

NetRoadshow Event Transcript

Ad Ports 1Q26 Results Call

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Zeina Fares (Equity Research Associate, EFG Hermes Research)

Good afternoon, ladies and gentlemen. This is Zeina Fares from EFG Hermes Research speaking, and I'd like to welcome you all to AD Ports Group's First Quarter of 2026 Results Conference Call. With us on the line today, we have Mr. Martin Aarup, Group Chief Financial Officer; Mr. Ross Thompson, Group Chief Strategy and Growth Officer; and Mr. Marc Hammoud, VP, Investor Relations. I'd like to congratulate management on a strong set of results today. And without further delay, I'd like to hand over the call to Marc. The floor is yours, Marc.

Marc Hammoud (VP, Investor Relations, AD Ports Group)

Thank you, Zeina, and thank you for organizing this conference call to you and to EFG Hermes. Good morning, good afternoon, everyone. Welcome to our Q1 2026 results conference call. We'll adopt the same format as usual. I'll kick it off, and then Ross will update you on the strategy side, and Martin will take you through the operational and financial performance. So the key message for this quarter is obviously, given the regional events, how resilient our business and strategy have been really paying off in the current situation and turning risks into differentiated opportunities. I changed a little bit the format of the key message.

Usually, I'll start with the macro, but the macro is dominated by the conflict for sure. The headlines are dominated by the conflict. But nevertheless, it didn't stop us to post our best quarterly profits on record since listing. And you can see the top to bottom results, 25% revenue growth to AED 5.75 billion, all through organic growth. EBITDA is up 33% to AED 1.52 billion, translating into an EBITDA margin of 26.4% and total net profit accelerating even further, 41% growth, reaching AED 653 million, as I said, a record in terms of quarterly performance since listing. EPS growth 43%.

And also worth noting that the growth momentum continued in the month of April. Now if we look at the factors contributing to the resilience in the current situation, the most important, I think it's the business and geographic diversification we've been into for the past four years that's paying off, as I said earlier. In Abu Dhabi, we primarily run a landlord and long-term partnership contracts business model and also shows some significant resilience in the current situation.

And finally, in those prices, it's the strategic agility in swiftly mobilizing resources in a complex, challenging and dynamic environment like the one we're going through. Third, I think, key message is that we continued asset monetization. We completed another transaction in April. We sold a set of warehouses in KEZAD Logistics Park in Abu Dhabi to Aldar for AED 650 million. If you remember, we had set a target to at least reach AED 1 billion in value from monetization in 2026. That basically covers 65% of that target.

In terms of balance sheet, we continue to improve the debt leverage. Net debt-to-EBITDA stood at 3.9x in Q1 2026, down Q-on-Q and year-on-year. We continue to enjoy a strong liquidity position of AED 4.6 billion in cash and AED 2.8 billion of undrawn bank facilities. We refinanced the RCF and the term loan, which means that there's no debt maturity up until 2029. And we continue to enjoy the same credit ratings despite the regional situation. Finally, and very important as well, we're maintaining the guidance.

We've been quite engaged with the market since the beginning of the conflict. Through ADX announcement, one of them straight from the first day ADX resumed trading. We are maintaining all our guidance for the year and in the medium term, whether it's growth, profitability, CapEx, cash flow and debt leverage. But again, this is based on the current visibility we have and subject to the evolving regional situation. Resilient growth equity story. We've had that title for the equity story for the past four years.

And I think now you can see how important the resilience of the business has become to the equity story. The one thing I'll note on this slide is we're still at an inflection point, right? The double-digit growth continues. The pivot to free cash flow positive, we're still committed to it for this year and going forward and the deleveraging is happening. So the investment case is intact. No changes in the ownership. Small dip in the foreign institutional investment engagement in the Q1, but nothing drastic either.

The performance is obviously impacted by the regional events in terms of stock price performance, liquidity as well. But I think it just creates an opportunity for investors given the strong set of results. So revenue and EBITDA distribution, you can see that the three main clusters remain the same: Ports, Economic Cities and Free Zones and Maritime and Shipping. As Martin will take you through the financial performance, there's been a negative impact as expected on the ports cluster coming from the Abu Dhabi ports operations.

Economic City and Free Zones continue to demonstrate strong growth. Maritime and Shipping even stronger and overall an improved profitability for the group. The notable changes to the global map, we managed to secure two new port concessions in Q1. One for dry bulk terminal in Douala in Cameroon and one multipurpose port concession in Aqaba in Jordan, which have been added to the map.

This is, again, the scale of operations. We continue to grow across the board. Maybe on the port side, there's been some relatively stable or slightly down metrics in terms of volumes related to the Abu Dhabi port operations, but the rest is on track for growth. And again, we maintain our growth for '26 and the medium term. I'll pass on the floor to Ross for the market update.

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

Yes. Good afternoon, everybody. My name is Ross Thompson, Group Strategy and Growth Officer. And I'll take you through a little bit about the global market trends. I think they are very much highlighted in the press, and you will all be as aware of them as I am. But yes, the thing that dominates is the geopolitical risk of the tension, particularly in the areas where we operate, the closing of the Strait of Hormuz for shipping, particularly cargo shipping, the rerouting of cargo, and we see no end date to that.

And we don't see a clear direction of travel as to what the possibility of that ending will be. So there are many scenarios at play, too many scenarios to mention. Would it be closed for extended period of time? Will it be open but managed, whatever that means? Would it be tolled? Would it be free passage? There are many, many different scenarios that could be at play. But what we do know is that the conflict has not just impacted this area. It has impacted trade flows around the world, around the globe.

It is having a significant effect on the global economy, which is rapidly developing into a global energy crisis, inflation, softening demand. The positive on the group is that container freight rates have significantly increased and have increased in largely the areas where our assets are deployed. Port congestion in the region has improved dramatically, given that the backlog in the initial conflict has been cleared, and now we're seeing a general pattern of trade. Carrier capacity is, again, still supply-demand dynamics.

There's still too much capacity in the global economy and in the sector. And infrastructure financing is declining around the globe as a result. Next slide, please, Marc. Yes. Look, I think Marc touched on it, the resilience of the group. I think that we've tried to outline a very clear strategy to our investors and to the analysts on this call over the last three years since we've been a listed entity.

And we've explained that we needed to secure supply chain routes and trade routes, and we needed to build an asset base surrounding the Gulf and Abu Dhabi, our core market, particularly. And we needed to increase the services that we provided, both in terms of Shipping and Logistics. And I think that, that has been proven to be prudent.

It's proven to be correct because it's protected earnings and actually minted earnings when the Straits have closed and therefore, protected the company and also the country and kept supply chain moving during this heightened period of conflict. I think what we learned during the conflict is that we're incredibly agile. We've been able to turn on landlocked routes. So routes from Abu Dhabi through Saudi Arabia, through Oman, through the East Coast ports. We've been able to have strategic storage for containers and bulk outside of the region.

We've used our asset base in Karachi, in Egypt, in India. We've been able to redeploy our shipping services incredibly quickly. We took 5,000 TEU ships off of our China leg and

redeployed them into the Gulf area and the markets surrounding the Gulf, particularly India into the East Coast of the UAE, which wasn't affected by the conflict. We were able to deploy our Logistics company, both inside the Gulf and outside the Gulf to route cargo in new directions and also to handle a greater degree of transit inland transport and using the rail.

We are the aggregator of rail connecting Fujairah with Jebel Ali and Khalifa Port. And we're also able to deploy trucks and acquire a significant amount more trucks to respond to the increased requirement for trucking, large-scale trucking throughout the region. So all parts of our business were able to come together and secure supply chains to keep volumes moving at a time where the sea leg was restricted.

I think also we must touch upon the fact that we were able to transport a highly skilled workforce from Khalifa Port, redeploy that and redeploy some of our equipment from outside of the region to Fujairah and to Khor Fakkan to help the operations to cope with heavy new demand. And what you saw was a cohesive response that allowed trade to move. We never had to lose one box of trade. And as Marc will point out that although we've been impacted around AED 40 million in Khalifa port from loss of volume, Khalifa port still continues to run.

We still have services from Khalifa port to the upper Gulf, also connecting demand and then using the truck legs from demand to Jeddah. We still have cargo moving within the jurisdiction. And therefore, we minimize the losses that potentially we would have. And therefore, we also augmented our ability to earn through our Logistics and particularly our Maritime business, which responded very, very quickly to changing dynamics.

But I have to say, we used our infrastructure business, particularly in Karachi, Egypt, very, very well to make staging posts around the region to handle cargo for shipping lines and our own clients to keep imports and exports moving. So response has been incredibly positive. A lot of hard work. We've had to do that under duress and stressful conditions. The safety of our crew, the safety of our manpower has been utmost important to the company. And I'm pleased to say that, that has been something that our workforce has been kept safe during this conflict.

Next slide, please. We touched on land bridges. Yes. So what we do want to say is while the company has been heavily dominated by its response, and that would be normal given 90% of our asset base is within the UAE and within the Gulf, around about 50% of our earnings, it's been heavily dominated in the first quarter, particularly in March by the response to the crisis.

But we are a global company, and therefore, our business has kept moving and our business outside the UAE continues to grow, and we continue on the strategy that we have deployed of strategic growth, of intelligent growth, of asset-backed growth and pairing those assets

with Logistics services and Maritime services to really augment the earnings in each of our clusters. Some of the capital recycling that we've been doing, we've also been monetizing some of our noncore assets, noncore in the fact that the land sales, which totaled AED 3.31 billion, we don't see ourselves as residential or retail developers. We're industrial developers.

So for the first time, Abu Dhabi Ports is inviting the private sector in to help develop its land base in areas which are not core to the group and therefore, augment the development of KEZAD area in particular, and create the town center and the ecosystem that we need to support an industrial city that is being created. Warehouses, we've sold 1.52 billion of warehouses. We have strong demand from the market in terms of warehouses sale that are contracted. So our skill set is to build, to lease out, but we don't necessarily need to run and operate warehouses for others.

At that point, we can monetize and reinvest that capital in a greater degree to increase the development of other warehouses. What we keep hold of, those warehouses create a lot of trade through the ports and a lot of logistics requirements for landside transport, storage, warehouse management, et cetera, which we take advantage of, which is our core business. And we also had a financial holding sale. Again, this is the 9.77% stake in NMDC, which we sold for AED 1.6 billion.

NMDC was a strategic holding for us. They are one of our biggest suppliers. Having said that, for the group, it was deemed no longer core to hold an ownership stake that we could monetize at the right time, which we felt like it was in this period and use the money for growth projects and deleveraging the business -- the debt on the business to give us more firepower in the market. Next slide, Marc. Yes, I think really following on from quarter 3 and quarter 4 last year, but the continued focus on infrastructure assets in the group.

This does not mean that we're ignoring our Maritime and our Logistics business. We still need to grow those because they drive volume and value not only through themselves through growth and scale, but also for our infrastructure business. But largely, we're spending a lot of CapEx on infrastructure. You can see particularly in the region that we spoke about. So in Egypt, in East Port Said, the economic zone, this is a core project for us as it's a 50-year renewable agreement where we would develop out a mini KEZAD, if you like, a mini industrial area. What does that do?

It creates GDP, but it also creates volumes. It creates economic growth. It creates the need for Maritime and Ports, and it creates the need for Logistics. Egypt, just a strategic market and a strategic investment for Abu Dhabi ports. Likewise, Tbilisi Intermodal Hub, which is in Georgia, but connects the central corridor volumes coming from multiple countries get consolidated into Tbilisi and then shipped on a consolidated basis. In quarter 3 in 2025, we did our dredging in KGTL.

I think we've been through this and our single-window solution in Angola, which is a port community system. But moving through to quarter 1 this year, we continued that with the 30-year concession for a greenfield dry bulk terminal at Port Douala in Cameroon. We signed a 30-year concession here, and this is to operate bulk in the Republic of Cameroon. We have already significant customer demand for the existing facility, but also the augmented and extended facility that we're developing there. Essentially, the space is already presold for us.

This is a great infrastructure project for the group and adds to our footprint and our growing footprint in Africa as we become one of the leading port operators in the emerging market sector. Then we also took on the 30-year concession for the brownfield multipurpose port in Aqaba. This is really in our region, Jordan a strategic market in the upper Gulf for us. Multipurpose is a very core part of the group today, group's activities. And therefore, it's a strategic holding in a core market within our home jurisdiction.

And lastly, we launched the Metal Park in Abu Dhabi. This is 450,000 square meters. It's the first pay-as-you-go metal park in the region. We are extending that and also offering Metal Park services in Fujairah. We have significant customer demand for Metal Park. It's been a roaring success since its launch.

And we look to replicate such a thing both in the food hub and the automotive hub that we're developing in KEZAD as we focus on key sectors for the economy and key sectors that drive industrialization within the region and create as we say, great earnings from landlord status in our economics business, creates port volumes, it creates logistics volumes and it creates shipping volumes for our group, and it becomes very, very accretive for earnings across our clusters. Next slide, please, Marc.

Yes. I think Noatum Ports and our port assets continue to grow. I think that we have a footprint of 25 operational terminals, international terminals right now. I think we've been through these, but ones that have potentially been added since last time that we spoke would be the closing on the last day of March would be the 20% stake that we have in Latakia, 20% that we acquired from CMA Terminals, which closed just before the 1st of April.

Jordan, we touched on the multipurpose ports. These are the new ones that add to the list and Cameroon as well, which were growing footprint in Africa, both on East and West. But you can see from the profile, my point earlier around about strategic storage and shipping areas, strategic assets that helped cargo flow in an area which became restricted, our asset base and our services base that we layer over that became the lifeline of supply into the region during the conflict.

Next slide, please. Yes. And I think following on, we always leverage where the UAE government is signing CPAs. And you can see our asset footprint and our services footprint reflects very much on the government's expanding portfolio of free trade agreements. I think that where we're very, very strong in this region. But what the conflict has showed us is although the company has done extremely well, it's very resilient, very robust and it was able to respond very quickly. We are not yet big enough to service all the needs of our customers and of the country.

We still need more ports around these areas. We don't have a big enough shipping network to service all the core markets where all of the critical goods are coming from and all the export destinations that the industries have in the United Arab Emirates. So what we have is a very big learning curve that we have a huge amount more to do. We have more capital to deploy and more network to build to really give us a cohesive and full-scale solutions provision in all the core and key markets that we serve.

So while I would say the company has done extremely well, protected its earnings, been resilient, used its asset base and its services base incredibly well. It has much more to do, and we need to be able to accelerate that and really drive our growth strategy aligned to where the trade flows are. Somebody was telling me today, and it's a very good synopsis that trade is like water flowing, and it will always find new routes where blockages happen, it will always find its way around. And it will always find a way which is the most economical, lowest cost and the fastest.

And without doubt, the conflict has changed trading routes and patterns, but it will change trading routes and patterns on a global scale after the conflict. For sure, trading alliances, trading partners have changed. And there will not be a return to exactly how it was pre-conflict. The world will emerge in a different pattern. And our job is to make sure that we're a facilitator of that trade, a solutions provider, and we're aligning our capital investment program along those lines to achieve that. And that's what the focus of the company will be going forward.

And we base that on largely five core commodities. Number one is obviously containers. It's big for the company. It's a significant investment and a significant driver of trade. Number two is metals and mining, right? That's incredibly important to the group and as a commodity. Number three is food and aggregate -- so particularly agri bulk. A lot of our earnings come from agri bulk, but we need to secure more of the supply chain and the trade patterns, particularly coming from Latin America indirectly into the region. We don't have any direct routes today.

Processing has largely been outside of the region. We need to bring processing into KEZAD, and we need supply chains to be aligned from where the commodities are moving as raw materials and then brought through our ports and processed and then redistributed as

finished product. And you'll see some of our announcements going forward about how we're going to achieve that. Number four being automotive vehicles. We have a leading position. We have a 5%, 6% market share of finished vehicles in the globe.

We move 1.5 million finished vehicles on our shipping fleet, and we handle 1.5 million cars within our port sector as well. So it's a very core competency of the group and needs to be built upon and expanded to handle quite a robust market sector. And the last one being pharmaceuticals. We handle pharmaceuticals today, but it's a critical commodity. Sourcing patterns are changing. Different requirements are coming into those markets.

And we need to be able to provide solutions, robust solutions, different solutions to our customers and to the countries that we serve. So our strategy will remain geographically focused. It will mean five commodity focused across our group, but it needs to grow. We don't have the critical scale and the critical presence or the influence in certain markets that we need to have in times of flux and in times of changing patterns that we have today.

Next slide, please. So new land leases. Again, despite the conflict, we still see demand for our industrial zone. We've signed a number of agreements and a number of MOUs since particularly from foreign direct investment where it is still the most attractive area in the region to locate from an industrial point of view. But over the quarter, in January, we saw the Jindal SAW Group and the Haldiram Group from India take on a 50-year lease with investment of around AED 450 million.

The launch of the Metal Park, we've already touched on, but the investment there was again around AED 430 million. And then in February, we had the Galadari Brothers and the heavy equipment and the building materials construction and again, a 50-year lease with an investment of AED 75 million. So demand remains robust, and the company remains incredibly robust during this period. With that, I hand over to Martin to deliver the financials.

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

Thank you, Ross. Next slide, please, yes. Yes, as Marc highlighted earlier, the Q1 overall financial performance was very robust in spite of the regional situation. We delivered bottom line record results for the quarter and highlighting the resilience of our business, both from a business and geographical mix. Revenue came in at AED 5.75 billion, up 25% year-on-year, and EBITDA reached AED 1.52 billion, and that's a 33% jump. Total net profit hit AED 653 million, up 41% increase versus the same quarter of last year.

What is particularly encouraging is that the growth accelerated as we move down to the income statement. That tells us that margins are expanding, operating leverage is kicking in and finance costs continue to moderate across our businesses. Q1 benefited from sale of a warehouse that was mentioned, where same period in 2025 had dividend income from

NMDC, which we didn't have this year because we sold the stake last year. And adjusting for those items, bottom line still grew more than 25% year-on-year.

Next slide. Turning to the ports cluster operational KPIs. General cargo volumes were down 8% year-on-year and container volumes dipped 2%, and not surprisingly, the main driver was obviously the regional events that impacted our UAE operations, particularly in Abu Dhabi, where general cargo declined 23%. However, that was largely compensated by strong growth in our international operations. Noatum Port terminal in Egypt, Pakistan, Spain and Angola, which now represent 42% of our total quarterly volumes grew 21% year-on-year.

And on the container side, international volumes surged 17%, largely offsetting the 5% decline in UAE. Our group-wide container terminal capacity stands at 12.2 million TEUs with overall utilization at 56%, relatively stable year-on-year. The transshipment to origin destination mix in the UAE remained steady at 62% to 38%. So the underlying operational framework remains robust, and we have a significant capacity headroom for growth.

Next slide. Moving to the Economic Cities and Free Zones cluster. On land leases, we added more than 800,000 square meters net during the quarter with two significant 50-year lease agreements signed in the building materials sector. Our specialized industrial hubs, the Metal Park, AgTech Park, the Food Hub and the Auto Hub, they are all progressing well and are on track to come online in phases through 2026 and 2027.

On our warehouses, the leased space grew 17% year-on-year. Utilization stood at 83%, and that's despite the divestment of warehouses to Merck Group earlier in the quarter. We have close to 500,000 square meters of new warehouse capacity. That's roughly 65% increase from 2025, expected to come online this year.

Next slide. A couple of more highlights that are worth calling out in the economic cities. Sdeira Group, our staff accommodation business, hit an all-time high occupancy rate of 97% in Q1. That's up from 75% in Q1 last year and 94% at year-end 2025. Bed capacity remained largely stable at 139,000 beds. On gas distribution, volumes grew 8% year-on-year. Our network in KEZAD now extends 106 kilometers, and we continue to see steady demand growth from our industrial tenants.

Next slide. Maritime and Shipping cluster was once again a standout performer this quarter. The container feeder shipping volumes reached 871,000 TEUs, up 20% year-on-year. We operated 27 services, connecting 83 ports across 34 countries. The Gulf, Indian subcontinent and Red Sea regions account for majority with 63% of the volumes. Our vessel fleet stood at 59 container ships with 50 actively in service. That's up from 43 vessels a year ago. And we completed 270 voyages during the quarter, a 35% increase year-on-year.

Next slide. Beyond the container fleet services, we have a well-diversified Maritime portfolio. As you know, our total vessel fleet reached 316 ships as of Q1 2026, up from 274 a year earlier. UTR, our automotive Ro-Ro joint venture, was a standout growth driver this quarter. We transported 167,000 car equivalent units and 319,000 cubic meters of heavy cargo, which equates to 97% and 47%, respectively, of the entire 2025 full year performance, and that was achieved in just one quarter.

Our dry and liquid bulk Ro-Ro and multipurpose fleet expanded to 63 vessels, up from 41 a year ago. And the offshore and subsea fleet stands at 109 vessels, stable year-on-year. Marine Services grew to 81 vessels, up from 74 a year earlier with our dry docking services being a key operational driver. This is exactly the kind of balanced synergistic portfolio that we have been talking about in previous quarters.

Next slide. On to our Logistics cluster where Q1 was a bit of a mixed bag, the polymer volumes declined 6% year-on-year, and that's impacted by the regional events. Airfreight volumes was down 28%, mainly due to a loss of a large customer in Asia. On the positive side, ocean freight volumes grew 2% year-on-year, which is a decent result given the challenging market conditions supported by our geographic expansion and widening customer base. We do expect gradual improvement in the coming quarters.

Logistics activity in the Middle East is actually increasing due to the regional situation as supply chains reconfigure and freight rates have been more supportive from March onwards. We also have the additional polymer volumes coming from Borouge Plant 4 later in this year. So while Q1 was soft for Logistics cluster, we are cautiously optimistic about the trajectory for the coming quarters.

Next slide. Let's now look at the revenue picture across the different clusters. Maritime and Shipping was the clear growth engine. Revenue surged 38% to AED 3.15 billion, and this was driven by strong performances in drydocking and shipbuilding, up 60%, and then our shipping business up 44% and the contribution from Noatum Maritime, our new Automotive segment. Container Shipping contributed approximately 25% of the clusters top line.

Economic Cities delivered 77% revenue growth to AED 929 million in Q1, and that was boosted by the warehouse sale, which gave a cash inflow of AED 295 million. But even stripping that out, the organic growth was impressive. Warehouses was up 31%, Sdeira Group up 27%, Utilities up 24% and land leases growing at a steady pace of 3% year-on-year. Ports was down 3% to AED 683 million, and that was impacted by the regional situation on the UAE ports.

However, the international container operations grew 35% and international bulk and general cargo was up 14%, again, our diversification at work. Logistics was essentially flat,

down 1% to AED 1.09 billion, with Project Logistics growth of 24%, offset by softer freight performance.

Next slide. In terms of the geographical mix, international operations now represent 38% of our Q1 revenue with the primary contributors being Spain, Pakistan and Egypt. And if you were to reclassify all shipping as non-UAE, which arguably better reflect the nature of that business, international would represent 68%. This is a deliberate strategic choice that we made several years ago, and it's paying off precisely now when we need it the most.

In addition to the big business mix, geographical diversification has been one of our most effective tools in mitigating the impact of regional events on the overall financial performance. Next slide. On EBITDA, Maritime & Shipping surged 64% to AED 785 million, and that was driven both by the revenue growth and meaningfully higher margins in the Shipping segment. Economic Cities were up 65% to AED 539 million and boosted by the warehouse sale that I mentioned, higher bed utilization at Sdeira Group and growing warehouse leases.

Ports, and this is particularly pleasing, grew EBITDA 14% to AED 333 million despite a 3% decline in revenue impacted by the regional situation. The one area of concern is Logistics, which posted a small EBITDA loss of AED 14 million during the quarter, impacted by one-off costs and revision of a couple of contracts and rising operational costs, including start-up expenses. Again, we are in a turnaround situation with new management coming in by end of last year, and we do expect a significantly improved performance in the coming quarters from Logistics.

Next slide. Zooming in on the margins, our consolidated EBITDA margin improved to 26.4% in Q1, up from 24.7% a year ago. The Port cluster saw the biggest margin expansion, reaching nearly 49% versus 42% a year ago as operating leverage has kicked in. Maritime and Shipping margins expanded to about 25% from 21% on the back of higher utilization and higher rates. Economic Cities came in at 58% or about 60% when you exclude the impact of the warehouse sale, and that's mainly due to the evolving business mix and particularly the strong growth in our staff accommodation.

Logistics margin was disappointing and impacted by the ongoing turnaround with a number of one-offs in Q1. But as I mentioned, we expect that to improve in the coming quarters. Looking ahead, the consolidated EBITDA margin will depend on the revenue mix and the margin profile across the clusters and the ramp-up of our international operations. We maintain our medium-term EBITDA margin guidance of 25% to 30%.

And importantly, from a portfolio perspective, our target remains that more than 60% of our EBITDA is coming from infrastructure business, so the Ports and Economic Cities clusters, which carry the highest margin. Next slide. Moving on to the balance sheet. As Marc

mentioned, our liquidity remains robust. We had AED 4.6 billion in cash and cash equivalents as per Q1, plus AED 2.8 billion in undrawn bank facilities.

Subsequently, in April, we have concluded two overdraft facilities totaling AED 500 million, plus we have a new accordion option for additional AED 3 billion as per the refinancing we concluded in Q1. Net leverage continued to improve, reaching 3.9x in Q1, down from 4.1x same period a year ago and 4x flat in the last quarter. We are making steady progress towards our medium-term target of 3.5x, and we remain committed to getting there.

Next slide. On our capital expenditures, we invested AED 1.35 billion in Q1. The majority went into Maritime and Shipping, specifically the acquisition of Ro-Ro tanker containers, some offshore vessels. The additional vessels were sourced to fulfill existing contracts, and they will contribute to the cluster performance immediately going forward from Q2 onwards. As a result, the CapEx intensity stood at 24% of group revenue in Q1. Looking ahead, we will see a shift with more than our 75% of the 2026 to 2030 CapEx being allocated to the infrastructure assets.

As continued from previous quarters, the key projects include the expansion that we have in Khalifa port that is already committed. Safaga Port in Egypt, Pointe-Noire in Congo and several others. In the Economic Cities, we will continue to invest in new warehouses, the specialized industrial clusters and also infrastructure development to unlock more land in line with demand. On the guidance side, we maintain what we have said previously in terms of roughly AED 4.5 billion to AED 5 billion annually for 2026 and 2027.

Next slide. On the cash flow side, operating cash flow came in at AED 943 million for Q1, 30% higher than the same period in 2025. The cash conversion stood at 62%, which is relatively low as per normal seasonal pattern, mainly due to bonus payment in Q1 and timing effects after a very strong operating cash flow in Q4 of last year. The free cash flow to firm was slightly negative at AED 348 million, and this reflects the elevated CapEx in the quarter, particularly the vessel acquisitions I just mentioned.

However, with the visibility we currently have, we maintain our annual guidance of positive free cash flow going forward, which is very important but obviously subject to the evolving regional situation. The trajectory is clear. I mean the double-digit growth in our core business and operations, combined with our asset monetization program will continue to support the operating cash flow. And as our investments ramp up and start generating returns, we expect the free cash flow profile to improve progressively.

Next slide again. Yes, the outlook and the guidance, Marc has stressed that in the beginning that despite the turbulent macro environment that we have and the geopolitical tensions in the region, we remain confident in delivering strong medium-term growth trajectory, also evidenced in our Q1 performance. Our diversified and resilient portfolio, the international

footprint and also the infrastructure heavy business mix position us well to navigate the ongoing uncertainty while we continue to deliver growth.

In spite of the very strong performance that we had in Q1, we maintain our previous guidance. And again, that is mainly due to some of the uncertainty that is associated with the current situation. As usual, these targets are based on existing operation and approved projects. And as and when potential new projects will be announced, that will be incremental to the guidance that we have been given here. Back to you, Marc.

Marc Hammoud (VP, Investor Relations, AD Ports Group)

Thank you, Martin. I think we can open the floor for Q&A.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Perfect. So thank you for the presentation. We're now going to open up the floor for questions. As a reminder, to ask a question, please either use the raise hand function or write your questions through the Q&A box. We have our first question coming in from Giulia Faro. Please unmute locally and ask your question.

Giulia Faro (Equity Research Analyst, Morgan Stanley)

Can you hear me?

Marc Hammoud (VP, Investor Relations, AD Ports Group)

Yes, we can.

Giulia Faro (Equity Research Analyst, Morgan Stanley)

Okay. Perfect. This is Giulia Faro from Morgan Stanley. My first question would be, could you please comment on the resiliency and the strength of the Maritime segment? And is the second quarter tracking the first quarter? And the second question is how relevant were the one-off costs on the Logistics segment? If you adjust for such costs, would EBITDA be positive in the first quarter?

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

Maybe I'll take the first question and then Martin can answer the second. How resilient is the Maritime? Extremely. Actually, it's tracking way above in quarter 2 than it did in quarter 1, both from an earnings and a profitability point of view, we can tell you because it's redeploying its assets into areas where it's critical, but also that it's getting the highest rates.

In fact, if I could buy another 15 vessels now, I would be able to fill it is such the demand for marine services in the region. So it is incredibly resilient, and it is the #1 asset class. When

we talk about resilience, it is the first thing that reacts to change in patterns. and the first thing that we can redeploy. So it's not only doing extremely well, but it's actually critical to the group.

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

And to add on to what Ross mentioned on the other two questions that you had, is the growth momentum continuing into Q2? Yes and no. Yes, in general, in terms of the underlying operating business, obviously, in Q1, we had one month of impact from the regional situation. We do expect in our base case that, that will continue at least for majority of Q2. So that will be a drag.

But the underlying strength of the other businesses is largely compensating for that. So we do expect also to continue with the strong performance in Q2. Specifically on Logistics, which again will be one of the important drivers in terms of the quarter-on-quarter growth. Yes, if we would adjust for the one-off items that we had in Q1, Logistics would have been EBITDA positive for the quarter.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

We'll take our next question from Graham Hunt. Please unmute locally and ask your question. Graham, we can't hear you. Can you try again? Okay. So we'll take our next question and get back to you, Graham. The next question comes from Shahrukh Nawaz. Please unmute locally and ask your question. Shahrukh, we can't hear you.

Shahrukh Nawaz (Research Analyst, Bank FAB)

This is Shahrukh Nawaz from Bank FAB. First of all, congratulations for a good set of results. I have a couple of questions. First is, is the company planning to increase the freight and shipping rates considering recent geopolitical scenario? And how will it be passed on to the customers? Second is, what was the main reason of higher G&A and impairment losses? And should we assume it to be on the similar trend for the 2Q and the 3Q periods as well?

The next question is, what challenges have you seen in the Ports segment? And are there any new strategies being made to deal with it considering the current market scenario? And the last one is, is there any land sales or warehouse sales scheduled for the second half of this year? And can you highlight more on the negative free cash flow this quarter?

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

Okay. I'll take 1 and 3, and then I'll allow Martin to do 2 and 4. But 1 and 3 is, do we see shipping rates increasing? Yes. With war risk, but there's increased cost in the shipping network. Are these passed on to the market and customers? Yes. And our business is similar to any shipping business, it prices at the market rate, the prevailing market rates at the

time. So it has increased its prices along with its operating cost and fuel cost increasing and insurance cost increasing. And it has taken significant tonnage into these markets to keep freight moving.

But yes, shipping costs in the region have increased significantly. They are kind of plateauing at this point. So there's no downward trend, but there's no -- the increases have relatively been now priced in, and they are what they are in the market. So to answer the question, yes, simply. The third question was the port strategy. Look, I think the port strategy is this: that there has to be a significant shift in view that the East Coast of the UAE becomes incredibly important. It was always strategic. It was always part of a resilience plan.

Does it have the capacity required? Probably not. But will shipping lines return once the Straits open to the ports inside the Gulf? Of course, they will. And they will do so very, very quickly. They have significant investment in Khalifa Port. If you remember, we have three concessions. They're owned largely -- majority owned by the shipping lines themselves. They will return to those ports. But what is changing is everyone trying to secure their own port capacity in the region so that they have control, they have berthing priority and they have service level agreements, right?

And we need to be in that as well. So where there are good assets, we need to augment the capacity. So Karachi is one, it has to be bigger than it is. It's oversubscribed. Egypt in the Red Sea is particularly important to us as well. And we need more port capacity around the region because it's highly demanded now by competitors, and it's highly demanded by shipping lines themselves. So yes.

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

On the other couple of questions, there was one on the G&A. We are a growing business. And if you see the growth rates that we're currently having generally in terms of the top line, we will also see an increase in the G&A and some of that will be front-loaded. We talked about, for instance, the new management team that we have hired in Logistics, which came largely in place in Q4 of last year. Obviously, they're getting themselves in full motion, and we'll start to see the impact of that over the coming quarters, but that comes, of course, with some cost upfront.

We also have some impact from the regional situation. In terms of the provisions, impairment of financial assets, that's mainly in terms of provision for aged debt where we have taken a bit of a more prudent stance in light of the situation that we're currently in and topped that up a bit, but nothing specific there, and it's not necessarily something that we would expect at that level going forward.

On your question related to the future land sales, we have previously announced that we have set aside 16 square kilometers related to KEZAD Town Center for mixed-use land sales, of which we have sold roughly 5 square kilometers. So obviously, there's some to go. But again, I'll also be mindful of the regional situation and the impact that, that has and the uncertainty in terms of the duration of that. So I would be a bit cautious in terms of expecting any major sales in the remainder of the year.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

We'll take our next question from [indiscernible] (00:59:09). Please unmute locally and ask your question.

Unknown Speaker (Analyst)

I just want to get a view from your side. Just now you mentioned that the trade routes have changed, partners have changed, and it won't be the same pre-crisis, right? So any part of your business that actually -- which one that negatively impacted from this and which one is positively impacted?

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

So it's a very difficult question to answer because that situation is still on what happens in the Straits. And as I said during the presentation that there are just too many scenarios that could play out to give definitive at the moment. Again, how long the Straits remain shut for? Is it an elongated period of time? Is it a month? We don't know. Will the Straits be open on free passage to all and go back to what it was? Again, we don't know.

But what I do know is land transport and land routes are being looked at by not only governments, but cargo owners in more detail now and more urgency now than ever before. So land bridges have become very, very important. I think what you'll see is rail connectivity within the region, also Central Asia in the upper Gulf economies, Jordan, Iraq, even Turkey, these countries will put far more cross-border traffic on rail than ever before. And I think that's clear. I think patterns will certainly change on that behalf. That's an opportunity for us.

We're heavily involved in rail movements through our Logistics company and rail operations through our Ports company. So it's more of an opportunity than a hindrance to us. I think naturally, the longer that the straits remain shut, the more that the inner Gulf ports need to look at investment in alternative areas. So again, I think that we will come out with a strategy to have not just Khalifa port, but to develop out East Coast capacity for sure, on the UAE, but also to strengthen our asset base and our port base in key markets, right, where we've seen sourcing changes from -- to geographically more accessible and geographically shorter distances to travel.

So critical supply chains, a lot from India, a lot from Pakistan, a lot from Egypt, imports into the region as opposed to the Far East and some Eastern Mediterranean, I guess. So a lot will play out over the next coming months, but it really depends on the resolution of the conflict and the closure of the straits. And we have no indication or viewpoint about how and when that ends. I wish we did, but we don't.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Our next question comes from Anna Antonova. Please unmute locally and ask your question.

Anna Antonova (CFA, J.P. Morgan)

Thank you for the presentation and congratulations on a solid set of results. Three questions from our side. So first, on the working capital, can we expect some persistent working capital pressure from the current geopolitical situation for the group after a buildup in Q1? So I would assume that alternative rerouting and Logistics option are putting some strain on that front. So any comments there would be appreciated. So that's one.

Second, on the mandatory tender offer to acquire additional stake in Egypt's ALCN. I remember at the last call, you commented that you expect this transaction to close sometime by the mid of this year. Could you please remind us what's the current status update and perhaps you have postponed this transaction in light of the current situation? That's the second one.

And the last one, obviously, I think no one really knows when the current geopolitical situation normalizes and the Strait of Hormuz reopens. But assuming theoretically this happens in terms of direction of travel from there, so you would -- is it reasonable to assume that Logistics and Ports business will continue to ramp up from here? Maritime and Shipping will continue to deliver stable performance or maybe normalize a bit down because potentially the rates will go down across the board. And then KEZAD will continue kind of on its stable organic growth path. Is it a correct summary for the theoretical case if the Strait of Hormuz kind of reopens?

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

Let me start out on the first one on the working capital. Yes, obviously, in a situation like this, there is a strain on working capital normally expected coming in. We have seen a little bit in Q1, but more some structural issue, not necessarily related to the crisis. How it will evolve from here very much depends on the duration of the crisis and how long it normalizes. But based on how we can see we are faring now so far in Q2, we don't see any further deterioration in terms of working capital, possibly on the contrary.

But again, I mean, the situation is very dynamic and constantly evolving, right? And therefore, it's very difficult for us to predict on how it will evolve from here. But so far, we have not seen anything that is further deteriorating in Q2 on the contrary. In terms of the MTO, we announced last year that we had the intention to launch an MTO. And we had also committed to a time line or we have indicated a time line. I think that was fair to say that nobody had expected what has happened in March of this year. It is still our intention to push ahead.

But obviously, our priorities have been elsewhere and Ross articulated that very well early on in terms of the things that we have been focusing on, particularly in March and April. So time lines may slip a bit, but it's still our intention to push ahead with that one. In terms of how things will land if the straits are open, I think I'll pass it on to Ross to give a qualified answer on that one.

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

Yes. Look, I think theoretically, it's correct. I think that we would see that demand for the ports will come back and rebound very, very quickly. I think some of our other ports would benefit, though, because I still think that shipping lines will run a cautious approach where we will have a dual strategy of having some services that come into the East Coast and some that come back through the Strait. So I think we'll see volumes return quite quickly.

What I would say, in any scenario of reopening, it will take 6 to 9 months to resume to normal. From a rate perspective and from a volume perspective, it takes time for the lines to adjust their network. It takes time for congestion in other ports to be corrected. It takes time for ports to ramp up the operation again. So I think even after the straits would open, you would have a period of 6 to 9 months before cargo congestion routings would come to some form of normality. And in that period, not much would change in terms for the group.

It would be gradual rather than a springboard. But I think you're right, you would see Shipping and Logistics return to normalization over a period of time. Having said that, we want to scale our business because, as I said in the presentation, we are not big enough to service a number of the core markets that we're servicing now. And our Port business, I would say that will respond and rebound very, very quickly.

Anna Antonova (CFA, J.P. Morgan)

That's very helpful. And could you please maybe add or elaborate on your last comment. So you want to scale up there and you would prefer to do it mostly through organic capital deployment or through M&A? Or how should we think about it?

Ross Thompson (Group Chief Strategy and Growth Officer, AD Ports Group)

I think on ships, it's organic, right? I think we don't buy companies when we look at expanding our fleet. We buy ships and ships come with immediate revenues, immediate cash flows and immediate profits. So they're very free cash flow-positive and the return on capital is very good as a result. So I think from our Maritime business -- in our Logistics business, it's very hard to scale it up organically. I think that we need more scale. We're not in the markets that we need to. During this crisis, we have chartered in planes to cargo carrier planes.

We need more coverage in the key hubs around the world, Frankfurt being one in Europe. We need to ramp up our presence here in the UAE in terms of air cargo. So we need to scale that business, and we don't really have the ability or the time in order to do that from an organic base because we're too small. And it would take a very, very long period of time and would be a huge recruitment drive that we can't do. So I think in the Logistics side, I think it's more of an inorganic play going forward in key markets.

I think you're going to see something very, very soon, and that will give you a flavor of what we're trying to achieve in there. But still, the company is still prioritizing capital going on infrastructure spend, right? I think the services without doubt, augment our ability to earn through our infrastructure. They're cash flow positive. They allow us to control cargo.

They allow us to control customer relationships. But at our heart, we still want to invest significantly in long-term infrastructure plays, which is ports and economic zones. And we're doing that both in the UAE and internationally.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

We'll take our next question from Aravind. Please unmute locally and ask your question.

Aravind (Analyst)

Thank you for taking my questions and congratulations on your strong set of results. So my first question is how are you seeing the demand level for new warehouse leases given the planned 65% increase in warehouse capacity for FY '26? And my second question is on free cash flow. So how confident is the management in achieving free cash flow positive for FY '26? And where do you expect the improvement to come from?

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

Yes. We continue to see very strong demand on the warehousing side and also the increased utilization or even though the utilization slightly dropped, I mean, it's because of increased capacity and the sale of the warehouses that we sold. But the demand is there, and it's very, very strong demand. We both see it in terms of the rates. And currently, we are constructing as fast as possible new warehouses. So that's on that part.

The other question was on the free cash flow. Again, we have stated that we still target to be free cash flow positive this year and sustainable going forward. And the negative effect that we had in Q1 was mostly because of timing effects. And again, I want to stress the very, very strong operational cash flow that we had in Q4. And obviously, when you have one strong quarter, you may have a slight dip in the next quarter. And then we had a slightly higher CapEx in Q1 because of vessels that we wanted to purchase. Now, the window of opportunity would end and it was contract-backed. So that was why the CapEx was slightly high for Q1.

So the target remains the same in terms of what we have communicated, but I still want to again, stress the environment that we are operating in and the uncertainty that is associated with that. Our business model is strong. The resilience is strong. The financial performance in Q1 was very strong, but it is extremely dynamic as we speak. And it's still unclear how long time this will go on.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Perfect. I have a question from my end before we jump to questions from the Q&A box. So can you just clarify the size of the total capital gains that were recorded this quarter? And on the P&L, there was AED 117 million of other income. What does that exactly pertain to?

Martin Aarup (Group Chief Financial Officer, AD Ports Group)

Yes. On the first question, I think I will make it a test. The people that scrutinize our financial statements will actually be able to infer what the capital gain was. But I will give a hint around the AED 150 million in terms of the capital gain. On the other income, that is insurance income associated with certain damages to assets that we have had as part of the ongoing conflict.

From a P&L perspective, there is a corresponding cost with the same amount under cost of revenue. So the impact from the asset damage and the insurance income is nil from a bottom line perspective, but you will see the insurance income in other income, and you will see the associated cost under cost of revenue.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Very clear. Okay. So our first question in the Q&A box.

Marc Hammoud (VP, Investor Relations, AD Ports Group)

Zeina, if we can take one last question before we wrap it up, please.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Of course. Okay. So we can take the final question here. Can you clarify the direct impact of the regional disruption on the Maritime and Shipping cluster in capacity terms? Specifically, how many vessels and feeder routes were affected by the Strait disruption? And how much capacity had to be redeployed or rerouted or was stuck inside the Gulf?

Marc Hammoud (VP, Investor Relations, AD Ports Group)

On that, I can take this. We've communicated a couple of times to the market through our announcements that very few vessels were stuck in the Strait. Most of them operate outside the strait. And those within the Strait are operating on the intra-gulf loop. You can see it on that slide here, the middle map, where we have a trade network to serve the GCC countries through the feeder network that we've put in place. But most of the shipping vessels, whether the container, bulk, Ro-Ro, multipurpose are operating outside the Strait.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Perfect. Thank you, Marc. So I'll hand it over to management for closing remarks.

Marc Hammoud (VP, Investor Relations, AD Ports Group)

All right. Thank you, Zeina. Thank you, everyone, for attending this call. All the Investor Relation materials will be available at the earliest and will be distributed accordingly. We look forward to engaging with you very soon. Thank you.

Zeina Fares (Equity Research Associate, EFG Hermes Research)

Thank you, Marc, and thank you to the whole team for your time, and thank you for everyone who joined today's call. You may now disconnect.