

ADNOC Drilling (ADNOCRI)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.77	AED 6.50	+12.7%	ACCUMULATE

3Q25 Net Profit marginally higher than our estimate

- Net revenue grew strongly 22.8% YOY to USD 1,260 Mn in 3Q25, driven by the expansion of operations and the full operational impact of rigs commissioned in stages over the course of last year.
- Onshore Segment revenue grew 5.2% YOY to USD 512 Mn in 3Q25, driven by the commencement of new rig operations and a USD 38 Mn contribution from unconventional land drilling activities.
- Revenue from the Offshore Jack-up & Island grew 6.6% YOY to USD 365 Mn in 3Q25, driven by the conversion of two rigs from Onshore to Offshore, along with the full contribution to revenue of two new jack-up rigs which commenced operations at the end of the 2Q25.
- OFS segmental revenue grew significantly from USD 197 Mn in 3Q24 to USD 383 Mn in 3Q25, primarily driven by USD 120 Mn revenue from the unconventional business alongside increased IDS activity and expanded delivery of discrete services.
- Gross profit grew marginally by 2.9% YOY to USD 435 Mn in 3Q25, while gross profit margin fell 668 bps YOY to 34.5% in 3Q25.
- EBITDA grew strongly 9.7% YOY to USD 560 Mn in 3Q25, owing to an increase in revenue partially offset by a rise in direct costs. EBITDA margin fell 529 bps YOY to 44.4% in 3Q25.
- Onshore segment EBITDA rose 5.3% YOY to USD 254 Mn in 3Q25, supported by other income of USD 23 Mn, mainly from the sale of an onshore rig, partially offset by higher maintenance and repair expenses.
- Offshore Jack-up & Island segment's EBITDA rose from USD 230 Mn in 3Q24 to USD 239 Mn in 3Q25, supported by higher revenue.
- OFS segment EBITDA grew from USD 39 Mn in 3Q24 to USD 67 Mn in 3Q25, driven by increased IDS activity, increased contributions from the Enersol and Turnwell joint ventures, and stronger revenue from the unconventional business.
- Net profit grew 10.0% YOY to USD 368 Mn in 3Q25, driven by robust revenue growth and higher other income, including a one-time gain of USD 23 Mn from the sale of an onshore rig and lower finance costs, partially offset by higher direct costs, G&A expenses, and tax charges.
- The board of directors approved a cash dividend of c. 5.7 fils per share amounting to USD 250 Mn for 3Q25.

Earnings Call Summary

- ADNOC DRILL's total fleet stood at 148 rigs, ahead of its 2026 target, comprising 100 land rigs and 48 offshore rigs, with a high utilization rate of 97.0%.
- The Company has six new island rigs on order, which are scheduled for delivery between 2026 and 2028.
- The total fleet is expected to reach 152 rigs by 2028, with Integrated Drilling Services (IDS) rigs to reach 70 by the end of 2026.
- ADNOC DRILL's unconventional program generated USD 502 Mn in revenue on a 2025 YTD basis, with 75 out of 140 planned wells already drilled, reflecting strong operational progress.
- The Company aims to drill approximately 300 wells annually by 2027, with substantial growth potential expected through the end of the decade.
- The Company is advancing its regional expansion plans through the proposed acquisition of a 70% stake in SLB's land rig operations in Oman, which include eight contracted rigs. The transaction is expected to be earnings-accretive from day one and is expected to be closed in 1Q26.

- The Company continued to expand its joint venture, Enersol, which has invested approximately USD 800 Mn to date across four acquisitions, enhancing technology integration, AI, and analytics capabilities.
- The Board approved a 2025 dividend floor of USD 1.0 Bn, representing a 27% YOY increase. The Company also expects a minimum 5% annual dividend growth from 2026–2030.
- The Company also announced a special dividend of USD 66 Mn, equivalent to about USD 1.5 per share, payable in November 2025.
- Revenue guidance raised to USD 4.75-4.85 Bn, driven by continued momentum in OFS, stronger IDS coverage, and higher unconventional and discrete service activity.
- Net profit guidance upgraded to USD 1.40-1.45 Bn, reflecting robust 9M25 performance, improved financing costs post-refinancing, and improved working capital management.
- Revenue from the unconventional segment is expected to remain flat at approximately USD 0.6 Bn in 2026, with an increase anticipated after 2027 as ADNOC expands drilling activity.
- In 2026, the Company's EBITDA and net profit are expected to remain broadly in line with 2025, as growth investments are reinvested to scale operations and support regional expansion.
- The Company's capex in 2026 is projected to exceed USD 550 Mn, driven by maintenance, new island rigs, and expansion of IDS coverage.
- ADNOC DRILL expects to complete all drilling activities under the current unconventional scope by the end of 2026. However, fracking and completion operations are anticipated to continue into 2027, leading to phased revenue recognition and a gradual operational ramp-up over both years.
- ADNOC DRILL maintains a net debt-to-EBITDA ratio of 0.8x, well below its 2x ceiling, providing significant balance sheet capacity for both growth investments and incremental dividends.

ADNOC Drilling – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch
Revenue	1,026	1,197	1,260	1,203	4.7%	22.8%	5.3%
Direct Cost	-603	-753	-825	-752	9.6%	36.7%	9.6%
Gross Profit	423	444	435	451	-3.6%	2.9%	-2.0%
G&A Expenses	-34	-45	-37	-42	-13.3%	8.3%	-18.0%
EBITDA	510	545	560	544	2.9%	9.7%	2.6%
EBIT	389	400	399	409	-2.6%	2.4%	-0.3%
Share of results of a joint venture	2	11	3	6	-50.4%	NM	-72.7%
Other Income	2	1	23	2	NM	NM	NM
Finance Costs	-31	-27	-23	-29	-22.4%	-26.1%	-15.1%
Profit before tax	363	385	402	388	3.6%	10.8%	4.6%
Corporate tax	-28	-34	-34	-35	-2.3%	21.4%	1.0%
Net Profit	335	351	368	353	4.2%	10.0%	4.9%

FABS estimate & Co Data

ADNOC Drilling Guidance:

(USD, Billion)	FY 2025 Previous Guidance	FY 2025 Upgraded Guidance	
Revenue	4.65 - 4.80	4.75 - 4.85	Expected towards top-end
Onshore Revenue	1.95 - 2.10	1.95 - 2.10	
Offshore Revenue (Jack-up & Island)	1.35 - 1.45	1.35 - 1.45	
Oilfield Services Revenue	1.20 - 1.30	1.30 - 1.40	
EBITDA	2.15 - 2.30	2.15 - 2.30	Expected at ~ \$2.2 bn
EBITDA Margin	46% - 48%	46% - 48%	
Net Profit	1.375 - 1.45	1.40 - 1.45	Expected towards top-end
Net Profit Margin	29% - 31%	29% - 31%	
CapEx (excluding M&A)	0.35 - 0.55	0.45 - 0.55	
FCF (excluding M&A)	1.40 - 1.60	1.40 - 1.60	
Leverage Target	< 2.0x	< 2.0x	
Dividend floor	0.87 (+10% YoY)	1.0 (+27% YoY)	

Medium-Term Guidance

- FY26 revenue expected at ~\$5 billion
- FY26 EBITDA and net profit broadly in line with FY25
- Around 50% conventional EBITDA margin (conventional drilling margins exceeding 50% and OFS margin in a range of 23-26% medium-term)
- Conservative long-term leverage target of up to 2.0x Net Debt / EBITDA
- Net working capital as percentage of revenue target of around 12%
- Maintenance CapEx of ~\$250 million per annum (excluding organic and inorganic growth CapEx)
- 151+ rigs by 2028, to be updated upon closing of future additional M&A transactions, and needs for unconventional
- 70 IDS rigs expected by year-end 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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