

ADNOC Logistics & Services



H1 2025 Earnings Call Transcript

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ADNOC Logistics & Services PLC

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أدنوك للإمداد والخدمات بي أل سي

جزء من الطابق 28، الطابق 28، برج السراب، مربعة سوق
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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 the ADNOC L&S earnings call for the first half of 2025. My name is Thomas Backmann, and I'm the Vice President of Investor Relations here at ADNOC L&S. On behalf of the entire team, I would like to warmly welcome everyone, and sincerely thank you for your ongoing interest in ADNOC L&S. We are pleased to have you with us for today's call.

By now, you should have received the First Half 2025 Earnings presentation. If you haven't, you can download it from ADNOC L&S website in the Investor Relations section. I would like to direct your attention to our disclaimer on slide number two before we begin. It contains important information, and we advise caution on the interpretation and limitations of historical data and forward-looking statements. Presenting today are Capt. Abdulkareem Al Masabi, 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, and very good afternoon, everyone, and thank you for joining us today. It's an absolute pleasure to share these truly outstanding results, and we have delivered a record-breaking second quarter and first half for 2025. And we have not only surpassed market expectations, but we have also demonstrated the full strength and resilience of our business.

We are advancing our digital transformations by implementing the AI-enhanced logistic systems, optimising fleet operations through the integrated logistics management system, and digitalising our services with Smart Ports. Our results are influenced by efficiency and adherence to high health, safety, and environmental standards, with ongoing improvements in safety and operational integrity.

And before we dive into the financial results, I would like to briefly highlight a major strategic win from Q2, our 15-year deal, \$531 million agreement with Borouge. This long-term partnership strengthens our revenue, visibility and supports the UAE's industrialisation strategy through enhanced logistics services.

Looking at our first-half performance, revenue hit \$2.4 billion, representing a remarkable 40% year-on-year growth. EBITDA also saw a robust expansion, rising 26% to \$744 million, supported by healthy margins at 30%. Net profit, also, for the period reached \$420 million, an increase of 5% year on year, and 18% higher than the second half of 2024. These results underscore the momentum behind our business and reaffirms our position as a leader in the industry. I couldn't be prouder of our team's dedication and the value we're creating for our stakeholders.

Our first quarter acquisition of Navig8 is delivering meaningful contributions, with \$649 million of revenue for the first half of 2025. And despite the softer shipping rates, performance from the business continues to live up to our very high standards of execution and safety and will continue to provide as a growth platform for our shipping activities.



During the first half of the year, we invested \$1.5 billion into expanding our business. This includes the Navig8 acquisition, as well as investments in our integrated logistics division, such as new offshore support vessels and flat-top barges, and capital expenditures for our new-build vessels programme within our shipping segment. This ambitious new building programme comprises 14 LNG vessels, with two already delivered, along with nine very large ethane carriers, and four very large ammonia carriers, with VLECs, very large ethane carriers, with the VLECs and VLACs being held in a 50% partnership with our Wanhua Chemical.

We are thrilled by the expansion of our fleet, especially as we have secured long-term contracts for 15 to 20 years for 13 of our LNG vessels with ADNOC Gas, starting from the second quarter of 2026, as well as agreement with Wanhua Chemical for up to 20 years, covering all nine very large ethane carriers. These contracts provide us with reliable annuity-style earnings that we believe remain underappreciated by the market.

Even with the level of growth our business is experiencing, our financial position remains strong with a net-debt-to-EBITDA ratio of 0.85 times. This strength gives us the flexibility to pursue further value-accretive investments, which we have a range of promising opportunities in sight. We are prepared to deploy up to an additional \$3 billion in growth investments which is not yet reflected in our current financial guidance, or in the 16 analysts buy recommendations which currently average over 30% upside in our share price.

We continue to remain the primary beneficiary of ADNOC's growth ambition, both within the GCC and internationally, providing us with an extensive list of opportunities to provide logistics and shipping services as ADNOC's requirements continue to grow. This is not just about numbers, it's about strategic alignment with ADNOC's global ambitions.

Our resilience is showcased in our results today, and we believe the market will now begin to appreciate the resilience of our growing long-term contracted earnings within our integrated logistics, shipping and services segments. This level of resilience is rare in our sector, and it gives us the confidence to invest and grow.

We again, have raised our financial guidance which highlights the strong earnings visibility we offer.

Our balance sheet remains strong, at 0.85 times net-debt-to-EBITDA, as highlighted earlier, with financial capacity fully secured to grow while maintaining the financial discipline. For investors, this is a compelling entry point into a company with strong fundamentals and clear growth visibility. Our contracted revenue, strong outlook and disciplined capital structure make ADNOC Logistics and Services a resilient, growth-driven investment story.

We are not just delivering shareholder value, we are building a platform for sustained growth and global leadership.

We turn to slide six. At ADNOC Logistics and Services, Health and Safety & Environment, isn't just a priority, it's our leading principle. It's the way we plan, we perform and measure success across every vessel, port call and project. Today, I want to share what that principle looks like in practice, and the results our commitment has delivered.

We lead with 100% HSE culture, because our people, our partners, and the communities we serve deserves nothing less. And we measure ourselves with rigour, focusing on two indicators that matters the most. The LTI, lost time incident frequency, and the total recordable incident rate, the TRIR. We



have made consistent, measurable improvements over time, with our LTI improving from 0.35 in 2017 to just 0.03 in H1 2025. That is a powerful indicator of safer operations and stronger controls across the board.

Our TRIR has fallen from 0.65 in 2017 to 0.12 in H1 2025, a sustained downward trend that reflects discipline, learning and continuous improvement.

These are not just numbers. They represent people going home safely every day. In June 2025, we crossed a significant milestone, over 23 million LTI-free man-hours across ADNOC Logistics and Services. Our LNG shipping fleet alone has achieved approximately 16 million LTI-free man-hours, a testament to the safe navigation, maintenance, and crew culture. To our crews, our onshore teams, our HSE professionals, and our partners, thank you. These results reflect your professionalism and care for one another, and we are proud of what we have achieved. But we are not complacent. We will continue to improve, to innovate, and to lead with HSE in everything we do. And with that, I will now hand over to Nick to update you in detail on our results. Over to you, Nick.

Nicholas Gleeson – ADNOC L&S – Chief Financial Officer

Thank you very much, Capt. Abdulkareem, and thank you to the analysts and investors joining this call. We really appreciate your interest, and I hope it will be well rewarded. We're extremely pleased with the results we've delivered for Q2 and the first half of 2025, mostly because we believe it's excellent timing, after a period of significant market turbulence, to demonstrate the extreme resilience of our business model.

In Q2 2025, we've delivered record EBITDA and net profit once again, with EBITDA up 31% year on year, and net profit up 14% against Q2 2024. As you can see, integrated logistics remains the key value driver in the portfolio and has delivered exceptional value growth, with EBITDA up 27% versus the first half of 2024. And I look forward to give you more detail on that. Shipping revenues and EBITDA have grown substantially after the acquisition of Navig8, with EBITDA up 25% versus the first half of 2024, despite a weaker environment for shipping rates. Services EBITDA grew 22%, to USD 33 million over the same period.

If we move to slide eight, slide eight speaks to something we're particularly proud of, which is the delivery of value efficiency initiatives across the business to improve profitability in the face of a weaker shipping rate environment. If I look back to the beginning of this year, Capt. Abdulkareem called the leadership team into his office, and he told us it's going to be a tougher year on rates than we'd expected, it's time for people to tighten their belts and find ways to drive profitability in the business. And I'm extremely proud of the efforts that have been made across our organisation to deliver on that.

We expect to unlock over \$100 million of net income improvements in 2025 alone through these initiatives, originally targeted to ensure our ability to maintain guidance despite weaker shipping rates. We spread the target opportunity set wide with goals for all business areas, and we've seen an exceptional response, which continues to grow efficiencies well beyond our initially envisaged outcomes. Going forward, we see at least \$65 million of these improvements being sustainable value contributors, supporting maintenance of our mid-term guidance in dollar terms, even as we factor in potential for weaker rates again in the shipping segments.

On slide nine, I know I've run the calls a little long in the past, I won't go into too much detail on everything, but I am very open to questions at the end, just to ensure we have enough time to cover all the material. Here on this slide, we highlight the exceptional continuing growth announced this



morning. Q2 up 40% on revenue, 31% on EBITDA and 14% on net income. And for the first half, up 40% on revenue, 26% on EBITDA, and 5% on net income.

A few important points to note about these financials. The first one is the resilience of financial performance against lower TCE rates, which is driven mostly by integrated logistics and the value efficiency initiatives we've delivered for the business. We have a positive impact on financing costs coming from the use of the hybrid capital instrument, and we'll be using that more fully by the end of the year, delivering further savings.

Margin dilution impact of finalisation of G-Island, which will be completed within this year, and the outperformance this year on operating free cash flows as we maintain and beat targets, despite the accounting impact of the Navig8 transaction. You'll recall from Q1, we have depreciation on the fair value uplift, as well as the amortisation of the remaining 20% acquisition. And for those who are not aware, essentially what we're required to do in accounting terms, between now and mid-2027, is that we capture all of the anticipated payment for the remaining 20% of Navig8 and amortise it over that period. So we get to mid-2027, and 100% is then fully paid.

Moving on to slide ten, at the beginning of January, we asked integrated logistics to prepare to shoulder the load of the year with the prospect of lower rates in shipping. They've outperformed significantly, with growth across all segments, delivering a 27% EBITDA jump, underpinning a 31% net income jump. The improvements comprise broad-based growth and stronger margins across offshore contracts, offshore services, and delivery on EPC and projects.

The business is leveraging technology through its integrated logistics management system and investing in artificial intelligence applications to deliver further optimisations. You can see what we've been able to do at the beginning of this year. There's more room to continue to do the same. And just imagine what this can do in other energy fields around the world. Integrated logistics is delivering profitable growth at scale, with a diversified earnings base and improving margins. We're well positioned to continue regional growth and to continue to expand internationally.

If we move to slide 11, offshore contracting delivered 29% EBITDA growth, to \$315 million, and 37% profit growth, to \$222 million, with jack-up barges on strong rates and stronger utilisation even than in the past, and ILSP efficiencies very much improved during the period. We've expanded the fleet by an additional three jack-up barges, still bringing utilisation up from 94% to 97% in the process, and with improving rates on renewals. So Jack-ups has been a really strong performer for us.

The OSV fleet increased 11 units, 24%, to meet increasing client demand for volumes now and into the future. Material handling volumes are up 21%, from 489,000 metric tons to 593,000. So, again, really strong growth in the underlying factors of the business with the outlook for that to continue.

If we move to slide 12, offshore services EBITDA is up 17%, to \$77 million, and net income 6% to \$42 million. We added four vessels to the fleet, growing from 66 to 70 assets. Utilisation is down from 94% to 86%, due to planned maintenance and re-contracting. So, we've achieved that uplift in EBITDA and net profit, despite an 8% reduction in utilisation to achieve planned maintenance, which positions us for higher utilisation in the coming year.

Offshore projects grew EBITDA 31%, to \$28 million, and net income 34%, to \$22 million. EPC project delivery for Hail and Ghasha is proceeding well. G-Island slightly behind schedule but anticipated to complete within this year. We're still guiding to \$200 million to \$250 million of EPC projects at mid-to-high-single-digit margins per year going forward, but of course as we come out of G-Island, the \$1-billion project captured mostly over two years, the margin dilution impact will reduce, and you'll see the

impact of these value efficiency initiatives in integrated logistics, where we've really lifted the margins once again. We grew from pre-IPO in the low-20s to the low-to-mid-thirties post-IPO, and when we take out the EPC works, you'll see we're even delivering beyond that now.

On slide 13, shipping is a segment where we've seen the greatest challenge year-to-date, as we'd anticipated at the start of the year. And again, I'd really like everyone to reflect on the resilience of our platform. We can experience a negative environment in our spot-exposed market and still deliver exceptional results. A, because we have so much long-term contracted income, B, because we've been so effective at improving efficiencies and managing our margins, and, C, because of the extent of profitable growth that we have ahead of us.

Tankers revenues are up 163%, and EBITDA is up 30% on the Navig8 acquisition, but net income is down 36%, that's driven by the Navig8 accounting that we've shown in the first quarter of this year and is attached as a summary slide to the presentation. In cash terms, though, focus on the EBITDA. We're very significantly up, even in a weak market.

As rates firm, we may consider some term charters, however our mid-term view remains positive. We guide against MSI rates, which tail off towards 2028 and 2029, but actually we remain optimistic, which is related to our views on the delivery of vessels versus the ton-mile demand for tanker transportation going forward. Gas carriers are 85% up on EBITDA and 138% up on net income, despite the rate environment. But this is driven by \$26 million of one-off income, so we have \$26 million of one-off income on the termination of the Al Khaznah contract, and on the sale of the MGC Yas. So those won't be repeated.

Next year, we move the new fleet onto long-term contracts, which will be a major change for shipping. So from Q2, we'll start to see the LNG carriers move on to these long-term contracts, 15-year contracts, eventually delivering 20-year contracts, and those contracts will perform well above the current market environment. They were delivered at a time when rates were closer to \$100,000 a day. And you'll see, over time, we start to move the margins up very significantly on gas carriers. Dry bulk continues to languish with lower rates and charter inactivity. Net profit is slightly above zero.

On slide 14, operationally in shipping we've seen two new LNG carriers delivered this year, or actually November last year and one this year, and two more coming this year, as well as one very large ethane carrier. We sold the MGC Yas in January, as I mentioned. We've been more selective on charters-in and volumes in dry, given the rate environment, so that you see low activity in dry bulk at the moment. Gas has seen some strengthening into the \$20,000-a-day range on the back of increased gas exports from USA and Middle East, but we don't anticipate a market recovery prior to our vessels going on to long-term charters.

On slide 15, this explains the time-charter rate environment, where we've seen a slight recovery in tankers and a continuing uptrend, weakness in dry bulk, and relative lows in LNG carriers. Although we went much lower, we think where we are today is far below where we've been in the recent couple of years, and far below where we expect the market to be in 2027 and beyond.

Geopolitics and conflict are impacting tanker rates, but we do see near-term strengthening. Dry bulk, we anticipate continued softness. We see increased scrapping in older LNG carriers, and that should amplify the tightening of rates once new production comes online. But once again, we're less exposed to that. We're very focused on the long-term contracted income which is already built into our numbers. On slide 16, this provides an overview of our asset sales and purchases. It's a new slide that we think would be useful for understanding, just given the extent of change in the fleet and the growth that we're



achieving. It also shows the delivery timelines, which we typically append for information in our presentations going forward.

On slide 17, this is familiar content presented in a slightly different way, modernised by our IR team with capabilities beyond my own. I think this shows even better than we have in the past just how well protected we are by long-term contracted income that you can see on the bottom of the page, and the degree to which we maintain and desire to have an exposure to the spot shipping environment.

So, you can see now that that exposure is reducing over time, from 33% in 2025, down towards 23% on an EBITDA level in 2029 and 2030. Part of that is driven by a reduced outlook on rates, which is already factored into our guidance, and part of that is driven by the growth in other areas of business.

If we move to the next slide, slide 18, it's here to break down our long-term contracted revenues, with 89% of integrated logistics contracted year to date, 77% of services and 11% of shipping. Most important is to understand the development of that \$26 billion of forward-contracted income over the coming few years, and the degree of protection that affords against our earnings. Now, bear in mind, you've seen the first two quarters of this year with a relatively weak shipping environment, and the strength of performance that we've delivered. That's before we start on these 340 years of contracted gas activity. So, what you're seeing is our resilience before the bulk of the resilience even kicks in to the platform.

Integrated logistics is benefiting from strength in jack-up barges and the Integrated Logistics Services platform. Shipping is benefiting from gas contracts going forward, and services benefits from the long-term contracts on Petroleum Ports Authority's oil spill response activities.

On slide 19, we show the development of the P&L in our services business, which now includes commercial pooling and share of profits from bunkering. As a result of this, EBITDA's grown strongly by 22%. You don't see the growth in revenue because, for bunkering, we are only bringing in the share of profits there. We still seek opportunities to extend this services business in the region and internationally, to increase its relevance to our overall portfolio.

On slide 20, cash flows have grown significantly with the delivery of value efficiency initiatives and the consequent margin improvement. So, remember, we have these accounting adjustments between the EBITDA and the net income line, which are impacting our shipping business post the acquisition of Navig8, because of the great value of that transaction, which needs to be depreciated. But the recovery that we've made to more than outweigh that additional depreciation through value efficiency initiatives is all paying off in cash.

So, cash flows have strengthened significantly. We have more than \$600 million of operating free cash flows for the half. We're at 0.85 times net-debt-to-EBITDA, and still have exceptional financial capacity to fund highly value-accretive growth. There are tremendous opportunities out there we've shown in the past. With the growth of the ADNOC ecosystem and the growth of our international portfolio of businesses, we're really well positioned to continue to deliver those low-double-digit, unlevered IRR projects to continue to grow our P&L. We projected \$287 million dividend for the full year 2025.

Slide 21 addresses our growth investment plan and funding, with a table on sources of funds for financial modelling purposes. We anticipate remaining within 2.5 times net-debt-to-EBITDA on an on-balance-sheet basis at a peak, returning to a stable two times net-debt-to-EBITDA over the mid-term. That doesn't include the hybrid capital instrument and it doesn't include the financing we have in place on six VLGCs in the AW Shipping joint venture, nor the financing that will raise on very large ethane carriers and very large ammonia carriers in that 50/50 business. We have a strong pipeline of new



investment opportunities and maintain our focus on delivering low-double-digit unlevered IRRs, and we do see a great pipeline at that level.

If we move to slide 22, segmentally, we've increased guidance in a number of areas, with any downward adjustment in mid-term guidance only the consequence of the now-higher base year due to those upgrades. So effectively, we're maintaining where we were in dollar levels, at least going forward. We do have some positive impact, actually, of the value efficiency initiatives, but the strong growth we've seen in 2025 impacts the denominator, which means you might see, in the mid-term, a slight retreat in some of that guidance.

So, on integrated logistics, revenues are up to a mid-to-high-single-digit year-on-year guidance, and EBITDA is maintained at a mid-to-high-teens year-on-year guidance. In the mid-term for integrated logistics, low-single-digit reduction in revenue, the same as before, that's because of the tail-off of the EPC projects, but delivering a low-single-digit growth in EBITDA.

In shipping, we've upgraded to a high-80% revenue growth and upgraded to a mid-30% EBITDA growth, year on year. In shipping, in the mid-term, low-to-mid-single-digit growth, and high-single-to-low-double-digit EBITDA growth.

In services, we have low-double-digit year-on-year growth in revenue, and we're projecting an upgrade to a low-20% year-on-year growth in EBITDA. In the mid-term, we're upgrading to low-double-digit growth in revenues, and mid-to-high-teens growth in EBITDA.

Slide 23 wraps that all up in terms of the ADNOC L&S Group 2025 and mid-term guidance. So, on revenues, we've upgraded to high-20% year-on-year growth, delivering low-single-digit thereafter. On EBITDA, we see mid-20% year-on-year growth, with mid-to-high-single-digit CAGR thereafter. And in net income, we see, and we've upgraded again to low-to-mid-double-digit year-on-year growth, delivering mid-to-high-single-digit growth thereafter. So, you can see exceptional growth in 2025 and maintaining our numbers in terms of delivery out over the next few years, with an adjustment then to the medium-term CAGR.

CAPEX remains as planned, with significant continuing financial capacity. Again, we target 2 to 2.5 times net-debt-to-EBITDA. We plan to fully utilise the \$2 billion hybrid capital instrument, which pays dividends not interest. We're projecting all-in financing costs averaging 60%, that's what's built into our model. Actually, you'll see we're ultimately paying quite a bit less than that, we're paying 95 basis points on SOFR for our senior unsecured facility, and 125 basis points on SOFR for our hybrid capital instrument, which, of course, shows as zero on the P&L. Our effective tax rate remains 9% on integrated logistics, and less than 1% on commercial shipping. We maintain our dividend 5% progression year on year, with this year signalling \$287 million planned for 2025.

So, with that, I'd like to thank everyone very much for your attention. The key highlights, for us, we've upgraded our outlook for 2025. We remain confident in the indications that we gave for growth in dollar-delivery over the medium term. We see continued strong earnings growth. We're delivering around, or just above, a 9% CAGR in EBITDA over the mid-term. We see growing EBITDA margins through the value efficiency initiatives we've driven in the business. We continue to execute on strategy, using Zakher Marine and Navig8 as new platforms for growth in the region, and further internationally. And we're committed to continue to deliver attractive shareholder returns going forward. And with that, I'll pass over for questions, please.

Q&A Session:

Lydia Rainforth

Hi there and thank you very much for the presentation and for taking the questions. It's Lydia Rainforth from Barclays, and congratulations on a fantastic quarter, and particularly on the safety results. Actually, that was really very impressive. I've got two main questions that I'll stick to. The first one, just on the cost savings and the recurring efficiencies that you talked about, 65 million, obviously quite significant, where is that actually coming from? Is that part of the AI rollout? Is it a different way of doing things? Just to help us understand how sustainable that is. And then, secondly, if I could come to your international ambitions, and you talked earlier very competitively about the strategic alignment with the ADNOC ambitions, both domestically and internationally, is that how you see it, part of the strategy? Obviously, we've got the XRG expansions coming through, just the scale of those ambitions.

Nicholas Gleeson

Very good. Thanks very much, Lydia, and I really appreciate your comment on the safety record of the company. It's honestly something to be incredibly proud of. The organisation's worked so hard to maintain that, and in our industry it's absolutely critical to maintain those really strong outcomes on safety. We've been working very, very hard to address the concept of complacency in the organisation, because we've had great results now for multiple years, and it's really important to keep people aware, to make sure that we never slip on safety. On costs, it's a really great question. We're doing a lot in terms of focusing on what we call AI, digital and technology savings. So, there's a combination of those that factor into everything we're doing. There is a slide in the deck which shows the areas we've made most of the savings, but in summary they're really on OpEx, they're on delivering value on the integrated logistics services platform, generating better profitability in that part of the business. But they also get down to smaller areas, like, for example, optimising our financing and our use of cash, minimising our use of debt.

The areas that we're benefiting mostly from technology would be in the integrated logistics services platform. We're investing at the moment in AI solutions to take us to the next level, but optimising use of deck space, optimising cargos and routings, we also have systems which are helping us to optimise routings and commercial opportunities in the shipping side of the business. We benefit from technology that we've acquired together with the Navig8 platform, and I think we're really only just at the thin end of the wedge in terms of getting that benefit out of the Navig8 capabilities, which are very strong indeed. So it is a combination. I think AI will tend to be at the next stage. So we are benefiting from AI already, but there's much, much more to be done as we gather data and start to understand how we can benefit from digital analysis of our business.

In terms of international growth ambitions, I think you've hit the nail on the head. There's a lot of opportunity that will come through XRG in terms of international gas transportation, chemical transportation, but also integrated logistics, connected to investments that the XRG platform is making as well. Also, ADNOC, far beyond XRG, has many other growth programmes in train, and wherever



there is a logistics, and in particular a maritime logistics, aspect to that, we're very focused on making sure that we're making the best offer available in the market to win that work going forward.

We do obviously grow beyond ADNOC as well. Our client base continues to grow and has grown significantly with the acquisition of the Navig8 platform. So, it's a combination of benefiting from ADNOC growth and extending those capabilities and asset base to continue to grow internationally beyond ADNOC as well.

Ricardo Rezende

Hello. Thanks for taking my question. Nick, if I may just follow up on what you mentioned about international expansion, and I wanted to focus a bit more on integrated logistics. When you think about a new geography, how should we think about your entry into those contracts and how you're bidding for those contracts? Would you be willing to be a bit more aggressive sometimes on the pricing as you can start building your network, in effect, and then you can deliver a bit more of your assets within that region? And then, the second question that I have is on the \$3 billion that you mentioned under your firepower. What's the current status of negotiations? Do you see some scope for transactions on a similar scale as Navig8? Or we should be thinking more about some bolt-on acquisitions? Thank you.

Nicholas Gleeson

Thanks very much, Ricardo. So, on the international expansion, obviously the growth in integrated logistics is really important to us. If you go back to November 2022, we completed the acquisition of ZMI, that contributed significantly to the growth and internationalisation of the integrated logistics business for us, and got us into the jack-up barge space, which has been really important to our growth. After that, we've completed the acquisition of Navig8, but also this large number of international gas transportation contracts, and the growth of the AW Shipping joint venture. So, it feels like the next step is the next phase of extension for the integrated logistics business. Where will that make sense? It'll make sense in energy fields which are logistically suboptimal, where we can deliver the platform that we have that's capable of significantly improving efficiency and significantly reducing cost as a result of that. Do we need to move differently on pricing to enter into new markets? I think time will tell, but I think a 30% EBITDA margin is not an unreasonable expectation in the business activities that we're performing, including in other markets around the world. And bear in mind, the significant savings that we've been able to deliver to clients in the UAE, for example, through the Integrated Logistics Services platform. So there should be a lot of room to successfully make those offerings in the right market. How do we achieve market entry? I think it's very likely to be done in partnership or through acquisition of another business. It's very difficult to turn up cold into a new market and simply relocate assets. The configuration of assets is typically going to be specific to the location, the customer, and the government relationships in that location will be important. So, we're constantly working on finding the right partners and acquisition opportunities to extend the platform that we've already built. In terms of the use of the \$3 billion, I always baulk at this one a little bit. The way I think about that \$3 billion, it's surplus financial capacity we have, rather than a very specific opportunity set. So at the moment, we build into our numbers the opportunities that we've either already realised or contracted, or are extremely high-probability. We don't build in all of

the opportunities that we'd like to win but we don't know where we stand yet. So, for example, if we see opportunities coming through XRG, but we haven't begun negotiations or discussions about supplying assets, we haven't started entering into transportation agreements, none of that would be built into our numbers. So that \$3 billion is the financial capacity for us to be able to achieve our ambitions, selecting the best value-accretive opportunities above 10% unlevered IRR going forward.

Jean-Pierre Dmirdjian Good afternoon, everyone, and congratulations on these strong results. Focusing on the integrated logistics segment, and, more specifically, on the offshore contracting business, the EBITDA margin rose sharply in the second quarter to 51%, compared to an average of roughly 44% in the previous quarter. There may be a bit of an overlap compared to the previous question, but could you elaborate on the main drivers of this significant improvement, and clarify whether any potential one-offs contributed to boost that performance? And looking ahead, do you think that an EBITDA margin above 50% is sustainable in offshore contracting?

Nicholas Gleeson Yes, it's a great question, thanks very much. So, two elements to that, really. The first one is we have seen quite a lot of strength in the jack-up barge market. We saw utilisation grow from 94% to 97%, which is obviously very high. I think somewhere in that range looks sustainable into the future, just because the market is so tight. But 97% is clearly exceptional. And we also saw recontracting on jack-up barges at even stronger rates than we've had in the past. We also saw, in the ILSP, improvements in profitability. Some of that will be repeatable going forward, and a portion of that, I think, will be challenging to achieve. And just to explain that, one of the efficiencies that's been obtained in the early part of this year in integrated logistics is redeploying assets that were made available as a result of optimisation, of use of deck space and better fleet planning. It won't always be the case that we have those same chartering opportunities for vessels which become available. And we also had, to a certain extent, a retroactive addition to profit, which is the result of completion of a range of services over a period of time. We don't normally go into a lot of detail on that, but ultimately most of that should be sustainable going forward. And that's why we talk to \$65 million as being a sustainable improvement going forward, compared to around \$100 million that we'll achieve this year in terms of overall value efficiencies.

Jean-Pierre Dmirdjian And just a quick follow-up, this \$65 million, how would you allocate these savings between the different segments, in particular within the integrated logistic business?

Nicholas Gleeson So, we've got a slide which shows how they've been achieved during this year. And what we've done is we've built that into our guidance going forward already. So we don't need to make any kind of separate accounting for those \$65 million going forward. But to give you an idea where they've come from, a good part of it was through the improved efficiencies in the ILSP, integrated logistics, a good part of it was through OpEx savings in shipping and bringing down our forward OPEX, a good part of it was through improvements in planned maintenance and dry docking. And so, for example, the business has become much better at

advanced planning and ordering of inventories and ensuring that all items are available on day one of dry dockings to minimise the dry docking period. So there's a number of areas, we've factored them into the guidance going forward, so that \$65 million uplift is already captured between integrated logistics, shipping and services in the right proportions for the coming years. It's also, by the way, already factored into the budgets and the targets of the individuals who are responsible to continue to deliver those improvements.

Faisal AlAzme

Hi, and congratulations on the strong set of numbers. I have two questions on my end. Maybe just try and understand the dry bulk performance year to date, and how do we think about it generally as a business going forward? And my second question relates to the guidance. You've raised guidance for the year, but medium-term guidance remains kind of unchanged, so are you being conservative generally as you think about the forward? Or are you expecting some softness in the medium term versus what you initially expected at the beginning of the year? Thank you.

Nicholas Gleeson

Hi, Faisal. Thanks a lot for those questions. Yes, I think for dry bulk, the way we look at that market is a high proportion of our fleet has always been operating on a charter-in-charter-out basis. So that means they make a margin, and those margins compress when the rates are lower. So, with a lower-rate environment, we've carried out less charter-in-charter-out activity, which is why you're seeing such muted results in that area. Around two-thirds of our business is typically charter-in-charter-out, and when the profit is not there, we're not highly motivated to enter into the charters in for that business.

We still see it as a very interesting business going forward. The UAE is the world's largest exporter of sulphur. There's a tremendous amount of business beyond that sulphur in the UAE, and we've been very successful in the past. It's just a matter of being in the right business environment to conduct that activity.

For your second question, in terms of conservatism, I think my answer to that would be the way that we've always presented the results has been based on what is already long-term contracted, the assets we already own. And for the spot market, we tend to follow the market spot rates as they've been projected going forward. So you'll see those projected rates coming off a little in 2028, 2029 compared to where they were before. We have topped up for the components of the value efficiency initiatives that we expect to be able to carry forward.

I don't regard it as particularly conservative in that respect. I just hope it's very predictable for people. Our view, by the way, on the tankers market compared to where the rates are showing on MSI at the moment, we'd probably be somewhat more optimistic than that, but we haven't factored that into our guidance. The reason for our comparative optimism is when we look at what we project ton-mile demand to be for tankers, compared to the build-out of the fleet, we think there is room for rates to strengthen, and of course that will be impacted even more positively if we see continued geopolitical disruption and conflict. But we're simply following the market projection on rates when we deliver our guidance.

What we don't factor into our guidance is anything that's not yet delivered. So we do have a tremendous growth programme and a really strong pipeline of new opportunities, and where those aren't cemented yet, they're not yet factored into the guidance that we're giving to the market. So some would regard that as relatively conservative. I think the best way to look at it is if you take the additional financial capacity we have to invest, our history of successful investment, and the unlevered IRR targets of at least 10%, and our history, again, of delivering well above those, I think you could factor in that there's opportunity upside that's not captured in our numbers as a result of the position we take on guiding without including opportunities that we haven't yet realised.

Ahmed Eshaqi

It's Ahmed Es'haqi from SICO. Congrats on the great set of results. So, I have a couple of questions. First question is in terms of synergies. So, you've mentioned around 50 million synergies per year from Navig8, if I'm not mistaken, so has any of these synergies been realised in the first half of the year? And is it expected to be realised in the rest of the year?

My second question is related to the integrated logistics segment. So, do you have a target number of vessels in mind? And is this included in the guidance itself? So basically, the five new vessels, including the offshore support vessels, are these included in the guidance and orders as part of the US\$3 billion incremental CapEx?

And lastly, given the strong growth in revenues in the first half of the year for the integrated logistics segment, around 40% growth in revenue, you have the 2025 revenue growth as a mid-to-high-single-digit, so are you expecting a softening in revenue growth in the second half of the year, or are you just conservative with your guidance?

Nicholas Gleeson

Okay, great. Thanks very much. So, let me start on the synergies. When we announced the Navig8 transaction, we announced an expectation of US\$50 million of synergies over the life of the investment, which was obviously a very conservative view if you look at the size and scale of that platform. But we didn't want to project synergies in detail before we'd done the homework. After we completed the acquisition, we projected synergies around US\$100 million over the same period, over the life of the acquisition. And since then, we've gone to the market to say that we see US\$20 million of synergies per year starting in 2026.

Now, actually, we are already realising synergies from the platform in 2025. They're not as strong as they would be in a strong market, but examples of those, we've moved 20 of our tankers into their fleet. We see an uplift on achieved time charter earnings, which is not a surprise because of their global commercial presence. And we're working on further synergies being achieved, for example, through technical and operations cost, through planned maintenance, repairs and maintenance, but also through bunkering. So we still anticipate delivering strong synergies from 2026 and going forward, and there will be some component of those synergies in the US\$100 million of value efficiency initiatives that are being delivered in 2025.

On integrated logistics, I think... Oh, the target number of vessels. Yes, so we don't really think in exactly those terms. What we do is we look at the capacity that we have to support for the energy fields that we're operating in, and then we look at a balance between owned and chartered-in assets. We'd like to keep that balance anywhere between 40/60 and 60/40.

The reason having chartered-in assets is important to us, even though it reduces profitability in the short term, is it gives us an exit mechanism when the market softens. So that's a really important discipline at the moment. It's very tempting to have a much higher proportion of owned vessels because the market is high, but over the cycle, we'll do better if we maintain that discipline around having a combination of owned and chartered-in fleet. The number of vessels that we maintain is really delivered by the projections of requirements from our customer base and our own projections based on growth. That's how we look at the size of the fleet. But no particular target number.

Also, there's a lot of differentiation across asset classes as well. So there are certain assets that our key clients will reach out and want us to own or charter-in, and we'll make decisions, point in time, whether we decide to buy or to lease those vessels based on the outlook for demand from our clients.

And then, on the final point, on the delivery of 40% revenue growth and the outlook going forward, I think you see in 2025, essentially, what we're saying is that we've already delivered and will deliver very strong growth this year. The impact of that, because we've increased the growth in the base year 2025, that reduces the outlook into the mid-term. So when we when we uplift 2025, the cumulative average growth rate over the remaining period reduces as a result of having a lower denominator. That's the only impact there. It's not really around being particularly conservative. And I think when you run the numbers, based on what we've given, you'll find that the numbers for the future years are the same, or higher, as the numbers we've guided to before, it's just that the base year 2025 is increasing.

Ahmed Eshaqi

I think my question was about the second half of the year. So, the growth in the first half of 2025 was 22% for the integrated logistics, and the guidance for 2025 is mid-to-high-single-digit year-on-year growth. So my question was mainly about are you expecting softening in integrated logistics revenues in the second half of 2025, given the strong revenue growth in the first half?

Nicholas Gleeson

Oh, okay. I see what you're saying. Yes, so, some of what we're seeing in the first half, I mentioned a portion of the improvements that we've been able to make, we see it as being not necessarily repeatable. So we're being cautious, I would say, as opposed to conservative, about projecting that we'll be able to deliver the same type of positive outcomes that we have in the first half.

If we look at the remainder of the year, we also see, in the EPC works, we see the EPC works as largely complete, so there'll be less coming from the EPC works in the fourth quarter of this year. And for offshore contracting, we haven't

assumed that we maintain those same high utilisations on jack-ups and the high volume growth that we had in ILSP through to the end of the year. So, to a degree, we're not factoring in Q3 and Q4 being as positive as they have been in Q1 and Q2.

Claudia Carpenter So, I just have three quick ones. Do you plan to release your bunker sales, since Integr8 has that every year?

Nicholas Gleeson So, first one on bunker sales. We don't have any plans. Integr8 is a separate business that's 50/50 owned with a third party, but we don't release details on the bunkers, and they're not material to our results overall.

Claudia Carpenter Okay. The next one is the UAE started a recycling law in June. Do you know about that? Just wondering.

Nicholas Gleeson Yes, we know about that.

Claudia Carpenter So do you consider it a growth market?

Nicholas Gleeson Not for us. It's not a market that we're targeting. We're a player in the younger-asset space, we're not typically owning assets even through to recycling. It's not a part of the market that's a focus area for us.

Claudia Carpenter Okay. And the last one is about the EU having concerns about the Covestro acquisition, because they're concerned about ADNOC backing the company. Is that something that you are concerned about, if you're looking at assets in Europe?

Nicholas Gleeson I think, yes, I'll answer that question in two parts, Claudia. I think the first one is one of the reasons that we never build anything into our numbers that's not already cemented is to avoid a negative impact of anything like this. We don't have any information that would suggest to us that the Covestro deal is not going ahead or XRG not going ahead as planned. It's not something that's within our decision authority, nor that we're kind of able to discuss. But there's nothing that's been factored into our guidance that contemplates that.

We've already been through a very extensive antitrust process in a large number of countries internationally in relation to the Navig8 acquisition, so we didn't feel anything or any pushback in the process of that acquisition which would suggest to us that, for our business area, there are any concerns with any of the jurisdictions that we dealt with. And I can tell you that was pretty much every major maritime jurisdiction you could contemplate on the planet.

Harsh Kadam Thank you for my question. My name is Harsh from ABI Analytics. So my question is the effective tax rate, so that's 6% in 2025, and do you expect it to remain at similar levels in 2026, so you're expecting it at 9%? Thank you.

Nicholas Gleeson Thanks a lot, Harsh. So the effective tax rate will be proportionate to our business activity. We pay 9% effective tax rate on the integrated logistics business, and most of the services business. We pay 1% effective tax rate on commercial shipping, which is in line with the international tax rates applicable

to the shipping industry. So just take 1% times shipping, 9% times the rest of the business, and that will give you the effective tax rate in any given year.

Mohamed Elmessiry Thank you for the presentation. I just wanted to ask, concerning the rates for tankers, why are they decreasing but the fundamentals are still strong for tankers and order books are at record lows?. And also, if management is still bullish concerning the rate environment for tankers specifically after the acquisition of Navig8? That's the question I have. Thank you.

Nicholas Gleeson Thanks, Mohamed. I'm really glad you asked that question. It's a very interesting one when you look at what's happened this year. So, at the beginning of this year, so much has happened it can be hard to remember, but if we go back to the beginning of this year, we basically saw a reduction in volumes being transported, and tanker rates started to fall. Following that, we went into the global trade wars environment, where there were fears of deglobalisation, what was going to happen in terms of international energy transportation, and, in particular, there was the threat of US port call charges being imposed.

And I think a lot of what happened in the market was based on perception. So the reality is that the supply locations and the demand locations for energy tend not to change very significantly. When you have anything which impacts the availability of international transportation routes, that will normally push rates up, because it results in suboptimal logistics. And then, I think the third factor was these US port call charges. But those are incident on the charterer, not on the vessel-owner.

I think what happened, however, was you had a lower level of term contracting activity linked to the uncertainty around the impact of the US port charges, and so that meant that the market was more liquid in terms of availability of vessels, and we saw rates come off. Since then, we've seen rates start to recover, and I think part of that is being driven by, let's call it, natural supply and demand, part of that is being driven by geopolitical events like the Red Sea.

Also, in the background, you have what's happening, the conflict between Russia and Ukraine, the outlook for the potential for oil to be transported onshore into Europe from Eastern Europe, and also the potential for the release of vessels from the so-called Dark Fleet, which has been servicing sanctioned oil cargoes. So we've seen a number of actions taken, removing vessels from the market, from the Dark Fleet. However, the Dark Fleet continues to be quite large, and there's the potential for a much larger number of vessels to exit the fleet globally if that trade reduces.

Finally, we've seen, more recently, enforcement of sanctions resulting in a change in the location of the sourcing of cargoes going into China and then into India, which, again, creates a positive push on tanker rates. So there's a very large number of factors. In our view, on balance, they create much more upside for the tanker rate environment than downside, but I think there's a lot being driven by perception at the moment, and by liquidity because of the lack of term contracting activity, which has resulted in rates being depressed compared to what you might expect if you were a macroeconomist.

**Nicholas Gleeson**

I can see now on-screen there's a question from John. Hello, do you expect growth opportunities from expansion efforts at Upper Zakum and other Abu Dhabi oil fields? And the answer to that, in short, is, yes. We do see projected growth in demand. We do go through an internal discussion cycle about what requirements will be going forward. And definitely, we do expect continuing growth, but we don't factor that into our guidance until that's realised in specific demand for our activities.

And then, I have another question from Luca. Hi, could you please provide more colour on the jack-up barges market in the Gulf? Is this a sector in which you would like to increase your presence? If yes, would that be via ordering newbuilds, or would you consider acquiring existing assets and companies? And the answer, I think, is yes to all of the above. So, we've been able to create a really strong market in the operation of jack-up barges. We have a strong presence supporting ADNOC with jack-up barges, but also third-party clients in Saudi Arabia, in Qatar. We also have an asset in Iraq at the moment. We have assets which have been operating in Africa. And, yes, we see a lot of potential to increase our presence in this market. It's a good, profitable segment if you're a good operator.

We made a good decision in the acquisition of Zakher Marine. They've demonstrated that they have exceptional operating capabilities in the jack-up barge space. And so the answer is yes, it could be interesting to order new-buildings. Yes, it could be interesting to acquire existing assets, or even companies, in the space, because we believe we have a superior access to clientele, and we believe that we're operating on strong margins as a result of the strong operating capabilities of Zakher Marine.

The next question I see there is from Bilal. Can you please give us more clarity on when you expect the shipping segment to start reporting growth on the bottom line? And, two, out of the \$100 million targeted savings, how many have already been realised in the first half? So let me answer the second question first. In the first half of this year, we've delivered around \$51 million of specific savings out of that targeted \$100 million. We've also delivered improvements through a \$28 million termination of the Al Khaznah contract, an \$8 million gain on sale of the MGC Yas. And we anticipate, let's say, substantially more than \$50 million being able to be delivered into the second half of this year as well.

In terms of the clarity on expecting the shipping segment to start reporting growth on the bottom line, I think that growth is really going to be driven by what happens in the rates environment. So, there are two factors. The first one, when we put our LNG carriers onto these long-term contracts, seven and 15-year, four times 15-year, one times seven-year contracts, starting from the second quarter of next year, you'll see significant bottom line growth in the LNG carrier space as a result of that.

In tankers, it's going to be very much driven by the tankers rate environment that we've already talked about. And in dry bulk, it's about the return of the dry bulk market. So, we think that the dry bulk market might take some time to return. In terms of tankers, we do see that market strengthening, and we do expect to see growth in the bottom line in the tankers market in the coming year.



I have one more from Waruna Which routes is your tanker fleet mostly deployed on, both the ones you own and Navig8? And the answer is global non-sanctioned routes. So we're really everywhere in terms of the modern international tankers market. We're not selective navigators. An international business which has been successful globally. So it's not the case, for example, that we're focused in the UAE or in any particular destination market in terms of the tankers. We operate as any other international tanker player with such a large fleet.

I have a question from Ahmed. Do you see an opportunity from the North Field expansion in Qatar for the integrated logistics segment? I think the answer, again, is yes. All of the expansion that you see happening in the GCC, not just in Qatar but in Oman, for example, creates opportunities for us to operate in the integrated logistics space, and we're focused on seeing what we can realise from all of that growth in the region. I think that reflects one of the other questions we've seen.

So, with that, I see no additional questions, unless there are any hands ready to go up. All right, thanks very much for your attention, everyone. Despite my best efforts, we've gone a little bit over time, but I really appreciate the great questions, your attention to the presentation today. I encourage you to reach out to our investor relations team and make contact with further questions that you have around the results.

We're extremely proud of the results that we've delivered today. I hope that you'll see that the growth in 2025 and the maintenance of those long-term dollar projections that we've already given to the market puts us in really good stead to deliver high value to shareholders going forward on top of the many opportunities that we have to grow value-accretive in the future. Thanks for your attention, and I hope it's well worth the effort that you've put into listening to the call. Thank you.