

ADNOC Logistics & Services Plc (ADNOC LS)

Current Price
5.43

Target Price
AED 6.50

Upside/Downside (%)
+20%

Rating
BUY

Navig8 Acquisition Summary

- ADNOC L&S acquired an 80% stake in Navig8 for USD 1.04 Bn, while the remaining 20% stake will be acquired in June 2027 for consideration between USD 355-450 Mn, depending on Navig8 ad-interim EBITDA performance. Navig8 was supposed to be acquired for a consideration of USD 1.04 Bn earlier, but ADNOC L&S paid a consideration of USD 1.0 Bn owing to Navig8's shareholder's decision to distribute cash dividends to themselves, resulting in a permitted leakage.
- The acquisition is likely to be at least 20% accretive to EPS in 2025 compared to 2024. It is also expected to deliver an unlevered IRR of low double-digit.
- This acquisition enables the company to expand its global presence & commercial reach as well as diversify its service offerings, including commercial pooling, technical management, environmental solutions, digital services, and market analytics.
- Navig8's worldwide presence across five continents will strengthen ADNOC L&S's international operations, with a strong client base in the shipping, bunkering, and commercial pooling sectors.
- The acquisition of an 80% stake in Navig8 is funded using a hybrid capital financing instrument, which provides equity funding at the cost of debt. Approximately USD 1.0 Bn of this instrument will be utilized to fund the acquisition at an all-in interest rate, including all associated fees below the Secured Overnight Financing Rate (SOFR) plus 150 basis points (bps).
- Navig8 has a fleet size of 32 vessels. After the acquisition, the combined fleet size will increase by 40% to 110 vessels, enabling access to a larger fleet of vessels.
- The Company will unlock synergies worth at least USD 20 Mn per year in the form of economies of scale and cost savings on technical management fees from FY2026 onwards. It will capitalize on Navig8's commercial pooling platform and global chartering capabilities to improve revenue efficiencies, as well as generate savings on bunkering costs.
- Commercial shipping pools offer advantages such as economies of scale, reduced risk through diversified exposure, network expansion, and improved market access.
- In 9M24, the estimated post-acquisition combined revenue stands at USD 3.9 Bn, with a contribution of USD 1.2 Bn from Navig8 to the total revenue.
- Post-acquisition combined pro-forma EBITDA for 9M24 will amount to USD 1.2 Bn.
- The post-acquisition combined pro-forma net debt-to-EBITDA stood at 0.5x in 9M24.
- The pro-forma combined net income for 9M24 stood at USD 0.8 Bn.
- The consolidated revenue is expected to grow in the mid to high 40% range in 2025 while the consolidated EBITDA is projected to witness YOY growth of high teens. The consolidated net income is expected to grow by low to mid-single digit in FY2025 owing to an expected growth in tanker rates.
- The capital structure guidance for 2025 includes an estimated net debt to EBITDA ratio of 2-2.5x in the medium term, with an average debt financing cost likely to be around 6%. ADNOC L&S anticipates an effective tax rate below 9% and targets to grow annual dividend per share by 5% from FY2024.
- The Company plans to add vessels to its fleet going forward.
- ADNOC L&S expects TCE rates in the market to rise in the medium term across the tanker segment. It maintains a favorable long-term outlook for the tanker sector, driven by strong underlying demand and supply fundamentals. Additionally, the macroeconomic environment is expected to support yields in the medium term.

Transaction Pro-Forma Financials 9M 2024



Transaction will be strategically and financially transformative to ADNOC L&S

	ADNOC Logistics & Services		Navig8		ADNOC Logistics & Services + Navig8
Revenue '9MA	\$2.7bn	+	\$1.2bn	=	\$3.9bn +46%
EBITDA '9MA <i>(% margin)</i>	\$0.9bn <i>(32%)</i>	+	\$0.3bn <i>(27%)</i>	=	\$1.2bn +38% <i>(31%)</i>
Net Debt / EBITDA	0.18x	+	1.5x	=	0.5x ³
Net Income '9MA	\$0.6bn	+	\$0.2bn	=	\$0.8bn ⁴ +33%
# vessels '9MA	78x	+	32x	=	110x
Fleet mix <i>(# of vessels)</i>		+		=	

Integr8 is planned to be jointly controlled and therefore is presented as non-consolidated but with share of profits captured in EBITDA

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

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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