First Look Note | 3Q26

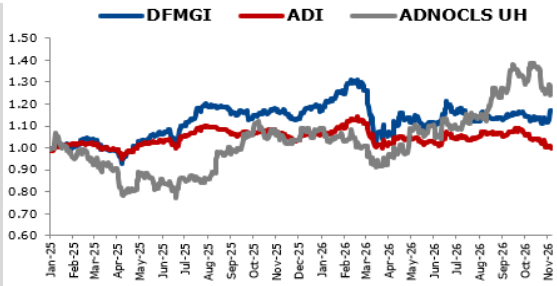
UAE Equity Research | Sector: Industrial | Market: ADX

ADNOC Logistics & Services Plc (ADNOCLS)

Strong Shipping momentum continues to drive earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.87	AED 8.40	+22%	BUY

- Accelerates fleet expansion with USD 7.0 Bn committed capex through 2030, including USD 6.2 Bn allocated towards 55 vessels.
- Revenue rose from USD 1.3 Bn in 3Q25 to USD 3.3 Bn in 3Q26, driven by strong Shipping performance, higher freight rates and increased contributions from Gas Carriers and Dry-Bulk.
- Maintained USD 24 Bn in forward-contracted revenue, including USD 21 Bn from ADNOC, providing strong earnings visibility.
- Approved interim cash dividend of USD 85.3 Mn in 3Q26, equivalent to 4.23 fils per share.
- Upgraded 2026 guidance to low 100% YOY revenue growth, low 210% EBITDA growth and low 360% net profit growth.



Stock Information	
Market Cap (AED, mm)	52,159.42
Paid Up Capital (mm)	3,994.29
52 Week High	7.61
52 Week Low	4.80
3M Avg. daily value (AED)	69,299,130

3Q26 Result Review (USD, Mn)	
Total Assets	13,537
Total Liabilities	4,726
Total Equity	8,811
EBITDA	1,088
Net Profit	843

Financial Ratios	
Dividend Yield (12m)	2.39
Dividend Pay-out (%)	142.21
Price-Earnings Ratio(x)	6.61
Price-to-Book Ratio (x)	2.18
Book Value (AED)	0.88
Return-on Equity (%)	37.93

Stock Performance	
5 Days	8.46%
1 Months	-5.37%
3 Months	6.17%
6 Months	20.51%
1 Year	27.03%
Month to Date (MTD%)	3.07%
Quarter to Date (QTD%)	-1.26%
Year to Date (YTD%)	19.09%

3Q26 Net Profit higher than our estimate

ADNOC Logistics & Services Plc's (ADNOCLS/the Company) net profit attributable to equity shareholders surged from USD 205 Mn in 3Q25 to USD 843 Mn in 3Q26, higher than our estimate of USD 744 Mn. The rise was mainly driven by strong revenue growth arising from shipping segment, higher finance income, other income and share of profit from joint venture, and lower finance costs, partially offset by higher direct costs, G&A, other expenses, ECL provisions, tax expense and share of non-controlling interest.

P&L Highlights

ADNOCLS revenue rose from USD 1,266 Mn in 3Q25 to USD 3,291 Mn in 3Q26, primarily driven by robust growth in the Shipping segment, supported by higher tanker freight rates, increased vessel deployment and stronger Gas Carrier and Dry-Bulk contributions. The growth was partially offset by weaker performance in Integrated Logistics and Services segments. Revenue from Integrated Logistics segment declined 17.6% YOY to USD 545 Mn in 3Q26, mainly due to the absence of revenue from the Al Omairah Island (G-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. Offshore Contracting revenue remained broadly stable at USD 352 Mn, as JUB deployments and higher material-handling volumes were offset by softer JUB pricing and utilisation. Offshore Services revenue increased 12% YOY to USD 190 Mn in 3Q26, supported by OSV fleet expansion, improved utilisation and higher chartering activity, alongside increased diesel sales from higher prices. However, Offshore Projects revenue declined sharply from USD 141 Mn in 3Q25 to USD 3 Mn in 3Q26, following the completion of the G-Island EPC project in 4Q25

and provisioning related to the Bu Haseer project. Shipping revenue surged from USD 500 Mn in 3Q25 to USD 2,653 Mn in 3Q26. The Company's Services segment revenue declined 10.5% YOY to USD 92 Mn in 3Q26, primarily due to lower volumes across KIZAD warehouse and transshipment activities and Petroleum Port Operations. Direct costs increased from USD 988 Mn in 3Q25 to USD 2,197 Mn in 3Q26. Consequently, gross profit increased to USD 1,094 Mn from USD 278 Mn in 3Q25, with gross profit margin expanding from 21.9% in 3Q25 to 33.2% in 3Q26. However, gross margin contracted 810 bps QOQ from 41.3% in 2Q26, mainly due to margin compression in the Tankers segment, reflecting lower chartering-in margins and provisions for off-hires and repairs. 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, reflecting the early charter termination charges associated with the redeployment of two VLCCs. 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 from the Integrated Logistics segment declined 23.2% YOY to USD 165 Mn in 3Q26, with EBITDA margin declining from 32.5% in 3Q25 to 30.3% in 3Q26. Meanwhile, Shipping segment EBITDA increased from USD 147 Mn in 3Q25 to USD 884 Mn in 3Q26, with EBITDA margin improving from 29.4% in 3Q25 to 33.3% in 3Q26. Services segment EBITDA increased from USD 18 Mn in 3Q25 to USD 38 Mn in 3Q26, with EBITDA margin improving to 41.2% in 3Q26 from 17.6% in 3Q25. As a result, total 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 and associate 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. Additionally, tax expense increased 40.6% YOY to USD 26 Mn in 3Q26, while the non-controlling interest contribution increased significantly from USD 5 Mn in 3Q25 to USD 44 Mn in 3Q26.

Balance Sheet Highlights

ADNOCLS cash and cash equivalents increased from USD 543 Mn in 2Q26 to USD 1,214 Mn in 3Q26. Net debt declined from USD 257 Mn in 2Q26 to USD 131 Mn in 3Q26. Consequently, the net debt to EBITDA ratio improved from 0.06x in 2Q26 to 0.03x in 3Q26. ADNOCLS total capex increased significantly from USD 283 Mn in 2Q26 to USD 1,438 Mn in 3Q26. Moreover, the Company's free cash flow increased from USD 468 Mn in 2Q26 to USD 506 Mn in 3Q26.

Target Price and Rating

We maintain our BUY rating on ADNOCLS with a revised target price of AED 8.40. ADNOCLS delivered a strong 3Q26 performance, primarily driven by robust Shipping growth, supported by elevated tanker freight rates, increased vessel deployment and higher contributions from Gas Carriers and Dry-Bulk. Shipping is expected to remain the key earnings driver, with the Company upgrading 2026 guidance for the fourth time to low 100% YOY revenue growth (from previous Mid 20% growth), low 210% YOY EBITDA growth (from previous Mid 60% growth) and low 360% YOY net profit growth (from previous high 110% growth). The stronger outlook reflects continued strength in shipping markets, fleet expansion and improved earnings visibility from ADNOC-related contracts. The Company expects tanker market conditions to remain supportive into 1Q27, particularly across TD3-linked routes, where freight rates have demonstrated greater resilience compared with other international indices. Although some moderation from exceptionally elevated levels is expected, low global inventory levels, longer trading distances, geopolitical uncertainty and continued supply-chain inefficiencies are expected to support tanker demand and vessel utilisation. The Shipping outlook is further supported by the Company's ongoing fleet expansion, with committed capex of c. USD 7 Bn through 2030, covering 61 vessels and other investments. The USD 6.2 Bn vessel capex programme covering 55 vessels includes USD 4.3 Bn of long-term growth capex across 32 vessels, representing 69% of the programme, alongside USD 1.9 Bn for 23 vessels acquired to support ADNOC's immediate requirements. Gas Carriers are expected to remain an important growth contributor, supported by the commencement of new LNG carrier contracts, deployment of three acquired second-hand VLGCs with ADNOC and higher chartering activity and rates. The Company also plans to add six new LNG carriers and three VLGCs in 2029. Meanwhile, Dry-Bulk performance is benefiting from improved charter rates, stronger vessel deployment and recent fleet additions, providing further diversification

within Shipping. The Company has significantly upgraded 2026 guidance, with Shipping revenue and EBITDA growth now expected in the mid 270% and mid 540% ranges, respectively. Integrated Logistics revenue and EBITDA are expected to decline in the low 20% and mid 20% ranges, while Services revenue is expected to grow at a mid-single-digit rate and EBITDA in the mid 80% range. The Company is also reviewing medium-term guidance following the substantial increase in 2026 earnings and recent fleet expansion announcements. ADNOC Group's planned USD 150 Bn investment programme through 2030 remains a key structural growth driver, with higher oil, gas and LNG production expected to create incremental demand for transportation and logistics services. The Company's c. USD 21 Bn of contracted revenue with ADNOC provides significant earnings visibility, while the Company's growing owned fleet and expanding international presence should support further diversification across customers, commodities and geographies. Despite accelerated fleet investment, ADNOCLS continues to maintain a strong balance sheet, with net debt declining to USD 131 Mn as of 3Q26 and net debt-to-EBITDA improving to 0.03x in 3Q26 from 0.06x in 2Q26. Strong cash generation, supported by higher operating earnings and working capital inflows, provides financial flexibility to fund the committed investment programme. The Company's capital allocation remains disciplined, with new vessel investments required to meet a low-double-digit unlevered IRR. The Company approved an interim cash dividend of USD 85.3 Mn, equivalent to AED 313.3 Mn (4.23 fils per share), for 3Q26, in line with the Company's policy of progressive annual dividend per share growth of at least 5% through 2030. Overall, the combination of resilient tanker market conditions, expanding Gas Carrier and Dry-Bulk fleets, record ILSP material-handling volumes, substantial contracted revenue and strong balance-sheet flexibility provides visibility for sustained earnings growth. We therefore maintain our BUY rating with a target price of AED 8.40.

ADNOC L&S - Relative valuation[1]

(at CMP)	**2024**	**2025**	**2026F**
PE (x)	18.30	16.49	3.62
PB (x)	2.83	2.78	1.62
EV/EBITDA	12.35	9.62	2.99
BVPS (AED)	2.430	2.475	4.243
EPS (AED)	0.375	0.417	1.898
DPS (AED)	0.136	0.161	0.169
Dividend yield (%)	2.0%	2.3%	2.5%

FABS Estimates & Co Data

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

ADNOC L&S – P&L

USD Mn	3Q25	2Q26	3Q26	3Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,266[1]	2,584	3,291	2,413	36.4%	NM	27.3%	5,016	10,262	NM
Direct cost	-988[1]	-1,516	-2,197	-1,484	48.0%	NM	44.9%	-3,908	-5,783	48.0%
Gross profit	**278**	**1,068**	**1,094**	**929**	**17.7%**	**NM**	**2.4%**	**1,108**	**4,479**	**NM**
G&A expenses	-43	-79	-96	-77	24.6%	NM	21.4%	-205	-327	59.6%
Other expenses	0	-10	-105	0	NM	NM	NM	0	-133	NM
Other income	3	-5	14	12	16.2%	NM	NM	50	67	32.2%
Provision for ECL, net	-3	-26	-8	-27	NM	NM	NM	-10	-72	NM
EBITDA	**379**	**1,106**	**1,088**	**990**	**9.9%**	**NM**	**-1.7%**	**1,515**	**4,713**	**NM**
EBIT	**234**	**948**	**899**	**838**	**7.3%**	**NM**	**-5.2%**	**944**	**4,013**	**NM**
Share of profit from JV	12	24	23	22	5.9%	NM	-4.6%	37	80	NM
Finance income	5	3	7	4	NM	22.8%	NM	19	21	10.0%
Finance costs	-22	-9	-15	-8	NM	-31.3%	NM	-87	-51	-41.8%
Profit before tax	**229**	**967**	**913**	**856**	**6.6%**	**NM**	**-5.5%**	**922**	**4,063**	**NM**
Income tax expense	-19	-16	-26	-58	NM	40.6%	NM	-59	-81	38.3%
NCI	5	34	44	54	-18.1%	NM	31.8%	24	159	NM
Net Profit attributable to shareholders	**205**	**917**	**843**	**744**	**13.3%**	**NM**	**-8.1%**	**839**	**3,823**	**NM**

FABS estimate & Co Data, [1]3Q25 revenue and Tankers revenue figures are based on the originally reported numbers. ADNOCLS subsequently re-presented Q1-Q3 2025 Tankers revenue and direct costs for analytical consistency, with no impact on Gross Profit, EBITDA or Net Profit.

ADNOC L&S - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross margin	21.9%	41.3%	33.2%	NM	-810	22.1%	43.6%	NM
EBITDA margin	30.0%	42.8%	33.1%	309	-975	30.2%	45.9%	NM
Operating margin	18.5%	36.7%	27.3%	879	-938	18.8%	39.1%	NM
Net profit margin	16.2%	35.5%	25.6%	938	-988	16.7%	37.3%	NM

FABS estimate & Co Data

Key Developments:

- **25 August 2026:** ADNOC L&S exercised options to acquire two additional next-generation LNG carriers from Jiangnan Shipyard, China, for USD 444 Mn, with each vessel having a capacity of 175,000 m³ and delivery scheduled in 2029. The investment takes the Company's announced vessel acquisitions and newbuild commitments during 2026 to approximately USD 2.7 Bn, while expanding its LNG fleet to 24 vessels, including 14 newbuilds under construction. The additional vessels are expected to operate under long-term charter arrangements upon delivery.
- **7 August 2026:** ADNOC L&S announced the acquisition of 11 vessels for around USD 1.3 Bn, comprising six VLCCs and five VLGCs, to expand its crude oil and gas transportation capacity. Nine vessels, including six VLCCs and three VLGCs, are scheduled for delivery in 3Q26, while the remaining two VLGCs are expected in 4Q26. The additions will increase the Company's VLCC fleet to 14 vessels and VLGC fleet to 12 vessels, with the vessels expected to support ADNOC's growing production, trading and export volumes.
- **14 July 2026:** ADNOCLS two VLCCs, Al Bahyah and Mombasa B, were struck by projectiles while transiting the Strait of Hormuz, resulting in significant damage to both vessels. Al Bahyah is owned by ADNOC L&S, while Mombasa B is operated under a time-charter arrangement.
- **10 July 2026:** ADNOCLS placed an order for four next-generation LNG carriers, each with a capacity of 175,000 m³, for around USD 900 Mn, with deliveries scheduled for 2029. The order takes the Company's LNG newbuild programme to 18 vessels and supports the expansion of ADNOC's global LNG marketing and trading activities. The Company also took delivery of Meera, the first of four VLACs, further expanding its gas transportation fleet.
- **23 March 2026:** ADNOCLS confirmed the early delivery of Arada, its fifth newbuild LNG carrier with a capacity of 175,000 m³, built by Jiangnan Shipyard in China, as part of its fleet expansion programme. The vessel has commenced operations following delivery.
- **27 April 2026:** ADNOCLS took delivery of its sixth 175,000 m³ next-generation LNG carrier from Jiangnan Shipyard in China, completing part of its $1.2 billion LNG fleet expansion programme launched in 2022. The vessel supports the Company's growing long-term contracted LNG transportation business, while incorporating advanced technologies designed to reduce methane emissions and improve operational efficiency.

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	9.29	70.0%	6.50
Relative Valuation (RV)	8.03	20.0%	1.61
DDM Method	2.91	10.0%	0.29
Weighted Average Valuation (AED)			**8.40**
Current market price (AED)			6.87
Upside/Downside (%)			+22%

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 9.0%. It is arrived after using the cost of equity of 9.3% and the cost of debt of 4.7%. Cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 0.9 and equity risk premium of 4.6%. 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)	4,504
Terminal value (USD, Mn)	16,635
Net Debt (as of September 2026)	-2,444
FV to Common shareholders (USD, Mn)	**18,695**
No. of share (Mn)	7,390
Current Market Price (AED)	6.87
Fair Value per share (AED)	**9.29**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	4,029	1,468	1,154	1,134	1,135	1,255
Depreciation & Amortization	602	660	699	726	715	687
Capex	-2,642	-1,622	-1,642	-872	-272	-192
Change in Working Capital	-1,116	830	62	-43	-48	-124
Free Cash Flow to Firm (FCFF)	**873**	**1,337**	**274**	**945**	**1,530**	**1,626**
Discounting Factor	*0.99*	*0.91*	*0.83*	*0.77*	*0.70*	*0.64*
Discounted FCFF	**216[1]**	**1,214**	**229**	**723**	**1,074**	**1,048**

Source: FAB Securities, [1]Adjusted 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 median EV/EBITDA multiple of 9.8x and the Shipping business is valued at median EV/EBITDA multiple of 7.8x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Integrated & Marine peers					
ADNOC DRILLING CO PJSC	25,396	12.4	11.7	17.6	16.9
EMIRATES CENTRAL COOLING SYS	4,261	10.8	9.9	14.6	13.6
DUBAI ELECTRICITY & WATER AU	37,299	10.0	9.5	16.4	15.4
ABU DHABI PORTS CO PJSC	8,481	9.3	8.6	16.1	14.3
DTC	1,593	15.8	9.8	45.4	16.9
Average		**11.6x**	**9.9x**	**22.0x**	**15.4x**
Median		**10.8x**	**9.8x**	**16.4x**	**15.4x**
Max		**12.4x**	**9.9x**	**17.6x**	**16.9x**
Min		**10.0x**	**9.5x**	**16.1x**	**14.3x**

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Shipping peers					
QATAR GAS TRANSPORT(NAKILAT)	6,328	14.8	12.7	14.9	13.2
CMB. TECH NV	5,469	6.6	7.5	6.5	8.3
STAR BULK CARRIERS CORP	3,187	5.0	5.1	6.1	6.4
DORIAN LPG LTD	2,054	3.4	7.8	4.3	10.1
GOLAR LNG LTD	4,387	20.6	22.6	36.2	73.2
FLEX LNG LTD	1,397	10.3	10.6	11.2	12.6
FRONTLINE PLC	10,410	4.5	6.4	4.1	7.7
Average		**9.3x**	**10.4x**	**11.9x**	**18.8x**
Median		**6.6x**	**7.8x**	**6.5x**	**10.1x**
Max		**12.6x**	**11.7x**	**13.0x**	**12.9x**
Min		**4.7x**	**6.9x**	**5.2x**	**8.0x**

Source: FAB Securities

3) DDM Method:

ADNOC Logistics and Services is expected to pay USD 341 Mn dividend for 2026 with quarterly payment, supported by contracted cash flows. The dividend is discounted at the cost of equity of 9.3%.

Sum of PV (USD, Mn)	1,668
Terminal value (USD, Mn)	4,181
FV to Common shareholders (USD, Mn)	**5,850**
No. of share (Mn)	7,390
Current Market Price (AED)	6.87
Fair Value per share (AED)	**2.91**

DDM Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
H1	171	179	188	198	207	218
H2	171	179	188	198	207	218
Total Dividend	341	358	376	395	415	436
Discounting Factor	0.99	0.91	0.83	0.76	0.69	0.63
Present Value of Dividend	**169[1]**	**324**	**312**	**299**	**288**	**276**

Source: FAB Securities, [1]Adjusted for partial year

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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