

ADNOC Logistics & Services



# 9M 2024 Earnings Call Transcript

14 November 2024





## Corporate Participants

**Abdulkareem Al Masabi** – ADNOC L&S – Chief Executive Officer

**Nicholas Gleeson** – ADNOC L&S – Chief Financial Officer

**Thomas Backmann** – ADNOC L&S – VP Investor Relations

### *Thomas Backmann – ADNOC L&S – Vice President, Investor Relations*

Hello and good afternoon to everyone, and welcome to ADNOC L&S Earnings Call for the first nine months of the year, 2024. My name is Thomas Backmann. I'm the new Vice President Investor Relations at ADNOC L&S. We are glad to have you attending our nine months 2024 earnings call. On behalf of the team on this call, we greatly appreciate the level of interest and support in ADNOC L&S.

By now, you should have received the earnings presentation. If you haven't, you can download it from ADNOC L&S website in the Investor Relations section.

Before we begin, I would like just to direct your attention to our disclaimer on slide number 2. It contains important information, and we advise caution on the interpretation and limitations of historical data and forward-looking statements.

Presenting today are Captain Abdulkareem Al Masab, ADNOC L&S, CEO, and Mr. Nicholas Gleeson, ADNOC L&S CFO. I will now hand over to our CEO for his opening remarks.

### *Abdulkareem Al Masabi – ADNOC L&S – Chief Executive Officer*

Thank you, Thomas. A very good afternoon to you all, and thank you all for joining us. I am delighted to attend this conference call today.

ADNOC L&S has once again achieved outstanding financial results, maintaining our strong momentum this year and building on the significant growth we experienced in 2023. This strong growth was driven by the continuing execution of ADNOC Logistic and Service's ambitious transformational and growth strategy, continuing to expand into new verticals and international markets. Leveraging our relationship with ADNOC and growing our blue-chip client base, we are well positioned to continue to capture value accretive growth.

In light of this high demand, we have significantly increased our capital expenditure guidance, reflecting our commitment to long-term growth and strategic expansion. The revised medium term capex guidance now includes an additional \$3 billion by 2029. Beyond the projects that have already been announced to the market, we maintain our profit and loss guidance, and remember, we only include investments that have been committed in our profile and our profit and loss guidance.

Before we delve into the specifics of our operational and financial performance, I want to highlight our achievements in health, safety and environmental performance. ADNOC L&S is deeply committed to the 100% HSE, striving to ensure no harm to people or the community. This dedication has resulted in an exceptional track record with our lost time incidence frequency and total recordable incident rate significantly below the industry benchmark.



On the left-hand side of the slide, you will see that the lost time incident frequency and total recordable incident rate have significantly decreased since 2017 and this improvement is driven by our deeply ingrained safety culture and the adoption of market leading technologies. On the right-hand side of the slide, you can see how we are using artificial intelligence in HSE through successful deployment of SMARTi Solution on offshore fleet. We have also achieved the highest rating from IDS UK recognizing our innovative processes. This upgrade from a gold rating in 2023 highlights our dedication to nurturing a robust culture of innovation.

And to meet the growing demand for low carbon energy sources in the UAE and beyond, we have continued to expand our market leading fleet through significant new construction contracts for energy efficient vessels. The company awarded contracts of up to \$2.5 billion for up to 10 new LNG carriers, and through AW Shipping, \$1.4 billion for 9 very large ethane carriers, and \$500 million for 4 very large ammonia carriers. These new vessels will be among the world's largest ethane and ammonia carriers under one energy efficient dual fuel engines. And this new order by AW Shipping reinforces ADNOC Logistic & Services' ongoing fleet expansion and will bolster our ability to transport lower carbon energy sources and support the energy transition.

Finally, on the Navig8 acquisition announced during the first half of 2024, which will further accelerate the company's growth strategy, regulatory approvals required to complete the deal are in process with anticipated completion by 31st of March 2025, and there is a lot in the pipeline with incremental value accretive growth projects that we anticipate in the near future.

And with this, let me hand over to Nick to update you in detail on the nine months 2024 results. Over to you, Nick.

### Nicholas Gleeson – ADNOC L&S – Chief Financial Officer

Thank you very much, Captain Abdulkareem, and I'd really like to thank everyone for joining us again today on the call.

One and a half years after our IPO, we're very pleased once again to continue delivering outstanding results. We maintain our guidance provided with the Q2 results for the full year 2024 will continue to grow very strongly. We're growing profitably driven by the ongoing execution of our ambitious, transformational growth strategy, and you've seen in the past few months just how much has been delivered against that strategy.

In line with the strategy, we continue to deliver strong value accretive transactions, often backed by long-term contracts. In fact, in the last six months, we've announced 340 years of incremental contract coverage, so there's a lot happening. We've committed during that period to \$4 billion in gas shipping new build investments towards LNG carriers, very large ethane carriers and very large ammonia carrier assets with options for more to come.

The 8 LNG carriers and the 9 very large ethane carriers committed are contracted for 20 years. That's the 340 years of long-term contracted earnings I'm talking about. And, of course, there are many other contracts which have been delivered in the meantime. That's one of the reasons that you see in the guidance that we're providing now additional information on long-term contracted activity. A very significant proportion of our long-term earnings are already contracted with Blue Chip counterparties globally.

We target low double digit, unlevered IRR's on our new investments. As highlighted in Q2, on long-term contract backed shipping investments sometimes we'll move to the very high single digits on those





IRRs. We delivered \$2.7 billion revenue in the first 9 months of 2024, 38% higher than the same period last year. This growth is achieved across all business segments.

We grew EBITDA by 37% to \$867 million over the same period. EBITDA margins are slightly lower at 32%. We'd already projected this. This is driven by the higher proportion of work which is coming on the G Island EPC contract. Those EPC contracts typically operate at EBITDA margins in the mid to high single digits, so reduce the overall EBITDA margin somewhat.

Net profit of \$576 million was 27% higher than the preceding 9 month 2023 period. The integrated Logistics business benefited from higher activity levels despite 15 lost ILSP days in the first quarter of this year. We've seen higher average daily volumes, higher utilization, higher rates across the board, great strength in the jack-up barge market, including the extended jack-up barge fleet with eight new additions brought into the fleet this year. And that's what allows us to maintain our guidance that we gave in the second quarter for the full year.

The Shipping segment grew strongly, driven by higher charter rates in tankers and dry bulk, with incremental earnings from four VLCC's that we added during 2023. We maintain our guidance that we reported midyear. Revenue growth for 2024 in the low to mid 30% range year-on-year, EBITDA growth low 30% range year-on-year, and net profit growth low 20% range year-on-year.

With that, I'll move to running through the outlook in more detail, and I'll start on slide 6. So, you've seen this slide before, in different iterations. This is how we're accelerating our growth strategy, and each time we report, I'm happy to say we're able to add new pictures and new text as we continue to dramatically grow the business.

We have six LNG carriers due to start delivery from the first quarter of next year, one per quarter, all of those on track or better. Five of these delivered at contracts with ADNOC Gas by the third quarter of 2026, under to which time we plan to operate those vessels in the term charter market, along with the six LNG carrier in this series.

We've now announced commitments to build eight new LNG carriers in Korea, delivering to ADNOC charters in 2028 and 2029 with two additional options yet to be exercised. That will increase the LNG C carrier fleet from 14 to 20 vessels after we take account of the removal of one or two of the older vessels from the fleet.

ADNOC L&S's joint venture with Wanhua Chemicals, AW Shipping, continues to grow from strength to strength. The 9 very large ethane carriers, priced at approximately \$1.4 billion in total, of which we have 50%, will be deployed on 20-year time charter contracts generating revenue of around \$4 billion through 180 years of aggregated contract coverage. Upon receiving the nine new vessels, AW Shipping will own one of the world's largest fleets of very large ethane carriers to service, amongst others, Wanhua's import demand.

The contract for four very large ammonia carriers is priced at approximately \$500 million of which we own 50%. These VLAC's are not yet contracted. They're targeted to serve the emerging ammonia transportation market. And if you're familiar with the generation of the shipping market over time, we've seen the same with LNG in the past, we've seen the same with ethane, we anticipate ammonia being next. But gradually this market will develop, and we expect to eventually see long-term charter markets in ammonia as well.

You'll see that the major recent growth announcements, along with the Navig8 acquisition completion which we anticipate soon, are very shipping centric. We also continue to grow our integrated Logistics



fleet, not only through the growth already announced on jack-up barges, but also investments that we're making across other asset classes as the ILSP and non-ILSP business activities continue to grow. The shipping investments are larger in dollar terms, typically, and have longer lead time to execution; however, we plan to continue to grow the core integrated Logistics business substantially also in the midterm as we've continued to announce.

Moving to slide 7, we're proud to continue delivering strong profitable growth across all of our activities. Revenues grew by 38% year-on-year to \$2.7 billion, EBITDA grew 37% to \$867 million and net profit rose 27% to \$576 million. Free cash flow was 148% higher in the first 9 months versus 2023 driven by EBITDA growth and focused working capital improvement. As a result, our borrowings do remain low, which positions us well to fund the Navig8 acquisition, the announced shipping growth, and to fund what we expect to be at least an additional \$3 billion of value of new value accretive investments before M&A in the midterm.

So to put that in context, at the time of the IPO, we announced that we would invest \$4 billion to \$5 billion by the end of 2028 in value accretive investments on behalf of the business. That's done. That's been completed already, and we're adding now an additional \$3 billion plus of value accretive growth to the business on top of which we have the Navig8 acquisition, and on top of which we see opportunities for further value accretive M&A going forward. So, we continue to be an extremely high growth organization delivering strong value. And what you're seeing in our numbers is as we deliver on these investments, we rapidly deliver strong cash flow, strong EBITDA margin, and strong value growth for shareholders. We expect that to continue to be the case over the midterm.

The Navig8 acquisition is expected to close later this year or, in the worst case, in the early part of next year. Navig8 will serve as a major platform for incremental, high value and long-term contracted growth opportunities, both within and beyond the shipping segment. Remember, they not only own 32 tankers, they have a bunkering business which covers 200 ports globally; they have offices in 15 major cities across 5 continents around the world, so that Navig8 platform is an extremely important platform for our future growth.

Moving to slide 8 and financial performance, we've once again delivered substantial growth in the first nine months of 2024 across all key metrics, and we're maintaining our guidance for the full year. That excludes, of course, the uplift we anticipate from Navig8 where we've shown those numbers on a proforma basis, which will be delivered after we complete the transaction. Bear in mind that the economic benefits of the Navig8 transaction accrue from the first of January 2024. And keep in mind the tanker market that we've seen this year that Navig8's been operating in. So, there is a significant value uplift to come from the completion of the Navig8 transaction.

Integrated Logistics delivered \$561 million in incremental revenue and \$138 million in incremental EBITDA. Shipping contributed an additional \$137 million in revenue and \$77 million incremental EBITDA. EBITDA margins remain strong at 32%. Although, as we mentioned, we have the slight dampening effect of the strong growth through the EPC project, particularly G Island.

Net income continues to grow robustly, even with the new corporate income tax, for the first time this year. We're delivering more in our core segments, and we're adding valuable extensions to our service offerings, just as we promised at IPO and ever since. We're growing both within and beyond the UAE, just as we promised an IPO and ever since. And, we're expanding our business with existing and new Blue Chip international customers at the same time as we deliver strong growth and new opportunities through ADNOC, our anchor client. So, we continue to deliver that transformational growth that we promised at IPO, but we're delivering it at a much faster rate than we promised.



Moving to slide 9, growth highlights for the Integrated Logistics segment. Despite the lost days that we experienced in Q1 this year, Integrated Logistics delivered robust growth in the first nine months of this year. Strong demand and market tightening in the Gulf translated into high utilization and strong rates for our assets with substantial extensions of our activities beyond ADNOC. We continue to grow the Integrated Logistics fleet as the outlook for volumes and activity levels continues to expand. We maintain a balance sheet between owned and chartered vessels as a hedge against market softening. The \$975 million G Island EPC contract is ramping up with targeted completion by the end of this year at 70% or more.

Moving to slide 10, the Integrated Logistics offshore contracting subsegment is an area we're providing additional color in the results this time. You'll see that we subsegment Integrated Logistics into three parts now. Material handling volumes were up 4% in the first nine months of the year, driven by growing demand from strong ADNOC and strong third-party business activity, particularly partially offset by adverse weather conditions in Q1. Diesel sales volumes increased by 11% in the first nine months of this year, and that's due to growth in offshore activities. The expansion of the jack-up barge fleet, powered by strong demand and continued market tightening, translated into high utilization and strong rates for those assets as well.

Moving to slide 11, continued growth and operational performance has translated into further solid financial growth in Integrated Logistics. Revenue grew 51% to \$1.7 billion, EBITDA grew 38% to \$505 million, and net profit grew 28% to \$333 million. That growth has driven by higher volumes and activity rates across the business lines and increased fleet size both owned and chartered, high utilization and average rates on jack-up barges, along with that 25% growth that we mentioned in that fleet in 2023. We've seen continued progress on the G Island EPC contract and the Hail & Ghasha Project has been very strongly delivered as well during this year. We have a continued focus on improving asset utilization and cost efficiencies by leveraging the economies of scale as we grow.

For the first time, we're reporting subsegment results of Integrated Logistics to add some color on the development of each of these major activity areas. We remain focused on enhancing utilization and cost efficiencies by capitalizing on the economies of scale as we expand. We're determined to continue to grow Integrated Logistics segment at a high rate, driven by the continued execution of EPC contracts, expansion of jack-up barges fleet, as well as all of the other activities, ILSP and non-ILSP, that we're delivering so successfully here in the Gulf, and we'd like to do that in the Gulf and beyond through organic acquisition growth, as well as potentially through mergers and acquisitions.

Moving to slide 12, tanker rates were slightly softer in Q3 which is typical of seasonality for that market and we also tend to reposition some of our fleet in Q3 to benefit from the strength we see during Q2 and at the end of the year in Q4. The Q3 softening in tanker rates is typical. It's accentuated by OPEC Plus cuts and by lower Chinese oil imports. However, ton mile demand for crude oil tankers is expected to remain robust through the end of this year and in next year, mainly driven by expectation of growth in oil exports from the Americas.

Moving to slide 13, fleet utilization rates remain in the mid 90% range. In dry bulk, increased chartering days to meet higher transport volume demand have led to higher revenues and higher profitability. TCE rates for tankers and dry bulk remain firm, despite seasonal softening in Q3, driven by higher ton mile demand in the ongoing Red Sea conflict. Although gas carriers time charter rates have softened compared to recent years, the broader LNG sector outlook remains very positive in the mid to long-term as new volumes come online through expansions in production infrastructure. There are still a few slots available for new builds in the medium term, similar to tankers, which strengthens the outlook for rates.



On slide 14, we show the financials for shipping. So, shipping revenue has increased 23% to \$745 million with EBITDA growing 32% to \$316 million. Tanker revenue rose 41% to \$417 million in the first 9 months of the year, and EBITDA for tankers surged by 73% to \$204 million year to date, driven by those higher rates in the first half of the year and the addition of 4 new VLCC's last year. Dry bulk revenue increased 14% to \$218 million in the first 9 months of this year, and EBITDA and dry bulk grew 16% to \$53 million compared to \$45 million last year.

Revenue from gas carriers decreased 9% to \$110 million in the first 9 months of this year, with EBITDA dropping 21% to \$59 million. This is mainly driven by the fact that in 2023, we had to on spot hire two LNG carriers, so we were chartering in and out two LNG carriers, which are no longer contributing to that segment.

Looking ahead, gas carriers are expected to grow strongly with the delivery of six new LNG vessels, starting from at least the first quarter of next year, with construction progressing positively. In tankers, charter rates are expected to remain robust, driven by continued tight vessel supply, and that's expected to persist at least until 2026. For dry bulk, strong rates are anticipated for the remainder of 2024. And shortly, we'll speak to the anticipated impact of Navig8 on top of all of this.

Services is a newly named segment. In the past, it was Marine Services, which was our petroleum ports operations and oil spill response. What we've added in now is some of our onshore activities, and we're preparing this segment to include some of the activities that will come in from Navig8 in the future. So, Services now includes marine terminal operations, oil spill and hazardous and noxious substances response, onshore operations, and in the future will include other activities such as bunkering, for example, from the Navig8 acquisition. This is positioning the segment to include the Navig8 bunkering, commercial pooling and other activities, including their environmental technology investments.

Services achieved a 20% growth in revenue reaching \$252 million and a 48% increase in EBITDA with a three-percentage point expansion in EBITDA margin. This growth is driven by higher activity levels and volumes once again, in petroleum ports and onshore terminal operations, along with the execution of the new marine terminal operations contract from the beginning of this year. We anticipate steady revenues in EBITDA from PPO and OSRC businesses, supplemented by the new activities that we've mentioned on completion of the Navig8 transaction.

Slide 15 describes our cash flow profile. And as you've heard already, our operating free cash flow remains extremely strong. They've grown by 10% to \$708 million driven by that continued profitable growth. Free cash flows reached \$347 million in the same period, up \$140 million on the first 9 months of last year. And this increase has allowed the business to continue to fund growth investment with limited drawing on debt.

Net debt remains low as a result, positioning the company well for the next phase of our transformational growth strategy, and that's one of the reasons that we're able to speak so confidently about the incremental \$3 billion plus and our ability to realize even further growth than what we'd announced at the time of the IPO and have already delivered. This strategy includes financing increased international activity and expanding into adjacent verticals, whilst maintaining the medium term target of 2.5x net debt to EBITDA. And additionally, we've added \$557 million in PPE in the first 9 months of this year. So, we're investing at a high rate, preparing for new growth investment at a high rate, and we're preparing ourselves to deliver more value accretive projects in the future.

Moving to sustainability on slide 17, we've made significant progress once again in our shipping fleet in both 2023 and 2024. We continue to invest in dual fuel and alternative fuel vessels to support sustainable growth over the long-term and to ensure that we're meeting the UAE decarbonization and





Net Zero agendas. The key benefits include a combination of environmental, operational, economic and market advantages. We have significantly reduced our emissions; we've lowered our greenhouse gas emissions; we're increasing our operational flexibility; we're lowering our operational costs, in particular bunkering costs; market competitiveness is improving and we have greater potential for future proofing our business as we continue to grow.

On the left-hand side of the slide, you can see the main abatement projects planned for shipping from 2024 to 2050, including dual fuel, fleet modernization, air lubrication systems, FSIU deployments, alternative fuels and the use of biofuels. These boxes show the abatement and the estimated percentage of reduction per vessel on average.

The chart on the right highlights the ADNOC L&S carbon intensity pathway to 2030. This indicates that the company is making significant progress in surpassing the IMO emissions intensity reduction target of 40% by 2030. Important case studies are highlighted in terms of oil spill detection and prediction, teleoperated vessels and hybrid power solutions. These modern initiatives reduce fleet consumption and increase operating efficiency, considering our deep sea vessels and offshore fleet.

Moving to slide 18, segmental medium term results might be different than we've presented in the past, because we're providing subsegment results for Integrated Logistics, as we have with Shipping in the past, and we've extended the Services business to include activities beyond PPO and oil spill response.

Following strong first nine-month results and continued growth in activities across all business segments, we confirm our full year guidance. In Integrated Logistics, we expect revenues to grow in the mid 40% range in 2024 and thereafter at a mid to high single digit percentage of the medium term. We expect EBITDA growth in the low 30% range in 2024 and mid-single digit percentage beyond 2024.

Despite Q1 weather delays and deferred progress on G Island, strong non-ADNOC Logistics volumes and jack-up barge fleet growth, our outlook for utilization rates remains as it was for 2024.

For the Integrated Logistics segment, we anticipate continued growth driven by higher transported volumes, enhanced contributions from jack-up barges, increased rates, higher utilization, fleet growth and the ongoing delivery of projected activities. Our focus on offshore contracting and various EPC projects will further bolster the segment's performance.

Moving to Shipping, and this not yet an incorporated Navig8 deliverables, we got revenue growth from the low to mid-teens in 2024 and mid to single digit growth in the midterm. For tankers, we've seen slight softening in rates in Q3 which is typical of seasonality and the start of Q4 is seeing rates becoming stronger again. We expect further strengthening during the remainder of this year and beyond.

For gas, we expect slight reduction in revenue in 2024, which is driven by the current spot market environment, but the medium-term outlook remains strong.

For dry bulk and containers, we anticipate better performance in 2024 on a better than anticipated first half performance due to strong rates environment for dry bulk.

In the Shipping segment, we expect robust charter rates for tankers and dry bulk to continue, supported by the expansion of the VLCC fleet. We expect EBITDA growth in the high 20% year-on-year range in 2024 and in the mid teen year-on-year growth range at the medium term.

In Services, the long-term nature of contracts gives us long-term visibility on these earnings. We expect revenues to grow in the mid-single digit percentage range in 2024 and the low to mid-single digit





percentage range over the medium term. We see EBITDA growing in the high single digit percentage range in 2024 and thereafter flat to low single digit in the medium term. And the Services segment is projected to show exceptional growth driven by increased volumes in petroleum ports and onshore terminal operations, and long-term service contracts, including those for waste packaging, gateway operations at Khalifa and Kezad and contracted diving services will provide a stable revenue base for the business.

So overall, our medium term outlook remains positive, with strong growth expected across all segments. We're confident that our strategic initiatives and investments will continue to drive value for ADNOC Logistics & Services and for our shareholders. And bear in mind, we still need to talk to Navig8.

Group medium term outlook on slide 19. Here we're showing the outlook pre and post Navig8. So you see on the left-hand side of the page, on the left-hand side of that table, the numbers excluding Navig8, and on the right hand side of the table, the numbers including proforma outcomes for Navig8 based on their performance delivery in 2023. So without Navig8, we expect 2024 revenues to grow slightly upwards in the low to mid 30% range year-on-year. Over the medium term, we expect revenue growth in the high single digit percentage range.

We expect EBITDA growth for 2024 in the low 30% range, driven by strong top line growth. We expect EBITDA to grow in the mid-teens percentage range year-on-year in the medium term. And we expect net income to grow in the low 20% range 2024 and the low percentage teens range on average in the medium term. That's before Navig8.

On a proforma basis, including Navig8 as though it performs the way it did in 2023, 2024 would see revenue growth beyond 90% and EBITDA growth beyond 70%. In the medium term, that would translate into revenue and EBITDA growth in the high teens percentage wise. Net income would grow beyond 50% in 2024 and in the mid-teens percentage range year-on-year thereafter.

2024 capex is expected to exceed \$1 billion. And in addition, we'd have \$1 billion for the acquisition of 80% of Navig8, hopefully by the end of this year, but at least within the first quarter of next year we expect. Year to date, we've committed to more than \$5 billion spending on highly value accretive projects. This over \$4 billion is ADNOC L&S's share of those investments, noting that the VLACs and VLEC's are 50% owned through AW Shipping.

We've added over 350 years of contracted earnings this year, including those new gas investments, which added 340 years. Regarding capital allocation, we retain our low double digit, unlevered IRR target on investments, with the exception for long-term contract backed shipping, where we'll accept in the very high single digit range.

We continue to contemplate new M&A which enhances our international growth and business expansion potential, bearing in mind the anticipated focus on realizing the full value of the Navig8 acquisition in the coming years. There's no change to our midterm target net debt to EBITDA at 2x to 2.5x, and there's no change to our stated dividend policy. We now expect the effective tax rate to be below 9% and there'll be more on that when we release our results for the full year with the external audit sign off.

It's really important, before we move to contracted revenue, if we just go back to that prior slide, it's very important to look at our guidance in terms of pre- and post-Navig8, and to understand just how much value Navig8 is going to add to our numbers going forward. We announced at the time of the transaction that you would see an immediate 20% earnings accretion on the transaction. The economics of the transaction accrue to ADNOC L&S from the first of January 2024. The way the



accounting standards work is our purchase price accounting, our acquisition accounting, will see the incremental retained earnings generated from 1st of January 2024 until transaction date.

Moving to contracted revenue slide 20, this is new information that we're providing to the market, which is really important to understand the strong counterparty backed underpinning, the underpinning that we have, behind all of the business activities. So, we've talked about the 340 years of incremental contracts we've added to our portfolio.

What's important to understand is that in Integrated Logistics, our operations mainly consist of offshore contracting, which includes material handling contracts, jack-up barges and various EPC projects such as G Island. We also have offshore chartering activities which involve various vessel types, like DP2's, PSVs and ferries.

For the Shipping segment, our major revenue comes from long-term contracts for gas carriers. Dry bulk and tankers mostly generate revenue on a spot basis, and we ensure a steady income stream through these long-term agreements in gas.

In the Services segment, we have long-term service contracts for operations such as for waste packaging, gateway operations at Khalifa and Kezad, the oil spill response contracts with ADNOC and contracted diving services. For the purpose of illustrating fixed contract months, we've included 50% of AW Shipping contracted revenue in our revenue numbers. Bear in mind that in our results, we only show the EBITDA and the net profit from AW Shipping. Since we're showing the numbers on a revenue basis, we thought it was valuable to include also the revenue for AW Shipping. These long-term contracts provide us with stable and predictable revenue, allowing us to plan and execute our growth strategy effectively, and it allows us to take risks in areas where we think that there's value in the spot market, but most importantly, it underpins the financing of our significant future growth program.

Many thanks for your attention today. With that, I'll pass back to Captain Abdulkareem and then after that, we'll open to questions.

[Abdulkareem Al Masabi – ADNOC L&S – Chief Executive Officer](#)

Thank you very much, Nick.

So in summary, we have delivered another set of exceptional results. Accelerating the growth momentum that began in 2023 the diligent execution of our transformational growth strategy is evident in the strong revenue and profitability growth trajectory across all business segments, and we remain poised for further strong growth and substantial value accretion investments as we continue to grow and extend our platform through the acquisition of Navig8, which is expected to close later this year or early, maybe, in Q1 next year.

There are three key takeaways from today's presentations. Firstly, we continue to exceed the ambitious financial targets that we set at the time of our IPO, delivering EBITDA growth of 37% and net profit growth of 27% in the first 9 months of 2024. This is a testament to our commitment to making high quality investments that deliver strong shareholder value.

Secondly, we are successfully executing our transformational growth strategy, growing safely and sustainably expanding our fleet and leveraging our AI.

Thirdly, we remain confident in our ability to further strengthen our platform and our position as a global energy maritime logistics leader.



Thank you again for joining us today, and let's open the call to Q&A. As always, we value your insights. Thomas, over to you. Thank you.

### Thomas Backmann – ADNOC L&S – Vice President, Investor Relations

Thank you very much. This concludes our presentation. Now we will proceed with the Q&A session. You can put the questions in the chat, or you can raise your hand and we can do live questions. I will pause for the questions.

### Q&A Session:

**Mohammed** I have two questions, please. The first question is concerning bunker and other consumption costs. I know it's not disclosed quarterly and it's disclosed only annually, but given that it's the largest component in 2023, how much is it in terms of nine months and where do you see it going forward?

The second question I have is concerning the time charter rates mentioned in slide 13. For the gas carriers, it's about 35.9k, but when I calculated the revenues generated for 9 months and divided it by the number of ships and adjusted the number of days, it's giving me a rate of about 70. So, I just wanted to know where the discrepancy between both is coming from. Thank you.

**Nick** Okay, so there were two questions there. In terms of bunkers, so you'll see the detail when we release our financial statements on the bunker cost. But bear in mind that we have a kind of a natural hedge in place when it comes to bunker costs. So, bunker costs are both a cost and a generator of benefit for us. The reason for that is in the international shipping, the vast majority of the bunkers cost passes through with our time charter earnings, so our level of exposure there is relatively limited.

In Integrated Logistics, we consume bunkers in providing our services, but we're also a bunker provider and fuel services provider to third parties on which we make a margin. So, there's no significant negative impact on our business performance as a result of changing bunkers.

On the question of time charters, I'm sorry, I missed part of what you said. Could you just repeat your question please?

**Mohammed** No worries. What I did is I took ten million dollars generated in gas carried revenues, adjusted it for the number of days for the nine months, divided by the number of gas carriers, and it's giving me a rate of about \$70.5 thousand. But the time charter rates mentioned, it's 35.9 for install 13. So, I just wanted to know the discrepancy between both the actual revenue calculated per vessel divided by the number of days and the time charter rates that's mentioned in the table.

**Nick** Okay, I understood your question. So, essentially, there's a spill over there from the activities that we already had in 2023 where we had incremental chartered in



and chartered out assets also fitting into our number and those working on spot. So, we have an impact of the inclusion of the vessels operating on spot, together with the long-term contracted vessels impacting those rates.

What I recommend is we can take this question offline, and we can deal with it directly with Investor Relations, and give you a kind of a written explanation, which will show you how those numbers work.

Mohammed                      Sounds good. Thank you very much. I really appreciate it.

Nick                                Thank you.

Hamid                              Two questions from my end around two different segments. The first one is related to the gas carrier segment. We would like to know what's the reason behind the [indiscernible 42:38] during this quarter and the period as well? And if you can shed some light on the seizing of the Champion contract and what was the reason behind it? Also, I'm wondering if there was an unusual activity of dry docking during this quarter, and that basically is what explains with the current higher sequentially, while net profit is as low. Also on that segment, I believe you mentioned that you've managed to sell some of the older assets to benefit from so it can [indiscernible 43:09] the vessel prices. When should we expect that to take place, or did it happen already?

Nick                                Very good. So in terms of the performance in Q3, if you also look at our numbers last year, and if you look at any of the listed tankers business internationally, you'll see the same sort of thing, which is in Q3 you see a seasonal softening in rates in tankers, and that's just due to a seasonal reduction in the ton mile demand for deliveries. Typically what we do in Q3 as well is we reposition our assets to benefit from the stronger rates that we see returning in Q4, and maximizing the realization of stronger rates at the end of Q2, but you have a kind of a double impact in terms of the impact of rates and the positioning of vessels to benefit from the change in rates in Q4. That's the main one significant in activities, which is dragging results in Q3.

And as I said, we maintain our full year guidance, so this is a part of the trend that we anticipate every year. You'll see where we are year to date in Q3, we're performing strongly, and we anticipate still achieving the results that we've projected to the end of the year. So, I would just look at that impact, particularly on the tankers segment, as being very important to understand why you see a kind of a contraction on the shipping results, typically in Q3 of each year.

I know that answered two of your three questions, but there was one more question that you had?

Hamid                              Yes. So, that's the last part of the first question. You mentioned some of the other assets in the gas carrier segment. When should we expect that if it didn't happen already?

Nick                                Opportunistically, essentially, when we find the right buyer and when we don't have valuable employment for the assets, we'll make a decision based on that





opportunity. We don't feel particularly urgent about realizing the sale of the assets. It's something that we'll look to achieve what we think is the strongest market value.

Abdulkareem

Just to complement what Nick just said, all these vessels are contracted all the way through 2026, and we have been successfully able to contract these vessels through different deployment, either as an FSU's or maybe contractually in the near future as FSU's. So, you've seen that we already have deployed three vessels on an FSU basis. So, again, the best option for us or preference is that we continue to deploy these vessels on longer term deployment, whether it be as an FSU or as FSU's.

Hamid

So, impressive, decent contracted business during fourth quarter of 2024; however, that declined significantly during 2025. Our understanding is that the long-term contracted proportion of Integrated Logistics will continue to grow into 2025; however, if that's the case, does this mean there will be significant growth expected from the non-contract parts of the business, or the contracted parts of the business will decline and will be offset by non-contracted parts?

Nick

No, I get the question that you're asking. And it's important to understand in the Integrated Logistics segment that typically a lot of the contracted activity is around the one-year mark and one year plus. And so what that means is that at any point in time, as you look forward, you'll have a decline into the coming year, but we expect the activity to remain much as it is.

If we look at growth in Integrated Logistics going forward by contract areas, we expect on the Integrated Logistics service platform that volume growth will continue. On non-ILSP, we've seen really strong growth there. We expect it to continue. For jack-up barges with the existing fleet we have in hand already operating at strong utilization and on strong rates, we would expect that to be flat going forward, subject to whether we make any additional acquisitions. On EPC and projects, the expectation is that the project load reduces going forward, because the G Island Project has been particularly large at \$975 million and we typically project \$200 million to \$300 million per year in project activity at that mid to a high single digit margin. So, EPC will come up to some extent. And bear in mind also that that EPC is a long-term project because it goes longer than one year, and that has a very significant impact at the revenue level. So, coming out of the G Island Project also increases that 32% piece of the pie that you're seeing.

So hopefully that gives you a little bit more color on the buildup of that contracted activity over time.

Hamid

Yes, that's very clear. I just thought that the EPC contract is not part of this. Thank you very much. Very important, sure.

Ahmed H.

I have a question regarding the services segment. So, on slide 15, you mentioned that there was a one-off in the EBITDA. So, what was that one-off related to?



- Nick A one-off on EBITDA? I don't think there's a one-off in EBITDA. I think the change that we're seeing in slide 13 is we've now injected some of the onshore operations into the Services segment, which were previously captured in Integrated Logistics. It's not particularly material, but what that's done is take a little bit of value from Integrated Logistics and push that into the Services segment, which is part of the reason for the increase.
- Ahmed H. Okay, and my second question is related to the Integrated Logistics guidance. You mentioned a 40% increase in 2024. Is the growth beyond that on top of the 40% growth? So the 40% growth is also driven by the EPC contracts in 2024?
- Nick The growth that we guide to in the medium term is basically taking a calculation over that period. It's year-on-year growth on average subsequent to 2024 to the end of the guidance period. So yes, we will continue to grow, but at a slower rate because of the high level of growth in the first year.
- Anna Hello, gentlemen. Thank you for the presentation.
- One question from our side on the incremental \$3 billion capex. Apologies, I joined the call a bit later if this question was already answered. So my question on this incremental capex, how should we think about it? Can we expect it to be more back loaded into 2029 or kind of evenly spread in the next five years? How should we think about these capex additions in terms of kind of per year distribution in the medium term?
- Nick I would anticipate it being front to mid end, not backend loaded. I think you can see from everything we've done since the IPO, we're extremely focused on delivering strong growth in the business, and when we find those opportunities, we want to deliver them sooner rather than later. So Navig8 will be a great platform for growth for us in the deep sea shipping, and we're looking to improve on the use of ZMI as a platform for growth in Integrated Logistics, as well as growing our preexisting businesses, we expect that would be in the front to mid end of the forecast period.
- Anna In terms of directions of the spend for this capex, could we reasonably expect that the majority of that additional spend will be directed towards purchases of new vessels or equipment, or kind of a significant chunk of this additional capex spend will also be kind of M&A related?
- Nick So when we guide to capex, we guide to organic growth and M&A is on top of that. So, think about when we're guiding on capex, I think two important things to keep in mind. We guide our numbers that we feel very confident of being able to achieve. It's not pie in the sky. that we're going to be able to deliver or have a strong expectation that we're going to be able to deliver those at our expected unlevered rates of return.
- If there's M&A, we look at that M&A incrementally. And the reason we look at M&A incrementally is because M&A tends to be very binary. You either achieve it or not, you can have other bidders for the same opportunity, so we tend not to



build it into our projected numbers going forward because it's less certain. We want to give numbers to the market that we don't have to step backwards on.

Anna That's very clear. I appreciate the color. Thanks.

Nick Thank you. And by the way, in terms of whether it's on assets and equipment, the vast majority of that will be on assets. It will be on maritime assets. We will also look at some investments, potentially on onshore logistics, supporting the types of activities we have already.

Satish Thanks again for the presentation. I got three questions here.

Maybe first on the jack-up barges, can you just help us understand the number of jack-ups that are coming up for renewal in the next couple of years, and what is your expectation on pricing as you renew those contracts? And how much of it's actually factored in your medium term outlook?

And the second one is around the LNG carriers. If I look into your slide, you talk about six out of five are being already contracted to ADNOC gas; 1 is on 7 and the other 4 are on 15 years. And my question there is, what happened to the other one? Are you planning to use it as a replacement to existing fleet, or you're still in discussion for a potential chartering?

And also, why one is around seven years. If you look at your average duration, you're probably somewhere between 15 and 20 years. Just to understand what is the dynamic there for just one vessel not being contracted out slightly longer?

And the third one is around the same slide on your VLAC's. Obviously, they are not being contracted out yet. Any color around what's your plan? Do you want to keep them on the spot, or do you look to contract them out in the coming years?

And the third one is around the tanker rates in your medium-term outlook. What is your expectation on tanker rates normalization? Are expected to be around this level? How do we see that unwind today versus 2019? Thank you.

Nick So let me go backwards. When we project our rates for assets which are exposed to the spot market, we start off by looking at where the market is today in the short term, and then we tend to bridge to the medium term average for the market. In fact, we typically anticipate rates to move where the market commentators are suggesting. So, we look at the brokers in the market, we think they have as good information as anybody else in terms of projection of the rates. At the moment, the outlook for tanker rates remains quite robust over the next few years, and we certainly believe in that as well.

In terms of the contract period for the LNG tankers, this is customer driven. So essentially, we've entered into one seven-year contract with ADNOC for one of the first six LNG carriers to be delivered in the next two years. Four of them are contracted 15 years, and that's simply to meet ADNOC gas' expected requirements for volumes to be serviced by those assets.



The sixth vessel we wanted to have in our fleet. We believe it's going to be valuable to have an available additional gas carrier in our fleet. And that's the reason that that vessel was not contracted. There wasn't a requirement from ADNOC gas for an additional vessel at this stage. So it's simply market driven, and you need to look at our engagements with ADNOC are very much on an arm's length basis. ADNOC gas is a separate listed business. They need to deliver shareholder returns, just as we do so. So, we're working together to create opportunities. These are real market opportunities driven by their requirements and our own capabilities in terms of providing fleet. And when we provide these assets, we also provide these assets at competitive rates. Otherwise, we won't win the business against others in the market.

So, the background to the 7 and 15 year contracts is simply ADNOC gas' requirements.

Unfortunately, we missed the first part of your question. There's seems to be a bit of a delay in the call. Would you say it again?

Satish Yes, on the jack-up barges, I just want to understand how much of the jack-up barges are coming up for renewal in the next couple of years? And what are you priced, in terms of contract repricing there?

Nick Yes. So the jack-up barges tend to contract from two to five years, mostly at the shorter end of that. We have a reasonable portion of fleet which has already come up and which will continue to come up in the coming year. That's quite typical of this environment. With jack-up barges, what you see is they'll work on a project on a midterm type of contract, as I mentioned, but actually they'll tend to stay on that same contract or same project for longer because they're specified to meet the specific demands of an individual project. So even though you might see a series, for example, of two year extensions on the same asset on an individual project, at the moment we're seeing a dearth of jack-ups in the region, and that's resulting in rates being maintained relatively strongly. And across the fleet, we see continuing strong demand for the existing assets to continue to service their existing activities, although in a few cases, we might see a shift to alternative projects. But at the moment we don't see any reason to anticipate a step backwards in terms of either utilization or rates achieved on the jack-ups, at least in the coming year.

Satish And that's your assumption, the medium term is at least base case is broadly flat? If at all anything, it's an upside to your guidance?

Nick We assume a very high utilization.

Satish Got it. Thank you.

Aaron Thanks again for arranging the call and taking our questions. So, my question is regarding the spot market tanker rates, especially in terms of the VLCC rates. Now, so far in the spot market rates have been fairly weak. Still the seasonal uptick has not played out yet. I understand that especially the demand from China is weak, mainly due to the refining margins being fairly low. There is no incentive for them to order more crude. Also, we have the issue of the gray





market, increase Russian, Iranian and Venezuelan oil. So, my question is, without these issues being sorted out, like maybe a pickup in Chinese demand, or any action on to curtail the gray market, do you think that the VLCC rates can recover?

- Nick So our view at the moment is that we do anticipate VLCC rates recovering. We still believe in the market projections that are being provided by brokers on tanker rates going forward. At this stage, I don't talk to our Q4 numbers specifically, we haven't gone to the market with that. But what I can say is we've maintained our guidance for the full year, which includes our view on the impact of the tankers market, which also includes the visibility that we have on deployment of the tankers today, so that's as much information as I can give you right now. But we do see a continued strong tankers environment, including VLCC. The build out of the VLCC fleet is somewhat less than other tanker segments over the next three to five years, so we remain positive and constructive on the tankers segment, despite the short-term weakness that we've seen in Q3.
- Aaron So overall, let's say average for next year, you expect it to be higher than what it was for this year?
- Nick We provide our guidance for next year based on a slight softening in tanker rates next year compared to the rates we experienced on average year to date.
- Ildar Hello. Thank you very much for the opportunity to ask the question. I have a question about the new ethane carriers, which are on a 20 year charter. Can you disclose who the ultimate customer is? Is that also ADNOC? And on which route do you expect those carriers to be deployed? I'm talking about the ethane tankers.
- Abdulkareem So the VLCC's, we already signed a long-term contract with our partner, Wanhua Chemical Group. And initially, as you would understand, the ethane trade these days, the majority is coming from US to the Far East. This is not fixed at all times, but the majority of it would come from the US all the way to the Far East.
- Shana So my question is regarding the additional \$3 billion of the planned investment, can you elaborate on the primary focus for this new investment? Will the company continue to prioritize the Shipping segment, or are there any plans to diversify into other segments? And additionally, does this investment, include any potential acquisition, or we can see more upside if you consider the M&A?
- Nick So the intention going forward is really to grow the business proportionately to the size of the business in the past. So, we want to grow the Integrated Logistics business and the Shipping business. There have been specific opportunities during the past 12 to 18 months to grow the international gas shipping in particular against long-term contracts. And so, we've done that.
- On top of that, we've wanted for some time to have a global platform for our international deep sea shipping business and the Navig8 acquisition opportunity has given us exactly that, as well as giving us access to tankers that we had



already planned to add to our fleet, in terms of numbers, at a time that we think was particularly valuable to add those tankers to the fleet and at a valuation overall that we think is compelling in terms of the upside for our shareholders over time. So that's why we've seen so much growth in the Shipping side of the business so far.

We do continue to grow Integrated Logistics, and I'd remind everyone that the nature of Integrated Logistics investments is smaller in dollar terms, so you don't always see as much announcement by announcement as you do on the Shipping side, but we do continue to chip away at growth. And we also continue to chip away at growing efficiencies in that business. So, we're doing more with the same fleet than we were in the past.

We do intend to grow that business. We have ambitions to grow the business internationally, as well as into adjacent verticals in Integrated Logistics, and I would expect that that would be a strong component of the ambition in terms of applying the \$3 billion going forward.

Ahmed So we don't have any more raised hands. We can move to the Q&A box. The first question, there was an audio issue where on the explanation of the Navig8 transaction, and he's asking if we can please repeat that part.

Nick No problem. So for the Navig8 transaction, the economics of the Navig8 business accrued to us on completion from the 1st of January 2024. For the period from the 1st of January 2024 until the transaction is complete, the increase in retained earnings of the business will be an increase in the value of the business that we acquire at the same price. So, the price doesn't change, but we're earning the incremental retained earnings from the 1st of January until the date of the transaction. That means we're also bringing that cash into our business, and the earnings uplift is accumulating to our business.

From the date of completion, the P&L will be fully consolidated into our business once we're 80% owners. So, for example, if the transaction completed on the 31st of December this year, for this year, one full year's retained earnings would be added to the value of the business that we acquire, which would be either a reduction in goodwill or an increase in bargain gain on acquisition. And from the 1st of January next year, the P&L would be fully consolidated with our P&L.

Ahmed Thank you, Nick. So we have a comment question coming from Waruna and a look on the effective tax rate. And do you expect the effective tax rate to reach 15% on the long-term or even in any short-term horizon?

Nick We do not. So we've taken steps to make sure that we can expect our effective tax rate to remain at 9% or below that. We're working to make sure that our international shipping income we'll be competitive with international shipping income effective tax rates for other large international shipping companies globally. But at the moment, the expectation is not that the effective tax rate will increase to 15% in the industries in which we're operating.



- Ahmed Thank you. And then we have a question from John Pierre, I think part of it has been answered, but on the anticipated investments in the near and medium term, do you expect to deepen your penetration in existing businesses or enter new activities? And from a geographical perspective, where do you see the greatest growth potential?
- Nick Yes and yes. So yes, we do in terms of existing businesses, and yes, we do in terms of new activities, although we'll always look at activities which are closely related to what we're already doing. So, when we talk about adjacent verticals, we're essentially talking about taking our existing asset base and our capability base and leveraging that to address similar problems in similar activity areas.
- Geographically, we also intend to expand. There are many areas where we think we could bring to bear the positive economics that are coming out of our Integrated Logistics Services platform solution, for example. I don't know, Captain Abdulkareem, if you want to talk about specific geographies. I think at this stage, it's probably competitively disadvantageous to us to talk to the specific locations that we'd expect to expand in, but I'd say areas which are subject to the same challenges that we've solved here in the UAE.
- Ahmed Thank you, Nick. We have two more questions. Again. They were answered verbally, but basically one of the questions is on the \$3 billion capex on deployment timeline, and the other question is, how many of the older LNG vessels do you plan to dispose of or convert to FSU's?
- Nick So, in terms of the incremental \$3 billion spend, normally the anticipated timeline will be at the front to the mid of the projection period. In terms of the older LNGs, we have two Olivet LNGs potentially for disposal or conversion to FSU at the moment, but in our numbers, we're assuming that we dispose two of the FSU's within the coming years.
- Ahmed Thank you very much. We don't have any further questions in the Q&A box or raised hands, so Nick and Captain Abdulkareem, back to you.
- Nick Very good. Thanks very much, everyone, for your attention to the call. I understand there were some audio issues experienced during the call. For the major question areas, in particular, the accounting for the Navig8 transaction, please do look at the information that we post on our website. We're trying to make sure that this is very clear to everyone, to be able to understand how that value accretion works. So it's really important that you understand that the benefit accumulates to us from the 1st of January, 2024 for this transaction once it's complete. So, the 2024 contribution to value will be quite significant.
- I really appreciate the high degree of attention. I know it's a long and complex call, so we understand we might receive some follow up calls, and we welcome that.
- I'll pass back to Captain Abdulkareem.
- Abdulkareem Thank you very much, gentlemen, for the attention here. And I'm told that we have given a very good overview on the Q3 results, and have answered the



majority of the questions. Of course, Nick and Thomas will be available for any further questions that you may like to send to them. So, thank you very much, and have a very good afternoon. Thank you.

Ahmed

Thank you very much to the ADNOC L&S management team, and thank you everyone for attending. You may now disconnect.