Transcript

AD Ports Q1 2025 Earnings Call

Monday, 12 May 2025

Moderator Hello, good morning and good evening, ladies and gentlemen. Apologies for any delay. This is Ahmed Hazem from EFG Hermes speaking. I'd like to welcome you all to today's First Quarter 2025 Results Conference call for AD Ports Group. With us on the line now is Ross Thompson, Chief Strategy Officer and Growth Officer of AD Ports Group; Mr. Mark Hammoud, VP of Investor Relations, and Mr. Martin Aarup, CFO of AD Ports Group will be joining very shortly.

Without further delay, I'd like to congratulate the team on the results and hand over to Mark.

Mark Hammoud Thank you, Ahmed, for the introduction. Good morning, good afternoon, everyone. Welcome to our Q1 2025 Earnings Call. Without further ado, I'll kick it off as usual with the key messages.

So I think the key message for this quarter is that our resilient business model and agility are behind our strong Q1 2025 results. We're off to a strong start with impressive top and bottom line, double-digit growth in a complex, macro geoeconomic, geopolitical environment.

The focus in the UAE remains on the non-oil economy. I put three bullet points here. One, the non-oil trade that reached 3 trillion in 2024, up 15% year-on-year and the aggressive target of taking that figure to 4 trillion for 2031. Abu Dhabi non-oil GDP continued to grow rapidly, 6.2% in 2024 and the expectation, depending on the source, is 4.5% to 5% in 2025. An additional two separate agreements, comprehensive economic partnership agreements, have been implemented in Q1 2025, Costa Rica and Mauritius.

As I said, despite the volatile environment, our resilient business delivered strong results in Q1 2025, with revenue up 18% year-on-year to AED 4.6 billion, 8% up on a like-for-like basis. EBITDA was up 9% year-on-year to AED 1.14 billion with EBITDA margin at 25%. Finally, total net profit was up 16% year-on-year to AED 464 million. These challenges we're going through also present opportunities like we had in the past. The Red Sea disruptions continue to impact positively on the group's container shipping business. We conduct 66% or we conducted 66% of our Q1 '25 container feeder shipping volumes in the Indian subcontinent, Gulf and Red Sea regions and US tariff policies have had and I expect it to have an immaterial effect, based on the announcement that have been made so far. There's pretty much an announcement every single day.

Capex intensity continues to decline. We reached 21% in terms of capex intensity in Q1 2025. That's down from 33% during the same period last year. Cash capex reached AED 954 million in Q1 '25 with 55% allocated towards the infrastructure assets in economic city and free zone and ports clusters. This is in line with what we announced during the capital markets day, that capital allocation strategy will increasingly be on the infrastructure assets. Finally, this is also in line with the annual guidance of AED 3.5 billion to AED 4 billion for 2025.

In terms of debt, we've seen a flat lining debt in Q1 2025 together with a strong liquidity position. We ended up the quarter with AED 18 billion total debt versus AED 17.8 billion at the end of 2024, so sensibly higher than last year and AED 18 billion in Q3 2024.

In terms of net leverage, we stood at 3.4x with its 3.3x at the end of 2024. We are holding AED 2.5 billion in cash and we have an additional AED 4.6 billion in undrawn bank facilities. Worth mentioning also that there is no upcoming debt maturity this year or next year.

Finally, we are well positioned to benefit from the global trade shifts and further supply disruptions— well positioned geographically, well positioned through our holistic, five cluster, integrated business ecosystem, asset base and service offering. The global south trade flows are likely to accelerate on the back of US tariffs. We've started to see that. There are signs of it, creating opportunities for AD Ports Group.

Resilient, growth equity story— that hasn't changed. As I said, the top down story remains supportive, whether it's the UAE economy, whether it's the alignment with the Abu Dhabi economic diversification and industrial manufacturing strategies locally and internationally or as I just mentioned, the global supply chain disruptions because of geoeconomic and geopolitical tensions, creating opportunities in regions of focus of ADPG.

Triple pay growth continues to be our strategy. So the ramp up of existing assets, the capex that we continue to spend in our growth operations and third level, the M&A opportunities domestically and internationally.

Third point of the equity story is the pivot towards free cash flow positive. We've been seeing in 2024 and in Q1 2025 operating profits and cash flow improving. The capex spending and intensity continue to decline and free cash flow to the firm already at an inflection point, with two quarters last year in positive territory and very close to be in positive territory in Q1 2025. We keep our guidance of free cash flow to equity positive in a sustainable way from 2026 onwards.

The balance sheet remains strong, as I mentioned earlier. Leverage is under control. We have a strong liquidity position and no upcoming debt maturity. I remind you that we are investment grade with the credit rating from Fitch A— AA- with an outlook stable and an A1 credit rating by Moody's with outlook stable as well.

The foreign ownership remains at 9%, so no change from the previous year. That's been plateauing now at for four quarters in a row. Stock price to performance is definitely not aligned with the fundamentals and the delivery of our results; 14% down in Q1. If you look at since the start of 2024, we’re 31% down, while we had an EBITDA growth of 69% last year and another 9% for Q1, increasing the disconnect between the financial performance and the fundamentals of the company and the stock price action.

This is a snapshot of revenue and EBITDA distribution in Q1. As you can see, the maritime and shipping remains the largest contributor in terms of revenue and EBITDA both. But you can also see that the EBITDA contribution of the infrastructure asset crossed the 50% mark in line with the guidance and the refresh strategy we announced during the capital markets day of having at least 50% of our EBITDA coming from the infrastructure assets and clusters with ideally more than 60% of that in the future. Same picture for both total assets and capex, the bulk would be concentrated in ports, economic cities and free zone and maritime and shipping.

This is an updated map of our operations, our reach and our network. I think the key difference if you look at the Q4 2024 map is one the Sarzha Grain Terminal in Kazakhstan that has been announced in Q1 and obviously the UGR, which is the JV with AD Port on the rural shipping side. So you can see this is the orange lines on the map that are depicted. So, there's the UGR started with the main service, all the way from South Korea into the Middle East into the Med and then finally into Turkey and four feeder services, so five services, six vessels to start with. This is a good snapshot of our operations and the scale of our operations that continue to grow at double-digit for the main key metrics.

That's all for me. I'll pass it on to Ross for the market update and the commercial update Over to you, Ross.

Ross Thompson

Thanks, Mark. Good afternoon, everyone. Just a little update on the market for the first quarter in the context of how we achieved our results, but relatively speaking, we measure the container side of our shipping business in terms of average earnings per slot and the average freight rate, which in Quarter 1 remains largely unchanged. That's relatively down to strong and particularly in the regions that we operate strong container and volume demand and relatively balanced supply and demand dynamics.

Whilst on a global scale, you're seeing some normalization in the freight rates and then we started to see at the end of the quarter the potential impact of the announcement of tariffs in the US, which is really start to impact global volumes and global trade but towards the second quarter, or in April. The first quarter remained relatively stable. Again, for the areas that we operate in, we saw rates remaining relatively unchanged versus the global outlook.

In terms of the bulk market, also a very similar story for the company. Most of our contracts in the bulk sector are on long term and long term charters, long term commitments. We're relatively unaffected by the dry bulk indices, but rates remain relatively stable throughout the period.

Demand for other type [audio gap 13:31] first quarter was a very, very strong period for the global outlook.

Five key additions to the group were added in Q1 in 2025. Mark touched on it, the Sarzha Grain Terminal in Kazakhstan, 51% of owned by ourselves. We have a partner in Semurg Investment of 49%, which will jointly develop and operate a grain terminal. The grain terminal is semi built. There are grain exports already out of the terminal, but we will build the silo and the loading mechanism. It's a very manual operation at the moment, which will be a good addition for the food sector and vertical of our business.

Secondly, the partnership with CMA. Our partnership with CMA continues to grow. We divested 49% stake in our Congo-Brazzaville greenfield terminal, which is currently under construction. We will retain the operation and we will retain the consolidation, but we have a strong partner that underwrites our business plan by guaranteeing volumes from a shipping line in CMA CGM.

Our third was our fire dry port on the border of Abu Dhabi and Dubai. This allows us to move cargo seamlessly through Kalifa port for the Dubai and the northern Emirates market. It opened and really as a hub for O&D cargo within the region.

Fourth was a joint venture that's called UGR, United Global Ro-Ro. It's a 60% stake in the JV with Erkport, or ERK, which allows us to move Ro-Ro cargos around the world. It started operations— I think we had one month of operations in 2025 but this will contribute significantly to the group. A great growing market and a market that's in a huge amount of flux, the [indiscernible 16:00] trends in Ro-Ro distribution globally, and particularly EVs and this group, Abu Dhabi Ports Group, is in a great market space to take advantage of this new segment for us. We already have the port side through Noatum ports. We currently move around or handle around 1.6 million cars or finished vehicles every year. Adding the shipping to the ports becomes a very, very powerful combination for us to sell to the OEMs and to our customer base.

Lastly, we won a competitive tender bid to provide marine services in Bahrain and a joint venture with the ASRY Group, where we'll be also expanding that to do ship repairs and green recycling.

In terms of recent M&A, because this ignores some of the older M&A in terms of Noatum, but in terms of recent M&A that we completed in 2024, how that's now impacting into the P&L. We had a combined revenue of around AED 406 million in Quarter 1, majority coming from GFS and two months of operation of UGR. Sorry, I previously said one month. It’s two months [audio gap 17:32] but also from some of our smaller acquisitions that we did— Sesé operations from our Pakistan terminals, Dubai Technologies and Luanda multipurpose terminal now coming on stream and including volumes. Around about AED 95.4 million of EBITDA was attributed to the P&L in Quarter 1. We see those numbers [audio gap 18:03] basis as we progress through the year.

In addition to the previous slide, how does that make our five cluster model start to look? The notable differences here is in the maritime and shipping where we've added the UGR joint venture and the ASRY joint venture underneath the maritime and shipping brands. Underneath a digital cluster, you see Dubai Technologies coming into force. Underneath the ports cluster, you'll see the Pakistan and the Luanda terminals also starting to contribute.

In terms of ports and our global footprint continues to grow. This is the ports under development that we either operate or under development or under construction in terms of greenfields. The green dots on the map, Congo-Brazzaville, Safaga In Egypt, and in Kazakhstan, which was the grain terminal. These are our greenfield sites that currently remain under construction. As of today, the projects are all on time and will deliver ongoing volumes into the P&L as they come on stream.

In terms of our operations today, we have 15 terminals in Spain. These are multi-purpose terminals and the Ro-Ro terminal, also container operations. In Egypt, we also have the [indiscernible 19:56] that's managed under our brand of TCI. In Angola, the we started the operations in Angola and now see the impact of that on the P&L. In Tanzania, we have a 30% ownership. So, we're a financial investor of a share in one of the strategic assets in the coast of Africa, where there is limited capacity and limited developments.

The group continues to benefit and target areas where free trade agreements and SEPAS are signed by the UAE government and the Abu Dhabi government. The free trade agreements are a growing source of opportunity for the company. It's no stroke of luck that we're concentrating our future growth in areas where free trade agreements are being signed. What normally follows from the free trade agreement is investment and also increasing volumes. Our job as a company is to create those routes, create those routes to market with the Middle East and our asset base at the center of that.

Just to finish on the economic zone. The economic zone remains very, very strong. Demand remains increasingly strong. I think that the new tariffs from the US government are also presenting opportunities for both European and Asian companies to really want to locate their manufacturing bases in the Middle East. KEZAD remains one of the premier and one of the strongest offerings in the market. Two major deals that were signed was Bisconni food processing, 50-year land lease and a 37-square meter plant, an investment of AED 110 million and also ETG bio green polymer company. Again, another 50-year lease and a 22-square meter plant.

With that, I'll hand over to Martin.

Martin Aarup: [Indiscernible 22:52]

Mark Hammoud: Hi, Martin. You're audible, but your voice was cutting a bit.

Martin Aarup: Is it better now?

Mark Hammoud: Yes, much better, Martin.

Martin Aarup: So update on the financial performance, and again, just go into a bit more details than what Mark mentioned in the summary in the beginning. So, basically, the strong financial performance of ’24 continued into Q1 of ’25. Our revenue for the quarter increased 18% year-on-year to AED 4.6 billion and slightly higher than Q4. On a like-for-like basis, when we exclude the emanate [ph 23:42] contribution, the revenue grew 8% year-on-year. EBITDA increased a 9% year-on-year to AED 1.14 billion and total net profit reached AED 464 million for the quarter, up 16% year-on-year. That's very much in line with the operating leverage that we have guided for with relatively higher bottom line growth.

Q1 was supported by a dividend of AED 68 million from NMDC versus AED 62 million in the same period of ’24 and then the extraordinary AED 195 million dividend we received in Q4 after the listing of NMDC Energy.

For our port cluster, general cargo volumes were up 10% year-on-year in Q1 mainly supported by strong growth in Karachi bulk terminal. The UAE volumes were resilient and increased 5% year-on-year, particularly due to strong [indiscernible 24:38] and high yield cargo. Albeit with small volume contributed, we reached an important milestone in Q1 with our new Angola terminal adding operational effect.

Our container volumes increased 26% year-on-year in Q1 after the addition of the new CMA terminal in December of last year. In spite of the new capacity that was recently added because of the CMA terminals, utilization in Khalifa port was 61% in Q1, virtually in line with the same period of last year.

The Ro-Ro volumes increased 16% year-on-year, with strong performance both in Khalifa port and in Spain. For the cruise business, Q1 is the off season. However, on a positive note, our Aqaba Cruise Terminal resumed operations as they have been basically not operating for a long period of time due to the situation in the Red Sea.

In our economic cities, we inked around 900,000 square meters of net new land leases in Q1 and that is very much in line with our guidance of average 3.5 to 4 square kilometers per year. The key new leases signed in Q1 were in the food processing and polymer industries. As Ross mentioned, Bisconni Middle East and bio green polymer for some combustible polymers. Close to 70% of the overall land leases continue to be in industrial and manufacturing.

For our warehouses, we are virtually fully leased out with an overall utilization at 97% in Q1. With the very high demand that we have for warehouses and the high utilization, we're increasing our stock and we will add another 270,000 square meters of capacity in the second half of this year.

Sdeira utilization and Sdeira is previously known as KEZAD Communities continue to increase with ramp up of the new facilities. In Q1, we managed to take a quantum leap, with utilization increasing to 75% from 67% in Q4 based on a bed capacity of 139,000 beds. Gas volumes were up 23% year-on-year in Q1 to 6 million MMBtu, with continued strong demand for industrial gas.

In our maritime and shipping cluster, we operated 27 container feedering [ph 27:23] services in Q1 with a fleet of 49 vessels connecting 75 ports across 28 countries. That was slightly higher than Q4. Feedering container volumes were up 61% year-on-year and up 8% versus Q4. Around 66% of our feeder container shipping volumes came from the Gulf Indian subcontinent and Red Sea in Q1 with the Red Sea accounting alone for 28%. Demand in our container segment remains robust and is also looking healthy for the next couple of quarters.

As in previous quarters, we continue to focus on having a balanced, synergistic portfolio of maritime assets with different market cycles to limit business performance volatility. As of Q1, our total vessel fleet is 265 including 30 Balkan Ro-Ro vessels and 109 vessels deployed in our offshore and subsea segment.

Our dry docking services, which we started in Q4 in Khalifa port within our marine services sub segment is rapidly ramping up. It's operation based on healthy demand. As mentioned earlier, we launched UGR (United Global) Ro-Ro in Q1 initially with five vessels deployed on one main and four feeder services connecting Europe, Africa, Arabian Gulf and Asia.

In our logistics cluster, polymers volumes were up 6% year-on-year in Q1 but slightly lower than Q4 as transit times have normalized. Air freight volumes were up 40% year-on-year for the quarter, benefiting from the ongoing disruptions in the ocean freight segment. Ocean freight was down 7% year-on-year in Q1 and that was mainly impacted by the ongoing trade tension and some projects that were concluding at the end of 2024.

In terms of our revenue, the port revenue short 25% year-on-year to AED 703 million in Q1 driven by strong growth in the bulk and general cargo business, the international container operations and then UAE concession revenues with the start of the CMA terminal. For our economic cities, revenue grew by a strong 14% year-on-year to AED 525 million for the quarter. That mainly came from land leases and warehouses, as well as the ramp up of Sdeira staff accommodation facilities.

The maritime and shipping cluster remained the largest revenue contributor for the quarter with 48% and the cluster delivered strong 30% year-on-year growth to AED 2.28 billion in Q1. The revenue growth for the quarter was driven by all three key business segments. The marine services was up 39% year-on-year. Offshore and subsea up 36% year-on-year. Shipping up 32% year-on-year. On a like-for-like basis, when adjusting for DFS and UGR, revenue growth remains strong at 10% year-on-year.

In logistics, revenue grew at 2% primarily on the back of strong growth in air freight from higher volumes and ocean freight from higher price. That was partly offset by negative impact from a one-off commercial settlement that we had in our polymers business. As part of our recent full integration of Noatum, we have also reclassified Sesé Auto Logistics from the logistics cluster to the port cluster, with a AED 60 million impact on revenue.

In terms of geographical revenue distribution, 65% of revenue came from the UAE, with balance 35% from international operations, Europe being the largest contributor, with 22%. Again, it should be noted here that we're counting all maritime assets as UAE based, even though they are operating internationally. Around AED 400 million or 9% of Q1 revenue came from M&A activities, mainly GFS and UGR in maritime.

The Q1 EBITDA was up 9% year-on-year, but slightly down versus Q4 due to the extraordinary NMDC dividend in Q4. Our three biggest clusters all delivered strong growth. Ports was up 17% year-on-year based on top line growth and operating leverage. Economic cities was up 14% year-on-year based on healthy land leases, new warehouses and ramp up of Sdeira staff accommodation and maritime was up 10% year-on-year, with strong growth across all segments. M&A effect in maritime was offset by, to some extent, by the normalization of rates.

Logistics only delivered marginal growth of 2% year-on-year, as the result were negatively impacted by the one-off commercial settlement that I mentioned earlier and some provision for bad debt. Digital mainly impacted by timing of projects.

Overall, EBITDA margin for Q1 stood at 25%, in line with our guided [indiscernible 32:56] of 25% to 30%. In port, the operating leverage in the UAE business is offset by addition of international businesses with relatively lower margins. Similarly, in economic cities, the operating leverage in the land lease business is being offset by very strong growth in the relatively lower margin warehouse business and the ramp up of Sdeira facilities.

Consolidated EBITDA margin will continue to rebalance at moderate rate as capital projects come online and operations are ramped up. The higher margin businesses are predominantly in the UAE, where the group largely operates a landlord business model.

From a portfolio perspective, our aim is to have a balanced, complementary, synergistic trade enabling assets. We target that more than 60% of our equity weighted, proportionate EBITDA is coming from our infrastructure business, namely the ports and economic cities.

Total assets grew 11% year-on-year to AED 64.5 billion in Q1 whilst the total equity increased 13% year-on-year to AED 28.2 billion. There was marginal increase in net debt during the quarter with net debt to EBITDA slightly increasing to 3.4x in Q1. Mark mentioned earlier, no debt maturing in ’25 and ’26 and our balance sheet still offers good flexibility with AED 4.7 billion of undrawn facilities. Our guidance remains unchanged to maintain an investment grade credit rating on a standalone basis.

Capex reached AED 954 million in Q1, slightly higher than Q4 but significantly lower than same period in 2024. Majority of Q1 spend was in our economic cities for infrastructure work and development of the metal [ph 34:54] parks hub and imports we had port concessions and our new Al Faya dry port facility and in maritime some purchase of offshore vessels and barges, as well as dry docking capex. The capital intensity continued soften as per plan and stood at 21% in Q1.

Our capex program has in the medium term been rebalanced towards infrastructure in ports and economic cities, including ports development in Egypt, Pakistan, Congo, Angola and Kazakhstan, as well as continue build out of [indiscernible 35:29] our build assets portfolio. Feed optimization and expansion will also be done on a very selective basis. Our expected capex benefit for ’25 and ’26 will, as previously mentioned, be around AED 3.5 billion to AED 4 billion annually, which we have guided for in the last— since the beginning of the year. Around 65% of the ’25 to ’29 capex has been allocated to infrastructure assets, in port and economic cities.

Our operating cash flow reached AED 725 million in Q1. It was negatively impacted by some unfavorable working capital changes. Therefore, the free cash flow to firm was negative for the quarter at AED 173 million, albeit significantly improving year-on-year. Free cash flow positive, excluding M&A investments, remains a key focus area for us and all indicators on track to achieve the sustainable free cash flow positive guidance, latest by 2026.

For our guidance, the medium term guidance has— or basically remains unchanged. In the medium term, between ’24 and ’29, we expect to deliver revenue and EBITDA [indiscernible 36:57] in the range of 10% to 15% and profit before tax around 15%. Again, this is factoring in the shipping cycles. Hence, in the short term, there may be slight deviations. In the next couple of years, we expect annual capex, as mentioned, between AED 3.5 billion to AED 4 billion per year. As always, this is based on currently announced transactions. Any additional things that will be announced of major inorganic or organic transactions will be incremental to this.

Back to you, Mark.

Mark Hammoud: Thank you. Ahmed, we ready to open it for Q&A.

Ahmed Hazem: Thank you, Mark. As a reminder for everyone on the call, you can send your questions via the Q&A box or you can send your questions— or you can basically raise your hand and we can ask the questions for you. We'll start off with the with the raised hands.

We have our first question from [indiscernible 37:57].

M: Congratulations on our very good set of numbers and thank you for this call. Two questions from my side. First of all, on the business environment. I think Q1 was very good, but how do you see April and May progressing, especially given all the issues around tariff and trade uncertainty?

Secondly, on the FCF positive, so Q1 was very close to FCF neutral or very negative or very slightly negative on FCF and you mentioned that 2026 should be sustainably positive FCF, but what are the chances of being FCF positive in 2025 itself for the full year? Do you think— what are the key drivers that will drive the FCF this year in terms of whether it is positive or negative? So just some color that is. Thank you.

Ross Thompson: I’ll take the first part the question. Look, it's been a very interesting period. I think that trying to guess where the next issues will pop up is almost impossible. I think in the last four weeks, we had a significant fire in Bandura Bazar. You had India and Pakistan tensions rising. So, it's not an easy time for the world.

What I can say, even with the tariffs, you are seeing an impact. You have seen a drop, a significant drop, in volumes moving from China and Asia into North America for sure. It's mostly North America felt, but those volumes haven't really disappeared. Those volumes have been re-diverted and those diversions are tending to benefit the areas that we operate in.

China is sort of divert the volumes to Southeast Asia, the BRICS economies in particular, even into Latin America. So our group is very, very well positioned. Most of our asset bases in areas where it's unaffected by tariffs and the geopolitical influences and our asset-lite businesses, our services, are some of always the first to move. So, our logistics business and our— in terms of freight forwarding, in terms of our maritime business, very well positioned to take advantage of where we see moving trade volumes, introduce new course and new ad hoc, course.

So for us, these things are always in the world. It is heightened, for sure, but we're a group that's very, very robust and very used to dealing in certain situations. So, really we're looking at the opportunities that presents. We're not really feeling any of the negatives so far, although it's without dispute the volumes are being significantly impacted until the latter part of Q1 and as we move into Quarter 2 in certain trade lanes, it just so happens that these are trade lanes where we're not particularly involved in.

So, my outlook is much the same. I think the asset-lite part and the asset part of our business works very well together. We're very well positioned to be extremely robust through this period.

M: Just a follow-up if I may. You alluded to this, but do you think all this create [ph 41:47] tensions and trade issues or tariff issues is going to be positive for the economic cities and [indiscernible] business for you [indiscernible] really well positioned to benefit in terms of getting more of the businesses coming or relocating to [indiscernible] medium to long term?

Ross Thompson: Potentially. I think the world is moving to more of a— rather than having a China sourcing strategy, it's a China plus one or a China plus two. This area of the world is an extremely in demand area, a number of reasons. Number one, access to world class facilities, access to utilities at very, very competitive global prices. That's gas, industrial water, whatever the inputs may be and then access to export markets for finished goods. I think it's a very compelling position and we've seen strong demand, relatively speaking, since COVID. But we do see opportunity, particularly in the industrial zones, where this is a, relatively speaking, very attractive area of the world to position yourself to export to markets. So yes, we are expecting a stronger demand, although that takes some time to filter out because these are large scale financial decisions.

M: [Indiscernible 43:26] question.

Martin Aarup: Oh yeah, I hardly forgot the second part of the question. That was a long answer to the first part, but a well-covered answer. In terms of the second part of your question on becoming free cash flow to firm positive, we have guided for with the visibility that we have, that on a sustainable basis, we expect that to happen latest by 2026, on a full year basis. We have, in the last few quarters, been hinting around being free cash flow positive or we have actually had a few quarters. This quarter was negative. It will likely remain for the rest of the year as well that there will be some positive, some negative.

In terms of the levers and what will change that it's mostly in terms of timing of capex. So we have a number of international concession capex that— so when will the actual cash outflow be for these. If everything goes according to plan, we will slightly be more negative this year than next year, but it depends a bit on the timing, but the more important factors also linked to Ross's answer to the first part of your question.

In times like this, where there is a lot of uncertainty, there's also a lot of opportunities and we remain ready to capture opportunities that may come our way and that could also influence in terms of the capex spend that we will have for this year. Also in terms of we still have some discretionary spending in the maritime sector. Again, that depends a bit on the market environment, in terms of whether we will spend that and to which extent we will spend that.

So, yes, in short, latest by 2026. Will it happen this year? I think it all depends on, again, timing of capex and the opportunities that will come in the market based on the uncertainty that we're currently seeing and the opportunities that are coming over.

Ahmed Hazem: We'll take our next question from Graham Hunt. Graham, your line is open. Please ask your questions.

Graham Hunt: I've got three hopefully short questions. Ross, I just wanted to go back to your comment on what I thought was quite a positive comment on the Ro-Ro opportunity. Just given all of the noise that's been in the market around trade flows and I suppose coming back to the prior questions, what's driving that confidence? Maybe if you just cut through that noise and speak a little bit more about the opportunity that you see there for the platform you have in Ro-Ro.

Second question, just on actually Slide 24 and the international concessions. As you mentioned, volatility risk seems to be going up. Could you just talk a little bit about some of the downside protections that you have for invested capital outside of your domestic market?

Then last question, very quickly, you mentioned LatAm during the CMD that you hosted recently. I noticed a number of under negotiations dots on your SEPAS map in LatAm. I just wondered if you've been seeing anything there in particular that you can call out. Thank you.

Ross Thompson: Yeah, let me touch on the Ro-Ro. I think, look, we're in sort of the precipice of a very changing dynamic in that market where China obviously is dominating the EV manufacturing and the exports of such but also with its target to end all combustion engines by 2013 is exporting a huge amount of second hand combustion engines and vehicles, which are being diverted to emerging economies, so Africa, Middle East, these types of regions. The figures coming out of China for vehicle movements are staggering.

You have European manufacturers that are somewhat struggling in their traditional markets. So our positioning and our proximity to the market and the current Chinese manufacturers gives us a very stable platform. At the moment where they are is trying to secure both port and shipping capacity. There aren't a lot of companies that offer both of those as a package. Between UGR and our port operations, we can give OEMs long term visibility on both the shipping routes and the shipping capacity, plus the port and the storage and the added value services that you need in those situations. So, I think it's really the industry being on the precipice of real changing patterns in supply chain flows, government policy driving some of that and government policies across the world in terms of combustion engines and EV. Plus what the group already has in terms of proximity to its customer base through the port side and now adding the shipping side, it gives us a very, very powerful tool to service our customers and secure long term contracts while the rest of— where the market hasn't really moved in terms of that. So yes, that's why we see it as a very, very big positive.

I also think that we're very skilled at the regional play. We've grown up in our shipping business by not servicing just the deep seat, but by serving the regions. We'll follow that package in terms of the Ro-Ro as well. So, we'll partner with deep sea lines, who will take on the long haul. We will set up networks around the regions that we're very strong in Middle East, Africa, MED, these are our home markets. So, I think we're well positioned. In that market.

Graham Hunt: Then, just on LatAm and sort of risk protection around your international investments.

Ross Thompson: Yes, I think in terms of LatAm, there are a lot of opportunities, and particularly in the bulk food sector and contain the sector. It's somewhere that that we're looking to expand, but looking to expand in with partnership. We are present in LatAm through our logistics business and our heavy lift logistics business as well. We're looking at how we secure more of the— particularly the food and agri supply chain coming from Latin America into this region. So, we will build off of that, but at the moment, we're on a monitoring phase. We're looking for good investments with good return but again, you pick up on the international risk. We have to be confident that the foundations are set, that we're governing those investments and those businesses. We have the right setup and the right people and that takes time to develop. We won't step into markets until we feel that we're confident that we have those in place. So, we are looking up to set up regional offices ahead of any acquisition or expansion to have people in place on the ground before we do that.

The international risk, I think naturally in the world that we're operating is increasing. Having said that we have a very, very strong governance model in the organization, a very robust crisis response organization as well. Our people and our staff are utmost and paramount in our asset base. So yes, we continue to monitor both on a localized level, regional level and at the center and we're confident that we have as much coverage as we need at this point.

Ahmed Hazem: We don't have any other raised hands, so I'll just give it a moment for people to start raising their hands. In the meantime, I'll ask a question that Martina is asking on the Q&A box. What's your view on the port segment EBITDA margin for 2025 specifically, and the medium term, given that the international expansions— given your international expansion and the wrap up of Khalifa port utilization?

Martin Aarup: That's a very open question in terms of our view on it. So, we have two dynamics in terms of the port sector. One is the operating leverage that we have in the UAE businesses, where all other things being equal, that we will see a slightly increasing margin over time. Whereas when we look at the expansions that we're doing internationally because of the business model, that are different. So in UAE, we have predominant landlord, particularly on the container side, whereas internationally, we often are the ones having the concession with a different margin profile as well.

So it will be an evolving mix. We would expect to see a slight increase in margin as the operating leverage is overtaking or outweighing the dilution coming from the international businesses coming in, but these are the forces. It's a little bit depending on the timing of the ramp up versus the international expansion.

Ahmed Hazem: We have Nihil just has a follow-up as well. So Nikhil, your line is open.

M: Just two quick questions, very specific questions. First of all, on the margin for logistics, it was mentioned that [indiscernible 54:18], can you give us some idea on what was the adjusted margin for logistics business and how should we look at that for rest of the year?

Secondly, on effective tax rate, it appears like it was lower this quarter, especially, given the pillar two requirements. How should we look at the effective tax rate for the rest of the year? Thank you.

Martin Aarup: Two good questions. In terms of the margins for— so the EBITDA margin for our logistics cluster— 7% to 10% is what we've been guiding for previously in terms of the EBITDA margin on a more sustainable basis, normalized basis.

When it comes to the tax impact, the development in terms of the tax rate is largely impacted in terms of both the deferred taxes and also in terms of qualifying income. Again, with the increase in the tax rate in the UAE being the first year going from 9% to 15%, there's also changes in terms of what is qualifying income and what is not qualifying income for taxation. So, what you see in in the first quarter of this year, we would expect that to slightly increase, so the effective tax rate to be around 14%, 15% for the full year. But again, it can be impacted by deferred taxes that will be recorded in the remaining part of the year.

Ahmed Hazem: I think we have a question coming in the Q&A box from [indiscernible 56:16]. The 5-year profit before tax guidance CAGR of 15% reflects the lower end of the EBITDA guidance. On the upper end of the EBITDA guidance, the profit before tax schedule would be higher than 20%. Is that a fair calculation? Ahmed is asking.

Martin Aarup: Can you just repeat that?

Ahmed Hazem: Yes, so Ahmed is basically highlighting and asking, is that the profit before tax CAGR guidance that you are providing 15%. He's mentioning that that reflects the lower end of the EBITDA guidance that you're also providing. On the upper end of the EBITDA guidance, would the profit before tax CAGR guidance change to 20% or higher and is that a fair calculation that he's making?

Martin Aarup: No, I think the guidance that we're provided is a fair guidance. Again, note that below EBITDA is impacted in terms of the assumptions, particularly on the interest rates and also in terms of the construction work in progress that we're having, so also the proportion of our interest expenses that we'll be able to capitalize in a given quarter. Whether it's on a conservative or lower end, that I will not comment on. I think what we're provided is the fair guidance, both on EBITDA level and on PPT based on the visibility that we're currently having.

Ahmed Hazem	It seems that we don't have any questions coming in. With that, Martin, Ross and Mark, back to you for any closing remarks.
Mark Hammoud	Well, I'd like to thank you all for attending this call. There are a lot of events over the next few weeks and month, so we look forward to interacting with you and discussing our Q1 2025 results more in details. Thank you all for connecting and speak soon.
Ahmed Hazem	Thank you for the AD Ports Group management team and thank you everyone for attending. You may now disconnect.