FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 1Q25

UAE Equity Research | Sector: Industrial | Market: ADX

ADNOC Logistics & Services PLC (ADNOCLS)

Current Price	Target Price	Upside/Downside (%)	Rating
4.74	AED 6.50	+37%	BUY

1Q25 Net Profit lower than our estimate

- Revenue rose 40.6% YOY to USD 1,181 Mn in 1Q25, attributed to strong growth across all segments.
- Revenue from Integrated Logistics grew 22.6% YOY to USD 628 Mn in 1Q25 due to healthy growth across EPC projects and improved utilization rate across Jack-up barges. Offshore Contracting revenue grew 14% YOY to USD 300 Mn, Onshore Services grew 8% YOY to USD 136 Mn, and Offshore Projects increased substantially 54% YOY to USD 192 Mn in 1Q25.
- EBITDA of Integrated Logistics services increased 14.7% YOY to USD 182 Mn in 1Q25, and EBITDA Margin declined 202 bps YOY to 29.1% due to accelerated completion of lower-margin EPC projects.
- Revenue from the Shipping Segment grew significantly from USD 251 Mn in 1Q25 to USD 469 Mn in 1Q25, mainly driven by the consolidation of revenue from Navig8 tanker fleet. Tankers' revenue increased from USD 150 Mn in 1Q24 to USD 382 Mn in 1Q25 mainly due to Navig8 revenue contribution of USD 290 Mn, Gas Carriers revenue increased 19% YOY to USD 39 Mn in 1Q25, and Dry Bulk & Container revenue declined 30% YOY to USD 47 Mn in 1Q25.
- EBITDA of the shipping segment grew 26.2% YOY to USD 143 Mn in 1Q25 with an EBITDA margin of 31.0%.
- Services Segment revenue rose 9.4% YOY to USD 84 Mn in 1Q25, attributable to an increase in Borouge Container Terminal volumes and share of profit from Integr8.
- Services Segment EBITDA rose 51.7% YOY to USD 18 Mn in 1Q25 with a 593 bps YOY growth in EBITDA margin.
- Total EBITDA rose from USD 286 Mn in 1Q24 to USD 344 Mn in 1Q25 with EBITDA margin of 29.1% in 1Q25 compared to 34.0% in 1Q24.
- Net profit attributable to the equity holders declined 6.8% YOY to USD 181 Mn in 1Q25.

Earnings Call Summary

- 1Q25 earnings include the acquisition of an 80% stake in Navig8 from 6 January 2025, adding a fleet of 32 tankers, including a bunker tanker.
- Shipping rates volatility is driven by an increase in delivery of tankers ahead of new production. Solid long-term contracted revenues of USD 25 Bn underscore the resilience of ADNOC L&S's business model.
- International investment in XRG creates strong growth prospects in the chemicals, gas, and low-carbon energy sectors.
- The Company will no longer need to consolidate commercial pooling revenue under the current accounting rules, which will boost its EBITDA margin, but moderate the revenue growth in the Services segment.
- EPC margins impacted the EBITDA growth in the Integrated Logistics segment
- Navig8 acquisition witnessed a USD 12 Mn bargain gain along with a weaker rate across the LNG carriers and Dry Bulk tankers. Rates for TCE are expected to improve in 2Q24.
- Net income declined 5% YOY to USD 185 Mn due to additional non-cash depreciation from the Navigate acquisition, which was driven by the fair value gain and timing gap between the deal signing and completion. Additionally, the short-term financing cost on the Navig8 acquisition also impacted the net income.
- The Company witnessed a gain on sale of MGC "YAS" in 1Q25, and terminated a LNGC "Al Khaznah" contract.

- Offshore contracting witnessed 23% YOY growth in the number of vessels and 26% YOY growth in volumes handled. Jack-up barge fleet grew 10% YOY with a 4% increase in utilization rate.
- The Company has drawn USD 1.1 Bn from its hybrid capital instrument with a capacity of USD 1.3 Bn in 2025 and up to USD 2 Bn in future. The funding is priced efficiently at 125 bps over SOFA.
- The company projects an addition USD 3 Bn in capex until 2029.
- Effective tax rate decreased from 9% to 6% due to the implementation of a 1% effective tax rate on international shipping income.
- Targets annual dividend per share growth of 5% annually over the USD 273 Mn distributed in 2024.
- Weakness across LNG carriers brings a temporary effect on ADNOC L&S as its new fleet will be contracted on a long-term basis.
- ADNOC L&S sees a strong outlook for tanker rates as the build fleet does not match the outlook demand in tonnage, while the OPEC production volumes are also increasing.
- Diversification and investments in Integrated Logistics with long-term contracts protect ADNOC L&S from big cyclicity in the market.

ADNOC LS – P&L

USD Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch
Revenue	840	881	1,181	1,220	-3.1%	40.6%	34.1%
Direct cost	-600	-662	-952	-968	-1.6%	58.7%	43.7%
Gross profit	**240**	**219**	**229**	**252**	-9.1%	**-4.6%**	**4.7%**
G&A expenses	-35	-36	-56	-22	NM	58.9%	54.0%
EBITDA	**286**	**282**	**344**	**339**	1.4%	**20.3%**	**21.7%**
EBIT	**210**	**190**	**200**	**233**	-14.0%	**-4.6%**	**5.0%**
Finance income	4	4	6	2	NM	35.8%	56.1%
Finance costs	-4	-4	-26	-13	95.4%	540.4%	631.3%
Profit before tax	**213**	**195**	**196**	**225**	-12.8%	**-8.0%**	**0.7%**
Income tax expense	-20	-15	-12	-13	-14.0%	-40.8%	-22.1%
Profit for the period	**194**	**180**	**181**	**211**	**-14.6%**	**-6.8%**	**0.4%**

FABS estimate & Co Data

Group 2025 and Medium-Term Outlook

	FY 2025 Growth[1]	Medium-term CAGR Growth[2]
Consolidated Revenue	Mid to high 20% YoY growth[3]	Low single-digit growth
Consolidated EBITDA	High teens YoY growth	High single-digit growth
Consolidated Net Profit	Low double-digit YoY growth	High single-digit growth

CAPEX

Medium-term: Projected an additional US$3bn+ by 2029, beyond the projects already announced, achieving the targeted unlevered IRR.

Capital Structure

- Medium-term: Target 2.0-2.5x Net Debt to EBITDA
- Projected average all-in cost of debt finance 6.0%
- HCI financing costs are paid out of subsidiary retained earnings, hence no P&L impact

Others

- ADNOC L&S effective tax rate (ETR) decreased to 6% from 9% during 2025
- Navig8 acquisition accounting results in an incremental depreciation of $54m in FY 2025 on fair value uplift, reducing in subsequent years – refer to appendix
- Dividends: Targeted annual dividend per share growing by 5% annually from the 2024 dividend of US$273 million plus PCS distributions

[1] Compared to FY2024 actuals which exclude Navig8 [2] 2026-2029 CAGR [3] On consolidation & review of accounting treatment, ADNOC L&S determined accounting for commercial pooling on a net basis not recognizing revenue attributable to 3rd parties contrary to Navig8's previous treatment; partially offset by gross reporting of subchartering. This is IFRS compliant, as a result revenue decreases while EBITDA and Net Income remain unchanged.

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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