



Q1 2026 Earnings Call Transcript

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Corporate Participants

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

Hugh Baker – ADNOC L&S – Chief Financial Officer

Rahooof Khaleel Rahman – ADNOC L&S – VP Finance

Engy El Dishish – ADNOC L&S – Investor Relations Manager

[Engy El Dishish – ADNOC L&S – Investor Relations Manager](#)

Thank you, Ali. Hello, and good afternoon to everyone, and welcome to the ADNOC L&S first Quarter 2026 financial results earnings call. My name is Engy El Dishish. I am Investor Relations Manager at ADNOC L&S. On behalf of the entire team, I'd like to warmly welcome everyone and sincerely thank you for your ongoing interest in ADNOC L&S. We're pleased to have you with us for today's call. By now, you should have received the full year 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 #2 before we begin. It contains important information, and we advise caution on the interpretation and limitations of historical data and forward-looking statements. Our presenters today include Captain Abdulkareem Al Masabi, ADNOC L&S CEO; and Mr. Hugh Baker, 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, Engy, and good afternoon, everyone, and thank you for joining us today. It is a privilege to speak to all of you. We delivered a very strong start to 2026, underpinned by shipping market strength, disciplined execution and continued balance sheet resilience considering an unprecedented operating environment. Net profit increased 20% year-on-year to \$222 million, while EBITDA rose 7% to \$368 million, reflecting solid operating leverage, and this was driven primarily by a significant uplift in shipping TCE rates, which translated into strong growth across our core financial metrics, with shipping revenue, EBITDA, and net profit up 4%, 37%, and 103% year-on-year, respectively.

Importantly, the strong operational performance continued to support excellent cash generation. Operating free cash flow increased 45% year-on-year to \$394 million, reflecting strong cash conversion, enabling us to both fund our growth strategy and continue delivering attractive shareholder returns. Given this momentum and the visibility we have across the rest of the year, I am glad to share that we have upgraded our full year 2026 guidance across key financial metrics, including revenue, EBITDA and net profit, which Hugh will explain as we progress through the presentation.

In line with our dividend policy, we are proposing a Q1 dividend of USD 85.3 million, up 5% year-on-year, reinforcing our commitment to delivering progressive returns to our shareholders. Overall, this quarter reflects the strength of our global and diversified platform, contract structure, and our ability to convert market opportunities into earnings, cash flow, and shareholders' value.



Go to Slide 5. Our competitive advantage comes from our strategic partnership with ADNOC as it expands globally. As ADNOC's leading energy logistics provider, we benefit from the secure long-term contracted revenue streams with growing EBITDA margins, and we have secured \$25 billion in future contracted revenue with \$21 billion coming directly from ADNOC. Over half of our revenue in 2026 is contracted, providing resilience growth and the ability to better plan and optimize our assets.

As we speak, we have received all [5] LNG vessels commencing contracts with ADNOC Gas beginning from May 2026, with 4 on 15 years contracts and 1 on a 7-year contract. And while currently, they are operating in the spot market, benefiting greatly from the surging LNG rates. Additionally, we have contracted 1 vessel out of the 4 very large ammonia carriers newbuilds upon its delivery during the third quarter of this year with ADNOC Global Trading. While each time 1 of our 9 VLECs are delivered, they commence 20-year contracts with Wanhua Chemicals.

These contracts commencements are expected to continue to contribute to the ongoing growth of EBITDA margins in our gas carrier segment. And we continue to demonstrate financial discipline despite our rapid growth with our balance sheet showing ample liquidity underpinned by \$695 million cash position and a prudent net debt-to-EBITDA ratio of just 0.28x. In short, we have built a business with high earnings visibility, strong growth prospects, disciplined leverage and an attractive shareholder return proposition, and we remain firmly focused on continuing to deliver sustainable value for our shareholders over the long term.

We set a very high standard for health, safety, and environment performance and have achieved outstanding HSE results in the first quarter of this year due to our strong safety culture and commitment to protecting our people, assets, and environment. The company reported 0 fatalities along with a significant reduction in lost time incident frequency and total recordable incident rate down to 0 and 0.06, respectively. And I would like to take a moment to emphasize the unmatched business continuity and operational maturity ADNOC L&S has delivered across the organization during this demanding period.

The company demonstrated strength, maturity, and speed of its crisis response across all 3 business segments. Our crisis management framework was activated with 6 hourly executive reporting, giving full real-time visibility to senior management. And this allowed us to first deliver one of the largest safe transport operations in our history, successfully and safely relocating more than 16,000 offshore personnel using over 80 vessels with 0 incidents. This outcome reflects the quality of our planning, crew training and operational control.

Second, we maintained full logistics continuity for key ADNOC Group partners. For example, we strengthened land transport capacity for Borouge, enhanced storage solutions for Fertiglobe, and upgraded crude loading capability in Fujairah, ensuring that critical supply chains continue to operate without disruption. These outcomes, among several others, reflect a deeply embedded culture of HSE discipline and operational accountability.

Our ability to respond quickly, operate safely, and protect continuity under pressure is a strategic differentiator and one that directly underpins the trust placed in us by ADNOC, our partners and, of course, our shareholders. AI is a core enabler of our strategic advantage at ADNOC Logistics & Services across shipping, offshore logistics and warehousing. AI allows us to operate smarter, safer, and more efficiently at scale from optimizing vessel routing, cargo planning and asset deployment to real-time safety, monitoring and intelligent warehousing.



AI is directly improving performance, utilization, and decision-making. These are embedded operational tools that enhance reliability, reduce risk, and increase productivity across our end-to-end logistics platform. As the energy value chain becomes more complex and global, AI strengthens our resilience, supports growth, and ensures we continue to deliver safe, efficient, and dependable logistics for ADNOC and our global customers. Now I think Hugh will provide a detailed update on our results. Over to you.

Hugh Baker – ADNOC L&S – Chief Financial Officer

Thank you very much, Captain Abdulkareem, and thank you to all of the analysts and investors joining us on this call. Next slide, please. Let me get straight to the headline. This was a record quarter for our shipping segment, and it powered the entire group to deliver net profit of \$222 million, up 20% year-on-year and EBITDA of \$368 million, up 7%. Group revenue was \$1.08 billion, which was down 10% year-on-year on a reported basis. But I want to put that in context immediately. The decline is entirely attributable to the wind down of the G-Island EPC project in full year 2025. Strip that out, and the underlying business grew revenue 7% year-on-year.

At the EBITDA level, the group delivered \$368 million, up 7% year-on-year, and net profit rose 20% to \$222 million. Look at the segment mix here. Shipping now represents 53% of group EBITDA, up meaningfully, driven by record time charter equivalent rates and fleet expansion. Shipping EBITDA was up 37%, and net profit more than doubled, up 103%. Integrated Logistics was softer. Revenue down 23%, EBITDA down 17%, but again, this is the EPC effect. Services was steady, with revenue up 5% and EBITDA up 13%. The quality of earnings this quarter is the highest we've seen. I should flag one material item within the quarter that impacted EBITDA, a \$22 million expected credit loss provision related to our integrated logistics business, which I'll discuss in more detail later. Notwithstanding this, we still delivered EBITDA growth and significant margin expansion.

Next slide. This is our consolidated P&L, balance sheet and cash flow summary, and the numbers tell a compelling story. Revenue of \$1.08 billion, EBITDA of \$368 million and EBITDA margins hitting 34%, a 500 basis point expansion year-on-year and 100 basis points sequentially. That margin trajectory reflects the structural improvement in our earnings mix as low-margin EPC profits or low-margin EPC business rolls off and high-margin spot and contracted shipping rates flow through.

Net profit was \$222 million, up 20% year-on-year. EPS, earnings per share, increased 12% to \$0.03 per share. I would flag 2 items within the quarter, a \$22 million expected credit loss provision predominantly related to offshore contracting. And additionally, within our shipping segment, we took a \$9 million FFA mark-to-market loss, a modest cost of managing rate exposure that is a fraction of the upside on our spot rate -- spot fleet captured in the quarter.

On the cash flow, operating free cash flow of \$394 million was up 45% year-on-year, actually exceeding EBITDA. This is optimal cash conversion and speaks to the cash-generative nature of our operations. And on the balance sheet, net debt of just \$420 million was down 62% year-on-year with a net debt-to-EBITDA ratio of 0.28x. That is a fortress balance sheet, providing enormous capacity to fund our growth ambitions. With healthy operating free cash flow and careful balance sheet management, ADNOC L&S is well positioned for ongoing growth and increasing our value.

Now, let's unpack Integrated Logistics. Total segment revenue was \$481 million, down 23% and EBITDA was \$151 million, down 17%. But the underlying performance is significantly better than these headline numbers



suggest. The entire decline is driven by offshore projects, where the G-Island EPC wrapped up. Excluding offshore projects and the \$21 million in provisions I discussed earlier, EBITDA actually grew 5% year-on-year. Importantly, segment EBITDA margins expanded 200 basis points to 31% as the lower EPC mix fell away. Offshore contracting revenue was up 4% to \$312 million. Offshore services grew 22% to [indiscernible] (00:15:13), while offshore projects fell from \$192 million to just \$4 million. That's the EPC wind down.

Look at the EPC margin chart on this slide. You can see the offshore contracting margin trend running consistently in the low to mid-40 percentiles and offshore services margin steadily climbing from the low 20s towards 29%. This is operational leverage at work. Diving deeper into offshore contracting, which is the operational backbone of Integrated Logistics. All 45 jack-up barges remain fully employed. We grew the fleet from 43 to 45 barges over the past year with select units offering daily rate discounts to sustain full utilization across the fleet.

Utilization was marginally lower at around 92%, reflecting scheduled dry docking and vessel repositioning for contract changeovers. Material handling volumes are ILS, I'll describe it, Integrated Logistics Services platform. Operations were stable year-on-year, but declined 15% quarter-on-quarter. This is primarily driven by ADNOC offshore production management constraints in March during the heightened geopolitical environment.

The good news, volumes have gradually improved during April despite us remaining conservative on our full year upgraded guidance, which I'll touch upon later. Our own vessel count grew 5% to 54 vessels and vessel utilization held at 93%. This is a resilient operation, and we are confident in the near-term recovery.

Next slide. Offshore Services was a genuine bright spot this quarter. EBITDA grew 39% year-on-year to \$48 million, with margins expanding 200 basis points to 29%. Revenue was up 22% to \$166 million, driven by increased offshore logistics demand from ADNOC and other non-ADNOC customers. We delivered 1 additional offshore support vessel and 1 Flat Top barge during the first quarter, expanding the fleet to 80 vessels, an 18% increase from a year ago. This fleet expansion is directly supporting growing demand requirements across ADNOC and other offshore engineering and energy-related companies, including vessel chartering on 1- to 2-year contracts, ferry terminal operations for the transportation of crew, our diesel sales contract through 2032 and subsea services. Utilization dipped to 89%, reflecting scheduled maintenance and redeployment of vessels onto new contracts, but the underlying demand trajectory is firmly positive.

Now let's turn to where the real excitement is, and we make no apologies for spending a little time here because this is a record quarter for our shipping business unit. Revenue grew 4% to \$512 million. EBITDA surged 37% to \$197 million, and net profit more than doubled up 103% to \$125 million. And shipping EBITDA margins expanded a remarkable 900 basis points year-on-year to 38%. Breaking this down by subsegment, we have tankers with an EBITDA of \$131 million, up 67% year-on-year with net profit nearly quadrupling, up 298% to \$100 million. This is the powerhouse of the quarter.

Gas carriers reported EBITDA of \$37 million, down 23%, but this comparison is misleading. Q1 2025 included a one-off \$26 million gain from a vessel contract termination and sale of the medium gas carrier, yes. Normalizing that, gas carrier EBITDA grew 63% year-on-year, and gas carrier EBITDA margins are running at an exceptional 66%. Dry Bulk and Container, EBITDA of \$9 million, up 62%, although Ultramax, Supramax time charter equivalent rates eased slightly quarter-on-quarter from higher Q4 2025 levels due to normal seasonality, but continue to track comfortably above historical and year-on-year averages, up 42% for Supramax/Ultramax year-on-year.



Handysize rates were softer, down 21%, reflecting market normalization. Our container feeder fleet operates under a \$531 million, 15-year contract supporting the Borouge container terminal in Ruwais, providing long-dated contracted revenue and insulating us from container market volatility.

Look at the margin chart on the top right. You can see that the tanker margin recovering strongly from Q1 2025 -- from the Q1 2025 trough. Gas carrier margins increasing consistently in the -- well, being consistently in the 55% to 66% range, which we expect to further improve with the current deliveries of 5 LNG carriers on contract with ADNOC Gas at approximately 80% EBITDA margins. Every sub-segment is moving in the right direction.

Next slide. This is one of the most important slides in the deck, and I want to emphasize a critical point for investors. These tanker earnings are not dependent on us securing ADNOC cargo. Our tanker fleet trades globally on the open market. Our 52 owned tankers, MRs, LR1s, LR2s and VLCCs compete for and are winning cargo from international oil majors, trading houses and refiners globally. What you see in our TCE rates reflects genuine market pricing, and the market is paying very handsomely.

VLCCs, the TCE is up 268% year-on-year to approximately \$145,000 per day. Into Q2, we are seeing indicative VLCCs at approximately \$260,000 per day, truly exceptional levels. For LR2s, we are seeing an increase of up 88% to approximately \$58,000 a day, with Q2 currently crossing \$95,000 per day. LR1s, up 67% to \$36,000 per day, currently crossing \$55,000 per day into Q2. and MRs up 29% to approximately \$30,000 per day with Q2 currently above \$44,000 a day.

With a significant amount of our fleet on spot, we are maximizing our exposure to this structurally strong market. The drivers supporting these rates remain firmly intact. While the Iran situation has created additional upside, we believe the structural fundamentals that were driving tanker rates prior to the conflict remain post conflict.

Next slide. So this is the story -- this is the slide where the growth story really comes alive. And I want to be very clear with investors. We are at a genuine inflection point for our gas carrier fleet. You can see the contract matrix here. Starting this month, May 2026, 5 Das LNG carriers are progressively commencing long-term contracts with ADNOC Gas, 4 on 15-year contracts and 1 on a 7-year contract at low double-digit unlevered IRRs, delivering 80% EBITDA margins. These are vessels that until now have been earning at spot rates. And I'm pleased to say that they've been enjoying very strong spot rates recently.

LNG TCEs actually increased despite some Gulf volume disruptions as longer replacement trade routes and higher gas prices supported earnings. But the strategic value is that these 5 LNG vessels are now transitioning into firm long-term contracted EBITDA with ADNOC Gas, providing visibility and stability for years to come. Beyond Das LNG, look at the delivery pipeline on this slide, 2 VLECs, that's very large ethane carriers already in the fleet with the program scaling up to 9 VLECs by 2028, contracted on delivery with AW Shipping through to 2045, 2047 at very high single-digit IRRs.

1 VLAC, that's a very large ammonia carrier delivering in Q3 2026 on a 3-year spot-linked contract. 8 Ruwais LNG contracts -- 8 Ruwais LNG newbuilds arriving in 2028 contracted with ADNOC Gas through to 2048. Again, delivering on approximately 80% EBITDA margins for 20-year contracts. Each vessel delivery directly adds to contracted EBITDA at significant margins. Gas carrier margins are currently 66%, and this is a compounding EBITDA growth engine for the business. The contracted nature of these earnings underpinned by creditworthy counterparties in ADNOC Gas and AW Shipping, makes this genuinely infrastructure-like cash flow, which we



don't see being rewarded in our share price. For those of you who are not aware, I can say that AW Shipping is a 50-50 joint venture between ADNOC L&S and Wanhua Chemicals in China, which is the third largest chemical company in China.

Next slide. Services revenue was up 5% to \$89 million and EBITDA rose 13% year-on-year to \$20 million. EBITDA more than doubled quarter-on-quarter, up 122% as stronger commercial pooling activity and higher integrate bunkering profit share, and a partial reallocation of relets to Services drove margins to 23%. This segment houses our Navig8 Commercial Pools, Technical Management, Agency and Bunkering operations, all of which are benefiting from the elevated shipping rates environment and our growing fleet scale.

Next slide. So, this is a slide I'm particularly proud of because it illustrates the resilience embedded in our business model. We have \$25 billion in total long-term contracted revenue, spanning over 935 vessel years. Approximately 56% of the rest of 2026 volumes are already contracted with \$1.7 billion secured with ADNOC alone. Breaking this down, in Integrated Logistics, 80% -- around 88% of 2026 revenue is contracted. ILSP contracts to 2032, Hail and Ghasha to 2030, and ZMI jack-up barge contracts of up to 5 years.

In shipping, 30% of 2026 contracted -- revenue has been contracted to date. This 2026 number benefits from the 12 tankers we currently have chartered out, as well as the LNG vessels commencing contracts. The 2027 to 2029 number, we would expect to grow if we maintain the same spot versus chartered exposure on our tanker fleet as we have today, along with the gas carrier fleet going on contracts that I spoke about before.

Services, 84% is contracted, reflecting the highly contracted nature of that business. The forward contracted revenue pipeline is \$6.5 billion for 2027 to 2029 and a further \$16.4 billion for 2030 and beyond. This is the kind of earnings visibility that highlights the resilience in our earnings. During the quarter, we were active on both sides of the portfolio. On the delivery side, we took 1 OSV and 1 Flat Top barge into the offshore services fleet at a combined cost of approximately \$19 million.

On the disposal side, as highlighted in our full year 2025 results, we completed the sale of the VLCC Leicester, a 2017-built vessel, for \$111 million, netting \$99 million in proceeds and a \$27.2 million gain on the sale. We remain disciplined capital allocators, harvesting excess cash flow generated from our tanker shipping business into new long-term contracted assets across our core integrated logistics and gas shipping businesses. Looking at the vessel delivery schedule, you can see the pipeline extending through to 2028. Two LNG carriers have already delivered in 2026 with 1 VLAC and 2 VLGCs still to deliver this year, followed by a further acceleration in 2027 to '28 with additional VLEC and VLAC vessels and the 8 Ruwais LNG vessels. Each delivery is an incremental EBITDA contribution.

Next slide. This slide ties together the contracted fleet story and its impact on our EBITDA earnings profile. On a total group basis, shipping spot rated exposure represents an average of just 29% of ADNOC L&S total EBITDA. However, given elevated shipping rates in 2026, shipping now represents 43% of total EBITDA, up from 31% at the time of our full year 2025 results, highlighting the current strong rate environment.

Next slide. Cash flow was exceptional this quarter. You can see the waterfall here. Starting from EBITDA of \$368 million, adding \$36 million of working capital improvement and deducting a minimum income tax charge, we arrive at operating free cash flow of \$394 million. That's a conversion rate above 100% of EBITDA. After CapEx of \$264 million, which reflects our accelerating new build program, free cash flow was \$130 million. Our net debt



has been reduced from \$497 million full year 2025 to \$420 million with the ratio of net debt to EBITDA falling from 0.46x to 0.28x, and that's the net debt-to-EBITDA ratio. We have significant cash of \$695 million against borrowings and leases, providing a substantial liquidity headroom.

Next slide. This slide shows how we fund our transformational growth strategy. Our remaining CapEx obligations are approximately \$3.3 billion for the 20 newbuild vessels still to be delivered, plus the remaining 20% of Navig8 scheduled for 2027. Our investment hurdles are disciplined. Low double-digit unlevered IRRs are required for our investment plans. On funding, we have \$2 billion revolving credit facility with ADNOC at a rate of SOFR plus 80 basis points with 6 and 8 tenor, and we have \$2 billion in financing from our hybrid credit instrument at 125 basis points. Despite this robust investment program, we have significant incremental capacity beyond the projects already announced, all within our targeted 2 to 2.5x net debt-to-EBITDA range. We are not capital constrained, and we remain proactive in deploying this capital.

Now, let me get to the part I've been looking forward to our guidance upgrade, which covers Slides 23 and 24. And I want to be very direct with you on this because the numbers speak for themselves. We have upgraded our full year 2026 guidance across every key group metric, and we've done it just 1 quarter into the year.

Let me walk you through the moves. EBITDA has been upgraded from low to mid-single-digit growth to mid- to high single-digit growth. Net profit, and this is the one I want you to focus on, upgraded from low to mid-single-digit growth to mid- to high teens growth. That is a significant step-up in profitability. And for revenue, that's narrowed from a mid-single-digit reduction to a low to mid-single-digit reduction, reflecting better-than-expected top line performance across our fleet.

The driver of this upgrade is unmistakable. It is shipping and the magnitude of the revision tells the story. We have taken shipping EBITDA guidance from high single-digit growth to mid- to high 50% year-on-year growth. Let that number land for a moment. At the start of the year, we guided shipping revenue flat. We are now guiding mid- to high teens revenue growth, and this would be higher without the impact of the progressive removal of our high revenue and low EBITDA margin relets business from tankers.

Q1 delivered shipping EBITDA of \$197 million, up 37% year-on-year, with margins expanding 900 basis points to 38%. Net profit in shipping more than doubled. Our tanker fleet is earning at levels we have not seen before. VLCC is at approximately [\$135,000] in Q1, trending above \$250,000 a day into Q2. LR2s, LR1s, and MRs all tracking meaningfully higher. And here's what I want to be crystal clear about. Our updated shipping assumptions from May onwards remain conservative relative to where the market is trading today.

We have locked in actual performance through April and applied prudent rate assumptions for the balance of the year, well below prevailing spot rates. The demand-supply fundamentals all remain firmly supportive. So, when I tell you this guidance is conservative, I really do mean it. If current market conditions persist, and we see strong reasons why they should, there is room for further outperformance. This is not guidance. It's simply the math. Now, let me address Integrated Logistics head on as I know investors will look at the revised segment guidance and ask questions. We have adjusted Integrated Logistics EBITDA guidance from a mid- to high 20% year-on-year reduction from the flat rate -- reduction from the flat previously. Integrated Logistics revenue guidance moves to a mid- to high 20% reduction from a mid teens reduction.



Let me be very transparent about what's happening here and why this is actually a sign of discipline and not weakness. First, the G-Island EPC project completed in Q4 2025. That revenue stream has ended and it ended as planned. This is not a surprise. Strip out EPC entirely, and the underlying Integrated Logistics business is performing in line with expectations. Second, and this is important, we have deliberately set integrated logistics guidance at minimum activity levels to reflect the regional geopolitical uncertainty we experienced in March, while lowering jack-up barge utilization and rates.

We have chosen not to assume a rapid recovery in our guidance, even though April volumes have seen a gradual improvement. In other words, we're giving you a floor, not a ceiling. Our 45 jack-up barges remain fully deployed. Our ILSP contracts remain in place. The asset base is intact, the contracts are intact, and the demand is intact. If activity normalizes and early signs indicate a gradual improvement, there is meaningful upside to these numbers that we have not built into our guidance.

So let me frame the overall message for you. We have upgraded group EBITDA and net profit guidance after just 1 quarter, and we have done so while applying conservative shipping rate assumptions below current spot rates for May through December, assuming minimum activity levels in offshore contracting amid regional uncertainty, and we've assumed lower jack-up barge and utilization and rates. Every assumption embedded in this guidance has a conservative bias.

The actual market environment today, tanker rates at multiyear highs, gas carrier earnings strong, offshore activity showing gradual improvement is more supportive than what our guidance reflects. And beyond 2026, the structural growth story only gets stronger. 5 Das LNG vessels commencing long-term ADNOC gas contracts from this month, 8 Ruwais LNG new builds arriving in 2027, 2028 into long-term contracts. 9 VLECs progressively delivering through to 2028 into long-term contracts.

Every vessel delivery has contracted high-margin EBITDA and our medium-term CAGR guidance for greater than 9% through 2029 is confirmed and it is unchanged. We have \$25 billion in long-term contracted revenue, a fortress balance sheet, strong operating free cash flow, and we have substantial capacity for investment beyond announced projects. This is a business that is delivering today and is building for tomorrow, and we believe the - - we believe the best is definitely still ahead of us. Thank you very much for listening in. And with that, I'll hand back to Captain Abdulkareem.

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

Thank you, Hugh. What you have heard today is a business delivering on every front. Record shipping earnings driven by our globally competitive tanker fleet, a gas carrier program reaching an exciting inflection point as newbuild vessels commence long-term contracts and an integrated logistics business that continues to demonstrate the resilience even in the most challenging operating environment.

We upgraded our full year guidance after just 1 quarter, and we did so conservatively. The structural tailwinds in our markets, the depth of our contracted revenue base and the compounding EBITDA growth from our gas carriers deliver -- deliveries gives us strong confidence that ADNOC L&S is entering its most exciting phase of earnings growth since IPO. Our strategy is executing as designed. We remain focused on disciplined capital



allocation, operational excellence, and delivering consistent growing returns to our shareholders. And with that, I would like to open the floor for your questions. Thank you very much.

Q&A Session:

Mohamed El-Messiry (Analyst)

Hi, everyone. Thank you for the presentation. I just had one question, please, regarding the relet activity in the tanker segment. You mentioned why revenues from tankers was flat. If you can just shed some color on that? And also, is that something we can expect going forward, I mean, higher spot rates, the relet activity fighting in, so it's not flowing into revenues despite high spot rates on both product tankers and VLCCs? Thank you.

Hugh Baker (Chief Financial Officer)

So the relet activity is related to our EBN relet portfolio, which is slowly being moved into the main business. It's not a recurring element, but what I can tell you is that the recurring part of it is the higher tanker rates. I think we are seeing obviously elevated spot rates in the first quarter. And those, as I just said, are very much continuing into the second quarter and through the year. And I think as we said, we do see all of the conditions really available to make sure that the spot rates for the rest of the year are going to be elevated even if the crisis current political situation changes.

Okay. Thank you.

Unknown Speaker 1 (Analyst)

Yes. Hi, thanks for having us on the call, and congratulations on the great results despite the adverse conditions. My question -- 2 questions related to the shipping segment. So the first one, what was the impact of the losses on hedging instruments related to the FFAs during the first quarter? And were those on Navig8 or on ADNOC L&S? That's the first part of the question. The second part is related to the 4 LNGs that chartering contract would expire on June 2026. Will ADNOC L&S sell those LNGs? And are there any gains expected on the sale of those vessels if that takes place?

Hugh Baker (Chief Financial Officer)

On your first question, Mohammed, we took a \$9 million hit on the FFAs. That was related to hedging. One hedging we did of a VLCC, was a hedge through to November, where we were trying to lock in the very favorable rates at the time. So, I think we're very happy that we are hedging and trying to make the most of the really strong rates. But as you know, the rates subsequently went to places that we've never seen before, and that created an FFA -- a mark-to-market FFA loss.

That loss was principally taken in AL&S because it was related to our VLCCs, and our VLCCs are within the AL&S part of our balance sheet. And in terms of the LNG vessel, we own 4 legacy LNG vessels. They've been on charter to ADNOC Gas for most of their lives. Those vessels are now being redelivered from ADNOC Gas because we obviously have the new vessels replacing them. However, the delivery of those -- redelivery of those vessels keeps getting delayed because there is obviously a use for those vessels still.

And -- so we are expecting those vessels to gently retire next this year, but it doesn't seem to be happening. They seem to continue to be working productively for us. It is our long-term aim to see if we can put those vessels



into employment as floating regasification and storage units or floating storage units. And that's a long-term business development project that we're continuing to work on.

Faisal Al Azmeh (Analyst)

Thank you for the opportunity to ask questions. I have 3, please. The first is when we think about, obviously, some of the -- any potential or any of the prior attacks that took place in the country, should any of the ships get damaged, is this covered by insurance providers? And how should we think about the disruption of operations from any attacks? That's my first question.

My second question relates to the guidance for growth for the year. Obviously, you've mentioned that you expect revenues to be down for the year. But then when we think about the pace of decline versus the first quarter decline, that implies a higher second half or second quarter and third quarter of the year. When we think about the guidance that you've provided, how much of that concentration of growth should we expect for Q2? And how much have you baked into that from the VLCCs? And should we expect that trend to continue in the third and fourth quarter of the year?

And then finally, maybe just a housekeeping question. Just when we look at the guidance that you provided in the medium term, obviously, you have a low-digit CAGR in the medium term on the revenue line. Should we take that as a base from 2025 onwards or from 2026 onwards? So should we take it from the lower base of '26 to '29? Or should we take '25 as a starting point? Thank you.

Hugh Baker (Chief Financial Officer)

I'll answer that question sort of last first. You should take the CAGR from 2025 onwards. Then I'll go back to the guidance question. And I think, I'm trying to understand the question, but I would like to guide you that the -- I think we're seeing, obviously, a lot of the good growth guidance that we are showing is related to sort of a very strong second quarter. I think we're obviously going into the second quarter with these hugely elevated oil tanker rates, and we're seeing obviously a recovery, a gentle recovery in our offshore production volumes and our offshore businesses.

So, we're going to probably see the most of the earnings growth coming from the second quarter. And as we did in our guidance, we're guiding very conservatively for the remainder of the third and fourth quarters as it's appropriate for us to do that. So -- and in that case, we've been guiding, as you know, that sort of there is more of a reversion to mean on tanker rates. And we're not -- so we're not looking at higher tanker rates in the third and fourth quarters. But obviously, we're actually optimistic about the third and fourth quarters, so they're generically higher.

And again, we use for our own assumptions, internally, but also the assumptions that we guide you on, we use a service called MSI. They provide tanker rate outlook for us. They provide tanker rate outlook for many companies and -- including banks and other institutions. And that is the sort of the guidance that we base our assumptions on. It's not a case of me sitting there saying, "I think tanker rates are going to be higher. This is a third party who has a track record of indeed has the job of predicting rates."

So that -- I think that's the question there. In terms of insurance, I can't really talk too much about insurance, but I'll just say that every asset that we own is fully insured, particularly the ships. They are insured for their value. They're insured for oil pollution, and they cover all of the main risks. And so any damage or incidents are effectively covered by insurance, and we are comprehensively and appropriately covered by insurance. And it's our policy always to remain so.

**Scott Darling (Analyst)**

Everyone, congratulations on an excellent set of results and also guidance. Well done to all the team. I have 2 questions. The first one, you mentioned about your fortress balance sheet. I mean, do you think that's a little bit too much fortress? Because, this quarter, net debt to equity will be a lot lower than it is last quarter. Can you talk about -- you can easily fund your fleet delivery this decade. Any thoughts about what are you going to do a little bit more with the balance sheet?

I noticed on Slide 22, you've taken out your \$3 billion plus incremental capacity investment. So also maybe if you can discuss sort of how you're thinking about asset values as well in your industry. I suspect things have obviously been bid up a lot. Do you see yourself ever using that incremental capacity to do deals? That's the first question. And then any thoughts in general on sort of shipping day rates if the Straits was opened immediately today? Thank you.

Hugh Baker (Chief Financial Officer)

Scott, firstly, thank you for initiating coverage on our company. We look forward to meeting you. So, the capacity question is a great question, and it makes us all laugh because you noticed that we took out the \$3 billion capacity question. And that's because we have more than \$3 billion of capacity for future expansion. And we're debating internally as to whether we give you a set number.

But -- what I can tell you is, we have a very dynamic balance sheet, but we have very limited leverage. We have an extraordinary long base of forward contract cover. So you could very much argue that we are not fully utilizing our balance sheet, and you'd be 100% correct. We are -- it is a battle every day for us to find unlevered investments, investments that give us the unlevered low double-digit return that we require. We've been pretty good at finding these investments in the past, and we're going to -- we're working really hard to make sure that we can do so.

And so we do expect our leverage to increase. It will increase with the delivery of these long-term contracted assets, but there is considerable capacity for more, and we are working night and day to make sure that we increase our -- we don't -- it's great having a fortress balance sheet, but we do want to increase our leverage because that does mean that we're investing in the right things in the right places. So, we're working really hard on finding new projects. And the team here is really good at doing that, and they are finding those projects. I think in terms of the rates, I might pass you to Captain Abdulkareem, and he can sort of talk about how the Strait of Hormuz is affecting our tanker business going forward.

Captain Abdulkareem Al Masabi (Chief Executive Officer)

Hi, Scott. And if you look at the forecast for the Q2, Q3, Q4, all still looking positive and looking strong. And this is how we are forecasting it in our forecast. Definitely, if you look at the MSI reports and if you look at the other publications, which gives this kind of forecast, it does forecast that the market will remain strong and elevated from the normal rates that we have seen back in 2025. However, the SOH does impact the flow and does impact the volume.

But more importantly, we always look at the ton mile and we look at the vessels that's being used for storage. We're looking at the order book of the vessels and the delivery -- and the success delivery of tonnage in the market, all of which you can see that still there's a greater inefficiency, I would say, in the supply chain. And you can see that the vessels now is moving longer distances, heightened risks across many strategic, I would say, waterways. Vessels are sometimes used for storages.

So, we do expect this to be the same for the next few quarters. And I think the inventory, if you look at it, when countries have started high inventories, but again, look at how much of that inventory has been consumed. And definitely, there will be activity to restocking and rush to find replacement barrels as well. So, all of these elements



does support a stronger market going forward. Of course, we cannot forecast beyond the 3 quarters, depending on how and when things will be normalizing. I hope that answers your question.

Unknown Speaker 2 (Analyst)

Hi. Thank you management for the presentation and congratulations on the results. I have a simple question regarding Slide #13, if you could go there. Regarding the tankers, we've seen it increase 4%. However, I don't understand if you could give us a clearance about why the EBITDA margin has rose to 37%. So, is it lower cost accomplished by the company? Or is it a different mix in the fleet?

Hugh Baker (Chief Financial Officer)

It's the EBITDA has increased by 37%, which is the real reason, and that's the -- I think, the key number to look at. Revenues were reflected by EBNs and -- which is something I discussed earlier. But the EBITDA from that business has gone up -- has increased by 37%. So that's where you're seeing the strong position.

Hugh Baker (Chief Financial Officer)

The day rates it's -- the day rates are up, and we are -- and that's flowed through into our EBITDA.

Unknown Speaker 2 (Analyst)

Yes. That's regarding my question. If the rate has risen, it will be reflected in the revenue. And correct me if I'm wrong.

Rahooof Khaleel Rahman (Vice President of Finance)

Exactly. So the answer to that question is Q1 2025 results primarily -- mainly included EBN numbers or EBN and relate numbers of up to \$150 million to \$180 million, and that's not recurring now. So that's where revenue goes up only to the extent of 4% because we've exited that business. And then you see the impact of the TCEs. In VLCCs, you see that it has gone up something like 2.5x to 3x. And then we are forecasting further increase in quarter 4 -- sorry, quarter 2, where we're telling it's going up 8 to 10x compared to last year numbers. I hope that clarifies, yes?

Ildar Khaziev (Analyst)

Sorry. Thanks very much for the presentation. I have a question about Slide 14, where you have charts with the TCE rate. I'm a little bit confused about like average TCE rates, let's say, for VLCCs. I think you said it's on average was \$144,000 per day. As far as I recall, I think 4 of your VLCCs are on long-term charters with the rate of \$50 to \$70. That would imply that the rest of the fleet would have been at rates of \$250 or something to average \$144.

Are these the market rates on those charts or these are the rates which you achieved during the quarter? So that's my first question. And secondly, has there been any changes in terms of your expectations for the CapEx for this year? And what's the total CapEx budget you have in mind? Thank you.

Hugh Baker (Chief Financial Officer)

No, the \$144,000 was related to our full fleet of 8, and it includes all the vessels on long-term charter as well. So it will be -- because the long-term charter vessels are at lower rates than the spot market, you're going to see a slightly lower number. But it's all 8 vessels. In terms of the CapEx, we're essentially -- we are on track to meet our CapEx. If you look at the CapEx slide, you'll see that it is really related principally to, obviously, a payment



we have to make for the Navig8 acquisition, but also it is based on shipbuilding contracts where we actually have to pay the shipyards. There's -- and that is essentially 100% on schedule.

Ildar Khaziev (Analyst)

I think these numbers are mostly for the shipping segment, right? Is there anything we should expect for the logistics as well?

Hugh Baker (Chief Financial Officer)

There is some limited logistics CapEx, but the fixed CapEx, obviously, which is what we report, is generally related to the ships because once you order the ship, it sort of becomes official CapEx.

Ildar Khaziev (Analyst)

Sure. Thank you. And just coming back to the TCE question. So \$144,000 day rate on average for the VLCCs, is my understanding correct that the rest of the fleet, which are not on long-term charters, they have generated TCE rates in excess of 2,000 -- sorry, \$200,000 a day?

Rahooof Khaleel Rahman (Vice President of Finance)

Exactly. And that's what you see going ahead as well in 2Q, right? So it's the average, \$144,000 is the average. We see what has come out in publications by quarter 1 results of DHT, you will see something around \$106,000, but we have contracted rates much, much higher. So, if you look at the average where we contracted our long term with \$55,000 and \$70,000, but our average comes to \$145,000, which means we have contracted vessels at \$300,000. And that's continuing into or even, I mean, we are bidding much more than that in Q2 basis we are contracted as of now.

Hugh Baker (Chief Financial Officer)

We have 4 VLCCs on charter. So, it's a blended rate that we give there, which is obviously less than the spot rate of the 4 unchartered vessels on the spot market are making.

Ildar Khaziev (Analyst)

Amazing. Thank you. And lastly, I think you've exhibited appetite to do long-term charter deals in the past. We haven't, I think, seen in your disclosure any new deals. Is that because the appetite has declined for this from the customer side? Or it's like basically, it's how you -- you would prefer to have a spot exposure?

Captain Abdulkareem Al Masabi (Chief Executive Officer)

I think we have said that we like to tap into the spot side of the business. And we've always highlighted that there is a benefit actually from the spot. If you've seen our presentations earlier in the previous quarters, we've always said that 30% is always a good number, just above 30% of the business and the shipping was spot. And I think it plays well actually towards this Q and maybe this year. So, definitely, I think balanced approach between what is in spot, what is in long-term contracted, that is the strategy going forward.

Jean-Pierre Dmirdjian (Analyst)

Yes. Hi, this is Jean-Pierre Dmirdjian from Kepler Cheuvreux. I would like to have a quick clarification regarding the offshore project subsegment. You explained quite clearly that the absence of new major projects after the completion of G-Island last year would impact revenue. However, you've not commented on the loss-making



position of that business. When I look at the EBITDA level, I noticed that it is negative \$4 million in Q1. It was even more negative last quarter at minus \$11 million.

So, I guess there are 2 questions here. First, can you explain why you reported losses in that subsegment in the last 2 quarters? Is it because of high fixed costs not absorbing lower revenue or potentially execution issues or a combination of the 2? And the second question is in the absence of new large projects, what should we expect in terms of profitability for this business? Could it break even? Or should we expect the loss-making position to persist or potentially worsen? Thank you.

Hugh Baker (Chief Financial Officer)

Hi, Jean-Pierre. We're not in the business of maintaining loss-making positions. So it will sort of normalize over time. Clearly, we had this enormous project, the G-Island project in 2025. That ended. And the division is a lot smaller now. And what we're seeing is -- in the negative result is really around costs related to the team who are obviously no longer working on any big projects.

We're not necessarily looking at further big projects, but we will also -- I think so we are going to manage that situation. And -- but we're also -- obviously, there are other things that we are -- that, that team is doing. And -- so I think that the result is simply going to normalize over time. And we are -- I think what you'll see in the next few quarters is a sort of a return to normality at lower levels for that team.

Lydia Rainforth (Analyst)

Hello, and good afternoon. Firstly, thank you for the time and for the team for the performance. I know that won't have been easy. Two questions, if I could, gentlemen. First, I mean, given the upgrading guidance, and that is really impressive, the results from the business that you produced so far, it would be easy to think almost that there wasn't a crisis at all and there wasn't an impact. So, can I just ask you to talk through some examples of what has changed in how you're operating and what has become more difficult and how you're dealing with that? And then the second, just to switch to the longer term. Can you talk through how, if at all, your strategic thinking has changed? For example, UAE leaving OPEC, that might provide more domestic opportunity. At the same time, there may be some more options outside the UAE as you talked about from a longer-term perspective that there are more options. So, I just want to talk about that. Anything become more important to you that you see as an opportunity? Thanks.

Captain Abdulkareem Al Masabi (Chief Executive Officer)

I think the answer to that is that if you look at our structure and how diversified is this platform, it's scalable. It has a global presence, and it's not mainly focused here in this region. So definitely, over the past years, we made sure that we do have a global logistical and shipping platform that can basically protect us against any downturn in any of the sectors, but also against any cyclicity in the shipping or logistics market, but also the geopolitics as well.

So today, you can see that we have managed to navigate through these geopolitical situation -- geopolitical situations, also some of the economical challenges that we have seen over the last year. So, diversification is very important to us going forward, how we diversified within the shipping side between tankers, between gas, bulk and also having the big portion of our business in the integrated logistics and in the jack-up barges, which played extremely well and made us continuously growing and give us a big outlook in terms of too many opportunities that we can see not only regionally but at a global stage.

On the other aspect, when we say about OPEC, ADNOC or UAE is leading OPEC and OPEC Plus. For us, we are seeing it positive to the world, basically by being a responsible energy supplier that will give us, I think, more scope in terms of how we can help and support the UAE and their aspirations to service their customers at a



global stage, more shipping, maybe more drilling, all of which is already witnessed today through the global expansion of ADNOC and ADNOC Group companies through their big international arms on the acquisition when it comes to Covestro, when it comes to forming BGI, XRG, all these global concessions that we are signing. You should always reflect it and have think about ADNOC Logistics & Services and how does that impact ADNOC Logistics and Services, which, of course, all of this will need logistics, and we are at the forefront to make sure that we provide logistical solutions to our group companies. I hope that answers you.

Ahmed Kamal (Analyst)

Hello. Thank you for taking my question and congratulations on the strong set. Just a follow-up question on the UAE exit from OPEC. Just to make sure I understand correctly, is the current business handled by ADNOC Logistics is reflective of the production capacity of the UAE, which is close to the 5 million barrel per day or the production -- the actual production, which is close to the 3.5 million barrels per day?

Captain Abdulkareem Al Masabi (Chief Executive Officer)

I think, we cannot comment on behalf of our shareholders. I mean, they do have their forecast, and I'm sure you can read it from there. But for us, you can see that any increase in production, any increase in volumes, that always supports us regardless. But in terms of, if you look at it globally, the expansion on the global stage as well, that supports us through the BGI, or the Covestro, or even the concessions that we are having at multiple locations across the globe. So, all in all, as a logistics and a shipping company, we do see the positiveness within that decision.

Ahmed Kamal (Analyst)

And is the current tanker fleet, like, enough to serve the 5 million barrel per day production? Or you need to add more to the tanker fleet?

Captain Abdulkareem Al Masabi (Chief Executive Officer)

Well, it's a part of our growth strategy that we've said that we always look at our fleet in general and to make sure that we can help and service our customers. Definitely, I mean, if you look at the crude side, there will be more in the crude side, not necessarily just to service the 4 million or 5 million because we are servicing almost every trader, every IOC globally. And for us, we are running a global business rather than mainly focused on ADNOC production. But definitely, the number needs to increase, not necessarily just to service the 5 million. But looking at the global movements of barrels, I think we will need more tankers to service our customers at a global scale.

Ahmed Kamal (Analyst)

Okay. Just one final question. In case the current tanker rates continue until year-end and you manage to beat your guidance, do you have any plan to distribute extra dividend for this year just to reward more your shareholders beyond the 5% growth?

Hugh Baker (Chief Financial Officer)

I think we have a very fixed dividend policy, obviously, which is increasing at 5% per year. I think that the decision to increase dividends is certainly not being made, and we're not talking about it. But -- no but actually -- I mean, yes, it's not something that's on our mind at the moment.

Captain Abdulkareem Al Masabi (Chief Executive Officer)



It's just dynamic. And I must say that, you've seen -- just we have revised it last year. So to us, we do set our guidance in terms of the dividend policy. But of course, this is all subjected to our shareholders and how we are seeing this. In our capacity. There's no reason why not to revise it. But at the same time, the one that is actually publicly used, that it is at \$325 million from last year announced and with a 5% incremental every year.

Drew (Operator)

Thank you. That's all we have time for the Q&A session today. With that, I'll hand back over to management for closing comments.

Hugh Baker (Chief Financial Officer)

We'd like to thank everyone for joining the call, and please support -- continue to support the company with your investment and your good thoughts. Thank you.