NetRoadshow Event Transcript

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Ahmed Hazem (Moderator)

Good afternoon, ladies and gentlemen. This is Ahmed Hazem from EFG Hermes Research, and we'd like to welcome you all to today's second quarter 2026 results conference call for AD Ports Group.

With us on the line today is Mr. Martin Aarup, Group CFO; Mr. Ross Thompson, Group Chief Strategy and Growth Officer; and Mr. Marc Hammoud, VP of Investor Relations. First off, congrats on the results amid obviously, a very challenging environment in the past few months. And without further delay, I'd like to hand over the call to Marc. Marc, the line is yours.

Marc Hammoud (VP of Investor Relations)

Good morning, good afternoon, everyone. Thank you, Ahmed for hosting this call. Thank you, EFG for hosting this call. And thank you, everyone, for connecting to our Q2 2026 results earnings call. As usual, we'll -- I'll kick it off, and then I'll pass it on to Ross for the strategy part and Martin for the financial part.

So first key messages. I think Q2 2026 is a good illustration of the diversification strategy that has built resilience and created business opportunities for us. It was another record quarter amid volatile backdrop.

Net profit nearly doubled year-on-year and focus in the short term will be on integration and cash generation -- integration of M&A and cash generation of -- cash generation, sorry. Sorry, I think I have the wrong on display. Yes, here you go. Let me share again. There we go. Can you see my screen? Can you confirm?

Ahmed Hazem (Moderator)

Not yet. It's loading on my end.

Marc Hammoud (VP of Investor Relations)

Can you see it now?

Ahmed Hazem (Moderator)

Not yet -- yes, now I can.

Marc Hammoud (VP of Investor Relations)

Okay. All right. So I was saying Q2 highlights, accelerating growth with improved profitability. Revenue were up 47% year-on-year to AED 7.08 billion, all through organic growth. EBITDA increased 49% year-on-year to AED 1.74 billion with EBITDA margin standing at 24.5%. As I said earlier, total net profit almost doubled, plus 88% year-on-year to AED 836 million, setting a new record quarterly performance since listing.

EPS reached AED 0.12, up 86% year-on-year. And as importantly, the growth momentum continued in the month of July. Resilience and opportunities. That's the two keywords I used to start with in this current context that we've been living through since the month of March, resilience because our business and geographic diversification, resilience because of our landlord and long-term partnerships business model in Abu Dhabi.

Opportunities because we've been adapting swiftly to the complex, challenging and dynamic geopolitical and market environment since the beginning of the conflict. And the result of that is that we've had limited negative impact on our ports business and significant positive impact on our maritime and shipping business as well as our logistics business.

In terms of asset monetization, we concluded one more transaction. We sold a set of warehouses in KEZAD Logistics Park in Abu Dhabi for AED 650 million that came with an associated EBITDA of AED 294 million. As I said earlier, the short-term focus will be on completing and integrating the ongoing M&As that have been announced.

Those M&A are expected to accelerate growth and strengthen our cash flow story. If we take CLI, ALCN and MBS Logistics, all based on 2025 numbers, it will impact our revenue. It will add 10% to our revenue and 16% to our EBITDA. And if we take GFS on Q2 2026 numbers, it would have an impact of 16% on our EPS.

And if we adjust our bottom line by the warehouse sale and the impairment losses, it would have had a 22% EPS accretion. Continued improvement in the balance sheet. You saw that the net debt-to-EBITDA improved to 3.7x in Q2 2026, down from 4.1x in Q2 last year and 3.9x in the first quarter of the year.

We still enjoy a strong liquidity position of -- sorry, 3.36 billion in cash, and we have another AED 5.9 billion of undrawn credit facilities, including an accordion option. No major debt maturity up until 2028. In terms of guidance, we are maintaining our medium-term growth, profitability, cash flow and debt leverage guidance based on current visibility and subject to the evolving regional situation.

For those who would be tempted to annualize our H1 CapEx of AED 2.8 billion, we're saying that we will be disciplined in terms of organic CapEx for the rest of the year. On the equity story, obviously, the conflict is dominating the headlines, but the local economy remains in positive territory.

And I think the top-down story when it comes to AD Ports Group is also about trade and trade with the external world. We'll see in, for example, on the slide, highlighting the CEPAs that the UAE continued to push aggressively in terms of CEPAs. Some new CEPAs have been signed, some others have been implemented.

So trade continued to be strong. Top line top-down story continues to be strong. The second point on growth, you've seen it. We continue to deliver growth, and it continues to be a combination of the three levers: one, the ramp-up of existing assets; two, the organic CapEx, the organic growth CapEx that we've been deploying; and three, selective M&A that we've been also announcing.

Pivoting to free cash flow positive being the third key point in the equity story. As I said, the short-term focus will be on cash flow generation. You saw that in Q2, excluding the acquisition of the 30% stake in GFS, we were free cash flow positive at AED 73 million. And we will continue to focus on cash generation for the rest of the year and in the short term.

On the balance sheet front, I've gone through all the points, except the fact that we continue to target a 3.5x net leverage in the medium term. No changes in our shareholding structure and not much changes also in terms of institutional investors -- foreign institutional investors engagement in the equity story, as you can see in Q2.

All right. So in terms of stock price performance, there's been a little bit of catch-up lately, at least year-to-date, we're close to flat and we're up 47% since listing. And since 30th of June, it continued to rally.

The average daily traded value continues to improve at $2.5 million per day. In terms of revenue and EBITDA distribution for the first half, you can see that in terms of EBITDA, which I think is the more relevant metric to look at, it's about 50-50, 50% for fixed infrastructure assets and 50% for maritime and shipping.

The logistics remains a slow contributor, although you could notice that versus Q1, we turned back positive in terms of EBITDA contribution. More or less the same picture in terms of total assets and CapEx distribution dominated by ports, economic cities and maritime and shipping. Global map and global presence.

The key notable difference with the previous map is the addition of two terminals in Brazil with the acquisition of CLI, one in Santos, in Itaqui that takes the number of terminals to 40. The rest is an update on mostly the routes for the maritime and shipping feeder shipping services and Ro-Ro shipping services.

Scale, despite the current environment, we continue to invest in CapEx. We continue to invest in M&A, which helps us scale up our operations, whether it's capacity or volumes, you continue to see those numbers increasing by the quarter. And I will end up here, and I'll pass it on to Ross.

Ross Thompson (Chief Strategy & Growth Officer)

Thank you, Marc. Good afternoon, everyone. Next slide, please. Okay. I think everybody is well aware of the crisis continues. And unfortunately, we don't see anything changing in the immediate term. I think what the company has focused extremely well on as part of the UAE's response is to build alternative multimode transport corridors.

So the entry points into the Gulf of entry -- and exit points, sorry, have changed significantly from inner Gulf countries. And the modality is the big entry and exit points so far are Khor Fakkan and Fujairah Port and obviously, that we're running for Fujairah Port.

We bonded transit straight through from Fujairah Port or Khor Fakkan straight through to either Jebel Ali in Dubai and Khalifa Port as if it were a bill of lading that was destined for those ports as is. That's on the container side. On the bulk side, we're discharging in Fujairah and transiting. We have storage silos there for grains and bulk products.

And we're using trucking and both rail to transport across country. Rail has been a significant piece of the response. We are currently running six trains a day between Fujairah and Khalifa Port for cargo that comes directly into Fujairah straight on the train. It's transfer straight through and it arrives at the terminals in Khalifa Port as if it were destined for that.

And that's really been the big response. I think also that we've used our hubs outside the Gulf extremely well. Karachi, Safaga now that it's starting its operations are taking vessels from the Far East, dumping cargo in our ports and our own network of feeders through GFS or even the lines' feeders, are they're collecting cargo and then bringing it either to Fujairah or elsewhere.

So the response has been consistent. We have capacity, although we do have waiting times at our ports of four to five days, which wasn't there pre-conflict. We are seeing volumes picking up. So during the crisis, actually volumes into the Gulf dropped around 80%.

We are seeing in the last two months, volumes returning in that trade, not quite back to where they were, but I would say they've recovered around about 30% of where they were, and that continues to rise month-on-month, which shows the rebound of the economy inside the Strait of Hormuz and is good for us because that promotes volume going forward.

So we've also explored other mechanisms where we're actually using Sohar into Abu Dhabi, so Oman into Abu Dhabi, both by truck and by rail. And as I said, we're using larger relay ports outside the Gulf to ease capacity constraints, particularly in Khor Fakkan and Fujairah with the bigger vessels. So, so far, we are coping and we are providing enough capacity to meet market demand on a consistent basis.

Next slide, Marc, please. Yes, a busy quarter in quarter two for some major acquisitions. I think the largest being CLI, which we acquired. It's the largest agri-bulk operator in Brazil. It's a white-label terminal, which is perfect for us, has long-term contracts with all the major market producers, Cargill, ADM, Bunge, names that the -- LDC, which is a sister company of ours.

We share a common shareholder. It gives us a platform where it is the #1 exporter of grains, #2 in soybeans and #3 coffee, sugars and corn. And it is a significant platform that controls a lot of the volume that's moving from Brazil into parts of Africa, into the Middle East and also into China. Next slide, please.

So we've acquired two ports as part of this agreement, Itaqui Port in the North and Santos Port in the South, Santos being the much larger port. Currently, the two terminals are doing 17 -- just over 17.2 million tons or almost 17.5 million tons. Our current revenues are $173 million, and EBITDA around $101 million. It's a very, very high-margin business.

It's a business where the growth of export volume in Brazil is outstripping supply chain capacity, supply from the growers to ports and port capacity. So we know the growth in the market will be significant and there for many years. This company is undertaking a capacity increase up to 20 million tons.

We already have significant discussions and interest to take the full expansion capacity on contracted business. These are long-term contract business, high-margin export market to Middle East, Far East and Asia opens up new trade routes for Abu Dhabi Group, Abu Dhabi Ports Group.

We hope to do the shipping for some of the customers out of this terminal through our maritime business. We're in discussions with processors to potentially start processing in Khalifa Port, particularly in soya and wheat to add manufacturing here and then to link Brazil directly with the Middle East that's never been done before in bulk in this size and scale and volumes.

I think 80% of all the sugar that the UAE imports comes from Brazil, and this is the major terminal of sugar export for that. So a huge opportunity for the group not only to enter the agri-bulk sector in a big way from origin to the exporters, but a huge upselling and value creation acquisition for us that will span across our maritime network, our logistics provision, but also our infrastructure business in the Middle East.

So very excited about this, very well received in the market, huge interest from the customers to work with us, not just here, but open up conversations about them wanting to work with us in other parts of the world.

And we see agri-bulk and particularly the food sector of one of the core markets that will grow over the next decade and one that's particularly important to nations and governments around the world to secure raw product, raw agri-bulk, for processing closer to home, which is a knock-on effect of both of COVID and now the conflict. So super, super happy.

We're in regulatory approval. We hope to close that in the next four weeks and then close financially and have October, November, December as part of the company's P&L. Next slide, Marc, please. Keep going. We've covered this. Yes, keep going, we covered the transaction. Yes, projects update. Again, I think the largest was CLI in Brazil, something that the company has worked on for some time.

It is part of the strategy. I mean, our strategy has always been to build global networks and particularly through enter supply chains and move down the value proposition in five core sectors, agri-bulks being one of those. Containers is another sector that's important to us, energy, chemicals and automotive.

These are the five core sectors and the five core pillars that the company has built its near-term strategy on developing the supply chains for that. And these impact all of our five clusters. They participate in all of that. Around 60% of the group revenues comes from those five sectors today, and we expect to see significant growth going forward and more service provision to our global customers on that basis.

But as we've discussed, quarter two acquisition of CLI. We also made -- we call it small, but still EUR 70 million acquisition of MBS Logistics in Germany. This really fills a geographic gap for our logistics business. It gives us a strong presence in Germany, which is the largest market in Europe, which was missing from the group, has strong presence outside of Europe.

But it also gave us access to Frankfurt as one of the major air cargo hubs in Europe, if not the major air cargo hub and gave us the customer contacts and also ongoing revenues within the air cargo sector, particularly coming through Frankfurt. So this is a bolt-on acquisition, but stamps our flag in the ground, completes a little bit some of our missing geographies and also creates hubs for us in certain sectors.

We also, as part of the original agreement, but also as part of our resilience program during the conflict, we completed a 30% acquisition of additional shares of GFS. We previously owned 51% of the company and now 30%, taking us up to 81% ownership.

This was critical to the group's response to the conflict. GFS is under our ownership. It's a super majority. It means that we have greater control over the network, greater control over the operations. It's important to us that the majority of our fleet is owned, and that allows us freedom of where we ship in times of crisis and how we respond and how fast we can respond without having to seek permissions from different vessel owners through charter agreements.

So a really strategic focus for us. And as you know, I think the shipping rates have justified our purchase of GFS, relatively speaking, since 2022, '23 since COVID. And it just gives the group a greater degree of control over its strategic core assets. We had the soft launch of -- through Noatum Ports to Safaga Terminal.

This has been well received, particularly with -- because of the crisis. We have had calls so far -- a number of calls from different shipping lines. We're still testing out the equipment. So that's why it's called a soft launch. So we're not at operating capacity yet. We're not at operating speeds yet.

This is for us to fine-tune equipment and software and process ahead of our intended operational start date, but very exciting and certainly on track with the business plan that we put in. What we will be doing is offering Safaga as a relay point for larger ships. I talked about that we have four- to five-day waiting times into the two ports in the UAE as volumes pick up.

What we can do is offer Karachi and Safaga as a relay port for some ships, the largest ships that run on Asia, Europe. Drop your cargo here, and we will take them on feeder vessels into the UAE through Fujairah and a combination of Fujairah and rail. Next slide, please.

Yes, we continue -- and this is a vein of thread that we've talked about many times, but we continue to recycle capital through asset monetization to reinvest in our core business, to reinvest in assets, core assets to bring those to market, to lease them and then to recycle that capital into developing out more. This enables us to fast track our KEZAD development.

We've been leasing out traditionally about three square kilometers a year. We have over 400 square kilometers. At times, we've leased five square kilometers. This allows us also to bring in the private sector and develop in conjunction with the private sector to greatly speed up the development of the 400 square kilometers and really make significant steps in the amount of land that we're developing in any given year, whilst not stretching the balance sheet of the company.

So the two well-publicized transactions that we've done with the private sector, one was with Mira Developments for 4.6 square kilometers. for AED 2.47 billion and Danube for one square kilometer, AED 840 million. This is developed to what we call the town center.

So it's retail, it's housing, it's villas. This all supports the ecosystem of developing industrial land of the size of 550 square kilometers that Abu Dhabi Ports Group currently controls. Our warehouse sales continue our mix-own model for build-up assets. Again, this has been highly demanded. We've completed three transactions so far, two with Aldar.

One was for AED 570 million and AED 650 million. One was with the Mair Group for AED 295 million. All of these were done through a process run in conjunction with Knight Frank. So there's large demand from the market for these types of transactions. We feel the value is exceptional, and we are very happy with the results of the three transactions that we've done.

And noncore financial holdings. Again, the group looks to divest any noncore minority investments or shares that it held. I think the one that we've very well publicized is that we sold the 9.8% or 9.77% stake in NMDC for around AED 1.6 billion. And all of this capital stays within the company to reinvest in future growth. Next slide, please.

Yes. Again, the M&A, we've kind of been through, but as it transpires, I think we've always talked about the group doesn't plan to take on four in a certain quarter. It works very hard over a long period of time on these transactions.

And because of the nature of the market, what we're going after and also the changing macro environment and our response to the conflicts because we're exposed not just to the conflict here, but we're also exposed to the conflict in the Black Sea. Our response, they come when they come. So four came relatively quickly.

But I think that Global Feeder one was -- we had an option, and it was an option to take the 30% stake at the original valuation. It's an implied EV/EBITDA of 3.7. The group felt that it was -- for GFS was fundamental to the group's strategy going forward, but fundamental to our ability to respond to changing macro environments, conflicts, changing trade patterns.

And it was imperative for us to exercise that option and take more control of that group. But extremely good value for the group as well and very happy to have an 80% control of that asset going forward. And our plan is to add ships into that network. GFS is the underpinning service provider who links our port network.

And that will continue as our ports ramp up, our greenfields come on stream, but it will also continue as and when we add new ports to our portfolio. CLI, we've talked about implied 8.3x transaction.

We think significant value, the growth potential, the high EBITDA margin business, the long-term contracted business, the nature of this business, the importance of the product, we think this is great value and a leadership in the key -- the global key export market, and we have leadership position and that's extremely important to us.

We're very, very happy with the management team that we've inherited. We're working very closely with them or we will be working very closely with them in integrating that business once we receive regulatory approval.

MBS, 10.5x, although it's a smaller transaction, therefore, the multiples don't necessarily equate. But if you look at the values that have been given across the logistics piece, particularly in Western markets, in Europe, in North America, again, we think that there is value in this deal.

And lastly, we're still involved in the MTO to acquire the remaining shares, the Lunate shares and the minority shareholders of Alexandria Container Terminal. Again, this is a significant terminal. It's all gateway cargo. It gives us a hub and a very good, structured port, high-margin port in the Mediterranean side of Egypt.

We can structure our feeder network around the Mediterranean off of Alexandria. We're starting to see great synergies, the potential in the group for agri-bulk, for containers and for automotive in particular. Next slide, please. Yes, just a piece on the Noatum Ports and the growth of ports, adding what I've just explained.

But as you see now, Brazil with two terminals, our West Africa footprint, Angola, Congo-Brazzaville and Douala in Cameroon, our North African footprint with four terminals in Egypt, that would also now include Alexandria. East Africa with Tanzania and our GCC and Central Asian ports. Kazakhstan is our grain terminal.

Pakistan, we have the general cargo and also the container terminal there. Syria, the closing of our stake in Latakia, our 20% stake with our partner, CMA. Jordan, the general cargo terminal, and obviously, our 12 bulk terminals and general cargo terminals and automotive terminal that we hold in Spain. So a growing footprint between East and West. We would -- I would ideally myself like to see us add to this portfolio in the future when the right opportunities come up.

We are completely focused on our greenfields, which are colored green here, bringing them to market, making sure they're ahead of the business case, making sure that we deliver them on time, making sure that the contractual side with our partners and our shipping lines mean that we're set for long-term growth. At the moment, we have no concerns. We're doing very, very well.

We have highly demanded terminals. In fact, I think Congo-Brazzaville and also Angola, we could have sold two or 3x the capacity that's available, and we'll be looking to address that in the future. But the market demand for West Africa terminals has been exceptionally strong, exceptionally strong. Next slide, please. Yes, we've been through the detail. Thanks, Marc. Next slide.

Yes. I think Marc touched on this. It's also important if you overlay the footprint of our ports and also our maritime network against where these CPs are being signed by the UAE government with its trading partners, there's no surprise that there's a huge overlap, right? And that's part of the group's strategy that we really invest to enable those seekers to really fulfill the increased volume in trade.

So one, we're an enabler, but two, we're a beneficiary. So we tend to invest in the supply chain where trade is expected to grow and trade grows where there's joint investment and trade grows where there's free trade agreements. So the UAE is expanding rapidly, and we are a net beneficiary, but we're also the enablement of that, and we will continue to invest.

Largely, we have really good multinational partners in the bulk, Louis Dreyfus, in the containers, the major shipping lines for the major shipping lines, in the fertilizers, in the iron ore, in the energy markets, we have big blue-chip customers that are expanding along these lines and asking us to provide greater and greater service to them on a global basis.

And it's a strategy of the company to do that, to really work significantly with our customers in detail about their growth plans and how we can provide services with offtakes and long-term agreements through them to enable their business in line with the geographic footprint that we see as priority.

And this is what has really driven the profitability of the company over the last 2 to 3 years. It's also what has kept our customers close to us when things have changed. Conflict, changing trade patterns and asking us to provide the solutions rather than seeking it from the market. So this proximity to customers cannot be underestimated.

We have a significant strategic account management program that pulls all the parts of the group together. We are seeing significant growth through our top 50 customers. And in fact, our top 20 customers are giving a natural CAGR of around 30% year-on-year. And we aim to increase that significantly in the purchases that we made. CLI will enable that even further for us.

So [Archego] were major customers in the bulk products will grow. But our proximity to customers, our proximity to the UAE trading partners, this is what drives profitability of our business on a sustainable long-term basis. Next slide, please, Marc.

Yes, I think we covered this. Yes, new land leases, you would expect that with the conflict, it's been a difficult period for our economic zones. It's actually been -- surprisingly enough, it's actually been on the contrary. We still have strong demand from investors to invest and announce new projects.

That really demonstrates, I think, the confidence that the global market has in the UAE, and Abu Dhabi Ports being part of that, but in the UAE -- and the UAE's ability as an economy to sustain and respond and really to bounce back. And I think one of the testaments of that is in all of our economic zones, we have not had cancellations during this period to date.

And that's a testament to most of our industrial base is happy to ride out the storm and believes that the market will rebound significantly as do we as this conflict abates in Inshallah, that's something that happens soon. But I think a very nice story for us is in the automotive with ROX taking a 10,000 square meter facility.

I mean, ROX is a beautiful car, Chinese electric car SUV. If you live in the UAE, you would have seen these on the road, very, very luxurious SUV, and we're happy to be a partner of that. And the target annual production will be 300,000 vehicles by 2030, bringing production into KEZAD. Abu Dhabi Refreshment Company, again, we talked about food. This is food processing.

This is on the beverage side, but this is part of what we see as fundamental staples of the group strategy and who is investing into our economic zones for development. And excellent development, again, in the food and beverage market, 37,000 square meters in the Abu Dhabi Food Hub. Next, please. And with that, I'll hand over to Martin.

Martin Aarup (Chief Financial Officer)

Thank you, Ross. Next slide, please, Marc. Yes. Just I'll quickly try to take you through the financial and operational performance of Q2. As Marc mentioned earlier, Q2, we delivered the best quarterly results on record despite the regional events weighing on our UAE ports. Our revenue for the quarter came in at AED7.08 billion, up 47% year-on-year.

The EBITDA reached AED 1.74 billion, up 49% and total net profit hit AED 836 million, and that's an 88% increase versus the same quarter of last year. On a half-year basis, the revenue was AED 12.83 billion, up 36%; EBITDA AED 3.25 billion, up 41% and net profit, AED 1.49 billion, up 64%.

Once again, the growth accelerated as we move down the income statement, the margins expanded, the operating leverage came through and finance costs continued to moderate. The quarter benefited from the AED 650 million warehouse sale to Aldar.

But even adjusting for that, the underlying growth remains strong and broad-based across maritime and shipping, economic cities and logistics. This is the diversification story that we have been telling for several years now, and it's doing exactly what it was designed to do.

One thing that is important to note is that during the quarter, we received a monetary grant amounting to AED 602 million related to qualifying operational expenditures under the government-led resilience program.

And the total amount was recorded as other operating income in the P&L with corresponding cost as direct and G&A expenses, but with bottom line immaterial impact on the P&L. When we look at the port cluster operational KPIs, the regional events had a very visible impact during the quarter.

The general cargo volumes were down 39% year-on-year and container volumes declined 55%. The driver is almost entirely the UAE. The general cargo in UAE fell 67% and UAE container volumes were down 65%. The international operation continued to cushion the impact.

The Noatum Ports terminals in Egypt, Pakistan, Spain and Angola now represent 65% of total quarterly general cargo volumes and grew 14% year-on-year, while the international container volumes were broadly stable. Group-wide container terminal capacity stood at 12.2 million TEUs with Khalifa Port at 9.6 million and Fujairah at 720,000 TEUs.

The total throughput for the quarter was 853,000 TEUs. Overall capacity utilization was a disappointing and very low 28% with the UAE at 22% and international operation at a much healthier 61% One structural point worth flagging in this quarter is that the transshipment to origin and destination mix in the UAE inverted this quarter to 37%, 63% versus roughly 65%, 35% in prior quarters.

And transshipment is the volume most exposed to the rerouting, and that is what we are seeing. The underlying infrastructure is obviously intact, and we have very significant capacity headroom once the volumes normalize again. Next slide. Moving to the economic cities and free zones.

On land leases, we had 1.2 square kilometers net of new leases during the quarter, and that's an acceleration from Q1 with key agreements signed in the F&B, auto, metal and logistics sectors despite the regional situation. Industrial and manufacturing projects continue to represent around 2/3 of the overall land leases, which is the tenant mix that we are striving to maintain.

Our specialized hubs, the Metal Park, AgTech Park, Food hub and also the Auto hub remain on track to come online in phases through the second half of 2026 and into 2027. In spite of the regional situation, we are maintaining our annual guidance of 3.5 to four square kilometers of net new land leases per year.

On warehouses, lease space was down 13% year-on-year, but this is a capacity effect, not a demand effect, follows the sale of the warehouses that I mentioned earlier, which reduced capacity by 7%. Utilization actually improved to 91% during the quarter.

And we have, as mentioned in previous quarters, close to 500,000 square meters of new warehouse capacity coming on stream later this year, which is a 65% increase from 2025. Next slide. A couple of further highlights from the economic cities clusters is worth calling out. Sdeira Group, our staff accommodation business reached an all-time high occupancy of 98% in Q2, improving both year-on-year and quarter-on-quarter with bed leases up 23% year-on-year.

The total bed capacity was largely unchanged at 130,000 or 139,000 beds. So purely utilization gain flowing straight through to the margin. On the gas distribution, volumes reached 6.3 million MMBtu, up 8% year-on-year, driven by continued steady demand from our industrial customers and our gas network in Abu Dhabi stands at 106 kilometers.

Next slide. For maritime and shipping, the story in Q2 was all about rates rather than volumes. Container feeder shipping volumes were 740,000 TEUs, down 11% year-on-year and 15% quarter-on-quarter as port bottlenecks in the region constrained our ability to move boxes. But that volume decline was more than offset by pricing.

The average freight rates in our core regions, the Gulf and Indian subcontinent and the Red Sea increased 96% and 37% year-on-year, respectively. We operated 27 services, connecting 87 ports across 36 countries with the Gulf Indian subcontinent and the Red Sea accounting for 54% of the volumes in Q2.

The container feeder fleet grew to 61 vessels with 53 on service versus 50 in Q1 and 47 a year ago, and we completed 261 voyages in the quarter, up 11% year-on-year. Next slide. Beyond the container fleet services, the wider maritime portfolio continues to broaden. Our total vessel fleet reached 325 ships as of Q2, up from 274 or 275 a year earlier.

UGR, our automotive Ro-Ro joint venture, was again a key growth driver. We transported 208,000 car equivalent units and 243,000 cubic meters of high and heavy cargo in the quarter, and that's 119% and 36%, respectively, of the entire 2025 full year performance achieved in a single quarter.

The dry and liquid bulk Ro-Ro and multipurpose fleet expanded to 72 vessels, up from 36 a year ago and 63 last quarter, and that includes both owned and chartered-in vessels. The offshore and subsea fleet stood at 102 vessels, broadly stable over recent quarters.

And our Marine Services grew to 85 vessels from 78 a year earlier with dry docking again being one of the key operational drivers. Next slide. On to logistics, where we are seeing a general turnaround take hold. Polymer volumes declined 23% year-on-year on the regional events, but higher pricing largely supported the segment's overall performance.

Airfreight rebounded up 5% year-on-year, recovering from the loss of the last Asian customer early in the year that we mentioned during Q1. Ocean freight was down 5% year-on-year, but essentially stable quarter-on-quarter, a reasonable outcome in a challenging market.

The regional supply chain reconfiguration is driving real land bridge demand across UAE and the wider GCC and the improvement that we signaled in Q1 for logistics has come through in the financials, and we expect that trajectory to continue. Next slide. Let's move on to the revenue by cluster. Maritime and shipping remained the largest growth engine.

Revenue was up 62% to AED 3.8 billion, and that was driven by the automotive, up 208%, shipping up 71%, agency up 38%, offshore and subsea up 27% and dry docking and shipbuilding up 10%. Shipping now contributes around 60% of the cluster's top line, reflecting the strong rate environment.

Economic cities and free zones grew 132% to AED 1.3 billion, boosted by the AED 650 million warehouse sale. Stripping that out, growth was still 15%. The warehouse revenues rose 26% despite the sale. Sdeira Group was up 29% on higher occupancy and utilities and land leases grew 11% and 9%, respectively.

Ports was down 70% to just north of AED 600 million, reflecting the UAE volume impact. Concession fees in the UAE contracted 57%, but the international container operations more than doubled, up 108% year-on-year. Logistics grew 30% to AED 1.5 billion, driven by land bridge requirement across the UAE and GCC with project logistics up 40% and warehouses up 32%.

Three of the four clusters growing strongly and the one under pressure is the one most directly exposed to the regional situation. Next slide. On the geographic split, international operations represented 37% of the H1 revenue with Spain, Pakistan and Egypt being the primary contributors.

If you were to reclassify all shipping as non-UAE, which arguably better reflects the true nature of the business since it's currently split by office control, international would represent 68%. This was a deliberate strategic choice we made several years ago, and it's paying off precisely when we need the most as you see in the quarter that we have just been through.

Alongside the business mix, geographic diversification has been one of the most effective tools in mitigating the impact of regional events on the group financial performance and Q2 was a clear demonstration of that. Next slide. Turning to the EBITDA, which was up 49% for the quarter to AED 1.74 billion.

Maritime and shipping EBITDA rose 79% to more than AED 1 billion for the first time. driven by a combination of revenue growth and materially higher profitability in the Shipping segment on the back of the rate environment.

Economic cities and free zones was up 99% to AED 659 million, driven by higher bed utilization in Sdeira and growing warehouse leases and obviously boosted by the warehouse sale. Excluding the AED 294 million gain on the warehouse transaction, normalized cluster EBITDA was AED 365 million, up 10% year-on-year.

Ports declined 23% to AED 234 million, a direct consequence of the top line decline from the regional situation. And logistics, which was the area of concern we flagged in Q1, delivered EBITDA of AED 94 million, up 154% on increased activity in the UAE and the wider GCC. Next slide.

Zooming in on the margins. Consolidated EBITDA margin was 24.5% in Q2 and 25.3% for the first half of 2026. The standout margin expansion came in maritime and shipping, up to around 27% from 24% and in Logistics, which improved from 6 -- or to 6.4% from 3.3%. Still low in absolute terms, but moving decisively in the right direction.

Economic cities came in at 51% for the quarter or 57.1% when you exclude the effect of the warehouse sale. Port margins held up reasonably at 38% given the scale of the volume decline and remained above 43% for the first half of the year.

Looking ahead, as always, consolidated margin will depend on the revenue mix, the margin profile across the clusters and also the ramp-up of international operations and of course, the regional situation.

We are maintaining our medium-term EBITDA margin guidance of 25% to 30%. And from a portfolio perspective, our target remains that more than 60% of our EBITDA comes from our infrastructure business, ports and economic cities, which carry the highest margins. Next slide. Moving to the balance sheet.

Liquidity remains strong. We closed the quarter with AED 3.36 billion in cash and cash equivalents, plus AED 5.89 billion of undrawn bank facilities, including an accordion option, so well over AED 9 billion of available liquidity. Net leverage continued to improve, reaching 3.7x in Q2, down from 4.1x a year ago and 3.9x last quarter.

And we are making a steady consistent progress towards our medium-term target of 3.5x, and we remain committed to getting there. Next slide. On capital expenditure, we invested AED 1.45 billion in Q2, taking the first half CapEx AED 2.8 billion.

The CapEx intensity was 20% of revenue for the quarter, down from 24% in Q1. We have preponed some CapEx planned for the second half of the year into the first half in order to effectively respond to the regional situation.

The distribution in the first half was balanced between maritime and shipping at 48% and our infrastructure assets with ports at 24% and economic cities at 22%. The maritime and shipping spend went into tankers, container shipping vessels, marine services vessels and dry docking maintenance and repairs, largely to fulfill existing contracts.

And we are maintaining our organic CapEx guidance of AED 4.5 billion to AED 5 billion for the full year 2026. Next slide. On the cash flow, Q2 was a very strong quarter. The operating cash flow came in at AED 2.14 billion, more than double Q2 last year with cash conversion of 123%. That is a marked improvement on the 62% we reported in Q1.

The free cash flow to firm was negative around AED 1 billion, but that figure includes the AED 1.1 billion acquisition of additional 30% stake in GFS. Excluding that transaction, the group generated positive free cash flow to firm of AED 73 million for Q2.

Our key focus remains on reaching the inflection point on becoming free cash flow to firm positive on a sustainable basis, which entails that our immediate priority is on operating cash flow generation and disciplined CapEx spend. Next slide. Yes, next one.

Yes, despite the situation that we currently have in the region and the turbulent macro environment, we remain confident in our medium-term growth trajectory, and we're reaffirming the guidance across the board. As always, these targets are based on existing operation and approved or announced projects and acquisitions. Over to you, Marc.

Marc Hammoud (VP of Investor Relations)

Thank you, Martin. It's time to open the floor for Q&A. Ahmed, can we do that?

Ahmed Hazem (Moderator)

Yes, of course. So just a reminder for everyone, you can send your questions in the Q&A box or you can use raise-hand function and we can unmute your mic. We will be prioritizing raised hands first before the Q&A box.

The first question comes from [indiscernible] (00:58:19). Please unmute locally and ask your question. indiscernible] (00:58:32), can you please unmute locally and ask your question? Okay, I guess we'll move to the next question coming from Ricardo. Ricardo, please unmute locally and ask your question.

Ricardo (Analyst)

If I may, I would like to just follow up on a couple of things that Ross pointed out in his remarks. The first one, when Ross, you mentioned about the six trains going from Fujairah to Khalifa Port every day. If we assume the situation might remain ongoing for a while, what would be the capacity that it could have for incremental trains from Fujairah to Khalifa Port?

And then the second question is on the [indiscernible] (00:59:26) demand has been very strong there, outpacing your expected capacity. If we do get to a point where you might add more capacity in the region, would that be something more in the shorter term, meaning could we see some announcements here in 2026 or is that a bit more long term? Thank you.

Ross Thompson (Chief Strategy & Growth Officer)

Yes. So look, the first question is, I think -- I'm not from Etihad Rail, but my circumstance is that I think we're maxed out with six trains a day currently. I don't think that's their full capacity, but it's to do with the equipment that we have between the key and the rail yard. So it's as much as we can provide at this point in time.

So I do think that they have additional capacity on the line. And I think, look, the easy answer, we've done the calculation. If you were to take all of the inner gulfs cargo via train and needed to put all of it pre-war -- pre-conflict levels, sorry, which is 22 million TEUs. How many trains a day do you need to run to cater for that? It's about 25 million.

But that's a situation that would never happen, right? So in one terminal, et cetera, we can't build a terminal of 25 million. But my point being, we are where we are. We have what we have. And we would like to see -- we've increased capacity in Fujairah significantly from what we had during the conflict to now.

I think we've over doubled capacity taken extra land, built yards. Our constraining factor is the size of the key length that we currently have and the depth and the turning circle that we have in Fujairah.

I think, look, none of us have a crystal ball, but I do think that in order to build future resilience, no matter what happens, what scenarios play out, and there are a number of scenarios. We must have a strong footprint on the East Coast, right? And we must look at the way that the trade patterns may or may not change.

Fortunately, we had planned not for this conflict, obviously, but for disruption when taking Fujairah first. And we have planned that we needed a strong regional network and we needed GFS and we needed close proximity to Etihad Rail. We needed our terminals rail linked. We had planned for changing environments.

And so we continue to do so. So I can't -- the issue with the conflict is there's a lot of unknown and there's a lot of scenarios to play out. But we know what we know, and we don't know what we're not going to know at this point. And the obvious answer is you can't do nothing. We have to build on what we know.

We have to maintain supply chains. We have to maintain our customers' volume, and that's what we're doing. So there is ultimately more capacity to be had. We are looking at ways to increase capacity in Fujairah, but it's not going to be significant. And that's where we are right now, yes.

Ricardo (Analyst)

Thank you. And then in West Africa, if you could comment on potential...

Ross Thompson (Chief Strategy & Growth Officer)

Sorry, I missed the point about West Africa. It broke up.

Ricardo (Analyst)

Yes. No, sorry. You mentioned on your remarks that demand in West Africa has been very strong and then in your expected capacity there. Could we see something in the short term of you adding more capacity or is that something more midterm?

Ross Thompson (Chief Strategy & Growth Officer)

I don't think these things are always market demand related, but we have options for -- we're in Phase 1 of Congo-Brazzaville. And as you know, we've partnered with CMA on that, where we own the majority and they're a minority investment stake. But we have the ability to -- and the option to accelerate Phase 2 and Phase 3 should we choose.

Now that's a symptom of CapEx and returns, but we have the market demand to accelerate those Phase 2 and Phase 3 as we stand. Same for Angola. We're receiving very, very strong demand in the market for our terminal there. People are looking to really cement down West Africa hubs. Now not all of the shipping lines around the world have strong West African hubs. CMA certainly do. MSC certainly does.

But if you look at the remaining shipping lines, it is open. And all of them want that relay hub, one in West Africa and in East Africa. And so we're very prime position with the assets that we invested in to deliver that. So yes, if the market demand is there and we can reach good economic terms, of course, we would do it. And we will let you know in due course.

Ricardo (Analyst)

Right. Thank you very much.

Ahmed Hazem (Moderator)

Thank you. So [indiscernible] (01:04:50), you're still -- you still have your line open. So can we just try again? Hello, [indiscernible] (01:05:04). Can you hear us?

Unknown Speaker (Analyst)

Am I audible?

Ahmed Hazem (Moderator)

Yes. You're on now. Please go ahead.

Unknown Speaker (Analyst)

Yes. Thank you. Congratulations for a good set of results. I have three questions. First is, as we are in mid of third quarter '26 and how have you seen growth in the port segment? And what's your second half expectation? Along with that, what level of utilization rate do you expect for warehouse in the remainder of 2026?

And what will be the -- will there be any further warehouse sales, which can have a good growth impact in the EC&FZ in the second half? Second question is, once the shipping and freight cost eases, will there be margin pressure for maritime and shipping segment and logistics segment going ahead?

And the third question is, what contribution will be to the logistics segment revenue starting 2027 post MBS Logistics acquisition, which should be completed by the fourth quarter of this year?

Ross Thompson (Chief Strategy & Growth Officer)

Yes. Let me answer the first question, and then Martin, I think you can take the latter questions. But look, I think we don't see much change in the region and in the world actually between now and the end of the year and even into the first quarter next year.

So whilst we're not providing forward guidance, what I would say is you can look at quarter two as relatively speaking, the new norm in the immediate term. So quarter two would be a full quarter of where the shipping rates are, where the port volumes are. So I would take quarter two as the basis of the rest of the year and particularly as the new norm.

Martin Aarup (Chief Financial Officer)

Just on the other questions. You're talking about the warehouse utilization. We have 91% or 92% currently. We see strong demand in terms of warehouse capacity. As we also mentioned, we have significant new capacity coming on stream for the remainder of the year, but that's based on the very, very strong demand.

So yes, the utilization on the existing capacity is almost at full utilization and that we expect to remain. And then obviously, with the new capacity come in, there will be a ramp-up period. In terms of potential warehouse sale, we have nothing planned at this point in time. In the second half of the year, our key focus is on the integration.

First of all, closing the M&A transactions that you're seeing on the screen here now and doing the integration. Additionally, making sure that the operational integrity is there, especially in the volatile environment that we really make sure that we're disciplined on the CapEx spend and then as we highlighted, also focus on cash flow generation.

When it comes to the logistics contribution in terms of the overall portfolio, again, we're not giving specific guidance per year and in terms of the relative growth rates, but we have highlighted here in terms of what we expect the contribution would be for MBS Logistics going into next year. That's just shy of AED 1 billion of additional revenue.

Unknown Speaker (Analyst)

Okay. Thank you.

Ahmed Hazem (Moderator)

Thank you. We'll take our next question from Anna [Antropova]. Anna, please unmute locally and ask your question.

Anna (Analyst)

Good afternoon. Thank you for taking my question. A quick follow-up maybe on the comment about your outlook into year-end and then Q2 can be taken as perhaps a new normal at least into the year-end.

My question is whether we can expect any additional government grants given that the current situation may continue in Q3 or Q4 or the bulk of the extra costs associated with alternative trade corridors has been mostly taken and we may reasonably expect that kind of going forward, the profitability, especially in logistics will hold without any incremental government support.

Martin Aarup (Chief Financial Officer)

So the government grant is basically having a limited impact in terms of the P&L and the profitability because it's a cost that we are taking on based on government mandates and instructions, and we are being reimbursed for that. The situation is, again, extremely volatile and evolving. And again, we have the optionality to -- and we are on standby to take any instructions in terms of supporting the government with anything trade related that will come up.

So whether there will be more grant in the second half of the year, possibly. But again, I think it's important to highlight that from a P&L perspective, it's neutral. And when we look at the second half of the year in terms of how it will continue. We have highlighted in the press release that the growth momentum that we had in Q2 has continued into July as well.

And we still foresee that particularly the container shipping rates will remain at an elevated level in the next couple of quarters. But again, I think there is a lot of uncertainty in the market right now, and we, yes, remain vigilant, but we have a positive outlook for the second half.

Anna (Analyst)

All clear. Thank you so much for the comments.

Ahmed Hazem (Moderator)

Thank you. As a reminder, you can use the raise-hand function or we can read your questions out from the Q&A box. We currently have no hands raised and no questions in the Q&A box. We'll give it a minute or so. In the meantime, maybe I can ask a question. Ross, you mentioned that you're using Safaga as a relay port for East-West cargo, maybe shippers that can basically put volumes into Safaga.

But obviously, we're hearing about a lot of issues between Saudi and the Houthis trying to disrupt Bab-el-Mandeb, the Strait of Bab-el-Mandeb as well. So are you seeing actually a lot of flow going through the Red Sea right now or are things slowing down as well?

Martin Aarup (Chief Financial Officer)

I think we lost him. But just to comment on his behalf, yes, Safaga is used and Egypt is used as a relay point for us right now. Obviously, with Safaga, we only have the soft launch, but we expect to be fully operational here in the second half of the -- later in the second half of the year.

It's an important staging area for us and also depending on how the regional situation will continue to evolve. So far, we still have trade going into the Red Sea, and it's still flowing. We are not directly impacted. But again, the situation is extremely volatile.

Ahmed Hazem (Moderator)

Thank you for that. Thank you, Martin. So we have a question from Graham Hunt. Graham, please unmute locally and ask your question.

Graham Hunt (Analyst)

Hey. Can you hear me okay?

Ahmed Hazem (Moderator)

Yes. Please go ahead.

Graham Hunt (Analyst)

Perfect. Yes. And unfortunately, if Ross is not on -- I had one question for Ross and one for Martin, but maybe, Martin, you'll have to take both. But my question was really on the Brazil, the CLI acquisition.

And first part was you talked about sort of real upside potential to returns there. I just wondered if you could add a bit more color in terms of where you could see EBITDA going to from the asset? What are the immediate near-term opportunities you see that you can really start flexing now or once it's in the group? And then second question, just on CapEx.

How should we think about that when CLI and the other acquisitions are in the base for 2027? Are you still comfortable? I know you reiterated the medium-term guidance, but is that on the basis of all these acquisitions also in the base? Yes, just a little bit on that would be helpful for the CapEx run rate. Thanks.

Marc Hammoud (VP of Investor Relations)

Let me jump in, Graham. It's tricky to answer those questions because we haven't completed CLI, and we don't want to comment on future CapEx plan for the asset or what EBITDA uplift we could see from integrating it into the wider group. So unfortunately, you'll have to bear with us another quarter until we actually complete the acquisition, and then we'll be in a better position to comment on those.

Martin Aarup (Chief Financial Officer)

But just on the general comment on the CapEx. So what we mentioned in terms of the guidance, AED 4.5 billion to AED 5 billion this year, that includes the acquisitions. But again, they will have limited impact because they will only close in the end of the year.

The -- again, I want to stress again, it's a key focus area for us to be very disciplined about the CapEx and really make sure that we spend our money wisely. And in light of the situation that we're in, that we also try to phase our CapEx in an optimal manner.

And that combined again with a strong focus on the cash flow generation, which you have seen here in Q2 with a strong operating cash flow. That is something that is going to be a priority for us also over the next coming quarters.

Graham Hunt (Analyst)

Understood. And maybe as I've got the mic, just one follow-up. Last time you did sort of a couple of big acquisitions relative to the scale of the group, you took a little bit of time to digest them. I appreciate it's very difficult to time these kind of opportunities.

But are you feeling now assuming all of these opportunities that we're looking at in the slide in front of us go through by the end of the year, do you anticipate a bit of a period of digestion as you look forward? Or just -- I guess I'm trying to understand how deep the pipeline of additional opportunities for your group you're still seeing at the moment and what your appetite is for them?

Martin Aarup (Chief Financial Officer)

Yes. I would say, as a management team, we have our hands full, right, with the situation that's currently happening in the region. And again, the key focus for us in the next six to 12 months is getting the transaction closed, making sure that we do proper and timely integration and that we reap the targeted synergies that we have outlined as part of this transaction.

And then again, as I mentioned, continued disciplined CapEx spend, focus on optimizing and the cash flow generation in our existing business until we have greater visibility in terms of the regional situation.

Graham Hunt (Analyst)

Got it. Got it. Thank you.

Ahmed Hazem (Moderator)

Thank you. We'll take our next question from Gaurav [Shelar]. Gaurav, please unmute locally and ask your question.

Gaurav (Analyst)

Hello. Am I audible?

Ahmed Hazem (Moderator)

Hello. Yes, Gaurav. You're audible. Please go ahead.

Gaurav (Analyst)

So congratulations on a great set of numbers. I have a couple of questions. First, regarding the container feeders rate. So the volume has declined, but the rates have increased across Indian subcontinent and Red Sea.

So how do you -- how sustainable do you expect the current rate environment to be through second half of 2026, particularly given the favorable market condition that management expects? And what rate and volume assumptions are you currently factoring into the second half outlook? Second question is regarding the fleet size.

I wanted an update on the fleet size and planned vessel additions through second half of 2026 and 2027 and beyond. And what expected delivery and development timelines will be? At what utilization rates do you expect to achieve the fleet expansion? Thank you.

Martin Aarup (Chief Financial Officer)

Yes. These are a level of details that we are not guiding on in general, but a few comments. And I think we highlighted that earlier in the call as well in terms of the shipping rates. We have seen the momentum that we had in Q2 going into July. We do expect rates to be still elevated in the next couple of quarters.

Again, the -- to which extent is still a bit uncertain, but that's currently our base case. In terms of our fleet size, we're not guiding on that. I think in general, what we are doing is that we try to be agile and have flexibility and optionality in terms of being able to charter in and charter out vessels, and that is something for the different asset classes that will impact the fleet size and the utilization.

Ahmed Hazem (Moderator)

Thank you. We have a question coming from Anna [Antropova] again, a follow-up. Anna, please, unmute locally.

Anna (Analyst)

Yes. Thank you. I just have a quick follow-up question, a bit technical, but still. You talked about segmental EBITDA trends, but I just wanted to ask quickly about the corporate segment EBITDA, which is basically unallocated costs. In the last couple of quarters, these costs were running at a negative AED 100 million, AED 150 million per quarter, but then we saw a spike to above AED 250 million in Q2.

Could you please comment if this Q2 is a new normal run rate given all the recent M&As, which may have added to the corporate costs? Or are there any one-offs in the corporate costs in Q2? And if we can then -- if this is the case, we can expect kind of the Q2 run rate to normalize towards kind of historically lower levels? Thank you.

Martin Aarup (Chief Financial Officer)

Yes. If you're referring to the EBITDA, then there are a number of extraordinary costs associated both with the ongoing regional conflict and also the M&A transactions that we have recently completed.

The -- certainly, the amount that you saw in Q2 is not expected to be the run rate. I think if you would average out Q1 and Q2, then that's a good indication of the average for the coming quarters.

Anna (Analyst)

Yes, I was talking about the adjusted EBITDA from the corporate segment as you presented in the notes to the financial statements. So basically a net impact of all the corporate revenues and costs and everything. But thank you for the comments, so I understand that it is not a run rate and a bit lower run rate average of the first two quarters would be a bit more better reference point. Thank you.

Ahmed Hazem (Moderator)

Okay. Thank you. I don't think we have any questions left in the Q&A box or raised hands. So Marc, Martin, back to you for any closing remarks.

Marc Hammoud (VP of Investor Relations)

Thank you, Ahmed. It's been a long week, and everyone is impatient to go on weekend. Thank you for attending the call, and we look forward to interacting with you in the next few weeks. We will be attending a few events in September.

So as I said, excited to talk more in details about our Q2 results and the rest of the year when we see you. Thank you, Ahmed. Thank you, EFG, for organizing the call, and have a nice evening for everyone.

Ahmed Hazem (Moderator)

Thank you, Martin, Marc and Ross, and thank you, everyone, for attending. You may now disconnect.