

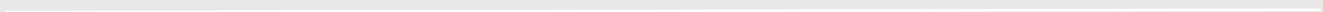


ADNOC Logistics & Services



Q1 2024 Earnings

**Management Discussion & Analysis Report
8 May 2024**





ADNOC Logistics & Services

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

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MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

Financial Highlights

ADNOC Logistics & Services plc (“ADNOC L&S” or the “Company”) released its quarterly results for the period ending on March 31, 2024, once again showcasing significant top and bottom line growth driven by well-timed value-accretive investments, growth in underlying demand, and improvements in business efficiencies. The company continues to benefit from its transformational growth strategy, increasing its targeted medium term CAPEX growth outlook to beyond \$5 billion, and to its progressive dividend policy.

All segments have contributed to the continuing strong performance of the Company in the first quarter of 2024.

Integrated Logistics business benefited from higher rates, utilization and recent asset additions in Jack Up Barges (JUBs); expansion in overall activity levels (despite unfavourable weather conditions in Q1) and growth in owned fleet; and from continued early stages of the \$975 million Engineering, Procurement and Construction (EPC) contract for G-Island.

Shipping benefited from strong charter rates for Tankers and Dry Bulk; and incremental earnings from four new Very Large Crude Carriers (VLCC) added to the fleet in 2023.

Marine Services results grew driven by a new Marine Terminal Operations contract in force from 1 January 2024.

The company achieved exceptional top line gains with revenues for the period increasing 42% to \$840 million. EBITDA surged 44% to \$286 million with EBITDA margin 34%. Net profit grew 34% against Q1 2023 to \$194 million.

USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
Revenue	840	592	42%	828	1%
Direct Costs	(600)	(426)	41%	(621)	-3%
EBITDA ⁽¹⁾	286	199	44%	242	18%
Margin	34%	34%	0%	29%	5%
Net Profit	194	145	34%	165	17%
EPS (\$ /share)	0.03	-	-	0.02	17%
EPS (AED /share)	0.10	-	-	0.08	17%
Capital expenditures	(125)	(43)	189%	(270)	(54%)
Free Cash Flow ⁽²⁾	197	183	7%	(88)	323%
USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
Total Equity	4,600	3,995	15%	4,406	4%
Net Debt ⁽³⁾	(54)	(259)	79%	74	-173%
Net Debt / EBITDA	(0.19)	(0.33)	-	0.08	-



⁽¹⁾ *EBITDA is calculated as profit before income tax, finance costs, finance income, depreciation and amortization*

⁽²⁾ *Free Cash Flow is calculated as EBITDA less working capital adjustments less income tax expense less capital expenditure*

⁽³⁾ *Net Debt and Cash is calculated as debt and debt-like items consisting of shareholder loan and current and non-current lease liabilities less cash and cash equivalents*

Q1 2024 financial highlights:

Revenue for Q1 2024 was \$840 million, an increase of \$248 million, (42%) against \$592 million for Q1 2023; and an increase of \$12 million, (1%) against \$828 million for Q4 2023.

EBITDA for Q1 2024 was \$286 million, an increase of \$87 million, (44%) against \$199 million for Q1 2023; and an increase of \$44 million, (18%) against \$242 million for Q4 2023.

Net Profit for Q1 2024 was \$194 million, an increase of \$49 million, (34%) against \$145 million for Q1 2023; and an increase of \$29 million, (17%) against \$165 million for Q4 2023.

Total Shareholder Returns since IPO were 102% as of 31 March 2024.



Segmental Results

INTEGRATED LOGISTICS

USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
Revenue	546	351	55%	554	-1%
Direct Costs	(409)	(261)	57%	(418)	-2%
EBITDA ⁽¹⁾	160	101	59%	162	-1%
Margin	29%	29%	1%	29%	0%
Net Profit	104	69	51%	116	-11%

⁽¹⁾ EBITDA is calculated as profit before income tax, finance costs, finance income, depreciation and amortization

Year-on-Year Performance

Integrated Logistics revenue grew 55% to \$546 million in the quarter ended 31 March 2024, from \$351 million in the same period last year. This was driven by higher volumes and activity rates across business lines; increased utilization and average rates on Jack Up Barges (JUBs) along with growth investments in 2023 adding 25% to the JUB fleet; coupled with expansion in owned fleet beyond JUBs. Continued progress on the G-Island EPC contract and the Hail & Ghasha project also contributed to the continued growth.

EBITDA was up 59% to \$160 million in the quarter ended 31 March 2024, from \$101 million in the same period last year. This was driven by revenue growth described above, in combination with continuous focus on improving asset utilization and cost-efficiencies.

Quarter-on-Quarter Performance

Revenue slightly decreased by 1% to \$546 million in the quarter ended 31 March 2024, from \$554 million in Q4 2023. The decrease was largely attributed to a highly unusual 45 days of adverse weather conditions, partly mitigated by the high-proportion of long-term contracted revenues, improving utilization of JUB's and continued progress on EPC contracts.

EBITDA of \$160 million in Q1 2024 was 1% lower than the \$162 million achieved in Q4 2023.

SHIPPING

USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
Revenue	251	201	25%	231	9%
Gas Carriers	33	45	(27%)	53	(37%)
Tankers	150	96	57%	112	35%
Dry-Bulk and Containers	68	59	14%	67	2%
Direct Costs	(158)	(133)	19%	(170)	(7%)
Gas Carriers	(28)	(25)	11%	(37)	(23%)
Tankers	(79)	(59)	34%	(80)	(1%)
Dry-Bulk and Containers	(50)	(48)	4%	(53)	(6%)
EBITDA ⁽¹⁾	114	83	37%	82	39%
Gas Carriers	15	29	(49%)	26	(42%)
Tankers	81	43	90%	41	95%
Dry-Bulk and Containers	18	12	56%	15	22%
Margin	45%	41%	4%	36%	10%
Gas Carriers	45%	64%	(19%)	49%	(4%)
Tankers	54%	44%	9%	37%	17%
Dry-Bulk and Containers	27%	20%	7%	22%	5%
Net Profit	82	65	28%	58	43%
Gas Carriers	7	22	(70%)	18	(62%)
Tankers	62	34	84%	28	117%
Dry-Bulk and Containers	14	9	55%	11	21%

⁽¹⁾ EBITDA is calculated as profit before income tax, finance costs, finance income, depreciation and amortization

Gas Carriers

Year-on-Year Performance

Revenue from Gas Carriers was down 27% to \$33 million in Q1 2024 from \$45 million in Q1 2023. This was mainly due to the charter-in of two additional vessels during Q1 2023 deployed on strong charter rates. Furthermore, one LNG vessel technical off hire in Q1 2024.

EBITDA was down 49% to \$15 million in the 3-month period ended 31 March 2024, from \$29 million in the same period last year due to the same factors impacting revenue.

Quarter-on-Quarter Performance

Revenue decreased 37% to \$33 million in the quarter ended 31 March 2024, from \$53 million in the previous quarter due to decline in spot rates and of the Q1 2023 charters in / out of two LNG Carriers; in addition to the technical off hire of one vessel in Q1 2024.

EBITDA of \$15 million in the quarter ended 31 March 2024 was 42% lower than the \$26 million achieved in the previous quarter due to the same factors impacting revenue.



Tankers

Year-on-Year Performance

Revenue from Tankers increased 57% to \$150 million in Q1 2024, compared to \$96 million in Q1 2023. This growth primarily resulted from higher charter rates for Tanker; addition of four newbuild VLCCs to the fleet during 2023; increase in tonne-miles driven by geopolitical tensions impacting shipping voyage distances (supply) and hence also rates.

EBITDA was up 90% to \$81 million in Q1 2024, from \$43 million in Q1 2023 due to the same factors impacting revenue.

Quarter-on-Quarter Performance

Revenue increased 35% to \$150 million in Q1 2024, from \$112 million in the previous quarter due to higher charter rates for Tankers and increased tonne-miles.

EBITDA of \$81 million in Q1 2024 was 95% higher than the \$41 million achieved in Q4 2023, driven by the same factors.

Dry-Bulk and Containers

Year-on-Year Performance

Revenue from Dry-Bulk increased 14% to \$68 million in Q1 2024, from \$59 million in Q1 2023, driven by trade volume growth and the impact of geopolitical events on voyage distances and vessel availability / rates.

EBITDA was up 56% to \$18 million in Q1 2024, from \$12 million in Q1 2023. driven by the factors mentioned above.

Quarter-on-Quarter Performance

Revenue increased 2% to \$68 million in Q1 2024, from \$67 million in Q4 2023, due to higher charter rates and an improvement in trade volumes.

EBITDA of \$18 million in Q1 2024 is 22% higher than the \$15 million achieved in Q4 2023, driven by the factors mentioned above.



Marine Services

USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
Revenue	43	41	7%	44	(1%)
Direct Costs	(33)	(33)	1%	(33)	1%
EBITDA ⁽¹⁾	10	8	28%	12	(16%)
Margin	24%	20%	4%	28%	(4%)
Net Profit	5	4	27%	6	(18%)

⁽¹⁾ EBITDA is calculated as profit before income tax, finance costs, finance income, depreciation and amortization

Year-on-Year Performance

Revenue from Marine Services increased 7% to \$43 million in Q1 2024, from \$41 million in Q1 2023. This was driven by higher activity levels in petroleum ports operations coupled with the execution of Marine Terminal Operations contract with ADNOC Offshore, effective 1 January 2024.

EBITDA was up 28% to \$10 million in Q1 2024, from \$8 million in Q1 2023, driven by revenue growth.

Quarter-on-Quarter Performance

Revenue decreased by a marginal 1% to \$43 million in Q1 2024, from \$44 million in Q4 2023.

EBITDA of \$10 million in Q1 2024 was 16% lower than the \$12 million achieved in Q4 2023.

Free Cash Flow

USD Million	Q1 24	Q1 23	YoY %	Q4 23	QoQ %
EBITDA ⁽¹⁾	286	199	44%	242	18%
Working Capital Adj.	17	28	(40%)	(64)	126%
Income Tax	20	-	N/A	4	452%
Operating Free Cash Flow	322	226	42%	182	77%
Capital Expenditure ⁽²⁾	(125)	(43)	189%	(270)	(54%)
Free Cash Flow	197	183	7%	(88)	323%

⁽¹⁾ EBITDA is calculated as profit before income tax, finance costs, finance income, depreciation and amortization.

⁽²⁾ Refer to Note 11: Property, Plant and Equipment in Financial Statements for further details.

Q1 2024 Operating Free Cash Flow increased by 42% (\$96m) to \$322m, driven by the continuing growth in underlying business and improvement in profitability.

Free cash flows for the same period were \$197 million, up \$14 million from a free cash flow of \$183 million in Q1 2023, as the business continues to fund growth investment primarily through free cash flows after dividends, leaving significant free debt financing capacity to finance the remaining transformational growth program of over \$5 billion in the coming 3-4 years.

During Q1 2024, ADNOC L&S allocated \$125 million towards capital expenditure, retaining its guidance of \$1 billion to \$1.1 billion of value-accretive growth investment to be made during 2024. The company added \$176 million in property, plant and equipment in Q1 2024 (refer Note 6 PPE (Additions) in Financial Statements for further details).



Outlook

Group

The Company revised its 2024 outlook upwards:

- **Group Revenues:** We expect revenue to grow in the low 30% in 2024. Over the medium term, we expect high single-digit percentage YoY growth.
- **Group EBITDA:** We expect EBITDA growth in the low 30% in 2024. Over the medium term, we expect average annual EBITDA growth in the mid-teens percentage.
- **Group Net Income:** We expect net income growth in the low 20% range in 2024. Over the medium term, we target average annual net income growth in the low teens.
- **Capital Structure:** We target a 2.0-2.5x net debt / EBITDA ratio over the medium term, with debt and free cash flows after dividends the primary funding sources for growth investments.

Segmental Medium-Term Outlook

1. Integrated Logistics

- **Revenue:** We expect revenue growth upwards to the mid-40% in 2024. This upwards revision is driven by EPC & Projects especially G-Island \$975m contract; JUB utilization & rates; ILSP volume growth; and non-ILSP expansion. Over the medium term, we expect mid to high-single digit percentage YoY growth.
- **EBITDA:** We expect EBITDA growth upwards to the high 30% range in 2024. Over the medium term, we expect mid-single digit percentage YoY growth beyond 2024.

2. Shipping

- **Revenue:** We expect mid-to-high single digit percentage YoY growth range in 2024.
 - For Gas Carriers, we anticipate 2024 performance broadly in line with 2023 with a YoY growth rate of c. 30% over 2025-27 based on contracted rates.
 - Tankers market is expected to remain firm in 2024 with the potential for some retracement when geopolitical tensions ease, although the major driving force behind rate strength is a growing undersupply of modern tankers.
 - For Dry-Bulk and Containers, we anticipate performance in 2024 in line with 2023 levels with some uptick for the better than anticipated Q1 performance.
- **EBITDA:** We expect EBITDA percentage growth in the high teens to low 20% YoY growth in 2024 driven by the better-than-expected rates environment (YTD). Over the medium term, we target average annual EBITDA growth in the high teens to low 20% YoY growth driven by growth investments.

3. Marine Services

- **Revenue:** We expect low single digit percentage YoY growth in 2024. The long-term stable nature of Marine Services contracted activity in Petroleum Ports Operations and Oil Spill Response Services provides strong revenue visibility. Consequently, we expect revenues to grow in the low to mid-single digit percentage YoY over the medium term.



- EBITDA: We expect EBITDA percentage growth in the high-single digit percentage YoY in 2024. We expect Marine Services EBITDA to grow in the flat to low-single digit percentage YoY over the medium term.



Dividend

ADNOC L&S remains committed to delivering strong profitable growth and attractive shareholder returns. In line with its approved dividend policy, which the Shareholders approved at the Annual General Assembly Meeting, a final cash dividend of \$130 million for the year 2023, equivalent to 6.45 fils per share. The total dividend for Q2 and H2 2023 is \$195 million, equivalent to 9.68 fils per share. The \$65 million dividends for Q2 2023 were paid in November 2023. The dividend for H2 2023 is expected to be paid in May 2024.

In line with the Board-approved progressive dividend policy, the Company aims to increase annual dividends by at least 5% over the medium term, taking the 2023 annualized dividend (\$260 million) as a base.



Earnings Conference Call Details

ADNOC L&S will host the earnings webcast and conference call followed by a Q&A session for investors and analysts on Wednesday, May 08, 2024, at 2:00 pm UAE time / 11:00 am UK time.

The call will be hosted by Abdulkareem Al Masabi (CEO) and Nicholas Gleeson (CFO). Interested parties are invited to join the call by clicking [here](#) .



About ADNOC Logistics & Services

ADNOC Logistics & Services, listed on the Abu Dhabi Securities Exchange (ADX symbol ADNOCLS / ISIN “AEE01268A239”) is a global energy maritime logistics company based in Abu Dhabi. Through its three business units; Integrated logistics, Shipping and Marine Services, ADNOC L&S delivers energy products to more than 100 customers in over 50 countries.

To find out more, visit: www.adnocls.ae

For investors enquiries, please contact: IR@adnocls.ae

Cautionary Statement Regarding Forward-Looking Statements

This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance, and anticipated developments in markets in which we operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "intends", "estimates", "plans", "targets", or "anticipates" or the negative thereof, or other comparable terminology. These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our ability to enter into strategic alliances and third party transactions; ; failure to successfully implement our operating initiatives and growth plans, including our cost savings initiatives, due to general economic conditions, our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, the extent of our related party transactions with other ADNOC Group companies; the introduction of new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated May 16th 2023 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications. Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.

Absolute figures and percentages included in this document have been subject to rounding adjustments.