FAB أبوظبـي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Industrial | Market: ADX

ADNOC Logistics & Services PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.32	AED 7.65	+21.0%	BUY

2Q26 Net Profit higher than our estimate

- Revenue surged from USD 1,258 Mn in 2Q25 to USD 2,584 Mn in 2Q26, primarily driven by a sharp increase in Shipping revenue, along with higher revenue from Gas Carriers, Dry-Bulk & Containers and Services. The increase was partially offset by lower revenue from Integrated Logistics.
- Integrated Logistics revenue declined 16.0% YOY to USD 559 Mn in 2Q26, mainly due to the absence of revenue from the G-Island EPC project following its completion in 4Q25 and provisions related to the Bu Haseer project.
- Shipping revenue increased from USD 512 Mn in 2Q25 to USD 1,925 Mn in 2Q26, primarily driven by a sharp increase in Tanker revenue on higher TCE rates amid favourable tanker market conditions, with additional support from higher Gas Carrier and Dry-Bulk & Containers revenue.
- Services revenue increased 23.8% YOY to USD 100 Mn in 2Q26, supported by the inclusion of warehouse revenue following its reclassification from Integrated Logistics to Services, partially offset by lower volumes at Petroleum Port Operations and Borouge Container Terminal.
- Direct costs increased 59.8% YOY to USD 1,516 Mn in 2Q26.
- Gross profit increased sharply from USD 309 Mn in 2Q25 to USD 1,068 Mn in 2Q26, with gross margin expanding from 24.6% in 2Q25 to 41.3% in 2Q26.
- G&A expenses increased 57.7% YOY to USD 79 Mn in 2Q26, while the Company recorded USD 10 Mn in 2Q26 of other expenses compared with no material expense in 2Q25.
- Other income declined from USD 5 Mn in 2Q25 to negative USD 5 Mn in 2Q26.
- The Company recorded USD 26 Mn of expected credit loss provisions in 2Q26, compared with USD 1 Mn in 2Q25.
- Total EBITDA increased from USD 400 Mn in 2Q25 to USD 1,106 Mn in 2Q26, while EBITDA margin expanded from 31.8% in 2Q25 to 42.8% in 2Q26, primarily reflecting the strong contribution from Shipping.
- Operating profit increased from USD 263 Mn in 2Q25 to USD 948 Mn in 2Q26, with operating margin expanded significantly from 20.9% in 2Q25 to 36.7% in 2Q26.
- Share of profit from joint ventures increased to USD 24 Mn in 2Q26 from USD 8 Mn in 2Q25.
- Finance costs declined 62.9% YOY to USD 9 Mn, similarly finance income also declined 29.7% YOY to USD 3 Mn in 2Q26.
- Tax expense increased 7.1% YOY to USD 16 Mn in 2Q26, while the non-controlling interest contribution increased from USD 7 Mn in 2Q25 to USD 34 Mn in 2Q26.
- Net profit attributable to equity shareholders surged from USD 229 Mn in 2Q25 to USD 917 Mn in 2Q26. The increase was primarily driven by the sharp rise in revenue along with higher contribution from joint ventures coupled with lower finance costs, partially offset by higher direct costs, G&A, other expenses, ECL provisions, tax expense and NCI coupled with lower other and finance income.

Earnings Call Summary

- Tanker TCE rates are expected to remain strong through 2H26, with the internationally trading tanker fleet continuing to benefit from elevated rates, even with geopolitical conditions normalize, a sharp correction is unlikely given c. 45-days voyage durations, low global crude and gas inventories.
- New VLCCs are expected to provide an immediate earnings contribution from 3Q26, with the vessels initially operating on short-term contracts linked to market rates.

- ADNOC-related activity contributed significantly to the increase in Shipping earnings, with ADNOCLS becoming the primary transporter for most ADNOC molecules and cargoes moving through the Strait of Hormuz.
- The Ruwais LNG project remains a key long-term growth opportunity, with the expanding LNG fleet positioned to support ADNOC Group’s higher LNG production and export volumes as the project ramps up.
- Integrated Logistics is expected to improve through 2H26, with material handling volumes increasing from around 282K in 1Q26 to 287K in 2Q26 and expected to exceed 300K in 2H26.
- Offshore activity should benefit from higher ADNOC production, with offshore production currently accounting for c. 45% of UAE production although large EPC projects similar to G-Island and Bu Haseer are unlikely to recur in the near term.
- Gas Carrier margins are expected to stabilize as LNG vessels move into long-term ADNOC Gas contracts, following pressure from chartered-in vessels and provisions during 1H26.
- The two VLCCs affected by the projectile are expected to remain out of service for at least six to eight months with both vessels fully insured. The claims process is already underway with insurers and underwriters.
- The AW Shipping JV delivered record 2Q26 profits and is expected to see further profitability growth as additional vessels are delivered. However, most cash flow is expected to be retained by JV to fund newbuild deliveries, limiting significant dividend distributions in the near term.
- ECL provisions are not expected to be material in 2H26, with the possibility of some reversals in 3Q26 following the significant provisions recognized during 1H26.
- ADNOC's planned expansion remains a key structural driver for ADNOCLS, with the Group's USD 150 Bn investment programme through 2030 expected to increase oil production capacity to 5 Mn bpd by 2027, expand gas production capacity by c. 30%, and more than double LNG capacity by 2029.
- ADNOCLS has USD 21 Bn of forward contracted revenue with ADNOC from 2027 onwards, providing strong visibility on future earnings as the Group expands oil, gas and LNG production.
- The Company continues to focus on capital allocation on growth investments, with further vessel acquisitions to be assessed selectively based on ADNOC’s requirements and return potential.
- The Company has increased the capex to USD 5.7 Bn through 2029, covering 50 planned vessel additions, of which 19 have been delivered and 31 remain in the pipeline, with the majority of the new capacity expected to be supported by ADNOC-related contracts.
- Dividend policy remains unchanged despite the rapid pace of capital deployment for 2Q26 and the remaining quarters, with Company emphasizing that dividends are not being deprioritized. The Company will continue to review the policy, with no fundamental change currently anticipated.
- ADNOCLS 2026 guidance was revised with revenue growth of mid 20% YOY, EBITDA growth of mid 60% YOY and net profit growth of high 110% YOY, while medium-term targets are being reassessed following the stronger 2026 performance and expanded investment programme.
- The Board approved an interim cash dividend of USD 85.3 Mn (AED 313.3 Mn) for 2Q26, resulting in 4.23 fils per share.

ADNOCLS – P&L

USD Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
Revenue	1,258	1,083	2,584	1,441	79.3%	NM	NM
Direct cost	-949	-802	-1,516	-1,021	48.4%	59.8%	89.0%
Gross profit	**309**	**281**	**1,068**	**420**	**NM**	**NM**	**NM**
General and administrative expenses	-50	-54	-79	-65	22.2%	57.7%	47.2%
Other expenses	0	-18	-10	0	NM	NM	-44.9%
Other income	5	39	-5	29	NM	NM	NM
Provision for expected credit losses, net	-1	-22	-26	-7	NM	NM	21.1%
EBITDA	**400**	**368**	**1,106**	**533**	**NM**	**NM**	**NM**
EBIT	**263**	**226**	**948**	**377**	**NM**	**NM**	**NM**
Share of profit from joint venture	8	14	24	20	22.1%	217.2%	73.3%
Finance income	5	2	3	4	-24.8%	-29.7%	32.5%
Finance costs	-24	-10	-9	-8	13.0%	-62.9%	-8.0%
Profit before tax	**251**	**233**	**967**	**393**	**NM**	**NM**	**NM**
Tax expense	-15	-11	-16	-16	2.7%	7.1%	49.9%
NCI	7	19	34	23	48.8%	NM	73.0%
Net Profit	**229**	**203**	**917**	**355**	**NM**	**NM**	**NM**

FABS estimate & Co Data

Management Guidance:

Consolidated		FY 2026 Growth[1]	Medium-Term CAGR Growth[2]
Revenue		▲ Mid 20% YoY growth	Low single-digit growth
EBITDA		▲ Mid 60% YoY growth	Mid to high single-digit growth
Net Profit		▲ High 110% YoY growth	Mid to high single-digit growth
Business Segments		**FY 2026 Growth[1]**	**Medium-Term CAGR Growth[2]**
Integrated Logistics	Revenue	▲ Mid 20% YoY reduction	Low to mid single-digit growth
Integrated Logistics	EBITDA	▲ Mid 20% YoY reduction	Low single-digit growth
Shipping	Revenue	▲ Mid 80% YoY growth	Low to mid single-digit growth
Shipping	EBITDA	▲ Low 190% YoY growth	High single to low double-digit growth
Services	Revenue	▲ Mid single-digit YoY growth	Low double-digit growth
Services	EBITDA	▲ Low 20% YoY growth	Mid to high teens growth

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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