FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

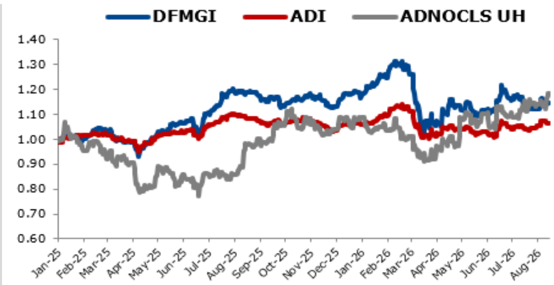
UAE Equity Research   Sector: Industrial   Market: ADX

ADNOC Logistics & Services Plc (ADNOCLS)

Strong Shipping performance drives 2Q26 profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.42	AED 7.65	+19.2%	BUY

- Accelerates fleet expansion with USD 2.3 Bn investment in 18 vessels, supporting long-term Shipping growth.
- ADNOCLS has increased its committed CAPEX to USD 5.7 Bn through 2029.
- Maintained USD 25 Bn contracted revenue backlog, providing strong earnings visibility.
- The Board approved USD 85.3 Mn cash dividend, equivalent to 4.23 fils per share for 2Q26.
- The company upgraded 2026 guidance, with revenue growth of mid 20% YOY, EBITDA growth of mid 60% YOY and net profit growth of high 110% YOY.



Stock Information	
Market Cap (AED, mm)	47,498.36
Paid Up Capital (mm)	3,994.45
52 Week High	6.48
52 Week Low	4.80
3M Avg. daily value (AED)	59,023,820

2Q26 Result Review (USD, Mn)	
Total Assets	10,808
Total Liabilities	2,657
Total Equity	8,151
EBITDA	1,106
Net Profit	917

Financial Ratios	
Dividend Yield (12m)	2.55
Dividend Pay-out (%)	142.21
Price-Earnings Ratio(x)	8.31
Price-to-Book Ratio (x)	2.20
Book Value (AED)	0.80
Return-on Equity (%)	28.85

Stock Performance	
5 Days	4.39%
1 Months	4.73%
3 Months	10.31%
6 Months	13.23%
1 Year	20.45%
Month to Date (MTD%)	3.55%
Quarter to Date (QTD%)	6.64%
Year to Date (YTD%)	8.45%

2Q26 Net Profit higher than our estimate

ADNOC Logistics & Services Plc's (ADNOCLS/the Company) net profit attributable to equity shareholder increased from USD 229 Mn in 2Q25 to USD 917 Mn in 2Q26, higher than our estimate of USD 355 Mn. This increase was primarily driven by higher revenue and share of profit from JV, coupled with decline in finance costs, partially offset by higher direct cost, G&A expenses, other expenses, provision for expected credit losses, tax expenses & share of NCI coupled with negative other income and decrease in finance income.

P&L Highlights

ADNOCLS revenue rose from USD 1,258 Mn in 2Q25 to USD 2,584 Mn in 2Q26, mainly driven by strong Tanker performance supported by higher shipping rates amid regional conflict in Middle East coupled with higher revenue from Gas Carrier, Dry-Bulk & Container and Services segment. The revenue was partially offset by lower revenue from integrated logistics segment. Revenue from Integrated Logistics segment declined 16.0% YOY to USD 559 Mn in 2Q26, due to lower Offshore project and Offshore contracting segment revenue, partially offset by higher Offshore Services revenue. Offshore Contracting revenue declined marginally by 1.0% YOY to USD 355 Mn in 2Q26, due to weaker material handling volumes and lower vessel utilization and pricing despite addition in JUB capacity. Offshore Services increased 38.0% YOY to USD 205 Mn in 2Q26 driven by OSV fleet expansion, higher utilization and chartering activity coupled with increased diesel sales volumes and prices. However, Offshore Projects revenue declined sharply from USD 157 Mn in 2Q25 to negative USD 2 Mn in 2Q26, mainly due to completion of G-Island EPC project in 4Q25 coupled with provision impact related to Bu Haseer project. Shipping revenue increased from USD 512 Mn in 2Q25 to USD 1,925 in 2Q26, mainly driven by revenue surge in Tankers segment mainly due to higher TCE rate, supported by higher revenue from Gas Carrier and Dry-Bulk & Containers services. The Company's services segment revenue increased 23.8% YOY to USD 100 Mn in 2Q26, supported by the inclusion of warehouse revenue following the reclassification of this activity from the Integrated Logistics segment to the Services segment, partially offset by lower volumes at the Petroleum Port Operations and Borouge Container Terminal. Direct costs increased 59.8% YOY to USD 1,516 Mn in 2Q26. Consequently, gross profit increased from USD 309 Mn in 2Q25 to USD 1,068 Mn in 2Q26, with gross profit 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 other expenses of USD 10 Mn in 2Q26 compared to nil in 2Q25. Other income reduced from USD 5 Mn in 2Q25 to negative USD 5 Mn in 2Q26. The Company recorded a provision for expected credit losses of USD 26 Mn in 2Q26, compared to USD 1 Mn in 2Q25. EBITDA from the Integrated Logistics segment declined 44.3% YOY to USD 132 Mn in 2Q26, with EBITDA margin of 23.7% in 2Q26. Meanwhile, Shipping segment EBITDA increased from USD 147 Mn in 2Q25 to USD 943 Mn in 2Q26, with EBITDA Margin improving from 28.7% in 2Q25 to 49.0% in 2Q26. Services segment EBITDA increased from USD 15 Mn in 2Q25 to USD 32 Mn in 2Q26, with EBITDA margin improving to 31.7% in 2Q26 from 18.5% in 2Q25. As a result, total EBITDA rose 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. Operating profit increased from USD 263 Mn in 2Q25 to USD 948 Mn in 2Q26, with margin expanding from 20.9% in 2Q25 to 36.7% in 2Q26. Share of profit from JV increased from USD 8 Mn in 2Q25 to USD 24 Mn in 2Q26. Furthermore, finance income declined 29.7% YOY to USD 3 Mn in 2Q26, while finance costs decreased significantly by 62.9% YOY to USD 9 Mn in 2Q26. Additionally, Income tax expense increased 7.1% YOY to USD 16 Mn in 2Q26. Non-controlling interest contribution increased from USD 7 Mn in 2Q25 to USD 34 Mn in 2Q26.

Balance Sheet Highlights

ADNOCLS cash and cash equivalents decreased from USD 695 Mn in 1Q26 to USD 543 Mn in 2Q26. Net debt declined from USD 420 Mn in 1Q26 to USD 257 Mn in 2Q26. Consequently, the net debt to EBITDA ratio improved from 0.28x in 1Q26 to 0.06x in 2Q26. ADNOCLS total capex increased from USD 264 Mn in 1Q26 to USD 283 Mn in 2Q26. Moreover, the Company's free cash flow increased significantly from USD 130 Mn in 1Q26 to USD 468 Mn in 2Q26.

Target Price and Rating

We maintain our BUY rating on ADNOCLS with a revised target price of AED 7.65. ADNOC L&S delivered a strong 2Q26 performance, driven primarily by a significant improvement in Shipping, supported by elevated tanker TCE rates, stronger ADNOC-related activity and fleet additions. Shipping is expected to remain the key earnings driver through 2026, with the Company upgrading segment revenue growth guidance to mid-80% YOY and EBITDA growth to low-190% YOY, reflecting stronger-than-expected tanker market conditions. The Company expects tanker TCE rates to remain elevated through 2H26, supported by low global crude and gas inventories and long voyage durations, while new VLCCs are expected to contribute immediately from 3Q26 through short-term market-linked contracts. ADNOC-related activity remains a key growth driver, with ADNOCLS becoming the primary transporter for most ADNOC molecules and cargoes moving through the Strait of Hormuz. The Shipping outlook is further supported by the Company's ongoing fleet expansion. ADNOCLS has increased its committed 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. The Company also remains well positioned to benefit from the Ruwais LNG project, with its expanding LNG fleet expected to support ADNOC Group's higher LNG production and export volumes. Gas Carrier margins are expected to stabilize as LNG vessels transition into long-term ADNOC Gas contracts, following pressure from chartered-in vessels and provisions during 1H26. The AW Shipping JV also delivered record 2Q26 profits and is expected to see further profitability growth as additional vessels are delivered, although most cash flow is expected to be retained within the JV to fund newbuild deliveries. Integrated Logistics remains the key drag on overall performance, although the Company expects a gradual recovery through 2H26. Material handling volumes increased from around 282K in 1Q26 to 287K in 2Q26 and are expected to exceed 300K in 2H26. Offshore activity should benefit from higher ADNOC production, although large EPC projects similar to G-Island and Bu Haseer are unlikely to recur in the near term. The two VLCCs affected by the projectile are expected to remain out of service for six to eight months, although both vessels are fully insured and the claims process is underway. ECL provisions are also not expected to be material in 2H26, with potential reversals in 3Q26 following the significant provisions recognized during 1H26. At the consolidated level, ADNOCLS has upgraded its 2026 guidance to mid-20% YOY revenue growth, mid-60% YOY EBITDA growth and high-110% YOY net profit growth, reflecting the significantly stronger Shipping outlook and gradual recovery in Integrated Logistics. ADNOC Group's planned USD 150 Bn investment programme through 2030 remains a key structural growth driver, with higher oil, gas and LNG production expected to support long-term demand for ADNOCLS services. The Company has USD 21 Bn of forward contracted revenue with ADNOC from 2027 onwards, providing strong earnings visibility as the Group expands its production and export capacity. Despite the accelerated pace of capital deployment, the Company reiterated that its dividend policy remains unchanged, with dividends not being deprioritized. The Board approved an interim cash dividend of USD 85.3 Mn (AED 313.3 Mn), equivalent to 4.23 fils per share, for 2Q26. Overall, the combination of elevated tanker rates, strong ADNOC-related activity, significant fleet expansion, improving Integrated Logistics volumes and substantial contracted revenue provides strong visibility for earnings growth. We therefore maintain our BUY rating with a revised target price of AED 7.65.

ADNOC L&S - Relative valuation

(at CMP)	**2024**	**2025**	**2026F**
PE (x)	16.25	14.65	6.92
PB (x)	2.51	2.46	1.89
EV/EBITDA	11.00	8.59	5.02
EPS (AED)	0.375	0.417	0.882
BVPS (AED)	2.430	2.475	3.228
DPS (AED)	0.136	0.161	0.169
Dividend yield (%)	2.1%	2.5%	2.6%

FABS Estimates & Co Data

Note – ADNOC Logistics & Services listed on ADX in 2023. Thus, the financial multiple for the prior period is unavailable

ADNOC L&S – P&L

USD Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,258[1]	1,083	2,584	1,441	79.3%	NM	NM	5,016	6,287	25.3%
Direct cost	-949[1]	-802	-1,516	-1,021	48.4%	59.8%	NM	-3,908	-4,248	8.7%
Gross profit	**309**	**281**	**1,068**	**420**	**NM**	**NM**	**NM**	**1,108**	**2,039**	**NM**
G&A expenses	-50	-54	-79	-65	22.2%	57.7%	47.2%	-205	-244	19.1%
Other expenses	0	-18	-10	0	NM	NM	-44.9%	0	-28	NM
Other income	5	39	-5	29	NM	NM	NM	50	138	NM
Provision for ECL, net	-1	-22	-26	-7	NM	NM	21.1%	-10	-13	31.1%
EBITDA	**400**	**368**	**1,106**	**533**	**NM**	**NM**	**NM**	**1,515**	**2,495**	**64.7%**
EBIT	**263**	**226**	**948**	**377**	**NM**	**NM**	**NM**	**944**	**1,893**	**NM**
Share of profit from JV	8	14	24	20	22.1%	NM	73.3%	37	80	NM
Finance income	5	2	3	4	-24.8%	-29.7%	32.5%	19	17	-7.8%
Finance costs	-24	-10	-9	-8	13.0%	-62.9%	-8.0%	-87	-34	-61.1%
Profit before tax	**251**	**233**	**967**	**393**	**NM**	**NM**	**NM**	**922**	**1,956**	**NM**
Income tax expense	-15	-11	-16	-16	2.7%	7.1%	49.9%	-59	-78	33.1%
NCI	7	19	34	23	48.8%	NM	73.0%	24	101	NM
Net Profit	**229**	**203**	**917**	**355**	**NM**	**NM**	**NM**	**839**	**1,777**	**NM**

FABS estimate & Co Data, [1]2Q25 revenue and Tankers revenue figures are based on the originally reported numbers. ADNOCLS subsequently re-presented Q1-Q3 2025 Tankers revenue and direct costs for analytical consistency, with no impact on Gross Profit, EBITDA or Net Profit.

ADNOC L&S - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross margin	24.6%	25.9%	41.3%	NM	NM	22.1%	32.4%	NM
EBITDA margin	31.8%	34.0%	42.8%	NM	879	30.2%	39.7%	948
Operating margin	20.9%	20.9%	36.7%	NM	NM	18.8%	30.1%	NM
Net profit margin	18.2%	18.7%	35.5%	NM	NM	16.7%	28.3%	NM

FABS estimate & Co Data

Key Developments:

- **7 August 2026:** ADNOC L&S announced the acquisition of 11 vessels for around USD 1.3 Bn, comprising six VLCCs and five VLGCs, to expand its crude oil and gas transportation capacity. Nine vessels, including six VLCCs and three VLGCs, are scheduled for delivery in 3Q26, while the remaining two VLGCs are expected in 4Q26. The additions will increase the Company's VLCC fleet to 14 vessels and VLGC fleet to 12 vessels, with the vessels expected to support ADNOC's growing production, trading and export volumes.
- **14 July 2026:** ADNOCLS two VLCCs, Al Bahyah and Mombasa B, were struck by projectiles while transiting the Strait of Hormuz, resulting in significant damage to both vessels. Al Bahyah is owned by ADNOC L&S, while Mombasa B is operated under a time-charter arrangement.
- **10 July 2026:** ADNOCLS placed an order for four next-generation LNG carriers, each with a capacity of 175,000 m³, for around USD 900 Mn, with deliveries scheduled for 2029. The order takes the Company's LNG newbuild programme to 18 vessels and supports the expansion of ADNOC's global LNG marketing and trading activities. The Company also took delivery of Meera, the first of four VLACs, further expanding its gas transportation fleet.
- **23 March 2026:** ADNOCLS confirmed the early delivery of Arada, its fifth newbuild LNG carrier with a capacity of 175,000 m³, built by Jiangnan Shipyard in China, as part of its fleet expansion programme. The vessel has commenced operations following delivery.
- **27 April 2026:** ADNOCLS took delivery of its sixth 175,000 m³ next-generation LNG carrier from Jiangnan Shipyard in China, completing part of its $1.2 billion LNG fleet expansion programme launched in 2022. The vessel supports the Company's growing long-term contracted LNG transportation business, while incorporating advanced technologies designed to reduce methane emissions and improve operational efficiency.

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	8.03	70.0%	5.62
Relative Valuation (RV)	8.64	20.0%	1.73
DDM Method	2.99	10.0%	0.30
Weighted Average Valuation (AED)			**7.65**
Current market price (AED)			6.42
Upside/Downside (%)			+19%

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 8.7%. It arrived after using the cost of equity of 8.8% and the cost of debt of 4.7%. Cost of equity is calculated by using a 10-year government bond yield of 4.9%, beta of 0.9 and equity risk premium of 4.6%. 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)	3,430
Terminal value (USD, Mn)	15,271
Net Debt (as of June 2026)	-2,525
FV to Common shareholders (USD, Mn)	**16,175**
No. of share (Mn)	7,396
Current Market Price (AED)	6.42
Fair Value per share (AED)	**8.03**

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	2,102	1,495	1,484	1,535	1,604
Depreciation & Amortization	474	493	529	557	569
Capex	-891	-1,416	-1,407	-922	-797
Change in Working Capital	-509	144	-39	-57	-56
Free Cash Flow to Firm (FCFF)	**1,175**	**715**	**567**	**1,113**	**1,320**
Discounting Factor	*0.97*	*0.89*	*0.82*	*0.76*	*0.69*
Discounted FCFF	**569**[1]	**637**	**465**	**840**	**917**

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

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 10.8x and the Shipping business is valued at EV/EBITDA multiple of 6.9x in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Integrated & Marine peers					
ADNOC DRILLING CO PJSC	25,659	12.5	11.6	17.6	16.3
EMIRATES CENTRAL COOLING SYS	4,247	10.8	10.1	14.5	13.3
DUBAI ELECTRICITY & WATER AU	37,710	10.0	9.4	16.6	15.7
ABU DHABI PORTS CO PJSC	6,999	8.2	7.6	13.3	11.8
DTC	1,498	11.5	8.3	25.9	16.4
Average		**10.6x**	**9.4x**	**17.6x**	**14.7x**
Median		**10.8x**	**9.4x**	**16.6x**	**15.7x**
Max		**11.5x**	**10.1x**	**17.6x**	**16.3x**
Min		**10.0x**	**8.3x**	**14.5x**	**13.3x**

Source: FAB Securities

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Shipping peers					
QATAR GAS TRANSPORT(NAKILAT)	6,589	13.5	11.1	14.8	12.5
CMB. TECH NV	5,124	6.9	7.4	6.7	9.7
STAR BULK CARRIERS CORP	3,236	5.3	5.9	6.4	7.3
DORIAN LPG LTD	1,902	5.1	9.5	5.6	12.2
GOLAR LNG LTD	5,151	24.1	26.1	52.2	117.1
FLEX LNG LTD	1,640	11.4	11.6	13.6	14.1
FRONTLINE PLC	8,560	5.2	8.2	4.8	10.5
Average		**10.2x**	**11.4x**	**14.9x**	**26.2x**
Median		**6.9x**	**9.5x**	**6.7x**	**12.2x**
Max		**12.5x**	**11.3x**	**14.2x**	**13.3x**
Min		**5.3x**	**7.8x**	**6.0x**	**10.1x**

Source: FAB Securities

3) DDM Method:

ADNOC Logistics and Services is expected to pay USD 341 Mn dividend for 2026 with quarterly payment and PCS distribution, supported by contracted cash flows. The dividend is discounted at the cost of equity of 8.8%.

Sum of PV (USD, Mn)	1,374
Terminal value (USD, Mn)	4,637
FV to Common shareholders (USD, Mn)	**6,012**
No. of share (Mn)	7,396
Current Market Price (AED)	6.42
Fair Value per share (AED)	**2.99**

DDM Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
H1	171	179	188	198	207
H2	171	179	188	198	207
Total Dividend	**341**	**358**	**376**	**395**	**415**
Discounting Factor	*0.97*	*0.89*	*0.82*	*0.75*	*0.69*
Present Value of Dividend	**165[1]**	**319**	**308**	**297**	**286**

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

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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