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FAB SECURITIES

First Look Note | 4Q25

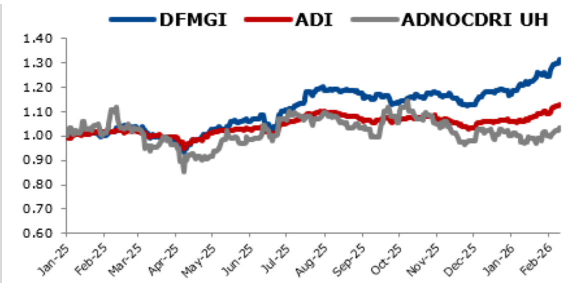
UAE Equity Research | Sector: Energy | Market: ADX

ADNOC Drilling (ADNOCDRI)

Unconventional acceleration and offshore expansion drive operational momentum

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.23	AED 6.50	+24%	BUY

- Revenue grew 7.5% YOY to USD 1,276 Mn in 4Q25, driven by strong growth across the Offshore and the OFS segment.
- As of December 2025, the Company proforma total fleet size stood 169 rigs, including 8 rigs in Oman and Kuwait acquired through the SLB transaction completed in early January 2026, and 21 regional rigs under the MBPS transaction.
- The Company ordered six additional island rigs, with deliveries scheduled progressively between 2026 and 2028, supporting long-term offshore growth and capacity expansion.
- Board recommended a 4Q25 dividend of USD 250 Mn (5.7 fils per share), bringing total dividend distributions for 2025 to USD 1.0 Bn.



Stock Information	
Market Cap (AED, mm)	83,680.00
Shares Outstanding (mm)	16,000.00
52 Week High	6.32
52 Week Low	4.30
3M Avg. daily value (AED)	59,818,140

4Q25 Result Review (USD, Mn)	
Total Assets	8,101
Total Liabilities	4,002
Total Equity	4,099
EBITDA	560
Net Profit	389

Financial Ratios	
Dividend Yield (12m)	4.23
Dividend Pay-out (%)	64.44
Price-Earnings Ratio(x)	15.96
Price-to-Book Ratio (x)	5.63
Book Value (AED)	0.26
Return-on Equity (%)	36.63

Stock Performance	
5 Days	-5.25%
1 Months	-0.95%
3 Months	-1.88%
6 Months	-6.86%
1 Year	-4.48%
Month to Date (MTD%)	-1.88%
Quarter to Date (QTD%)	-2.06%
Year to Date (YTD%)	-2.06%

4Q25 Net Profit slightly higher than our estimate

ADNOC Drilling Co. PJSC (ADNOCDRILL/the Company) net profit declined 2.6% YOY to USD 389 Mn in 4Q25, higher than our estimate of USD 373 Mn. The decline in net profit was driven by higher direct costs, weaker EBITDA, and lower other income, partially offset by revenue growth, higher contribution from JVs, lower finance costs, reduced G&A expenses, and lower tax charges.

P&L Highlights

ADNOCDRILL's revenue grew 7.5% YOY to USD 1,276 Mn in 4Q25, driven by its unconventional operations and the integration of offshore rigs in the second half of the year. Onshore Segment revenue declined 6.4% YOY to USD 519 Mn in 4Q25, as 4Q24 benefited from certain cost reimbursements, while 4Q25 revenue reflected the initial impact of transitioning select onshore rigs following an age review. Revenue from the Offshore Jack-up & Island grew 14.9% YOY to USD 368 Mn in 4Q25, driven by the conversion of two rigs from Onshore to Offshore during 2Q25 and 3Q25, along with the full revenue contribution from two new jack-up rigs commenced at the end of 2Q25. OFS segmental revenue grew 24.7% from USD 313 Mn in 4Q24 to USD 390 Mn in 4Q25, primarily driven by primarily driven by USD 149 Mn revenue from the unconventional business, alongside increased IDS activity and the provision of additional discrete services. Direct cost grew 18.9% YOY to USD 806 Mn in 4Q25. Thus, the Company's gross profit declined 7.6% YOY to USD 471 Mn in 4Q25, while gross profit margin fell 604 bps YOY to 36.9% in 4Q25. G&A expenses declined 5.2% YOY to USD 37 Mn in 4Q25. Thus, EBITDA declined 6.0% YOY to USD 560 Mn in 4Q25, driven by higher maintenance costs and the initial transition of select onshore rigs. EBITDA margin fell 633 bps YOY to 43.9% in 4Q25. Onshore segment EBITDA declined 17.7% YOY to USD 235 Mn in 4Q25. Offshore Jack-

-up & Island segment's EBITDA rose 6.7% YOY from USD 229 Mn in 4Q24 to USD 244 Mn in 4Q25, supported by higher revenue driven by the conversion of two rigs from Onshore to Offshore, along with the full-quarter contribution from two new jack-up rigs. OFS segment EBITDA declined marginally 0.9% from USD 82 Mn in 4Q24 to USD 81 Mn in 4Q25, driven by the benefited from favorable high-margin revenue phasing in directional drilling and pressure pumping. The Company's net finance costs declined 41.6% YOY to USD 19 Mn in 4Q25. The share of results of JV increased significantly from USD 3 Mn in 4Q24 to USD 12 Mn in 4Q25, driven by profit contributions from the joint ventures. Other income declined from USD 2 Mn in 4Q24 to NIL in 4Q25. Tax charges declined from USD 44 Mn in 4Q24 to USD 38 Mn in 4Q25.

Balance Sheet Highlights

ADNOCDRILL cash and cash equivalents fell from USD 272 Mn in 3Q25 to USD 236 Mn in 4Q25. Net debt increased from USD 1.7 Bn in 3Q25 to USD 2.1 Bn in 4Q25, reflecting the refinancing completed in October 2025, under which the Company entered into a new USD 500 Mn term loan and a USD 1.5 Bn revolving credit facility to replace the maturing syndicated loan and support growth and working capital requirements. Net debt to LTM EBITDA ratio increased from 0.8x in 3Q25 to 0.9x in 4Q25. ADNOCDRILL's cash flow from operations declined from USD 667 Mn in 3Q25 to USD 389 Mn in 4Q25, primarily reflecting working capital outflows during the quarter. Total Capex (excluding capex accruals) decreased from USD 174 Mn in 3Q25 to USD 263 Mn in 4Q25.

Target Price and Rating

We maintain our BUY rating on ADNOCDRILL with a target price of AED 6.50. The Company delivered solid operational performance in 4Q25, supported by continued expansion in unconventional and offshore activity, higher asset utilization, and sustained growth across Integrated Drilling and OFS. As of December 2025, the pro-forma rig fleet stood at 169 rigs, including 21 regional rigs under the MB Petroleum Services (MBPS) transaction signed in November 2025 to acquire an 80% stake subject to regulatory approval. The transaction is expected to materially accelerate ADNOCDRILL's regional expansion strategy by enhancing scale and capabilities, while strengthening its presence across four key Gulf markets. Additionally, the pro forma fleet also includes 8 rigs in Oman and Kuwait acquired through the acquisition of 70% of SLB land drilling JV in early January 2026. Excluding regional rigs, the Company's owned fleet stood at 140 with a strong availability rate of 98% in 2025. ADNOCDRILL also secured six additional island rigs to be deployed progressively between 2026 and 2028. Unconventional revenue rose 62% YOY to USD 190 Mn in 4Q25 spit of which USD 149 Mn was from OFS and USD 41 Mn from Onshore. Following strong execution in 2025, the Company's unconventional activity is expected to moderate in 2026, with the remaining contract value to be phased over 2026–2027. ADNOCDRILL highlighted solid progress on the unconventional program, with c. 90 wells drilled and c. 60 completed under Phase 1, while a few FIDs are expected in 1H26 and the remainder in 2H26. Free cash flow moderated sequentially to USD 38 Mn in 4Q25 compared to USD 477 Mn in 3Q25, primarily due to stronger prior-quarter collections and a USD 91 Mn outflow related to the SLDC Holdings acquisition. Operating working capital remained stable YOY at USD 321 Mn, reflecting disciplined management. Additionally, the Company expects 1Q26 to be the weakest quarter of the year, with projected revenue of USD 1.23 Bn, EBITDA of USD 0.53 Bn, and net income of USD 0.35 Bn, as the period excludes MBPS consolidation (expected mid-year), rig cost transfers, new rig ramp-ups, and IDS expansion. This sets the stage for a stronger earnings trajectory in subsequent quarters, with performance expected to be back-end loaded and weighted toward 3Q26 and 4Q26, driven by MBPS consolidation and incremental IDS activity. The Company is now the largest OFS player in Abu Dhabi, with an estimated 35%-40% market share in Integrated Drilling Services, supporting margin resilience. ADNOCDRILL's full year results were in line with upgraded guidance, with revenue exceeding the guided range and EBITDA and net profit within expectations. For 2026, management expects total revenue of USD 5 Bn out of which USD 2 Bn is expected from Onshore segment and USD 1.5 Bn from offshore and oilfield services each with stable EBITDA of USD 2.2-2.3 Bn and EBITDA margins between 44%-45%. The Company expects net profit of USD 1.45-1.50 Bn in 2026 with Net profit margins of 29%-30%. Cash capex excluding M&A is expected to be between USD 0.6-0.8 Bn with the free cash flow of USD 1.2-1.3 Bn. In line with the dividend policy, the Board of Directors recommended a 4Q25 dividend of USD 250 Mn (c. 5.7 fils per share), expected to be paid in April 2026, subject to shareholder approval. The Company has also committed to a minimum cumulative dividend floor of USD 6.8 Bn over 2025–2030, representing 5% YOY growth enhancing multi-year visibility on shareholder returns. Thus, considering all the above-mentioned factors, we maintain our BUY rating on the stock.

ADNOC Drilling - Relative valuation

(at CMP in USD)	2021	2022	2023	2024	2025	2026F
PE	38.4	28.9	22.4	17.8	16.0	15.8
PB	8.3	7.9	7.1	6.1	5.6	5.1
EV/EBITDA	23.1	19.8	16.7	12.5	11.4	11.2
BVPS (AED)	0.642	0.673	0.749	0.875	0.943	1.041
EPS (AED)	0.139	0.184	0.237	0.299	0.333	0.337
DPS (AED)	0.157	0.157	0.165	0.181	0.230	0.241
Dividend yield	3.0%	3.0%	3.2%	3.5%	4.4%	4.6%

FABS Estimates & Co Data

ADNOC Drilling – P&L

USD Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	1,187	1,260	1,276	1,205	5.9%	7.5%	1.3%	4,034	4,903	21.5%
Direct Cost	-677	-825	-806	-709	13.6%	18.9%	-2.3%	-2,337	-3,106	32.9%
Gross Profit	**510**	**435**	**471**	**496**	**-5.0%**	**-7.6%**	**8.2%**	**1,697**	**1,797**	**5.9%**
G&A expenses	-39	-37	-37	-51	-27.3%	-5.2%	2.0%	-155	-167	7.6%
EBITDA	**596**	**560**	**560**	**557**	**0.6%**	**-6.0%**	**0.1%**	**2,015**	**2,198**	**9.1%**
EBIT	**470**	**399**	**434**	**445**	**-2.5%**	**-7.8%**	**8.8%**	**1,541**	**1,630**	**5.7%**
Share of results of a JV	3	3	12	3.4	NM	NM	NM	8	29	NM
Other Income- Net	2	23	0	1.5	-67.7%	-77.5%	NM	6	27	NM
Finance Costs- Net	-32	-23	-19	-36	-47.1%	-41.6%	-16.6%	-124	-98	-21.3%
Profit before tax	**443**	**402**	**427**	**414**	**3.3%**	**-3.6%**	**6.2%**	**1,432**	**1,588**	**10.9%**
Corporate tax	-44	-34	-38	-41	-6.3%	-12.4%	12.7%	-129	-139	8.2%
Profit for the period	**399**	**368**	**389**	**373**	**4.3%**	**-2.6%**	**5.6%**	**1,304**	**1,449**	**11.1%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	42.9%	34.5%	36.9%	-604	235	42.1%	36.7%	-541
EBITDA	50.2%	44.4%	43.9%	-633	-54	49.9%	44.8%	-511
Net Profit	33.6%	29.2%	30.4%	-317	122	32.3%	29.5%	-276

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.

- **04 November 2025:** The Company announced the acquisition of an 80% stake in MB Petroleum Services (MBPS) for USD 163 Mn, funded through existing debt. The transaction adds 21 rigs across Oman, Bahrain and Kuwait. MBPS reported USD 187 Mn in revenue and USD 56 Mn in EBITDA in 2024. Subject to regulatory approvals, the deal is expected to close in 1H26, with full consolidation upon completion.

- **11 December 2025**: ADNOC Drilling announced that ADNOC transferred its entire shareholding in the Company to XRG P.J.S.C., following receipt of all required regulatory approvals.

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	6.15	80.0%	4.92
Relative Valuation (RV):			
EV/EBITDA	6.11	10.0%	0.61
P/E	9.66	10.0%	0.97
Weighted Average Valuation (AED)			**6.50**
Current market price (AED)			5.23
Upside/Downside (%)			+24%

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 8.6% It is arrived at after using the cost of equity of 9.0% and the after-tax cost of debt of 4.2%. The cost of equity is calculated using a 10-year government bond yield of 4.9%, 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)	7,105
Terminal value (USD, Mn)	21,768
FV to Common shareholders (USD, Mn)	**26,792**
No. of shares (Mn)	16,000
Current Market Price (AED)	5.23
Fair Value per share (AED)	**6.15**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,521	1,658	1,775	1,885	1,977
D&A	559	540	520	494	476
(-) Capex	-700	-355	-325	-295	-295
Change in working capital	-150	-51	-22	-32	-56
Free Cash Flow to Firm (FCFF)	**1,230**	**1,792**	**1,948**	**2,052**	**2,102**
Discounting Factor	0.93	0.86	0.79	0.73	0.67
Discounted FCFF	**1,143**	**1,534**	**1,535**	**1,488**	**1,404**

Source: FAB Securities

2) Relative Valuation:

We have used regional and global peers to value ADNOCDRILL, using the EV/EBITDA and PE 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 PE multiple of 11.9x and 28.8x, respectively, compared to the peer multiple of 7.9x and 19.2x

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2025F	2026F
Halliburton	29,339	8.7	7.8	15.7	13.0
Schlumberger (Us)	77,099	9.6	8.9	17.7	15.5
Baker Hughes Company	60,529	12.7	11.7	23.7	21.1
Petrovietnam Drilling & Well Service Corporation	710	7.1	6.4	16.5	11.4
Borr Drilling Limited	1,758	8.4	6.3	NM	17.7
ADES Holding Co	5,310	6.9	6.4	19.9	15.5
China Oilfield Services	9,168	5.8	5.7	NA	NA
Weatherford International	7,431	7.7	7.1	18.5	14.8
Seadrill Limited	2,683	8.2	5.5	29.6	12.1
Arabian Drilling Co	2,286	7.6	6.8	25.7	17.1
Odfjell Drilling Ltd	2,455	5.1	5.3	9.2	9.3
Noble Corp PLC	6,999	8.4	6.7	40.5	17.1
Average		**8.0x**	**7.1x**	**21.7x**	**15.0x**
Median		**7.9x**	**6.6x**	**19.2x**	**15.5x**
Max		**8.5x**	**7.3x**	**25.2x**	**17.1x**
Min		**7.1x**	**6.2x**	**16.8x**	**12.6x**

Source: FAB Securities

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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