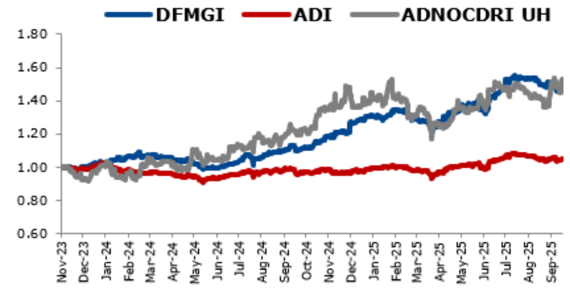
ADNOC Drilling (ADNOCDRI)

Ongoing rig fleet expansion and one-off gains supported profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.58	AED 6.50	+16.5%	BUY

- Revenue grew 22.8% YOY to USD 1,260 Mn in 3Q25, driven by strong growth across the Offshore and the OFS segment.
- As of September 2025, the Company operated a total fleet of 148 rigs, including 8 rigs in Oman and Kuwait that are part of the recently announced transaction with SLB.
- Revenue guidance raised upward to USD 4.75-4.85 Bn for FY2025 compared to the previous range of USD 4.65-4.80 Bn, supported by continued momentum in OFS, stronger IDS coverage, and higher unconventional and discrete service activity.
- The Company's board approved a 3Q25 dividend of USD 250 Mn, and a special dividend of USD 66 Mn for 3Q25 payable to shareholders in November 2025.



Stock Information	
Market Cap (AED, mm)	90,080.00
Shares Outstanding (mm)	16,000.00
52 Week High	6.32
52 Week Low	4.30
3M Avg. daily value (AED)	75,295,310

3Q25 Result Review (USD, Mn)	
Total Assets	7,715
Total Liabilities	3,682
Total Equity	4,033
EBITDA	560
Net Profit	368

Financial Ratios	
Dividend Yield (12m)	3.80
Dividend Pay-out (%)	60.45
Price-Earnings Ratio(x)	16.87
Price-to-Book Ratio (x)	6.08
Book Value (AED)	0.25
Return-on Equity (%)	39.20

Stock Performance	
5 Days	-3.60%
1 Months	0.27%
3 Months	-3.17%
6 Months	15.20%
1 Year	14.04%
Month to Date (MTD%)	0.27%
Quarter to Date (QTD%)	0.27%
Year to Date (YTD%)	5.91%

3Q25 Net Profit marginally higher than our estimate

ADNOC Drilling Co. PJSC (ADNOCDRILL/the Company) net profit grew 10.0% YOY to USD 368 Mn in 3Q25, higher than our estimate of USD 353 Mn. The increase in net profit is mainly attributable to strong revenue growth driven by the expansion of operations and higher other income, including a one-time gain of USD 23 Mn from the sale of an onshore rig and lower net finance costs, partially offset by higher direct costs, G&A expenses, and tax charges.

P&L Highlights

ADNOCDRILL's 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, primarily due to new rigs starting operations and USD 38 Mn contribution from unconventional activity related to 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. Direct cost grew 36.7% YOY to USD 825 Mn in 3Q25. Thus, the Company's gross profit grew 2.9% YOY to USD 435 Mn in 3Q25, while gross profit margin fell 668 bps YOY to 34.5% in 3Q25. G&A expenses grew 8.3% YOY to USD 37 Mn in 3Q25. Thus, EBITDA rose 9.7% YOY to USD 560 Mn in 3Q25, owing to robust revenue growth partially offset by a rise in direct costs and G&A expenses. 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, a rise in contributions from the Enersol and Turnwell joint ventures and stronger revenue from unconventional business. The Company's net finance costs declined 26.1% YOY to USD 23 Mn in 3Q25. The share of results of a JV marginally increased from USD 2 Mn in 3Q24 to USD 3 Mn in 3Q25, driven by profit contributions from the joint ventures. Other income increased from USD 2 Mn in 3Q24 to USD 23 Mn in 3Q25, due to a positive one-off from the sale of an onshore rig that was operating in Jordan. Tax charges grew from USD 28 Mn in 3Q24 to USD 34 Mn in 3Q25.

Balance Sheet Highlights

ADNOCDRILL cash and cash equivalents fall from USD 330 Mn in 2Q25 to USD 272 Mn in 3Q25. Net debt declined from USD 2.0 Bn in 2Q25 to USD 1.7 Bn in 3Q25. Net debt to LTM EBITDA ratio decreased from 0.9x in 2Q25 to 0.8x in 3Q25. ADNOCDRILL's cash flow from operations improved from USD 649 Mn in 2Q25 to USD 667 Mn in 3Q25, mainly due to higher profitability and cash generated from working capital during 3Q25. Total Capex (excluding capex accruals) decreased from USD 244 Mn in 2Q25 to USD 174 Mn in 3Q25.

Target Price and Rating

We revise our rating on ADNOCDRILL from ACCUMULATE to BUY with an unchanged target price of AED 6.50. The Company delivered robust profitability growth in 3Q25, supported by operational expansion, the impact of commissioned rigs, solid performance in the Oilfield Services (OFS) segment, and increased activity in its unconventional business operations. As of September 2025, the Company operated a total fleet of 148 rigs, including 8 rigs in Oman and Kuwait that are part of the recently announced transaction with SLB. Excluding these 8 rigs, the Company's owned fleet achieved an availability rate of 97% during 3Q25. ADNOCDRILL also secured six additional island rigs that will be added incrementally between 2026 and 2028. The Company'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 c. 300 wells annually by 2027, with substantial growth potential expected through the end of the decade. However, ADNOCDRILL expects the revenue from the unconventional segment to remain flat at approximately USD 0.6 Bn in 2026, with an increase anticipated after 2027 as ADNOC expands drilling activity. The Company's JV Enersol continued to advance its acquisition strategy, having deployed c. USD 800 Mn to date across four acquisitions. These investments have supported the adoption of advanced technologies, data analytics, and AI-driven tools across its operations. ADNOCDRILL is also advancing its regional expansion plans through the proposed acquisition of a 70.0% stake in SLB's land rig operations in Oman, including eight contracted rigs. The transaction is expected to be earnings-accretive from day one and is expected to be closed in 1Q26. Recently, the Company revised its revenue upward to USD 4.75-4.85 Bn, up from the previous range, owing to continued momentum in OFS, stronger IDS coverage, and higher unconventional and discrete service activity. Net profit guidance also upgraded to USD 1.40-1.45 Bn, reflecting robust 9M25 performance, improved financing costs post-refinancing, and improved working capital management. Additionally, in 2026, ADNOCDRILL expects EBITDA and net profit to remain broadly in line with 2025, as growth investments are reinvested to scale operations and support regional expansion. The Company also revised its capex (excluding MD&A) guidance from USD 350-550 Mn to USD 450-550 Mn in 2025. In addition, in 2026, ADNOCDRILL expects capex to exceed USD 550 Mn, driven by maintenance, new island rigs, and expansion of IDS coverage. The Company maintains a net debt-to-EBITDA ratio of 0.8x, well below its 2x ceiling, providing significant balance sheet capacity for both growth in investments and incremental dividends. Moreover, in line with its dividend policy, the Company's Board approved a 3Q25 special dividend of USD 66 Mn, payable to shareholders in November 2025. ADNOCDRILL also announced an enhanced progressive dividend policy, increasing its 2025 dividend floor by 27% YOY to AED 3.7 Bn, compared to the previously guided 10% annual growth target. The Company also committed to a minimum annual dividend growth rate of 5% from 2026 to 2030, translating into a cumulative dividend floor of AED 25 Bn (USD 6.8 Bn) by 2030, reflecting the Company's robust cash flow generation and strong balance sheet. Thus, considering all the above-mentioned factors, we revise our rating to BUY on the stock.

ADNOC Drilling - Relative valuation

(at CMP in USD)	2021	2022	2023	2024	2025F
PE	41.63	31.35	24.34	19.28	17.27
PB	8.99	8.58	7.70	6.60	6.10
EV/EBITDA	25.01	21.36	18.06	13.45	12.37
BVPS (AED)	0.642	0.673	0.749	0.875	0.946
EPS (AED)	0.139	0.184	0.237	0.299	0.334
DPS (AED)	0.157	0.157	0.164	0.181	0.230[1]
Dividend yield	2.8%	2.8%	2.9%	3.2%	4.1%

Note: DPS for 2025 includes the special dividend of USD 66 Mn post Majlis.

ADNOC Drilling – P&L

USD Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,026	1,197	1,260	1,203	4.7%	22.8%	5.3%	4,034	4,831	19.8%
Direct Cost	-603	-753	-825	-752	9.6%	36.7%	9.6%	-2,337	-2,984	27.7%
Gross Profit	**423**	**444**	**435**	**451**	**-3.6%**	**2.9%**	**-2.0%**	**1,697**	**1,847**	**8.8%**
G&A expenses	-34	-45	-37	-42	-13.3%	8.3%	-18.0%	-155	-181	16.6%
EBITDA	**510**	**545**	**560**	**544**	**2.9%**	**9.7%**	**2.6%**	**2,015**	**2,220**	**10.2%**
EBIT	**389**	**400**	**399**	**409**	**-2.6%**	**2.4%**	**-0.3%**	**1,541**	**1,666**	**8.1%**
Share of results of a JV	2	11	3	6	-50.4%	NM	-72.7%	8	20	NM
Other Income- Net	2	1	23	2	NM	NM	NM	6	28	NM
Finance Costs- Net	-31	-27	-23	-29	-22.4%	-26.1%	-15.1%	-124	-115	-7.7%
Profit before tax	**363**	**385**	**402**	**388**	**3.6%**	**10.8%**	**4.6%**	**1,432**	**1,600**	**11.7%**
Corporate tax	-28	-34	-34	-35	-2.3%	21.4%	1.0%	-129	-144	12.0%
Profit for the period	**335**	**351**	**368**	**353**	**4.2%**	**10.0%**	**4.9%**	**1,304**	**1,456**	**11.7%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	41.2%	37.1%	34.5%	-668	-258	42.1%	38.2%	-383
EBITDA	49.7%	45.6%	44.4%	-529	-114	49.9%	46.0%	-399
Net Profit	32.6%	29.3%	29.2%	-341	-10	32.3%	30.1%	-219

FABS estimate & Co Data

Key Developments:

- **27 March 2025:** Enersol RSC Ltd., a joint venture between ADNOCDRILL and Alpha Dhabi Holding PJSC, has completed the acquisition of a 95% stake in Deep Well Services.

- **17 April 2025:** ADNOCDRILL secured a USD 1.63 Bn, five-year contract from ADNOC Offshore for integrated drilling services, reinforcing its leadership in advanced energy solutions and operational excellence.

- **05 May 2025:** ADNOCDRILL has been awarded a USD 806 Mn long-term contract by ADNOC Offshore for three new AI-enabled island rigs for the Zakum project, reinforcing its fleet expansion toward more than 151 rigs by 2028 and strengthening its leadership in advanced, efficient, and sustainable offshore drilling.

- **27 May 2025:** ADNOCDRILL secured a USD 1.15 Bn, 15-year contract from ADNOC Offshore for two advanced AI-enabled jack-up rigs, further strengthening its offshore fleet and ensuring long-term earnings visibility through 2040. This brings the Company's total contract awards to USD 3.6 Bn in just over a month.

- **29 May 2025:** ADNOCDRILL acquired a 70.0% stake in SLB's land rig business in Oman and Kuwait for USD 112 Mn, including a USD 21 Mn earn-out. The deal involves eight operational rigs under contract with national oil companies and is subject to regulatory approvals by 1Q26.

- **30 June 2025:** ADNOCDRILL announced the award of a contract worth up to USD 800 Mn from ADNOC Onshore for integrated hydraulic fracturing services across conventional and tight reservoirs. The five-year agreement, scheduled to begin in 3Q25, represents another key milestone in ADNOCDRILL's transformation into a fully integrated, technology-driven energy services provider.

- **11 September 2025:** Abu Dhabi National Oil Company (ADNOC) transferred its equity holdings in ADNOC Drilling, ADNOC Distribution, ADNOC Gas, and ADNOC Logistics & Services to its wholly owned subsidiary, XRG P.J.S.C., through an off-market transaction. The transfer of ADNOC Drilling shares will follow pending regulatory approvals. ADNOC will maintain full ownership of all listed entities through XRG, with no impact on their operations, leadership, or dividend policies.

- **16 October 2025:** The Company signed a USD 500 Mn Term Loan Facility and a USD 1.5 Bn Revolving Credit Facility. The term loan will refinance the existing facility maturing in October 2025, while the revolving facility is expected to support growth initiatives and working capital needs.

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value ADNOC Drilling. We have assigned 80% weight to DCF and 20% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	6.48	80.0%	5.19
Relative Valuation (RV):			
EV/EBITDA	4.93	10.0%	0.49
P/E	8.22	10.0%	0.82
Weighted Average Valuation (AED)			**6.50**
Current market price (AED)			5.58
Upside/Downside (%)			+16.5%

1) DCF Method:

ADNOCDRILL is valued using free cash flow to the firm. We have discounted the cash flow using a weighted average cost of capital of 8.5% It is arrived at after using the cost of equity of 8.8% and the after-tax cost of debt of 4.6%. The cost of equity is calculated using a 10-year government bond yield of 4.8%, a beta of 1.0, and an equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	7,369
Terminal value (USD, Mn)	22,633
FV to Common shareholders (USD, Mn)	**28,262**
No. of shares (Mn)	16,000
Current Market Price (AED)	5.58
Fair Value per share (AED)	**6.48**

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,522	1,533	1,694	1,817	1,993	2,094
D&A	526	577	555	533	506	487
(-) Capex	-1,000	-600	-355	-325	-295	-295
Change in working capital	128	-164	-132	-130	-119	-96
Free Cash Flow to Firm (FCFF)	**1,176**	**1,346**	**1,763**	**1,896**	**2,085**	**2,191**
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.65
Discounted FCFF	**292[1]**	**1,223**	**1,475**	**1,462**	**1,482**	**1,435**

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

2) Relative Valuation:

We have used regional and global peers to value ADNOCDRILL, using the EV/EBITDA and P/E multiples. We have applied a premium to peer valuation since the majority of the Company's revenue is earned on a contract basis from the ADNOC Group. In addition, ADNOC Group also plans to accelerate its production capacity from four million barrels per day to five million barrels of oil per day, which is leading ADNOC Drilling to invest in rigs to boost capacity and provide service to the parent. It is valued at a 2026 EV/EBITDA and P/E multiple of 9.5x and 24.7x, respectively, compared to the peer multiple of 6.3x and 16.5x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
Halliburton	22,556	7.2	7.3	12.0	12.4
Schlumberger (Us)	54,020	7.7	7.2	12.5	12.1
Baker Hughes Company	45,984	10.5	10.0	18.9	17.8
Petrovietnam Drilling & Well Service Corporation	426	5.9	4.7	15.7	10.9
Borr Drilling Limited	899	6.1	7.0	16.7	NA
ADES Holding Co	4,462	8.5	7.3	20.6	16.5
China Oilfield Services	7,550	5.2	4.9	NA	NA
Weatherford International	5,060	5.6	5.6	13.1	13.5
Seadrill Limited	1,950	6.5	5.9	NA	27.3
Arabian Drilling Co	1,778	7.1	6.5	76.0	21.0
Odfjell Drilling Ltd	1,955	5.6	4.9	NA	NA
Noble Corp PLC	4,831	5.8	6.1	31.2	23.6
Average		**6.8x**	**6.5x**	**24.1x**	**17.2x**
Median		**6.3x**	**6.3x**	**16.7x**	**16.5x**
Max		**7.3x**	**7.3x**	**20.6x**	**21.0x**
Min		**5.8x**	**5.4x**	**13.1x**	**12.4x**

Source: FAB Securities

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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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