

ADNOC Logistics & Services PLC

Solid performance across all segments, and the consolidation of Navig8 drove profitability

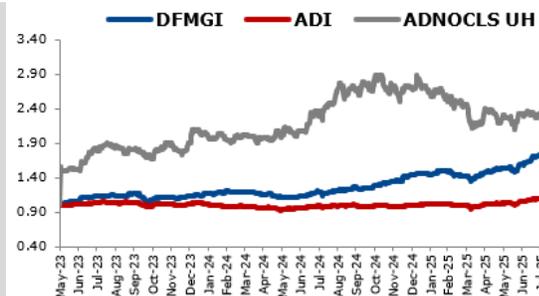
Current Price
AED 5.21

Target Price
AED 6.70

Upside/Downside (%)
+29%

Rating
BUY

- Revenue rose 39.8% YOY to USD 1,258 Mn in 2Q25, driven by the robust performance across all business segments.
- Secured a USD 531 Mn, 15-year contract in 2Q25 from Borouge to manage its logistics for c. 70% of the yearly production.
- Achieved USD 51 Mn out of the targeted USD 100 Mn savings in 1H25 and expects more than USD 50 Mn additional savings in 2H25.
- Free cash flow stood at USD 62 Mn in 2Q25, with a low net debt/EBITDA ratio of 0.8x in 2Q25.
- ADNOC L&S is driving efficiency through technological innovation, launching Smart Ports and deploying "MEERAI".



Stock Information

Market Cap (AED, mm)	38,546.18
Paid Up Capital (mm)	3,994.45
52 Week High	5.90
52 Week Low	4.01
3M Avg. daily value (AED)	27,806,440

2Q25 Net Profit higher than our estimate

ADNOC Logistics & Services Plc's (ADNOCLS/the Company) net profit rose 10.2% YOY to USD 229 Mn in 2Q25, higher than our estimate of USD 205 Mn. The increase in net profit is mainly driven by an increase in revenue and lower tax charge, partially offset by higher direct costs, G&A expenses, and finance costs.

P&L Highlights

ADNOCLS revenue rose 39.8% YOY to USD 1,258 Mn in 2Q25, primarily driven by the robust performance across all business segments. Revenue from Integrated Logistics grew 20.8% YOY to USD 665 Mn in 2Q25 due to an increase in material handling volumes, expansion in JUB fleet with a higher utilization rate, rise in chartering activity, and execution of the G-Island and Hail & Ghasha projects. Revenue from the Shipping Segment almost doubled from USD 268 Mn in 2Q24 to USD 512 Mn in 2Q25, mainly driven by the consolidation of revenue from the Navig8 tanker fleet. Furthermore, the Services segment revenue marginally reduced 0.8% YOY to USD 81 Mn in 2Q25 due to lower Kizad volumes for Borouge. ADNOC L&S direct cost increased 48.0% YOY to USD 949 Mn in 2Q25. EBITDA of Integrated Logistics services increased 38.3% YOY to USD 238 Mn in 2Q25, and EBITDA Margin improving from 31.3% in 2Q24 to 35.8% in 2Q25. Furthermore, the Shipping segment EBITDA grew 23.8% YOY to USD 147 Mn in 2Q25 with an EBITDA margin of 28.7%. However, the Services business EBITDA declined 1.2% YOY to USD 15 Mn in 2Q25 with an 8 bps YOY reduction in EBITDA margin to 18.5%. As a result, total EBITDA rose from USD 306 Mn in 2Q24 to USD 400 Mn in 2Q25 with an EBITDA margin of 31.8% in 2Q25 compared to 34.0% in 2Q24.

2Q25 Result Review (USD, mm)

Total Assets	9,913
Total Liabilities	3,714
Total Equity	6,200
EBITDA	400
Net Profit	229

Financial Ratios

Dividend Yield (12m)	2.55
Dividend Pay-out (%)	36.20
Price-Earnings Ratio(x)	15.33
Price-to-Book Ratio (x)	2.20
Book Value (AED)	0.66
Return-on Equity (%)	16.03

Stock Performance

5 Days	9.22%
1 Months	14.94%
3 Months	12.26%
6 Months	-1.67%
1 Year	7.71%
Month to Date (MTD%)	13.95%
Quarter to Date (QTD%)	13.95%
Year to Date (YTD%)	-2.21%

The operating profit rose 16.1% YOY to USD 263 Mn in 2Q25. Furthermore, ADNOCLS finance income grew 14.7% YOY to USD 5 Mn in 2Q25. On the other hand, finance costs grew substantially from USD 4 Mn in 2Q24 to USD 24 Mn in 2Q25 due to the addition of borrowings. Additionally, tax expense declined to USD 15 Mn in 2Q25 from USD 22 Mn in 2Q24.

Balance Sheet Highlights

ADNOCLS cash and cash equivalents reduced from USD 535 Mn in 1Q25 to USD 499 Mn in 2Q25. Net debt stood at USD 1,260 Mn in 2Q25, up from USD 1,104 Mn in 1Q25. The net debt to EBITDA ratio remained flat at 0.8x in 2Q25 compared to the previous quarter. ADNOCLS total capex increased to USD 270 Mn in 2Q25 from USD 70 Mn in 1Q25. Moreover, the Company's free cash flow stood at USD 62 Mn in 2Q25, down from USD 202 Mn in 1Q25.

Target Price and Rating

We maintain our BUY rating on ADNOC L&S with a revised target price of AED 6.70. ADNOCLS witnessed solid performance, underpinned by 39.8% YOY revenue growth and a 30.9% YOY increase in EBITDA during 2Q25. The Company secured a USD 531 Mn, 15-year contract in 2Q25 from Borouge to manage its logistics for c. 70% of the yearly production, strengthening its revenue visibility. ADNOC L&S raised its 2025 guidance following robust 1H25 growth, with midterm guidance appearing lower because of the higher base year from recent upgrades. Moreover, the Company plans the next phase of Integrated Logistics expansion in energy fields with suboptimal logistics, aiming to leverage its platform to boost efficiency and cut costs. Meanwhile, ADNOCLS aims to keep a balanced fleet mix of 40–60% owned and chartered-in vessels, ensuring flexibility to scale down when markets soften while optimizing profitability over the cycle. On the cost saving front, the Company achieved USD 51 Mn out of the targeted USD 100 Mn savings in 1H25, plus USD 28 Mn from a contract termination and USD 8 Mn from an asset sale. Additionally, ADNOC L&S expects more than USD 50 Mn additional savings in 2H25. Additionally, ADNOC L&S is driving efficiency through technological innovation, launching Smart Ports with Innovez One to cut port resource allocation time from 3 hours to 45 seconds and boost jetty utilization by 20%. It also deployed "MEERAI" for faster executive decision-making and partnered with Digital Ocean to digitize offshore vessel chartering, automating processes and enhancing real-time operational visibility. These factors collectively support our BUY rating on the stock.

ADNOC L&S - Relative valuation

(at CMP)	2024	2025F
PE (x)	13.77	11.86
PB (x)	2.23	2.32
EV/EBITDA	9.09	9.45
EPS (AED)	0.375	0.436
BVPS (AED)	2.320	2.806
DPS (AED)	0.136	0.142
Dividend yield (%)	2.6%	2.7%

FABS Estimates & Co Data

Note – ADNOC Logistics & Services listed on ADX in 2023.

ADNOC L&S – P&L

USD mm	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	899	1,181	1,258	1,135	10.8%	39.8%	6.4%	3,549	4,580	29.0%
Direct cost	-641	-952	-949	-848	11.9%	48.0%	-0.4%	-2,609	-3,408	30.6%
Gross profit	258	229	309	287	7.5%	19.6%	34.8%	941	1,172	24.6%
G&A expenses	-33	-56	-50	-53	-5.9%	54.3%	-10.5%	-142	-213	50.4%
Other expenses	-4	0	0	0	NM	NM	NM	-4	-4	0.0%
Other income	2	29	5	2	NM	NM	-81.8%	20	50	150.0%
Provision for ECL, net	3	-2	-1	1	NM	NM	NM	3	-9	NM
EBITDA	306	344	400	346	15.7%	30.9%	16.5%	1,149	1,435	24.9%
EBIT	226	200	263	237	11.0%	16.1%	31.4%	817	995	21.7%
Share of profit from JV	3	8	8	4	92.5%	NM	-5.9%	14	30	111.3%
Finance income	4	6	5	5	-13.4%	14.7%	-16.9%	16	22	38.3%
Finance costs	-4	-26	-24	-25	-1.9%	NM	-8.2%	-18	-98	NM
Profit before tax	230	196	251	222	13.3%	9.3%	27.9%	829	948	14.4%
Income tax expense	-22	-12	-15	-13	13.5%	-31.0%	30.0%	-73	-57	-21.9%
Net Profit	208	181	229	205	11.5%	10.2%	26.7%	756	878	16.1%

FABS estimate & Co Data

ADNOC L&S - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross margin	28.7%	19.4%	24.6%	-415	517	26.5%	25.6%	-92
EBITDA margin	34.0%	29.1%	31.8%	-218	275	32.4%	31.3%	-104
Operating margin	25.1%	16.9%	20.9%	-426	396	23.0%	21.7%	-130
Net profit margin	23.1%	15.3%	18.2%	-490	291	21.3%	19.2%	-213

FABS estimate & Co Data

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	7.12	70.0%	4.99
Relative Valuation (RV)	7.20	20.0%	1.44
DDM Method	2.74	10.0%	0.27
Weighted Average Valuation (AED)			6.70
Current market price (AED)			5.21
Upside/Downside (%)			+29%

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 8.3%. It is arrived after using the cost of equity of 8.4% and the cost of debt of 5.6%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.9 and equity risk premium of 3.9%. 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)	1,930
Terminal value (USD, Mn)	13,280
Cash (as of June 2025)	-857
FV to Common shareholders (USD, Mn)	15,210
No. of share (Mn)	7,398
Current Market Price (AED)	5.21
Fair Value per share (AED)	7.12

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	976	1,061	1,123	1,152	1,199
Depreciation & Amortization	397	496	512	554	579
Capex	-1,736	-607	-1,325	-1,294	-732
Change in Working Capital	70	-5	19	33	30
Free Cash Flow to Firm (FCFF)	-293	945	329	444	1,076
Discounting Factor	0.97	0.90	0.83	0.76	0.70
Discounted FCFF	-284	846	272	339	757

Source: FAB Securities

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 10.9x and the Shipping business is valued at EV/EBITDA multiple of 10.5x 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	24,999	12.3	11.5	17.4	16.0
EMIRATES CENTRAL COOLING SYS	4,819	12.8	11.8	17.9	16.1
DUBAI ELECTRICITY & WATER AU	37,570	10.0	9.7	18.0	17.2
ABU DHABI PORTS CO PJSC	5,929	9.4	8.5	15.5	13.0
DTC	1,850	10.9	10.1	17.8	16.5
Average		11.1x	10.3x	17.3x	15.8x
Median		10.9x	10.1x	17.8x	16.1x
Max		12.3x	11.5x	17.9x	16.5x
Min		10.0x	9.7x	17.4x	16.0x

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
<u>Shipping peers</u>					
QATAR GAS TRANSPORT(NAKILAT)	7,347	14.7	14.6	15.3	15.0
CMB. TECH NV	1,725	11.6	10.0	12.6	4.8
STAR BULK CARRIERS CORP	2,117	8.0	5.6	15.2	7.7
DORIAN LPG LTD	1,296	6.6	6.7	8.3	8.1
GOLAR LNG LTD	4,201	20.5	21.3	26.4	45.7
FLEX LNG LTD	1366	10.5	10.1	12.5	12.0
FRONTLINE PLC	4114	7.4	6.4	10.0	7.7
Average		11.3x	10.7x	14.3x	14.4x
Median		10.5x	10.0x	12.6x	8.1x
Max		13.1x	12.3x	15.3x	13.5x
Min		7.7x	6.5x	11.3x	7.7x

Source: FAB Securities

3) DDM Method:

ADNOC Logistics and Services plans to pay USD 273 Mn dividend in 2024 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)	1,304
Terminal value (USD, Mn)	4,209
FV to Common shareholders (USD, Mn)	5,513
No. of share (Mn)	7,398
Current Market Price (AED)	5.21
Fair Value per share (AED)	2.74

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
H1	143	150	158	166	174
H2	143	150	158	166	174
Total Dividend	287	301	316	332	348
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Present Value of Dividend	278	269	261	252	244

Source: FAB Securities

