

ADNOC Logistics & Services PLC (ADNOCLS)

Consolidation of Navig8 revenues boosted the top-line

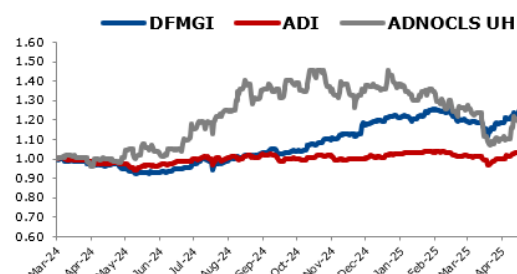
Current Price
AED 4.73

Target Price
AED 6.50

Upside/Downside (%)
+37%

Rating
BUY

- Revenue rose 40.6% YOY to USD 1,181 Mn in 1Q25, mainly driven by consolidation of Navig8 revenues.
- Company acquired 80% stake in Navig8 for USD 1 Bn, added 32 tankers, expanding global shaping capacity.
- Over 65% of FY25 revenue is secured through long-term contracts, ensuring strong earnings visibility.
- ADNOC L&S integrates AI for logistics optimization and invests in low-carbon, dual-fuel vessels to meet decarbonization goals.
- Free cash flow grew 29% YOY To USD 202 Mn, with a low net debt/EBITDA ratio of 0.8x in 1Q25.



1Q25 Net Profit lower than our estimate

ADNOC Logistics & Services Plc's (ADNOCLS/the Company) net profit declined 6.8% YOY to USD 181 Mn in 1Q25, lower than our estimate of USD 211 Mn. The decline in net profit is mainly driven by an increase in direct costs, G&A expenses, and finance costs along with addition of depreciation from Navig8 acquisition, partially offset by a rise in revenue and lower tax expenses.

P&L Highlights

ADNOCLS revenue rose 40.6% YOY to USD 1,181 Mn in 1Q25, primarily driven by the robust performance across all business segments. Revenue from the Integrated Logistics segment 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. Shipping segment revenue grew significantly from AED USD 251 Mn in 1Q24 to USD 469 Mn in 1Q25, mainly driven by the consolidation of revenue from Navig8 tanker fleet. Contribution from Navig8 revenue boosted Shipping revenue by USD 290 Mn in 1Q25, partially offset by lower charter rates that impacted Tankers revenue. Furthermore, the Services segment revenue grew 9.4% USD to 84 Mn in 1Q25 due to consolidation of Navig8's commercial pooling fees, increase in Borouge Container Terminal volumes, and share of profit from Integr8. ADNOC L&S direct cost increased 58.7% YOY to USD 952 Mn in 1Q25. EBITDA for the Integrated Logistics business increased 14.7% YOY to USD 182 Mn in 1Q25 with an EBITDA margin of 29.0% in 1Q25 compared to 31.0% in 1Q24. Furthermore, the Shipping segment EBITDA increased from USD 114 Mn in 1Q24 USD 143 Mn in 1Q25 with an EBITDA margin of 30.6% in 1Q25 compared to 45.3% in 1Q24. Similarly, the Services business EBITDA grew 51.7% YOY to USD 18 Mn in 1Q25 with an EBITDA margin of 21.3% in 1Q25 compared to 15.4% in 1Q24. As a result, total EBITDA grew 20.3% to USD 344 Mn in 1Q24. The EBITDA margin declined 491 bps YOY

Stock Information

Market Cap (AED, mm)	34,994.90
Paid Up Capital (mm)	3,994.34
52 Week High	5.90
52 Week Low	3.89
3M Avg. daily value (AED)	22,805,380

1Q25 Result Review (USD, mm)

Total Assets	9,735
Total Liabilities	3,752
Total Equity	5,982
EBITDA	344
Net Profit	181

Financial Ratios

Dividend Yield (12m)	2.87
Dividend Pay-out (%)	36.20
Price-Earnings Ratio(x)	13.94
Price-to-Book Ratio (x)	1.66
Book Value (AED)	0.77
Return-on Equity (%)	14.39

Stock Performance

5 Days	0.64%
1 Months	7.01%
3 Months	-12.41%
6 Months	-13.21%
1 Year	21.28%
Month to Date (MTD%)	-2.47%
Quarter to Date (QTD%)	-4.06%
Year to Date (YTD%)	-12.89%

to 29.1% in 1Q25, mainly due to low margins from EPC project and lower charter rates in the shipping segment. The operating profit declined 4.6% YOY to USD 200 Mn in 1Q25. Furthermore, ADNOCLS finance income increased 35.8% YOY to USD 6 Mn in 1Q25. On the other hand, finance costs grew substantially from USD 4 Mn in 1Q24 to USD 26 Mn in 1Q25 due to the short-term financing cost on the Navig8 acquisition and the addition of borrowings. Additionally, tax expense declined to USD 12 Mn in 1Q25 from USD 20 Mn in 1Q24.

Balance Sheet Highlights

ADNOCLS' cash and cash equivalents increased to USD 535 Mn in 1Q25 compared to USD 348 Mn in 1Q24. Net debt stood at positive USD 1,104 Mn in 1Q25 compared to negative USD 54 Mn in 1Q24. The net debt to EBITDA ratio rose from negative 0.05x in 1Q24 to positive 0.8x in 1Q25. ADNOCLS incurred a total capex of USD 70 Mn in 1Q25, down from USD 125 Mn in 1Q24. Moreover, the Company's free cash flow stood at USD 202 Mn in 1Q25 compared to USD 157 Mn in 1Q24.

Target Price and Rating

We maintain our BUY rating on ADNOC L&S with a target price of AED 6.50. ADNOCLS witnessed solid performance, underpinned by 40.6% YOY revenue growth and 20.3% YOY increase in EBITDA during 1Q25. The consolidation of Navig8 significantly boosted Shipping revenues, while strong operational momentum in Integrated Logistics driven by high utilization of Jack-Up Barges, expanded OSV fleet, and accelerated EPC project execution, added resilience. Despite margin dilution from lower-margin EPC projects and softer shipping rates, the outlook remains strong with long-term contracted revenues of c. USD 25 Bn, a robust investment pipeline of AED 10.8 Bn including 14 LNGCs, 9 VLECs, and 4 VLACs all scheduled for delivery between FY25-FY28. The company's low net debt-to-EBITDA ratio 0.8x and significant free cash flow USD 202 Mn in 1Q25, and strategic adoption of AI-driven logistics systems position it well for sustained growth and efficiency gains. ADNOC L&S executed key strategic initiatives, including the 1 Bn acquisition of an 80% stake in Navig8, added 340 years of newly contracted revenue of expanding its fleet with energy-efficient vessel and enhanced logistics capabilities through new Jack UP Barges and Offshore Support Vessels. The Company expects to maintain strong future outlook, supported by continued revenue and EBITDA growth across its key segments. With over 65% of 2025 revenues already contracted and over USD 3 Bn in additional planned investments through 2029, the company remains well-positioned to deliver on its medium-term growth strategy while supporting shareholder returns. The Company maintains its progressive dividend policy, offering a 5% increase over 2024 dividends. These factors collectively support our BUY rating on the stock.

ADNOC L&S - Relative valuation

(at CMP)	2023	2024	2025F
PE (x)	NA	12.65	11.20
PB (x)	NA	2.05	2.33
EV/EBITDA	NA	8.36	9.95
DPS (AED)	NA	0.14	0.14
Dividend yield (%)	NA	2.9%	3.0%

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	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	840	881	1,181	1,220	-3.1%	40.6%	34.1%	3,549	4,409	24.2%
Direct cost	-600	-662	-952	-968	-1.6%	58.7%	43.7%	-2,609	-3,368	29.1%
Gross profit	240	219	229	252	-9.1%	-4.6%	4.7%	941	1,041	10.7%
G&A expenses	-35	-36	-56	-22	NM	58.9%	54.0%	-142	-104	-26.5%
Other expenses	0	0	0	0	NM	NM	NM	-4	-4	0.0%
Other income	4	5	29	4	NM	NM	NM	20	21	5.0%
Provision for expected credit losses, net	1	3	-2	-1	38.3%	NM	NM	3	-9	NM
EBITDA	286	282	344	339	1.4%	20.3%	21.7%	1,149	1,361	18.5%
EBIT	210	190	200	233	-14.0%	-4.6%	5.0%	817	945	15.6%
Share of profit from JV	4	4	8	4	NM	NM	92.2%	14	13	-12.0%
Finance income	4	4	6	2	NM	35.8%	56.1%	16	6	-63.8%
Finance costs	-4	-4	-26	-13	95.4%	NM	NM	-18	-54	197.9%
Profit before tax	213	195	196	225	-12.8%	-8.0%	0.7%	829	909	9.7%
Income tax expense	-20	-15	-12	-13	-14.0%	-40.8%	-22.1%	-73	-55	-25.1%
Net Profit	194	180	181	211	-14.6%	-6.8%	0.4%	756	855	13.0%

FABS estimate & Co Data

ADNOC L&S - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross margin	28.6%	24.8%	19.4%	-920	-543	26.5%	23.6%	-289
EBITDA margin	34.0%	32.0%	29.1%	-491	-295	32.4%	30.9%	-151
Operating margin	25.0%	21.6%	16.9%	-803	-469	23.0%	21.4%	-160
Net profit margin	23.1%	20.4%	15.3%	-778	-512	21.3%	19.4%	-192

FABS estimate & Co Data

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	7.19	70.0%	5.03
Relative Valuation (RV)	6.00	20.0%	1.20
DDM Method	2.68	10.0%	0.27
Weighted Average Valuation (AED)			6.50
Current market price (AED)			4.73
Upside/Downside (%)			+37%

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 8.4%. It is arrived after using the cost of equity of 8.5% and the cost of debt of 6.0%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.9 and equity risk premium of 3.9%. 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)	2,182
Terminal value (USD, Mn)	13,082
Cash (as of March 2025)	-787
FV to Common shareholders (USD, Mn)	14,477
No. of share (Mn)	7,398
Current Market Price (AED)	4.73
Fair Value per share (AED)	7.19

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	903	1,065	1,142	1,189	1,237
Depreciation & Amortization	400	472	484	518	549
Capex	-1,736	-607	-875	-1,294	-732
Change in Working Capital	113	-28	14	26	30
Free Cash Flow to Firm (FCFF)	-320	902	765	439	1,084
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFF	-304	791	619	328	748

Source: FAB Securities

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 10.6x and the Shipping business is valued at EV/EBITDA multiple of 7.7x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
<u>Integrated & Marine peers</u>					
ADNOC DRILLING CO PJSC	22,860	11.5	10.8	16.1	14.8
EMIRATES CENTRAL COOLING SYS	4,492	11.8	11.0	16.5	14.9
DUBAI ELECTRICITY & WATER AU	36,346	9.7	9.3	18.0	16.7
ABU DHABI PORTS CO PJSC	5,541	9.4	8.5	15.1	13.3
DTC	1,770	10.9	9.7	17.7	14.8
Average		10.6x	9.9x	16.4x	14.9x
Median		10.6x	10.0x	16.3x	14.9x
Max		11.6x	10.9x	16.9x	15.4x
Min		9.6x	9.1x	15.8x	14.4x

Source: FAB Securities

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
<u>Shipping peers</u>					
QATAR GAS TRANSPORT(NAKILAT)	7,387	14.9	14.7	15.3	14.4
CMB. TECH NV	1,799	7.7	6.1	NA	NA
STAR BULK CARRIERS CORP	1,812	6.4	4.7	13.2	6.5
DORIAN LPG LTD	943	6.5	6.1	8.0	7.2
GOLAR LNG LTD	3,962	17.7	19.9	26.3	40.3
FLEX LNG LTD	1,301	10.1	9.8	12.7	11.7
FRONTLINE PLC	3,863	6.8	6.3	8.1	6.9
Average		10.0x	9.6x	13.9x	14.5x
Median		7.7x	6.3x	13.0x	9.4x
Max		12.5x	12.2x	14.8x	13.8x
Min		6.6x	6.1x	9.2x	7.0x

Source: FAB Securities

3) DDM Method:

ADNOC Logistics and Services paid USD 273 Mn dividend for 2024 and expects to pay on a progressive basis in the forthcoming period with a minimum growth of 5% per annum. The dividend is discounted at the cost of equity of 8.5%.

Sum of PV (USD, Mn)	1,278
Terminal value (USD, Mn)	4,177
FV to Common shareholders (USD, Mn)	5,395
No. of share (Mn)	7,398
Current Market Price (AED)	4.73
Fair Value per share (AED)	2.68

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
H1	143	150	158	166	174
H2	143	150	158	166	174
Total Dividend	287	301	316	332	348
Discounting Factor	0.95	0.88	0.81	0.74	0.69
Present Value of Dividend	272	264	255	247	239

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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