barges and new offshore support vessels.
- Shipping revenue surged from USD 500 Mn in 3Q25 to USD 2,653 Mn in 3Q26, primarily driven by a sharp increase in Tanker revenue supported by elevated TCE rates amid favourable tanker market conditions and expansion of the VLCC fleet. Revenue from the Gas carrier and Dry Bulk Container subsegment also increased, supported by new vessel deployments and increased chartering activity.
- Services revenue decreased 10.5% YOY to USD 92 Mn in 3Q26, primarily due to lower volumes from KIZAD warehouse & trans-shipment and Petroleum Port Operations.
- Direct costs increased from USD 988 Mn in 3Q25 to USD 2,197 Mn in 3Q26.
- Gross profit increased sharply from USD 278 Mn in 3Q25 to USD 1,094 Mn in 3Q26, with gross margin expanding from 21.9% in 3Q25 to 33.2% in 3Q26.
- G&A expenses increased from USD 43 Mn in 3Q25 to USD 96 Mn in 3Q26, while the Company recorded other expenses of USD 105 Mn in 3Q26 compared with nil in 3Q25.
- Other income increased from USD 3 Mn in 3Q25 to USD 14 Mn in 3Q26.
- The Company recorded USD 8 Mn of expected credit loss provisions in 3Q26, compared with USD 3 Mn in 3Q25.
- EBITDA increased from USD 379 Mn in 3Q25 to USD 1,088 Mn in 3Q26, while EBITDA margin expanded from 30.0% in 3Q25 to 33.1% in 3Q26.
- Operating profit increased from USD 234 Mn in 3Q25 to USD 899 Mn in 3Q26, with operating margin expanding significantly from 18.5% in 3Q25 to 27.3% in 3Q26.
- Share of profit from joint ventures increased to USD 23 Mn in 3Q26 from USD 12 Mn in 3Q25.
- Finance costs declined 31.3% YOY to USD 15 Mn, whereas finance income increased 22.8% YOY to USD 7 Mn in 3Q26.
- Tax expense increased 40.6% YOY to USD 26 Mn in 3Q26, while the non-controlling interest contribution increased from USD 5 Mn in 3Q25 to USD 44 Mn in 3Q26.
- Net profit attributable to equity shareholders surged from USD 205 Mn in 3Q25 to USD 843 Mn in 3Q26. The rise was mainly driven by strong revenue growth, higher finance income, other income and joint venture contribution, and lower finance costs. These were partially offset by higher direct costs, G&A, other expenses, ECL provisions, tax expense and share of non-controlling interest.

## Earnings Call Summary

- Gas Carrier EBITDA increased from USD 25 Mn in 3Q25 to USD 190 Mn in 3Q26, supported by the expanded LNG fleet, additional VLGC deployments and stronger chartering income, alongside higher contributions from AW Shipping JV, with some earnings recognition shifting from 2Q26 to 3Q26.
- Tanker freight rates are expected to remain elevated through 4Q26, with TD3 routes demonstrating greater resilience than international routes amid geopolitical disruptions and tight vessel availability.

- Global logistics inefficiencies and historically low inventory levels continue to support tanker demand, with elevated freight rates expected to sustain through the near term.
- Gross margin contracted to 33.2% in 3Q26 from 41.3% in 2Q26, reflecting a less favourable revenue mix and lower contribution from high-margin employment and services associated with ADNOC.
- Corrections of c. 30-40% across international tanker indices reflect moderation from exceptional levels, while regional freight rates remain supported by Strait of Hormuz disruptions.
- Two VLCCs, Arzanah and Habshan, were redeployed onto the spot market in September following early charter termination, resulting in a one-off USD 105 Mn expense in 3Q26.
- Navig8 Passion was redeployed onto the spot market in October following early charter termination, with the USD 25 Mn expense expected to be offset by stronger spot earnings.
- Two Suezmax vessels commenced operations following delivery in November, providing immediate earnings contribution from elevated regional freight rates.
- The company's owned fleet reached c. 110 seagoing vessels by end-November 2026, with further deliveries scheduled across newbuild and second-hand acquisitions.
- Commercial Shipping's contracted EBITDA is expected to increase from USD 135 Mn in 2025 to over USD 600 Mn by 2030, primarily driven by gas carrier expansion.
- Six LNG carriers are expected to secure long-term employment, with their deployment supporting the expansion of contracted shipping earnings through 2030.
- Incremental cash generation is expected to support further fleet acquisitions and platform diversification, with capital allocation remaining focused on attractive growth opportunities.
- Integrated Logistics remains a key diversification priority, with expansion opportunities being evaluated across West Africa, Latin America, the Far East and Northwest Europe.
- The company's investment strategy remains focused on balancing immediate ADNOC capacity requirements through vessel acquisitions with long-term contracted fleet expansion.
- Offshore activity recovered to pre-conflict levels, supporting material handling volumes, although higher offshore vessel chartering and bunker costs weighed on profitability.
- ADNOC L&S has USD 21 Bn of contracted revenue with ADNOC, providing strong earnings visibility as the Group expands its oil, gas and LNG operations.
- Long-term growth capex accounts for USD 4.3 Bn across 32 vessels, with the majority expected to operate under long-term contracts, primarily with ADNOC.
- The existing commitment to 5% annual dividend growth remains unchanged, alongside quarterly distributions, with the dividend policy expected to be reassessed in early 2027.
- Management is reassessing the medium-term growth guidance following the strong 2026 performance, while existing contracts and elevated freight rates are expected to support 1Q27 earnings.
- ADNOC L&S 2026 guidance was upgraded for the fourth time, with revenue expected to grow in the low-100% YOY range (from previous Mid 20% growth), EBITDA by c. low 210% YOY (from previous Mid 60% growth) and net profit by c. low 360% YOY (from previous high 110% growth).

**ADNOCLS – P&L**

| USD Mn | 3Q25 | 2Q26 | 3Q26 | 3Q26F | Var. | YOY Ch | QOQ Ch |
|---|---|---|---|---|---|---|---|
| Revenue | 1,266 | 2,584 | 3,291 | 2,413 | 36.4% | NM | 27.3% |
| Direct cost | -988 | -1,516 | -2,197 | -1,484 | 48.0% | NM | 44.9% |
| **Gross profit** | **278** | **1,068** | **1,094** | **929** | **17.7%** | **NM** | **2.4%** |
| General and administrative expenses | -43 | -79 | -96 | -77 | 24.6% | NM | 21.4% |
| Other expenses | 0 | -10 | -105 | 0 | NM | NM | NM |
| Other income | 3 | -5 | 14 | 12 | 16.2% | NM | NM |
| Provision for expected credit losses, net | -3 | -26 | -8 | -27 | NM | NM | NM |
| **EBITDA** | **379** | **1,106** | **1,088** | **990** | **9.9%** | **NM** | **-1.7%** |
| **EBIT** | **234** | **948** | **899** | **838** | **7.3%** | **NM** | **-5.2%** |
| Share of profit from joint venture | 12 | 24 | 23 | 22 | 5.9% | NM | -4.6% |
| Finance income | 5 | 3 | 7 | 4 | NM | 22.8% | NM |
| Finance costs | -22 | -9 | -15 | -8 | NM | -31.3% | NM |
| **Profit before tax** | **229** | **967** | **913** | **856** | **6.6%** | **NM** | **-5.5%** |
| Tax expense | -19 | -16 | -26 | -58 | NM | 40.6% | NM |
| NCI | 5 | 34 | 44 | 54 | -18.1% | NM | 31.8% |
| **Net Profit attributable to shareholders** | **205** | **917** | **843** | **744** | **13.3%** | **NM** | **-8.1%** |

*FABS estimate & Co Data*

## Management Guidance 2026:



## 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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