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AD Ports 3Q25 Results Call

Monday, 17 November 2025

Fahad Good morning and good afternoon, everyone. Welcome to AD Ports Group Third Quarter 2025 Results Call. My name is Fahad Shaikh from EFG Hermes, and I will be your host for the call. Representing AD Ports, we have the pleasure of having with us Mr. Martin Aarup, Group CFO; Mr. Ross Thompson, Group Chief Strategy and Growth Officer; and Mr. Marc Hammoud, VP Investor Relations.

With the introductions now done, I would like to hand over the call to the management team to take it forward from here.

Marc Good morning and good afternoon, everyone. Thank you, Fahad, for the introduction. Thank you for hosting this call. Welcome to all of you to our Q3 2025 Earnings Call. Without further ado, I'll kick it off. And as usual, I'll pass it on for the strategy part to Ross and for the financial part to Martin.

The key messages for this quarter, I think the most important one is the fact that we achieved the highest net profit since listing. I think the quarter is a combination of strong P&L performance with balance sheet optimization that started, actually right after the end of the third quarter. We also simplified reporting with four core clusters from now on.

The first message is, again, the top-down story, which continues to be very strong. If we look at the UAE's economy, it's now driven and dominated by non-oil sectors. Abu Dhabi's GDP rose by 3.8% in Q225, driven by 6.6% growth in non-oil sectors, with the non-oil economy accounting now for 57% of the total GDP. Twenty-nine SEPAS are now signed in total, and 13 of them have been implemented. Australia, New Zealand and Malaysia came into force in Q325, while Angola, where we have a presence, was signed during the quarter. The AED 4 trillion foreign trade target set for 2031 is now likely to be achieved by 2027 on the back of these strong trade figures that have been achieved so far.

On the Q325 results more specifically, as I just said, we recorded a record net profit performance. The revenue grew 16% year-on-year to AED 5.39 billion and 10% on a like-for-like basis. EBITDA was flat to AED 1.2 billion, down 4% on a like-for-like basis, with an EBITDA margin at 22%. Total net profit increased 34% year-on-year to AED 596 million and as I said, record performance since listing. Worth highlighting that operating profit in infrastructure businesses of ports and Economic Cities and Free Zones grew at double-digit rates.

Post the Q3 results and Q3, we started an asset monetization program, one with the sale of a 4.6 square kilometers land plot in KEZAD Abu Dhabi to Mira Developments for a value of AED 2.47 billion. Then we had the sale of two warehouses, again in KEZAD, Abu Dhabi, to Aldar for a value of AED 570 million. We will continue to do an asset portfolio optimization, with a focus on mixed use land, built up assets and financial investments.

The asset monetization program aims at recycling capital, optimizing the balance sheet structure and unlocking balance sheet hidden value. And talking about balance sheet, it's well under control in Q3, with the net debt to EBITDA improving year-on-year, from 4.6 to 4.4, but

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increased sequentially due to the higher quarterly CapEx, with deferred associated revenue uplift. We kept a strong liquidity position, with AED 2.2 billion in cash and AED 4.6 billion in undrawn bank facilities. There's still no upcoming debt in 2025 or 2026 and no changes in investment grade credit ratings.

As I said earlier, we simplified our corporate structure with now four core clusters. Our vertically integrated model now is structured around ports, Economic Cities and Free Zones, maritime and shipping and logistics. We will have the global IT and Infosec as well as Maqta Technologies under the corporate segment to strengthen the group's wider value propositions. And then we'll have decentralized digital services integrated within the four core clusters to better support their growth, efficiency and performance competitiveness.

In terms of container shipping business, we actually had the best quarter year-to-date in Q325, but the outlook remains uncertain. It remains uncertain because there are different market forces with binary outcomes that are pulling it in different directions. We can cite the Red Sea disruptions, we can cite the US tariffs, trade wars, regulatory and policy changes and supply/demand dynamics. In terms of Red Sea, Red Sea volumes accounted for 25% as of nine months 2025 of the total container shipping volumes, down from 31% last year.

We continue to have a resilient growth equity story around some of the key messages that I just highlighted, so the supportive, top-down story that hasn't changed. We continue to have a triple play growth story and strategy. What I'd like to highlight in this box is the fact that going forward there will be selective M&A opportunities domestically and internationally, and whether it's organic or M&A, it will be infrastructure focused on ports and Economic Cities and Free Zones.

We're still targeting to be free cash flow positive on a sustainable basis from 2026 onwards. And maybe a small change in terms of balance sheet, as I explained earlier, or as I highlighted earlier, we started an asset monetization program and optimization of the balance sheet. Not much change on that slide. The ownership structure remains the same, and foreign participation in the stock also more or less the same at about 9%.

What also hasn't changed is the disconnect between the stock performance and the financial performance, although post Q3 results we've seen, again on the back of the asset monetization program, on the back of the strong Q3 results and other developments, some positive movement or positive action in the stock price. But as you can see, there's still significant disconnect as of nine months 2025 between the stock price performance and our actual financial performance, which continues to grow in line with the best historical performance. In terms of daily average traded value, we're around \$2.8 million for the last six months.

As I said earlier, we shifted to a reporting around four vertically integrated clusters. The digital has been, as I said, integrated within the corporate segment and within the four core clusters. This is a snapshot of the revenue and EBITDA distribution by the four clusters. As you can see,

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this 53% contribution from the infrastructure assets of ports and Economic Cities and Free Zones, and the third largest contributor would be the maritime and shipping, with a small contribution from the low margin business of logistics. More or less the same picture in terms of total assets and CapEx.

That's an updated view on our operations globally. What I would mention is that we entered Angola in terms of digital services that we announced during Q3. We increased our number of services in the container shipping business to 27 services, connecting to now 28 countries and covering 86 ports. UGR continued to also scale up. We have now five services, one deep sea, and four short sea, with 13 vessels in total and continued increasing operations, operationally and financially.

Scale of the business, as you can see on the port side, we're now at 11.8 million TEUs in terms of container capacity. We keep on increasing the 12 month rolling volumes, driven mostly year-to-date by the launch of CMA terminal in Khalifa port. We crossed the 60 million tons of general cargo volumes, and we're still around 1.5 million volumes in terms of RORO.

In terms of Economic Cities and Free Zones, 73 square kilometers of land leases, as their group staff accommodation continues to ramp up the utilization. And as a result, now 118,000 beds are leased. Warehouses, although we increased capacity again during the quarter, the utilization remains very high, at 97%, and 820,000 square meters leased, while the gas volumes continue to grow at a steady rate, driven by strong demand.

Maritime and shipping, as I said, 57 container vessels on 27 container feeder services. We crossed the 3 million volumes on those vessels, 3.1 million TEUs, and we continue to grow the vessel fleet in terms of bulk RORO and multi-purpose, but also offshore and subsea and marine services. Logistics, you can see that we continue to drive all the volumes, whether it's freight forwarding or the polymer volumes with Baruch [ph-12:36].

And I'll pause here to pass it on to Ross for the market update and the strategy. Over to you, Ross.

Ross

Thanks, Marc. Good morning or good evening to everybody. Next slide, please. Just a little update on the macro environment that the company is operating in. This slide is around container volumes, and our region that we operate, which the majority of our fleet is deployed in, continues to see volume growth. The local economies and the regional economies tend to outperform, in terms of growth rates, the more mature Western economies at this point, which is a trend that we see continuing. Regional trend through near shoring will continue strongly for the rest of this year and well into 2026 and 2027 and beyond.

In terms of freight rates, again, if you look at the global averages, the container freight rates are declining, particularly in the major trades, the Transpacific, Asia, Europe. For the company, our deployment of assets is within this region, the Red Sea, the Gulf, the upper Gulf areas, Southeast Asia, India. Now these markets, we've seen a correction, a slow correction, not a

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decline, but a slow correction of rates from last year's peak across the period of the first nine months of the year, so around about 15% to 16%.

We are expecting more normalization of the rates in the last quarter, which we've seen in October. We certainly didn't see it up until the end of September, but October, we've seen the rates correct again. But they've stabilized and are no longer declining. So across this period of the first nine months, we've seen around a 15% decline in freight rates, and in October itself we saw a further around about an average of about a 15% decline in the month. That happened earlier in the month of October, and has now stabilized and stopped declining. Therefore, we see pretty much a more stable effect until the end of the year.

It's important to say that the normalization that's happened, it's not as deep as we had forecast. And actually the freight rates are outperforming the forecast that we had, both for the company budget and what we'd forecast going forward. And therefore, we feel like we're in a good position to operate very profitably within these freight rates.

The bulk market of the maritime industry is less volatile than the container side. Actually demand, based on high demand for commodities from both regions and China, bulk rates remain very, very stable. And we see that continuing, not only to the end of the year, but well into next year. The supply and demand dynamics suggest that the forecast to be relatively stable for the next 12 months or so.

On RORO, the short term outlook is very, very positive. Just pure supply and demand dynamics in our favor. There is not enough capacity in the market right now. Having said that, there is an order book that comes into the market as we go into next year, particularly the second half of next year. But certainly the outlet look towards the end of the year remains very positive. And again, if I compare October results, actually our EBITDA and our volumes increase on the RORO side, whereas on the containers we saw that momentary drop in freight rates.

The overall logistics market globally, it's very well publicized, but it's undergoing still challenges, still being impacted by the tariffs imposed by the US, and the shifting tariffs that are posed by the US, certainly geopolitical influence globally, certainly regionalization, which is a very positive thing for our company, given that a lot of our assets were deployed within the regional trade, rather than the deep sea trade. And the industry is going through consolidation, but also digital transformation and deployment of AI, which our company is very, very involved in.

Highlights of the last quarter, but very well publicized, we sold a substantial amount of land from KEZAD to the Mira Group for around AED 2.47 billion. This was our first private sector land sale for mixed use land development that is much needed for the ecosystem of KEZAD in general. We need housing. We need mixed use development to support the workforce that's coming into the industrial and economic zone. And again, this was a substantive transaction that the company achieved in quarter three.

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Recently announced at the beginning of last week was the warehouse sale, two build-to-suit warehouses for Emmental and for Noon, which we sold via a process that we ran in the market, which was conducted for us by Knight Frank, we sold those, the winning bid to Aldar for AED 570 million. This is part of the company's strategy to take mature assets, non-core assets, sell those and monetize those in the market, and then recycle the capital to invest in more infrastructure projects that the company needs to undertake, both in KEZAD and in Khalifa port.

Marc mentioned it, we still have a five cluster model, but we've repurposed our digital cluster. We've moved from a centralized cluster to what's called a federated model. It means that the IT services provided to each of our clusters will now largely be, if it's specific to the cluster, will now be undertaken and managed within the cluster itself. This is because, from an IT perspective, they have slightly different needs. Having said that, the overall IT infrastructure for the group, things like the ERP system, that cross all clusters and also provide the group with the IT infrastructure it needs, that will remain central as we go.

The IT function and the digital function is largely focused now on deployment of AI within the businesses to really driving change and operational efficiency, to also provide cost out initiatives through deployment of agentic AI across each of our operations. While supporting the clusters in terms of IT infrastructure at the group level, there is less focus on this group to go out and look for external revenues. Having said that, part of servicing our group will be the deployment of IT services overseas to do things like custom systems and single windows, where we have our asset base. But this will largely be led by the clusters, particularly the ports cluster and economic cluster, but it will be performed by the IT cluster itself.

Okay. As we move into quarter three, progress on international projects, dredging work at KGTL and KGTML in Karachi, Pakistan, which is both the container terminal and the multi-purpose terminal. The dredging agreement to expand the container capacity, accept deeper vessels within the channel at both terminals has been signed, and work will be undertaken in Q1 next year.

We also signed the digital Single Trade Window Solution in Angola. This largely follows on from what I was explaining about the focus of the IT and the digital cluster. But this really supports our investment in Angola. We're running the container terminal, and now the single window is the trade platform that allows the digital side of trade to flow through the terminal. It's a solution that we have between the government and ourselves, and will bring significant efficiencies to port operations and supply chain within Angola and the surrounding countries.

This slide just demonstrates some of the M&A that we've undertaken in the quarter. Having said that, the impact on the group at this point is relatively small and insignificant, largely due to the timing of such. Luanda has only just started operations.

Firstly, we started to consolidate from the first of February. Having said that, there is civil works and equipment that needs to be ordered and upgraded. So you don't have the full effect

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of that to the group at this point, and you won't until our new cranes, our SGS cranes, are in place and we'll be the first operator of such cranes. The other was UGR, and UGR being our shipping line for RORO, so finished vehicles, both high and heavy and car vehicles, cars and vans. This started from the first of March 2025. The M&A effect is just three months at this point, with some repositioning within that as well.

How does the corporate structure look now? I think the focus is very much on the four core clusters, the four big operating businesses, if you like, that have substantive operations, and at the corporate level that stands on top, to make sure that from a market perspective we can sell end to end solutions to any customer or any government or any country that we operate in. But you can see the splits now of how our ports have been split between ports international, ports UAE, because ports UAE is a significant company in itself, it's a lot where our asset value is, and where our infrastructure projects are to expand Khalifa port. Our domestic business is more of a landlord and operation business, where our international business is a concession business, where we concession our terminals, and they operate terminals slightly different skill sets, slightly different operational setups, slightly different operations, certainly different challenges within the operating environments. And then we needed to split the management accordingly. Our international ports are now branded as Noatum ports, and I have a slide on that just to explain what that is later.

Economic Zones, I think you've seen these slides before, but the Economic Zones under the KEZAD Group, Sdeira, which is our workforce accommodation joint venture. We have KEZAD Asset Management, KEZAD Utilities and Facilities Management, and we now have our first international Economic Zone Development, which is KEZAD East Port Said. This is an industrial zone that's behind our operations in East Port Said at the terminal site. Maritime and shipping, I think we've been through this. Nothing has changed, still the subsidiaries that operate within the maritime cluster. And the same for logistics.

Noatum ports are now very focused on driving efficiencies, group procurement, group operating model, group HSC, and really putting our ecosystem and our culture into all of the terminals that we're operating. Currently, Noatum ports' geographic footprint is 23 terminals internationally now, largely in Europe, through the Spanish ports that we run through the acquisition that we had of Noatum at the time, also in Africa, with Congo, Brazzaville, Angola, and the shareholding that we have in Tanzania, Pakistan, both on the container side and the multi-purpose side, and also into Kazakhstan in itself. And this is an area of the company that will grow, as and when we grow our international footprint. But from an organization perspective, it will be managed by one management team at the top and individually through the terminals themselves, with the operating management teams on the ground.

Company strategy still remains to follow where the Free Trade Agreements are being signed between the UAE and international countries. You can see where the SEPAS that have been signed or in agreement or under negotiation, they follow very much the East-West trade with the Middle East, and certainly Khalifa port at its height. These are the areas of the world that

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are very important to us in terms of trade. This is largely where our asset base is deployed, and our service base in terms of ships, in terms of logistics company.

You'll also see that the under negotiations really follow the BRICS economies as well, as UAE is now part of the BRICS, and we're seeing trade increase between these nations, and particularly between the UAE-Brazil, UAE-China and UAE and the surrounding areas. So what happens after the SEPAS? It tends to be the trade and investment both tend to increase, and our job is to provide the network and the services to allow that new demand, or the increasing demand, to be able to flow seamlessly between countries.

This just demonstrates what we're saying. But the increase in trade in non-oil foreign trade has grown substantially under the SEPAS, and they really do act as a catalyst and a springboard for increases in trade between the UAE and its trading partners. You can see the numbers here and the impact in effect. But essentially, if I take India, for example, just because it's the top one, the implementation date of the SEPA since 2022 has been around about 30% and we've seen incredible growth this year, plus 33% year-on-year. The government is targeting 100 billion of trade increase by 2030. This is similar for Indonesia, Turkey and Cambodia. The good thing is that these countries, India, Indonesia, Turkey and Cambodia, these are all manufacturing nations, and the demand for the products that they supply come to the UAE. UAE is growing population also, and so we have two-way trade between these, so import and export.

But you can see the unlocking of value and the driving of value that these SEPAS initiate, and as we stated before, it is the strategy of this company to align its asset base and its service base where these SEPAS [indiscernible 30:52] benefit and allow this trade to flow, to really facilitate the trade, number one, but to benefit from that. Because if we're carrying the freight on our ships, which we are from India, we're the largest container shipping company in terms of GFS between India and the UAE, we have services from Turkey, linking the UAE, we have services from Indonesia coming into the UAE as we stand right now, so it comes on a ship. It can be cleared by customs, by our logistics company. It can be stored in warehouses at either end, and it comes through our ports. And then it serves the businesses that are in our economic zone. This is how the company sees how it creates value across, it fosters, how it offers its end to end solution, and how it really delivers services to our client base, and certainly to the economies and the countries that it's operating with.

The Economic Cities and Free Zones, we had a number of key agreements, building materials, oil and gas industries, new 50 year leases. We continue to have increasing and very strong demand for both our land, for warehouses and for build-to-suit warehouses as a product, which remained extremely strong in 2025. And we don't see that changing. All the ingredients are in place. We have access to utilities that are competitively priced on a global scale. We have land. We have infrastructure. We have the port. We have the supply routes. We are very, very well located.

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The UAE is, in certain areas short of industrial land, and therefore the demand in our economic zone has increased. And I think this is an area of the business that we are very, very confident the demand will be there, not just for the next quarter, but certainly for the medium term outlook. We see the economic zone as a key driver of value and growth going forward, it's a high margin business and demand remains very, very strong.

With that, Martin will take you through the finances.

Martin

Thank you, Ross. Good afternoon, everyone. For the first nine months of 2025 revenue reached AED 14.8 billion, representing a 16% increase year-on-year. EBITDA stood at AED 3.5 billion, up 6%, while the net profit rose 17% to AED 1.5 billion. These results underline the resilience of our diversified portfolio in a time of continued macro and geopolitical uncertainty. When we are looking specifically at Q3, revenue came in at AED 5.39 billion, EBITDA at AED 1.2 billion, and net profit at AED 596 million. That's an increase of 34% in net profit compared to last year, and the strongest quarterly net profit since our listing.

While EBITDA was slightly lower, the bottom line was boosted by an impairment reversal of AED 40 million in our staff accommodation business due to sustained strong market conditions, and by favorable tax effect from the first UAE tax filing. Based on the increased visibility on tax legislation in UAE, our effective tax rate should be slightly lower going forward than what we had previously guided for, which was 13% to 14%. The key message here is that despite the margin pressure for maritime and shipping business and underperformance in our logistics cluster, we continue to deliver record profitability, which once again highlights our resilience and the strength of our integrated business model.

In the ports cluster, we saw broad based growth. General cargo volumes rose 12% year-on-year, with UAE project cargo up by an impressive 70% and paper and pulp volumes up by 38%. Domestic volumes were also supported by strong growth in steel, bulk and lay-by cargo. International operations contributed meaningfully. Pakistan and Egypt both grew 19%, while Spain added 1%. Container volumes rose 20% year-on-year, with Khalifa port up 17%, thanks to the ramped up operation and high utilization at CMA Terminals. Utilization at CMA Terminals reached 87% in Q3, moving closer to the milestone of 1 million TEUs handled in the first year of operations. The transshipment O&D mix remained stable at 63 to 37, showing consistency in the traffic profile. Overall, the ports cluster continues to be a cornerstone in our growth story.

Moving on to Economic Cities and Free Zones, we added net 800,000 square meters of new land leases in Q3, signing four major 50 year agreements in manufacturing, oil and gas and real estate, that Ross covered earlier. Industrial and manufacturing projects now account for about two-thirds of overall land leases that we have in the zones.

Warehouse leases surged 48% year-on-year, with utilization at 97%, despite adding 107,000 square meters of new capacity. Since the end of 2024, we have brought 223,000 square meters online, at least 214,000 square meters. Specialized hubs like metal park [ph-36:57], Ag

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tech, food and auto are progressing well and remain on track to come online between late 2025, and 2026. Economic Cities and Free Zones clusters is diversifying rapidly, fueling industrial growth and positioning us as a key enabler of UAE's industrial strategy. Our guidance on net new land leases remains unchanged, with expected 3.5 to 4 four square kilometers per year.

Demand for staff accommodation remains strong. Sdeira Group bed leases rose 32% year-on-year, with occupancy at a record 85% across 139,000 beds. Cash volumes also grew 18% year-on-year, supported by strong demand from customers at CSET. These results again highlight the resilience of the Economic Cities and Free Zones clusters, anchored in high utilization rates and strong demand trends across multiple asset classes, from land and warehouses to the accommodations and utilities.

In Maritime and shipping, we expanded our feeder services to 27 groups, connecting 86 ports across 28 countries. The further densified connectivity in Q3, particularly in the western region, will continue to strengthen our global reach. Our fleet grew to 57 vessels, with capacity up 10% quarter on quarter. Volumes reached 900,000 TEUs, up 31% year-on-year, and that's one TEU loaded every nine seconds, which Marc likes to brag about. Growth was broad based across the Gulf, Indian Subcontinent, Europe, Far East and Africa. Again, the key takeaway here is that in spite of moderation of freight rates, the capacity expansion efficient vessel planning and route optimization are driving strong feeder growth and positioning us as a regional leader within that space.

Our total vessel fleet now stands at 275, up from 247 at the end of 2024. We launched a UGR in March, adding RORO shipping capabilities, with 13 vessels now deployed across 19 countries. In Q3 alone, UGR transported 40,000 car units and nearly 100,000 cubic meters of heavy cargo. Marine services also expanded, with 76 vessels, mainly supporting our increased vessel traffic in the UAE. Bulk, multi-purpose offshore and subsea fleet were diversified further, with chartering vessels added to meet demand. Our balanced, synergistic portfolio ensures we capture opportunities across the multiple shipping sectors that we operate, from container feedering and bulk to RORO offshore support and marine services.

In logistics, polymer volumes rose 20% year-on-year following the operation presumption of Baruch planned after the shutdown for maintenance earlier in the year. Air freight grew 25%, driven by charter demand from US customers. Ocean freight held steady, up 2% year-on-year, supported by strong import demand in Turkey. While some projects in the West met [ph] came to an end, demand trends remain positive. Overall, the logistics cluster volumes are resilient, with polymers and air freight providing strong growth momentum despite softer freight rates.

Group revenue grew 16% year-on-year to AED 5.39 billion in Q3 and maritime and shipping rose 40% to AED 3 billion, with strong growth across all asset classes, particularly offshore and subsea, dry docking and shipbuilding, marine services and auto logistics. Container shipping

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continued to be diluted and now accounting for 29% of the total maritime and shipping revenue, equity weighted even less.

Economic Cities and Free Zones was up 17% to AED 600 million, driven by strong performance across all sub sectors, land leases, warehouse, staff accommodation and utilities. Ports cluster revenue grew 18% year-on-year to AED 713 million in Q3, and 14% on a like-for-like basis, adjusted for the contribution from the Luanda port in Angola. Key revenue drivers for the cluster were international container operations and UAE bulk and general cargo. Logistics faced headwinds due to weaker performance in ocean and polymers, which was partly offset by positive momentum in project logistics warehouses.

International operations contributed 36% of revenue year-to-date, mainly from Spain, Pakistan, Egypt and Angola. Top line coming from M&A. As Ross mentioned earlier, the impact on that was limited at AED 879 million, or 6% of revenue, largely from UGR, the integrated end to end logistics setup we established earlier in this year for auto logistics. This again demonstrates that organic growth remains the primary driver of our performance with M&A [indiscernible 42:27] complementary growth.

EBITDA grew 6% year-on-year to AED 1.2 billion, but was down 1% for the quarter compared with the same period last year. This was mainly caused by margin erosion logistics due to pressure on freight rates, and by our maritime and shipping activities, where strong growth in offshore subsea and marine services, as well as additional contribution for UGR, were offset by software rates within the container shipping sub segment, which was at the peak in Q3 of 2024. These effects offset the strong growth in our infrastructure business, where ports rose 25% to AED 358 million, and Economic Cities was up 23% to AED 375 million. The key takeaway here is that our core infrastructure clusters, ports and Economic Cities underpin the profitability and offsetting the volatility in shipping and logistics.

Consolidated EBITDA margin stood at 22% in Q3 and year-to-date at 24%. Ports and Economic Cities saw margin expansion, while the maritime and logistics diluted the overall margin. Despite of this, we maintain medium term guidance of 25% to 30% in terms of EBITDA margin and the balanced portfolio ensures sustainable margins with infrastructure clusters providing stability and higher margin contributions. In the short term margins will be at the lower range due to gradual moderation of the container freight rates, which we have guided for and the current on the performance logistics.

Our balance sheet, again, remains strong. Cash stood at AED 2.2 billion, with AED 4.6 billion in undrawn facilities. Net debt to EBITDA was 4.4x lower than the same period of last year, but higher than Q2, where we had 4.1x. And that was mainly due to the higher CapEx, with P&L uplift only coming here during the coming quarters. Overall, liquidity and leverage are relatively stable and anchored on strong investment grade credit ratings and financial money.

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Once we reach the free cash flow positive to firm stage in 2026, we expect that our leverage will reach inflection point and start to graduate. Moody's has, last week, reaffirmed our rating of A1 with a stable output.

Net CapEx reached AED 1.7 billion, fairly high in Q3, with AED 3.6 billion year-to-date and 9% higher year-on-year. The CapEx intensity for the first nine months of the year was 24% of revenue and continued to decline. Q3 CapEx spend was unusual, as most spending went into maritime shipping, particularly new LNG powered rural vessels, as we are building up our new integrated end to end auto logistics service offering. Other CapEx was predominantly in ports and economic cities.

Looking ahead in the coming years, more than 75% of CapEx is allocated to infrastructure assets, in line with what we have been mentioning previously. This reflects our focus on long term trade enabling investments and we continue to expand capacity and support industrial diversification. The two warehouses we sold to Aldar in October and the offshore vessels we also sold in Q3, will combine result in cash inflow of around AED 700 million in Q4.

The cash conversion stood at a modest 61% in Q3 versus 99% in the same period last year. And as a result, operating cash flow was AED 735 million in Q3, down 39% year-on-year, caused by higher working capital and the first UAE tax payment for full year 2024. Free cash flow turned negative at minus AED 970 million, driven by higher CapEx. While near term free cash flow will be volatile, we remain on track to be sustainably free cash flow positive to firm from 2026 onwards. This is very much in line with our guidance, that some quarters will be FCFF positive and some negative in the transition phase, and so becoming positive on a sustainable basis.

In terms of guidance, finally, the medium term guidance remains unchanged. We expect revenue and EBITDA CAGR of 10% to 15% through 2029, with margins in the 25% to 30% range. EBITDA CAGR is around 15% and annual net CapEx will be around AED 3.5 billion to AED 4 billion in '25 and '26. In short, despite the current challenges with moderation of container freight rates and headwinds and logistics, our long term growth trajectory is intact. Again, these numbers only include already announced projects, and we remain confident in delivering sustainable and increasing value creation for our stakeholders going forward. We will update our medium term guidance once we have closed the 2025 numbers, so early next year.

Back to you, Marc.

Marc

Thank you, Martin. I was about to say, let's open the Q&A, Ahmad, but it's Fahad today, so Fahad, please, if you can open the Q&A session.

Fahad

Great. Thank you, Marc. The Q&A session is now open. If you could please either raise your hand to ask a question, or alternatively, you can also type in your question in the chat box. I

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would just like to repeat, if anyone has a question, if you could please either raise your hand, or you can even use the chat box to send your question through.

We have a question from Ricardo Resende [ph]. If you can please unmute yourself and go ahead.

Ricardo Hello. Thanks for taking my question. Martin, I have a follow up on something you mentioned during your remarks. As you're in track for positive free cash flow in 2026, how would you see your leverage when you combine this positive outwork for cash flow with all of the investments that you've been doing and that you plan to keep on doing into the coming quarters?

Martin Yes, thank you very much. Again, it's a bit difficult to say in the individual quarters, because there will be some that are positive and some negative, and obviously that has an implication in terms of the leverage. We don't expect that our leverage level will go significantly higher than what we're seeing here in Q3 before starting to hopefully moderate. It is still our plan that we want to go down a fair bit in terms of leverage over the next couple of years, from where we currently are, to reach a more sustainable level below 4.

But for the individual quarters, it depends a bit. And you can see in the first two quarters of this year we had very, very strong momentum in terms of the free cash flow positive. Q3, slightly different, for the reasons that we have mentioned in the presentation. But we also are confident that with the visibility that we currently have for Q4, that we should be back on what we have been seeing in the first half of this year, in terms of [indiscernible 50:58] on a more sustainable basis.

Ricardo Thank you. That is clear. If I may follow up on the CMA Terminal in Abu Dhabi. Do we have any visibility when they could trigger that expansion?

Ross Yes, we do. Sorry, I'll take that question. We're in discussion right now, and I think it will be concluded very, very soon.

Ricardo Thanks, Ross. Thanks, Martin.

Marc Ross was about to say we're very, very close to it. But based on the Q3 utilization of 87%, you can read between the lines and you can expect that very soon, yes, indeed.

Ricardo Okay. Thank you.

Moderator Great. Thank you. The next question we have is from Anna Genova [ph]. If you can please unmute yourself and go ahead with your question.

Anna Yes. Good afternoon, gentlemen. Thank you for the presentation. Three questions from our side, and I'll just ask them one by one. The first question is about your CapEx. How do we

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reconcile the CapEx that you spent in the nine months, which was around AED 3.6 billion, versus the full year guidance, which is between AED 3.5 billion to AED 4 billion? That's the first question.

Martin Are you implying that it doesn't reconcile?

Anna Well, that the nine month run rates are already almost at the full year. Does this imply that you won't be spending anything material on CapEx in Q4?

Martin No. The way that we look at it is that we have guided for AED 3.5 billion to AED 4 billion in terms of net CapEx for the full year, both this year and next year. We had a vessel that was sold in Q3, where we will get the cash inflow in Q4. So that's obviously a credit there, and also the warehouses. So we certainly believe, from a net perspective, that we will be within the guided range that we are having, and hopefully not much higher than what we currently have seen year-to-date when we close the year.

Anna Thanks. Do I understand correctly that proceeds from the asset sales, and including the vessels or warehouses or the land, you will be using to offset the CapEx? So it will be included in free cash flow, for example.

Martin Yes, correct. Because a lot of the assets that we're having, and particularly when you look at also the vessels, we will be buying and selling. It's an inherent part of the business model. And therefore, we look at things from a net perspective when we talk about the CapEx.

Anna All clear, thank you. The second question is on the effective tax rate. I remember in the beginning of the presentation you mentioned that you now expect the effective tax rate going forward slightly below the previously guided range, which was around 13% to 14%. Could you comment maybe how much lower? Or it could be between 10% and 13%, 10% and 14% effective going forward?

Martin Yes, again, it's still evolving, and also in terms of the tax planning and tax optimization. So on a prudent basis, I would say 12% to 13% versus the 13% to 14% previously. And again, that is also buffering a little bit in terms of deferred taxes and the implication on those. But we are still working through, we saw quite some optimization this year versus what we had accrued for last year. We still see that there are pockets where we can further optimize. So the 12% to 13% is a conservative guidance in terms of what we would see as the effective tax rate.

Anna That's very clear. Thank you. And on the M&A front, the line was not very clear. Did I hear you correctly that going forward, you are prepared to engage on an M&A fired growth path, but the M&A will be mostly focused on infrastructure assets, for example, something aligned with the news headlines earlier this year about acquisition of a stake in a Turkish port or something else, so on the infrastructure side, is that correct?

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- Ross In the short term, yes. I think we need to expand our infrastructure footprint. And I think in the short term, that is the priority. Having said that, if you look at the strategy of the company, it has been very successful in pairing its infrastructure with its service space. And at a certain point, as our infrastructure will scale, we will have to scale our logistics and our marine side in order to be able to network the ports and economic zones that we want to add to the portfolio. But, yes, you're absolutely right. In the short term, this is the priority.
- Anna All right. Thank you, Ross. And just to be clear, so within the buy versus build debate, you're more on the buy side?
- Ross No. It depends where and what. But I think if you look, for example, announced last week, not included in these figures, of course, but we announced a 20% stake that we acquired in a port in Syria. Why? Because in Syria, this is the only availability. It handles 95% of Syria's container traffic. There are no other options. Nobody is selling in its entirety. We can't develop there. We need to acquire that stake, which we did. If you look, for example, in Congo, what we did, we built through the building of a concession. So we essentially acquired concession rights and then built through the concession. It just depends, on a situation basis, what is available and what can be done. So it depends on the market situation. It depends on the availability of the asset or the build on that front.
- Now, in maritime, we strongly favor not acquiring companies, we acquire ships. So that's more of a build. But in the infrastructure, I think it depends on the situation.
- Anna Thank you. And just maybe a quick follow up to that. Do you think that having a minority stake in the infrastructure asset, and I understand the market opportunities may be limited in some parts of the world, but having a minority stake in the ports business, for example, that would still work within 80 ports kind of strategy and operating model.
- Ross Yes, if the circumstances are correct. So if it secures capacity for my shipping line, absolutely it works. And is us acquiring a stake assures us of certain things on the terminal where my shipping line can call and then we build potentially our asset light business behind the key, then it unlocks value in my logistics business, and potentially my asset logistics business investments in dry ports and rail movements, etc.
- So yes, under the right circumstances, it drives value across the group where we cannot get controlling stakes. This applies for Tanzania, this applies for Latakia, and this applies where there is limited availability. We need the entrance points, we need to secure the capacity, and we need to invest in the hinterland as well. But our preference, Anna, is always control and consolidation. That's much more the preference. And as you see what we've done through ports and infrastructure, it's far more prevalent for us. It will still be a smaller pool, but when the circumstances are right, we will take a minority stake, but only when the circumstances are right, and in key markets where there's no availability. Our strong preference, as we've said, is us take the majority, or we build, or we own 100%.

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- Anna That's very clear. Thank you so much.
- Ross Thank you.
- Fahad Thank you. The next question we have is from Graham Hunt [ph]. If you can please unmute yourself and go ahead.
- Graham Hello, just checking you can hear me.
- Fahad Yes, we can.
- Graham Perfect. Thank you, gentlemen. Thanks for the presentation. I really just have one question, and it's about the asset monetization that you're doing, which I think is quite a meaningful shift in capital strategy as far as the company goes. Could you just speak to three separate areas.
- First, on the land parcels, where you are with the rest of the, I think 16 square kilometers of land that could potentially be sold, where are we there? And is there anything beyond that, that we should be thinking about that's monetizable?
- Secondly, on the built up assets, is that now done? Are there additional built up assets that could be disposed of?
- And then, thirdly, on your financial stakes, they've been sitting on your balance sheet for some time now, how do you think about these as part of your asset monetization process? Thank you.
- Ross Yes, do you want me to take the first part, Marc, and potentially you and Martin take the last question.
- Yes, look, I think you're absolutely right. It is a strategy of the company to look at monetizing land and some assets on an ongoing basis for recycling of capital. Now there's a balance of what we want to sell, to take in to generate cash for reinvestment, and what we want to be part of to generate long term revenues and very visible revenues for the company. But what I can say is that KEZAD is, we are not a developer, so we are not a builder of homes in the UAE, villas, apartments, mixed use development. And there's a shortage of that type of development that is required to sustain our economic zone and the size that it is, the workforce that we have, both blue collar and white collar and management layers, you need a number of these infrastructure projects to be able to support the growth that we're seeing. And so it is a strategy of the company to pursue those opportunities.
- And what I can share with you right now is demand is very strong. Once we released the news around the first transaction, which we did this quarter, the market reaction was very, very strong. And so that's where we are in that.

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And secondly, in terms of the assets, we build a huge amount of warehouses. And what the companies found over the last, particularly three to four years, is that we believe every time that we're bringing warehouses to market, that we're building more than the demand, so we have time to fill them up. But every time that we've built, and we increasingly build more warehouses at the same time, those warehouses has largely been 70% to 90% occupied by the time that they hit the market and are handed over. And all of them, the demand is outstripping our ability to supply warehouses, industrial light, industrial units, warehouses, general warehousing.

Therefore, our core business is to develop the warehousing, but it's not necessarily to run and operate the warehousing at this point. So where we have the ability to offload in the market our warehouses development and reinvest to produce more warehouses, that's a model that we really like at the moment, and a model that we're looking to formalize in a much more structured and consistent way.

I hope that answers your question. But these two things that we just discussed, is there more that can be done? The answer is yes. And the company is looking at extremely positively. So I think you'll see more from us going forward.

Martin

But just if I may add to that as well, because it's not necessarily something that is new from a strategy perspective. We have been creating economic cities for a long period of time. We had a hurdle in terms of the mixed use land in particular, because it requires that we're selling freehold, which we have now been able to manage. And as Ross mentioned, we have sold 4, 4.5 square kilometers, we have designated 16 square kilometers in the KEZAD Town Center. And even once that demand is full, we are able to convert others into mixed use land.

Also, just if I may add on the warehouses. From our perspective, and you will see that also from the announcement that we did on [indiscernible 65:55], where we really can add the most value is in the management, in terms of the construction and the ramp up of these new warehouses, as and when it's fully utilized and stable state. There's not a lot more value that we can add, and that's why we have chosen to divest the one that we are having. And more may come in the future, potentially.

On the financial stake, which you also asked about, we have been very consistent in our messaging in the past. Our business model is not to have financial stakes, and being a financial investor, if you cannot find a strategic angle, or get control and consolidation or some other elements in terms of that, Ross mentioned, for instance, for Syria, where we can create value from minority stakes, then we don't want to have it long term. And we have two, we have Aramex, we have an MDC, we have explored in terms of finding strategic angles to it, which has been proving difficult. And then if we're not able to find that, we're not in there for us being a long term owner, and we would look to divest those.

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So it's part of the ongoing portfolio review and optimization, and these three areas that we have highlighted here are the key ones in terms of what we are currently looking at potentially monetizing, if and when it's opportune, right? Because it's not something that we're in a hurry to do. It's really if it strategically and financially makes sense, then it's areas that we would like to explore.

Graham
Fahad

Thanks very much.

Thank you. I'll just read out a question that's come through on the chat box from Amir Badran [ph]. "Could you please discuss the levers that will help you take the EBITDA margin from third quarter '25 level to the medium term guidance."

Martin

Yes, that's a good question. I mean, what you will see, particularly in our infrastructure business, and we have discussed that quite a lot in the past, that there's a lot of operating leverage, both in our ports and in our Economic Cities. Economic Cities because the land leases are 50 years, and we keep adding them. And it's not going to add a lot of additional cost to add a new lease. Therefore, EBITDA should slightly go up on an ongoing basis going forward.

For ports in particular, there will be scale benefits. And particularly if you look at our concessions, the concessions that we're having in Khalifa port, the three concessions, each of those would normally peak in terms of cash flow generation in year 12. So there's both a ramp up in terms of volumes, there's a ramp up in terms of the concession fee rates, and then obviously they have expansion opportunities, both COSCO and CMA. So that's what's going to drive the increase in terms of margins, in terms of the operating leverage.

Logistics is not performing where we want it to be because of the market circumstances. That will probably not significantly change in the short term, but we are working on improvement plans to increase the margins in logistics.

And in the maritime sector, it's a bit more difficult, because there will be different cycles. We have talked about the fact that we have different asset classes that are counter cyclical and they're hedged against each other. And margins in the maritime can range from 15% up to 25%, and even higher. We had it higher at the peak. But that will potentially create some volatility as we go through the cycles. But again, a lot of operating leverage in ports and Economic Cities, plus we have improvement plans for logistics to increase margins going forward as well.

Fahad

Thank you. Just as a reminder, again, if anyone else has any questions, if you could please either raise your hand or you can type in your question in the chat window.

It looks like we do not have any further questions. Marc, if there are any closing comments from management, I'll just hand it over to you.

Marc

No, I think we covered it all. I'd like to thank everyone who participated in the call today. And we look forward to engaging with you in the following weeks. There are a certain number of

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events, in London and in Dubai, so hopefully we'll be able to discuss the results and the latest developments again and further details.

Thank you very much, all of you, and we can now disconnect. Thank you.

Fahad

Perfect. Thank you, everyone.