FAB SECURITIES أبوظبي الأول للأوراق المالية

# Earnings Flash | 2Q25

UAE Equity Research Sector: Energy Market: ADX

## ADNOC Drilling (ADNOCDRI)

| Current Price (AED) | Market Cap (AED/mm) | Shares Outstanding (mm) | 52 Week High (AED) |
|---|---|---|---|
| 5.83 (▲+1.04%) | 92,320.00 | 16,000.00 | 6.01 |
| **Month to Date (MTD%)** | **Quarter to Date (QTD%)** | **Year to Date (YTD%)** | **52 Week Low (AED)** |
| 1.23% | 1.23% | 8.26% | 4.21 |
| **Price-to-Earnings Ratio(x)** | **Price-to-Book Ratio (x)** | **Dividend Yield (12month)** | **Book Value (AED)** |
| 17.81 | 6.09 | 3.1 | 0.87 |

## Key Highlights:

### Net profit growth is well supported by higher performance of OFS and Onshore segment

- ADNOC Drilling's net profit rose 19.0% YOY to USD 351.0 Bn in 2Q25 ***(in line with FABS estimates)*** mainly driven by revenue growth under Onshore and Oil Field Services (OFS) segment, lower finance costs and rise in Share of results of JV. However, the Net profit margin fell from 32% in 2Q24 to 29% in 2Q25 but the conventional net profit margin remained stable at 32% in 2Q25 compared to 2Q24.
- The company's Revenue increased by 27.9% YOY to USD 1.2 Bn in 2Q25 ***(in line with FABS estimates).*** The revenue growth was driven by 16% YOY growth in Onshore segment (on the back of new rigs commencing operations and increased contribution from the unconventional activity related top land drilling) and significant growth of 121% in OFS segment (driven by USD 143 Mn from unconventional business and increased IDS activity).
- EBITDA was up by 15% YOY in 2Q25 to USD 545 Mn, however the margins fell from 50% in 2Q24 to 46% in 2Q25. The rise in EBITDA was supported by 23% YOY growth in Onshore segment (driven by higher revenue along with opex increasing less abundantly as a reason of cost optimization), 4% YOY growth in Offshore segment (driven by lower opex arising by realized cost optimization) and 41% YOY growth in OFS segment (well supported by positive contribution from JV, Enersol and Turnwell).
- Total assets rose by 12% YOY to USD 7.9 Bn as of 2Q25, driven by increase in non-current assets from rig acquisitions associated with the fleet expansion program and cash contributions to Enersol to fund its acquisitions. Cash and cash equivalent was reported at USD 330 Mn as of 2Q25. Meanwhile, the repayment of revolving credit facility of USD 80 Mn led to marginal decline in Net Debt/ LTM EBITDA of 0.9x in 2Q25 compared to 1.0x in 2Q24.
- Company's working capital was up by 34% YOY to USD 334 Mn in 2Q25, driven by commencing operations of new land rigs and unconventional activity. Free Cash flow significantly rose by 45% YOY to USD 408 Mn in 2Q25 supported by improved collections.
- ADNOC Drilling's fleet reached 149 on a pro-forma basis as of 2Q25 including the 8 rigs in Oman and Kuwait as a part of recent transaction with SLB. Onshore fleet stands at 94 and Offshore stands at 47 (Jackup-36 and Island-11). The no. of IDS rigs increased from 50 rigs in 2Q24 to 58 rigs in 2Q25 and total no. of wells drilled was 203 in 2Q25 (Onshore-162 and Offshore-41).
- The company remains robust with delivering industry's best profitability ratios, Return on Equity (ROE) of 35% and Return on Capital Employed (ROCE) of 23% in 2Q25.
- In 2Q25, ADNOC drilling Secures USD 1.15 Bn with 15-Year Contract for Two Jack-up Rigs, Partnered with SLB in their Kuwait and Oman Land Rigs Business and awarded with 5-Year Contract for Oilfield Services (OFS) valued at USD 800 Mn showcasing its future top line road map.
- The company's BOD has approved the cash dividend distribution of 5 fils per share for 2Q25, payable in Aug 2025 with remaining on track to meet its full-year dividend commitment. Meanwhile, the company remains in line with its progressive dividend policy targeting at least 10% YOY growth in dividends till FY28. According to dividend policy, after considering potential for free cash flow-accretive growth, BOD may at its discretion approve additional distributions above the progressive dividend level.

- ADNOC Drilling's dedication to implementing AI and cutting-edge technology supports the company's continued exceptional financial performance, consistent shareholder returns, and methodical regional growth.
- **Guidance:** In the mid-term, ADNOC Drilling expects the Revenue to be around USD 5 Bn in FY26. The Conventional EBITDA margin is expected to be around 50% with conventional drilling margins exceeding 50% and Oil Field Services (OFS) margin in a range of 22-26% in the medium term. Net Debt/ EBITDA with a Conservative long-term leverage target of up to 2.0x. Maintenance CAPEX of USD 200 – USD 250 Mn per annum, excluding organic and inorganic growth. The company also plans to increase its rigs to 151+ by FY28 and has also ordered 6 island rigs that are expected to join the fleet gradually between 2026 and 2028. Further, the company also revised its guidance for FY25:

| USD Billions (unless otherwise stated) | Original FY2025 Guidance | Upgraded FY2025 Guidance |
|---|---|---|
| **Revenue** | **4.60 – 4.80** | **4.65 – 4.80** |
| *Onshore Revenue* | 1.95 – 2.10 | 1.95 – 2.10 |
| *Offshore Revenue (Jack-up & Islands)* [1] | 1.35 – 1.45 | 1.35 – 1.45 |
| *Oilfield Services Revenue* | 1.10 – 1.25 | 1.20 – 1.30 |
| **EBITDA** | **2.15 – 2.30** | **2.15 – 2.30** |
| EBITDA Margin | 46% – 48% | 46% – 48% |
| **Net Profit** | **1.35 – 1.45** | **1.375 – 1.45** |
| Net Profit Margin | 28% – 30% | 29% – 31% |
| **CapEx** (excluding M&A) [2] | **0.35 – 0.55** | **0.35 – 0.55** |
| **FCF** (excluding M&A) [3] | **1.30 – 1.60** | **1.40 – 1.60** |
| **Leverage target** | **<2.0x** | **<2.0x** |
| **Dividend floor (+10% vs 2024)** | **0.87** | **0.87** |

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