

ADNOC Drilling



# ADNOC DRILLING COMPANY P.J.S.C.

## Regional Expansion In Oman & Kuwait

### Webcast & Conference Call Transcript

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## CORPORATE PARTICIPANTS

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**Massimiliano Cominelli** - ADNOC Drilling - Vice President, Investor Relations

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**Youssef Salem** - ADNOC Drilling - Chief Financial Officer

## CONFERENCE CALL PARTICIPANTS

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**Ricardo Rezende** - Morgan Stanley

**Anna Kishmariya** - UBS

**Ruben Dewa** - Jefferies

**Mick Pickup** - Barclays

**Guillaume Delaby** - Bernstein Societe Generale

**Ildar Khaziev** - HSBC

**Aakarsh Tomar** - SICO

## PRESENTATION

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**Massimiliano Cominelli** - ADNOC Drilling - Vice President, Investor Relations

Good day, everyone, and welcome to today's call about ADNOC Drilling's strategic expansion in Oman and Kuwait.

My name is Max Cominelli, Vice President of Investor Relations.

Prior to continuing, please refer to the disclaimer on the second slide.

Today's presentation includes forward-looking statements which are subject to risk factors and assumptions. This presentation will be available on our Investor Relations website.

I will now pass the floor to our CEO, Mr. Abdulrahman Alseiari, for his opening remarks.

**Abdulrahman Al Seiari** - ADNOC Drilling - Chief Executive Officer

Thank you Max, and good day to everyone. As you know, our growth strategy is underpinned by three key strategic pillars, Enersol, Unconventional Resources and Regional Expansion.

And, today, we are delivering on our regional expansion strategy.

I am happy to announce that ADNOC Drilling has partnered with SLB in their Kuwait and Oman drilling business.

This is a very exciting opportunity for ADNOC Drilling and I will share more details.

Next slide please.

I am happy to share our first material regional step, with ADNOC Drilling getting a 70% equity stake in SLB's land business in both Oman and Kuwait.

The financial consideration is up to \$112 million, including earn-out, for eight fully operational land rigs, six in Oman and two in Kuwait.

The rigs are under contract with the national oil companies in both countries, PDO and KoC. This transaction will be funded through our existing debt capacity, optimizing our balance sheet.

Finally, we expect the transaction to increase our earnings and deliver attractive returns. I will hand over now to Youssef, who will walk you through more details.

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

Thank you, Bu Mohamed and good to be here with you all today. As the CEO mentioned, today ADNOC Drilling has agreed to partner with SLB and get a 70% stake in the land rig business in Kuwait and Oman, comprising eight fully operational land rigs under contract with the respective NOCs of both countries.

The stake will be for a financial consideration of \$112 million, including an earn-out of \$21 million linked to the overall business performance.

This is a significant but calculated and surgical first step as we look to build a platform for value-accretive and de-risked regional expansion.

Oman and Kuwait represent ideal markets for ADNOC Drilling's regional strategy, as both countries have clear drilling plans driven by top-tier NOCs.

We are partnering with SLB on this transaction and the platform we are entering into is already embedded in these markets, with prequalification and operating history.

From a financial perspective, the transaction is highly attractive and will be earnings accretive from day one with an attractive valuation of well under four times 2025 EV to EBITDA.

Moreover, there is an opportunity for further upside as we seek to capitalize on our unique integrated offering. Next slide please...

Overall, this transaction will further support in enhancing ADNOC Drilling's growth, providing us with an important foothold in two leading GCC markets.

This move represents a calculated and cost-effective approach, with a clear focus on financial discipline, value-accretion and risk management.

As highlighted previously, this transaction will be value accretive, delivering premium returns compared to our domestic drilling IRRs. The valuation is also highly attractive with an EV / EBITDA multiple of less than 4x and immediate earnings per share accretion.

The expansion is supported by a secure backlog of around \$0.4 billion, with most rigs under contract until 2028, providing good visibility for operations.

Finally, the transaction is further de-risked by the compatibility of the rigs across the region, including our domestic market.

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Operationally, the platform is well diversified with eight high performing and contracted rigs, six in Oman with PDO and two in Kuwait deployed with KOC, across a variety of specs, from 1000 HP all the way up to 3000 HP.

Overall, we currently expect from this platform FY 205 revenue of over \$120 million with an EBITDA margin greater than 38%.

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To conclude, this is a strategic transaction that enhances our geographic footprint, delivers immediate financial accretion, and positions ADNOC Drilling for long-term growth in the region. It is small enough not to dilute our profitability, and meaningful enough to establish a scalable international platform with further upside.

We expect the transaction to close by the end of first quarter of 2026, pending regulatory approvals. Once completed, the platform will fully consolidate the financials into our Onshore segment and reported accordingly.

This transaction marks the beginning of a new chapter for ADNOC Drilling. It reaffirms our commitment to disciplined growth, shareholder value, and the continued export of ADNOC Drilling's world-class capabilities across the region.

Thank you everyone, and we now open the floor to your questions.



## QUESTIONS AND ANSWERS

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**Ricardo Rezende** - Morgan Stanley

Hello. Good afternoon, all. Thanks for taking my question. A couple of questions, if I may. The first one, I think in a previous call, you said you mentioned the potential for OFS in other geographies, so how would you compare the potential in Kuwait and Oman to the current levels that you have in the UAE? Then, the second question is, just on the total addressable market for those two geographies, how big it could be for ADNOC Drilling? Thank you.

**Abdulrahman Al Seiri** - ADNOC Drilling - Chief Executive Officer

Thank you, Ricardo. I think with regard to the OFS, definitely. Today, we are very extensively engaged in Abu Dhabi, and we are on 57 rigs and plan to go to 62. Now, this is an opportunity also for us to take it to the sectors that we are talking about, both Kuwait and Oman. Actually, we have tender in hand from both Kuwait and Oman on the certain discrete services, cement services kind of thing for both countries, and that we will be participating. Now, this is outside from this JV, but definitely, the opportunities are there too for us to expand there.

In relation to the rigs, today, as we talk, you can understand from the JV that we are establishing here, we are talking about eight rigs, two in Kuwait, six in Oman. Now, can we go for additional? I think we are at the stage where we are establishing this JV and starting a new journey in the region, and for sure, working with our partners, SLB, we can look at the opportunities as it comes. But at least, this is a start where we really wanted to move the needle from being within the Abu Dhabi market only and being in the region, this is the start of a journey, I believe, and hopefully, it will be quite successful for futures to come.

I hope this answers both questions, unless there is more clarification, Ricardo. Please let me know, or Youssef, if you want to add something.

**Youssef Salem** - ADNOC Drilling - Chief Financial Officer

No, I think it's perfect, Mohamed. Maybe just on the market sizing point, so the conventional land drilling market in Oman and Kuwait combined will be more than three times the size of the land drilling market in Abu Dhabi, with almost more than 300 rigs combined between the two markets, so we are effectively starting now with eight rigs. We are talking about low single-digit market share. The idea is to try to ramp this up more towards a high single-digit market share overtime, whether, as Bu Mohamed said, through potential further discussions within our joint venture with SLB, as well as potentially additional expansions outside the joint venture, as well. Because the joint venture with SLB, as Bu Mohamed said, is just the start of a wider regional drilling platform by ADNOC Drilling, which can potentially entail other partnerships and joint ventures in the region, in addition to the one with SLB, as well.

Similarly, for the oilfield services, you can think of this as well as directionally in line with also the market size of the drilling, so it is quite substantial. Effectively, we're going to be looking to use that existing platform we have, even though, as Bu Mohamed mentioned, the services are not from the same JV with SLB. However, the services will be from our overall regional platform, which the JV is one part of, so definitely having on-ground presence and teams and relationships, in addition to the prequalification's we have secured, and the additional things we have in the pipeline, which also come potentially with additional prequalification - all of that will allow us to over time increase our share of the OFS.

So, you can think of it as a journey, the same way in UAE, we started with drilling, and then by adding the services, we benefitted from the integration of both, and that gave us significant competitive advantage. We look to effectively, over time, replicate that competitive advantage in Oman and Kuwait by effectively having that combined, integrated offering over time.

**Ricardo Rezende** - Morgan Stanley

That was very clear. Thank you both.

**Anna Kishmariya** - UBS

Good day. Thank you for taking my questions. I have several. First, starting with the contract lengths, you mentioned that most contracts are going until 2028. Can you provide a bit more color on which rigs don't have this length, and would you expect these contracts to be continuously rolled over? That's one. Second question will be around the exit plan, post lockup period for SLB. What is a lockup period, and at what terms there could be enacted from this 30% stake? Finally, what would be the maintenance CapEx associated with these rigs? Thank you very much.





**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you, Anna, and probably I will ask you probably to repeat the last question, last part of it. But in relation to the contract, majority are up to '28, with potential to extend also, so definitely that's drilling business where, especially in both regions, they continuously go under competitive tendering approach kind of thing, so that will be quite repeated approach. It's not like as the deadline '28, and everything would be closed out there. It will be just another opportunity to extend, and provided we get the right number.

Now, the other part was on the lockup period. Now, contractually, or the plan that we have with our partners, it will be three years. Again, that's something also probably we can look at for options to extend. It depends. I think to start, see what we have done in Abu Dhabi. Today, we have done a joint venture with SLB and established Turnwell. That's something started really very well and showing good progress into the partnership that we have established. Today, we are having this JV.

The opportunities are there. The business is there. So provided we can both - within this period of time that we are talking about, three years, maybe we can look at other opportunities to work together, not only in GCC region, probably others. But we have to assess those options. Definitely, to us, it will be something on top of all the plans. Was there anything else, Anna?

**Anna Kishmariya - UBS**

Maintenance CapEx. Yes, thank you.

**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Go ahead, Youssef.

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

Yes, Bu Mohamed. Yes, perfect, so just re-iterating very quickly, so as Bu Mohamed mentioned, six rigs out of the eight, the expiry is towards the end of 2028, and hence, the vast majority of this is a three-year-plus pipeline, and the couple which expire a bit earlier, we also have the earnout as part of the transaction to make sure we are linking the consideration to the contracts renewal and overall business performance, which further de-risks the consideration, in addition to the fact that, as you have seen, the deal is priced at the contracted backlog level. So we're looking at around \$400 million of backlog at around a 40% EBITDA margin. So it's around \$160 million of EBITDA backlog, and hence, all of the extensions basically provide a further upside. The payback comes directly from the existing backlog.

Also, in terms of your point around the constant renewals, Schlumberger has been operating this business for over 55 years now, starting with Oman and then later entering Kuwait, and obviously these rigs have been - some of them have been built for purpose. For example, the Kuwait rigs, these are 3000 horsepower rigs that were built for purpose to do deep drilling in Kuwait.

Similarly, the rigs in Oman, four out of the six are premium 2000 and 3000 horsepower, and hence these are specialized deep drilling rigs that effectively do have a clear competitive advantage, and the two smaller rigs in Oman, the 1000, are newer rigs. Hence, all the rigs either have the benefit of young age or drilling capabilities, or both.

In terms of your question about if it's after the three years' lockup, to the extent there is any transaction there, then it would happen at fair market value, but as Mohamed said, this is also given the deep relationships with SLB and the multiple partnerships. That may also be extended if it makes sense for both parties. Otherwise, it will be a fair market value at that point in time.

In terms of the CapEx, so for the first couple of years, the CapEx will be around \$15 million per year, and this is to reflect the maintenance, plus some of the upgrades, which are required for these rigs, and hence, effectively, we're looking at an EBITDA of around \$50 million, minus the \$15 million of CapEx. Then, once you adjust for taxes and working capital as well, we end up with free cash flow between \$25 million to \$30 million for these rigs.

Then, once the first two years are over, then the CapEx will drop the maintenance CapEx, which is around half of that, so around \$7.5 million, so that will result in a further free cash flow boost, starting after a couple of years.

**Anna Kishmariya - UBS**

Thank you very much. Very clear.



**Ruben Dewa - Jefferies**

Hi. Good afternoon, and thank you very much for taking my questions. I just have two on my side. Are you able to give us some more color on the economics of the contracts that you have in Oman and Kuwait? Just want to understand why you receive a higher IRR versus the domestic UAE rig framework, given you have the lower margins in Oman and Kuwait. That's my first one.

Then secondly, I was wondering, you give the EBITDA margin for these rigs, but do you have a net income margin you could share with us, as well? Thank you.

**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you, Ruben, and I will have the majority to be responded by Youssef, but definitely, the valuation to start with was very attractive. That's why the IRR is high, but Youssef will give more color into this information. Youssef, can you take over, please, and...

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

Yes, definitely. Bu Mohamed, to your point, the higher IRR is a function of the fact that these are existing rigs, effectively second hand, and as Bu Mohamed said, acquired at a very attractive price, so basically being acquired at under the 4x EBITDA, and that's what's creating the more favorable IRR compared to our existing rigs, which are either - some of them are brand new or potentially younger, even younger, age. However, having said that, our rigs in Abu Dhabi are contracted for 15 years initially, and hence the stability of the rate and the commitment obviously offsets that.

So I think the way we look at this is it's not necessarily that these rigs are better than our rigs. It's just that they're higher IRR to rightly so reflect the higher risk that we take on these assets by effectively having shorter-term contracts. So for us, both are adequately priced to reflect the underlying risk, but also for these regional rigs, because we have them in specs which are competitive with the specs in Abu Dhabi, so we are buying them at IRRs which imply market level risks because of the shorter-term contract. But because we have the backstop in Abu Dhabi, we're able to effectively almost arbitrage that risk by buying at market level IRRs which affect the risk, and then separately de-risking that by having the backstop option to bring them back to Abu Dhabi.

In terms of net income expectations, so it's \$25 million that we expect, so it's around the 20% net income margin on around \$125 million of revenue.

**Ruben Dewa - Jefferies**

Thank you very much. Very clear. I'll hand over.

**Mick Pickup - Barclays**

Good afternoon, everybody. Just a quick question. Obviously, you say you've bought these rigs at a competitive price on the high IRR. That suggests to me it's quite a tough and competitive market in the region, so can you talk about the competitive landscape that you're going to have to face? Who are the key opponents you're going to be facing and what the competitiveness is in those regions, just as we stand?

**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you, Mick. Definitely, the competition will be high in the region, especially Youssef mentioned there is around 300 rigs which we are talking about, between the two places, between Oman and Kuwait. So there is competition, and we believe also we are ready for that. The partner has been there for quite a long period. It's not new market to them. As SLB, they've been there in different fronts.

Now, some of those rigs have been upgraded. Some of their rigs are reasonably new, so for us, as ADNOC Drilling also, I think we have - beyond just competition, we have efficiencies, and that can be something that we can transfer to that - to the region. That makes us also competitive in terms of overall attractiveness to the system, so definitely it's a market that we will learn a lot from, and for sure, we will be able to grow more as we go.

We've been quite frequently doing some benchmarking with the region, how we are compared to the region. Again, to satisfy our what you call Abu Dhabi partners. In Abu Dhabi, we have shareholders who also they are shareholders in the same regions. Considering what's the - that part of the benchmarks is looked at, just to make sure we're not beyond the market. Youssef, if you would like to add any more to this?



**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

No, I'd just say, Bu Mohamed, as you mentioned, we totally appreciate the competitive nature, and that's why, as Bu Mohamed mentioned, we are also going with a player who has been in the market for 55 years and has managed to compete and get built for purpose rigs in and win awards for them, and gets constant - renewed. That's precisely why we did it as a partnership with the partner having double skin in the game, one by maintaining a minority stake, one by having an earnout, to continue to drive - effectively retaining the entire team of that, as opposed to trying to go into greenfield into the market. So, it's precisely because of the reasons you mentioned.

**Mick Pickup - Barclays**

Okay. Thank you, gents.

**Guillaume Delaby - Bernstein Societe Generale**

Yes, good afternoon, and congrats. I remember at the time of the IPO, that original extension basically was, as you said, a key pillar. You just did it, so congratulations. Two quick questions, if I may. First, with SLB, it is only I will say a joint venture partner for basically the next coming years, or is this partnership going to expand? Could it include, I don't know, some kind of oilfield services or whatever? So maybe if you could elaborate a little bit on that.

My second question, it relates to the clients of those rigs, so the national oil companies of Kuwait and Oman. Maybe can you provide a little bit of, I would say, personal color? Do you know them well? What kind of relationship do you have with them? It would be very helpful. Thank you.

**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you for that, and thank you very much for the initial feedback. For the - definitely, it was very strategic plan that we set during the IPO for the regional expansions, and today, alhamdulillah, we have the first step out, though last year, probably we were out also with the Jordan, but this, what we have today is something we wanted to work very extensively. Definitely, it's a good step forward. In this period also, we have by the way qualified in both markets of Kuwait and Oman - prequalified whether it is in the rig services or cement services. So hopefully, we will be having those tenders also at ADNOC Drilling. But with regard to the JV with SLB, it's a partner that we really appreciate and a strong partner, that we will work together.

Now, definitely we are very much ambition, as ADNOC Drilling. We would like to expand more and more, because we have that appetite. Today, we have so much knowledge within Abu Dhabi market to deliver, whether it is rig services or oilfield services, unconventional, you name it. All those things are happening through ADNOC Drilling, so we will be eager to do that, and definitely, we will work with our partner. If he is interested, we will look at the option to expand, also. But definitely, that will be a joint thing that we need to agree together for.

Now, with regard to the client, yes, we are familiar with the clients. Some of them, we know them, some of them, within the ADNOC ecosystem, they know them very well. Actually, today, I had a call with the clients of PDO as a courtesy, telling them about this JV, and really, they were very much appreciative, and they can see the value that will come hopefully through this JV. It was a quite positive call, and very soon, we will be meeting them face to face, also as partners together rather than individuals kind of thing.

I hope that answers Guillaume, or Youssef, if you would like to add more?

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

This is perfect. Thank you, Mohamed.

**Guillaume Delaby - Bernstein Societe Generale**

Thank you very much. Very clear. I turn it over.

**Ildar Khaziev - HSBC**

Thanks. Hi, everyone, and congratulations on the transaction. I'd like to ask about the markets of Oman and Kuwait in general. How would you compare, let's say, Abu Dhabi to these markets in terms of market-wide potential and from the geology perspective, are these markets more mature, more challenging, and how do they look in terms of OFS content in comparison to your domestic market? Thank you.



**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you, Ildar. Now, in terms of geology, I would say plus or minus, same. We have - if you look at Abu Dhabi geology or the spread that we have is about across 300 kilometers spread geology for different types of reservoirs that we have, either exploring or producing. With that, we have all different kinds of capabilities. If we talk about shallow wells, we have those capabilities. If we are talking about deep wells, we have those capabilities, and also, from what we've been talking over the last couple of years, we've been delivering record - world records, also. When we say about world record 53,000 feet extended reach is not deep well - extended reach, which is almost no one having that kind of capabilities today, except ADNOC Drilling, alhamdulillah, working with the client programs to make it happen.

So to me, in terms of these geology and what - plus or minus, it's the same, so it's just Kuwait, okay, they are more slightly deeper wells they have because of the geology, 3000 HP rigs, which again we are extensively using in Abu Dhabi, whether it is 3000 HPs or 2500. We are using them extensively, and it's okay with us.

Oman have plus or minus 1500 and also 2000. Probably very little in the 3000 HPs, so in terms of capabilities of the rigs we have, quite I would say wide experience on all those different type of geologies that we are operating in Abu Dhabi, almost 300 kilometer spread. I hope that answers that.

**Ildar Khaziev - HSBC**

Yes, thank you so much. Thank you. Congrats again.

**Aakarsh Tomar - SICO**

Hi, thank you so much for giving the opportunity and detailed presentation. Congratulations on this new venture. This is Aakarsh Tomar from SICO. I have just one question and wanted to get your thoughts on that. So far, Abu Dhabi was a closed environment, right? You were the only operator there, and you were not present elsewhere. So with you going to Oman and Kuwait and potentially other places, is there a - does that open a door for other companies to come into Abu Dhabi, or does that - it's not there on the table? Just wanted to get your thoughts on that.

**Abdulrahman Al Seiari - ADNOC Drilling - Chief Executive Officer**

Thank you, Aakarsh. I think just for information, Aakarsh, Abu Dhabi has never been closed. Today, as we talk, we have rigs from so many different parts of the world, which they are operating in Abu Dhabi, whether it is jack-ups or land rigs, also. But again, yes, we are the dominant provider, and if there is any rigs per se required, we secure them through open tenders from the market, whether it is international market or the Asian market.

Yes, on the other side of the services, there's been forever open for different type of players who are here, whether it is international, local. All of them are available, and extensive competition goes through. Similarly to what I was answering to - I think to Guillaume, probably, when I was saying about the benchmarks that we are doing, continuously, just to see ourselves where we are with the region. But definitely, quite open. Companies registered in Abu Dhabi, they can participate, and they get business when there is opportunities.

I hope that answers, Aakarsh.

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

Maybe if I can just add quickly, just to be very clear, there's categorically no change - just to be very clear, there's categorically no change in the operating environment in Abu Dhabi, and us going outside in no way is us diversifying away from Abu Dhabi or hedging for something or exiting. It's purely to add additional growth that is de-risked and accretive on top of what we have, but there is zero change in the operating environment in Abu Dhabi, whether from an operating model perspective, whether from a market demand perspective.

If anything, you would have seen the news around a week ago as part of the US visit that now there's an additional unconventional concession for EOG on top of the ADNOC-Total concession and Petronas concession. It's a further expansion of the Zakum field with Exxon. There's a further expansion of the onshore sour gas Shah field with Oxy. So demand in Abu Dhabi is increasing. The requirements for the rig is increasing. The operating model remains exactly the same in terms of how we operate, and this is all incremental growth on top that actually becomes more de-risked the more there is demand in Abu Dhabi, because then we know that we can always bring these rigs back.

So whenever we go outside, it's actually signaling that there's even more confidence in Abu Dhabi that is creating more de-risking that's allowing us to even make more of these moves.





**Aakarsh Tomar – SICO**

That's very helpful. Thank you, Mr Youssef, and really appreciate the transparency on the numbers. Thank you so much, and all the best.

**Youssef Salem - ADNOC Drilling - Chief Financial Officer**

Thank you.

**Abdulrahman Al Seiri - ADNOC Drilling - Chief Executive Officer**

Thank you. Thank you for all joining this call, and to me, the way I see it, very positive and very interactive. The questions which is coming in, very specific, very detailed, and really to me is appreciated. It only gives me more drive towards going to the next growth element to move forward faster. Thank you very much. Appreciate the session, and I hope we were - been able to answer the questions to your expectations. Thank you once again. Appreciate it.