# FINANCIAL HIGHLIGHTS

Q2 2022


AD PORTS GROUP

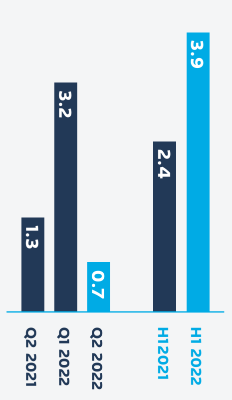
# RESULTS AT A GLANCE

## Strong results on the back of continued capital investments, operations ramp-up, and easing effects of COVID-19 pandemic

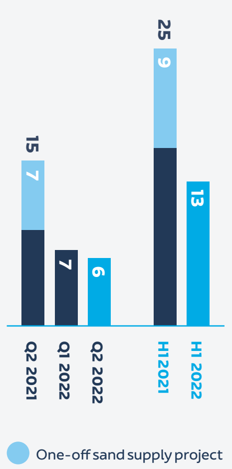
| | Revenue (AED) | EBITDA (AED) | Net Profit (AED) | ROCE |
|---|---|---|---|---|
| H1 2022 | 2,289 Mn<br>25% YoY growth | 1,056 Mn<br>37% YoY growth | 606 Mn<br>49% YoY growth | 4.9%<br>3% YoY decline |
| Q2 2022 | 1,242 Mn<br>35% YoY growth | 532 Mn<br>41% YoY growth | 300 Mn<br>59% YoY growth | 5.1%<br>0% YoY growth |

## Robust operational performance

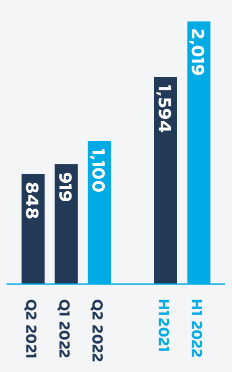
**Land Lease**
(million sqm)
Newly signed leases in H1 2022 were higher than annual leases inked in each of 2021 and 2020



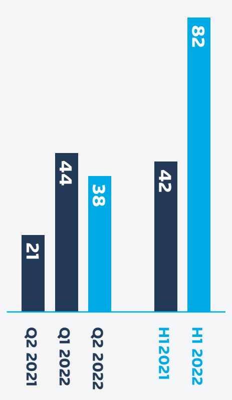

**General Cargo**
(million tonnes)
H1 2022 LFL volumes slightly lower YoY due to changes in planned completion of external projects



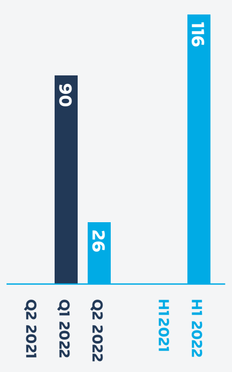

**Containers**
(thousand TEUs)
Gradual recovery from COVID-19 pandemic continued




**Ro-Ro**
(thousand units)
Return of strategic customer in H1 2022, but market did not fully recover from COVID-19 pandemic



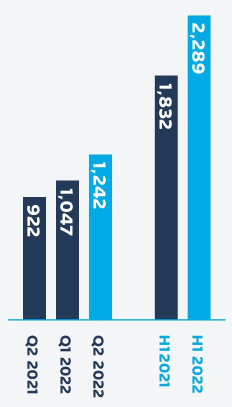

**Cruise Passengers**
(thousands)
Gradual recovery from COVID-19 pandemic, but impacted by the off-season summer period in Q2 2022



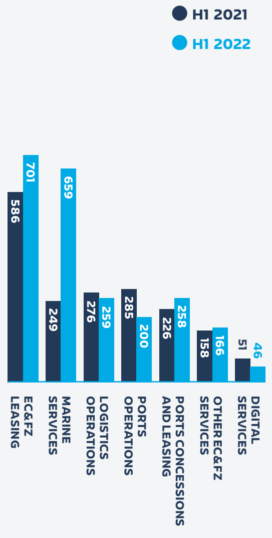



## Solid financial performance and position

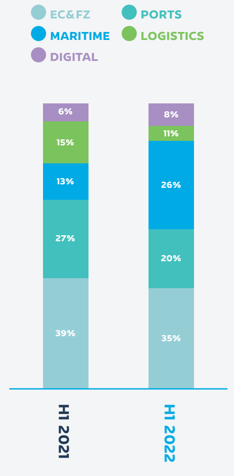
**Revenue**
(AED Mn)
35% YoY growth in Q2 2022 (25% YoY growth in H1 2022) supported by capital investments, new partnerships and acquisitions as well as enhanced service offerings



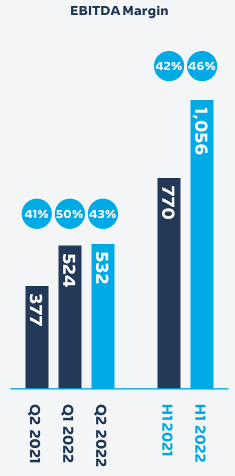

**Revenue Breakdown**
(AED Mn)
EC&FZ and Maritime Clusters were the two key growth drivers in both Q2 2022 and H1 2022



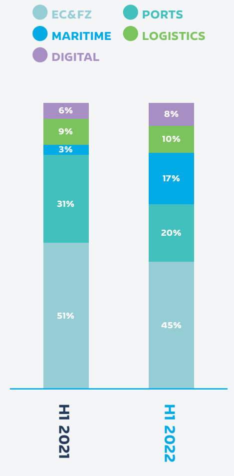

**Revenue Contribution by Cluster**
(%)*
Higher contribution from the Maritime Cluster and to a lesser extent the Digital Cluster




**EBITDA**
(AED Mn)
41% YoY growth in Q2 (37% YoY growth in H1 2022) supported by the ramp-up of operations across all Clusters as well as higher profits from JVs



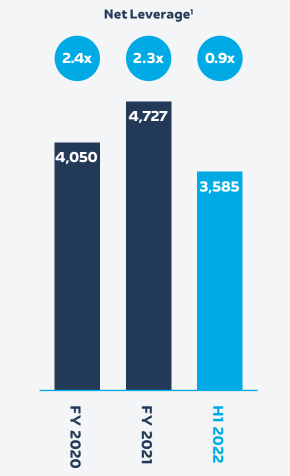

**EBITDA Contribution by Cluster**
(%)*
Higher contribution from the Maritime Cluster



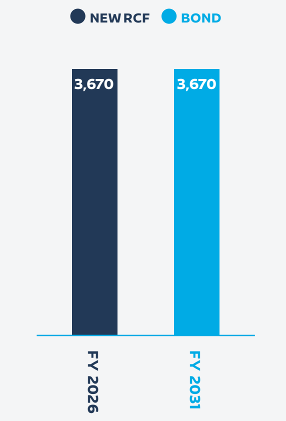

**Source:** Company Disclosures
*Excludes corporate charges/ eliminations

**Note:** EBITDA is calculated by adding depreciation and amortization, finance costs, impairment of investment properties and subtracting government grants, fair value gain on pre-existing interest in a joint venture and finance income
**USD/AED conversion rate 3.67**

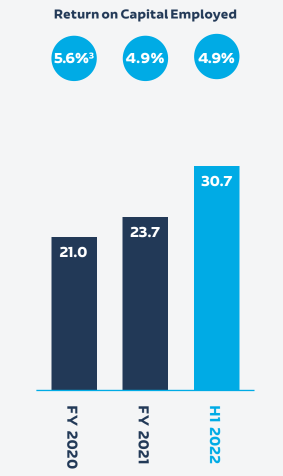
**Debt**
(AED Mn)
Lower debt in H1 2022 following the repayment of previous RCF in 2021, leaving ample Balance Sheet flexibility



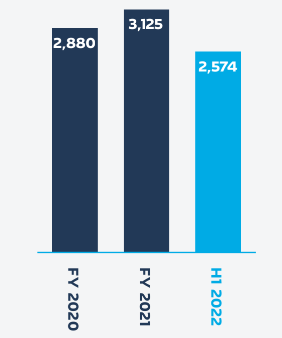

**Debt Maturity Profile**
(AED Mn)
Well-managed maturity profile




**Invested Capital** [2]
(AED Bn)
Stable ROCE despite significant increase in Invested Capital




**CAPEX**
(AED Mn)
Heavy CAPEX spending continued mainly in Maritime, Ports and EC&FZ Clusters in H1 2022




**Source:** Company Disclosures

**Note:**
1. Net leverage calculated as borrowings (including bank overdrafts) excluding payables to ZIF project companies, less cash and bank balances as well as short term loan to ADQ (FY 2020) divided by EBITDA
2. Invested capital is the sum of total equity, borrowings, deferred government grant, lease liabilities and amounts payable to project companies excluding cash
3. 2020 Pre-impairment numbers

**USD/AED conversion rate 3.67**

# Continued record growth in Q2 2022 driven by the Maritime and EC&FZ Clusters

**Strong results coming from the Group's heavy investment program, diversification strategy and gradual continued recovery of existing businesses following disruptions caused by the COVID-19 pandemic**

The Group's growth trajectory remains linked to its integrated business model built on a foundation of long-term client contracts and concessions, enhanced service offerings, and diversification into synergistic new businesses.

AD Ports Group signed a record 3.9 km$^2$ of new land leases during H1 2022, which was more than the annual land leases signed in each of 2021 and 2020. New key agreements included a contract with Al Rawabi for 2.0 km$^2$ of diary production facilities (with an additional 3.0 km$^2$ planned for the future) and a 0.5 km$^2$ contract with Metals Park. Furthermore, a partnership was concluded with Ghassan Aboud Group to establish a regional auto hub and a regional food hub in KIZAD in collaboration with French Rungis International Market.

During Q2 2022, new maritime business initiatives in line with the Group's strategy, particularly feedering, transshipment, offshore logistics and supply services as well as vessel chartering services grew by 212% YoY, contributing around AED 227 million of revenues. Conducive market conditions and rapid operational ramp-up supported the expansion of these businesses.

In June 2022, AD Ports Group reached an agreement with National Marine Dredging Company (NMDC) to launch a new JV, SAFEEN Surveys and Subsea Services. The new company will offer offshore surveys and subsea services, including commercial diving services and unmanned vessel inspections, in the UAE, the GCC, and some international markets. In addition, the JV will provide innovative solutions to meet the needs of offshore operations related to the oil and gas and renewable energy sectors.

In the same month, the Group announced its first international acquisition in Egypt with the purchase of a 70% stake in International Associated Cargo Carrier (IACC), which fully owns Transmar International Shipping Company and Transcargo International (TCI) - a regional container shipping company that operates across the Middle East, Red Sea, Arabian Gulf and Eastern Coast of Africa and a terminal operator and stevedoring company, mainly operating out of the Adabiya Port, where it is the exclusive container operator, respectively.

From a trading perspective, AD Ports Group was included in the FTSE Emerging Markets Index in June 2022, following its March 2022 inclusion in the FTSE ADX General Index and FTSE ADX Industrial Sector Index.

## CONSOLIDATED PERFORMANCE

The Group revenue grew 35% YoY in Q2 2022 to AED 1,242 million (25% YoY growth in H1 2022), mainly driven by the Maritime and EC&FZ Clusters, and to a lesser extent by the Digital Cluster.

EBITDA for the period increased 41% YoY in Q2 2022 to AED 532 million (37% YoY growth in H1 2022), with EBITDA margin improving by 196 bps to 42.8%. With the continued ramp-up of operations across all Clusters, and barring one-off negative impacts, EBITDA performance should continue to be supported by higher operating leverage going forward.

Net profit growth accelerated to 59% YoY in Q2 2022 reaching AED 300 million (49% YoY growth in H1 2022) despite higher depreciation charges (AED 199 million in Q2 2022 vs. AED 125 million in Q2 2021) and higher finance costs (AED 102 million in Q2 2022 vs. AED 83 million in Q2 2021) from the ongoing investment program as well as higher provisions for ECL (Expected Credit Loss) (AED 67 million in Q2 2022 vs. AED 9 million in Q2 2021).

The 22.32% stake in Aramex, which was transferred to AD Ports Group in January 2022 contributed with AED 12 million to EBITDA and net profit for Q2 2022 (AED 23 million for H1 2022).

## ECONOMIC CITIES & FREE ZONES (EC&FZ)

EC&FZ Cluster recorded revenue increase of 32% YoY to reach AED 491 million in Q2 2022 (16% YoY growth in H1 2022) benefitting from previously signed land leases, higher utilities revenues, as well as revenue effect of previous contingent asset related to lease out of Razeen worker residential cities for COVID-19 isolation and quarantine.

EBITDA reached AED 337 million in Q2 2022, up 34% YoY (17% YoY growth in H1 2022) as revenue uplift was partly offset by additional provisions for ECL (Expected Credit Loss).

From an operational perspective, the EC&FZ Cluster has been keeping up the momentum of new signings in Q2 2022, further complementing landmark agreements finalized in Q1 2022. The newly signed agreements are expected to add positively to earnings in coming quarters and years, further cementing the position of the world's foremost port-integrated industrial zones.

## PORTS

On a LFL basis, the Ports Cluster revenue grew by 20% YoY in Q2 2022, however when adjusting for the one-off sand supply contract that ran from March up until October in 2021, revenue declined 9% YoY in Q2 2022 to reach AED 251 million (4% YoY decline in H1 2022).

The Q2 2022 EBITDA was in line with that of Q2 2021 on a LFL basis due to higher digitization costs covering new productivity enhancements going forward, however AED 19 million lower YoY for Q2 when including the one-off sand supply contract in 2021.

Operationally, key revenue streams of the Ports Cluster such as containers, cruise, and Ro-Ro experienced significant volume growth YoY in Q2 2022. Container volumes grew by 30% in Q2 2022 (27% YoY growth in H1 2022) and both Ro-Ro and cruise passenger volumes saw a healthy rebound as the effects of the COVID-19 pandemic eased up. Cruise passenger volumes during the quarter were negatively impacted by the off-season summer period. General cargo, when adjusted for the one-off sand supply contract in 2021, decreased 26% YoY during Q2 2022 (19% YoY decline in H1 2022), mainly due to a change in the planned completion of certain external projects, which has negatively affected volumes in 2022.

## MARITIME

Contribution of the Maritime Cluster to the Group's revenue and EBITDA increased significantly on the back of strategic expansion and diversification projects that have been undertaken by the Cluster.

The revenue near tripling YoY in Q2 2022 was driven by increased activity in new business segments, including feedering, chartering, transhipment, and offshore services. Moreover, there was a favorable base effect with the new acquisitions completed earlier this year - Divetech Marine Engineering Services and Alligator Shipping Container Line – which contributed AED 69 million and AED 6 million to revenue and EBITDA in Q2 2022, respectively, and are expected to enhance the Cluster's growth going forward.

EBITDA of the Cluster grew by AED 123 million YoY to reach AED 133 million in Q2 2022 (AED 206 million YoY growth in H1 2022) largely benefited from the higher revenues and several new businesses completing initial ramp-up period.

## LOGISTICS

The Logistics Cluster experienced a 12% YoY revenue decline to AED 122 million in Q2 2022 (6% YoY decline in H1 2022), mainly due to reduction in the vaccine business with the easing of the COVID-19 pandemic and revision of a contract with a key client from a short-term asset heavy to a longer-term asset light model as well as temporary lower volumes due to the non-availability of empty containers for exports.

The quarterly EBITDA of the Cluster dropped 42% YoY to AED 30 million (42% YoY growth in H1 2022, which included a one-off gain of AED 73 million in Q1 2022 from sale of a purpose-built warehouse to a related strategic customer and share of result in Aramex), driven by lower contract revenues partly on account of volumes and partly on account of revision of terms of a contract with a key client.

## DIGITAL

Revenue of the Cluster grew by 16% YoY in Q2 2022 to reach AED 92 million (58% YoY growth in H1 2022), driven by increased revenue from development progress of various technology led solutions.

EBITDA of the Cluster increased to AED 50 million in Q2 2022, up from AED 45 million in Q2 2021 (94% YoY growth in H1 2022), mainly on the back of the growth in revenue.

## CORPORATE

Corporate costs of the Group amounted to AED 164 million in Q2 2022, 37% higher than Q2 2021, as the company has been building bench strength in line with its strategic initiatives and accelerating growth.

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash flow from operating activities improved to AED 473 million in Q2 2022 vs. AED 54 million in Q2 2021 (AED 523 million in H1 2022 vs. AED 338 million in H1 2021), mainly due to improvement in collections, prepayments and advances and payables.

Subsequent to Q2 2022, additional AED 482 million of long-standing overdue receivables has been collected from certain government related entities.

## CAPITAL EXPENDITURE

Consolidated capital expenditure during Q2 2022 reached AED 1.6 billion (AED 2.6 billion in H1 2022 vs. AED 1.1 billion in H1 2021).

The three main recipients of that capex by order of importance were the Maritime Cluster (vessel fleet expansion), the Ports Cluster (Khalifa Port expansion and Etihad Rail connectivity), and the EC&FZ Cluster (new warehouses, gas network expansion and infrastructure-related investments to unlock additional land).

## CAPITAL STRUCTURE

AD Ports Group maintains a robust capital structure with adequate liquidity and investment grade rating to cater to its future growth.

The total equity of the Group increased from AED 10.7 billion at the end of 2021 to AED 18.9 billion at the end of Q2 2022, mainly due to net profit for the period, pre-listing primary private placement as well as transfer to AD Ports Group of a 22.32% stake in the integrated transport and logistics player Aramex and a 10% stake in National Marine Dredging Company PJSC (NMDC) by ADQ.

The Group's capital structure as of Q2 2022 comprised 22% debt excluding payable to the ZIF project companies, consisting of unsecured USD 1 billion 10-year bonds that were issued under an EMTN Programme in 2021.

The Group also has an unutilized USD 1 billion syndicated revolving credit facility (RCF) with a consortium of local and international banks with a term of 3 years with an extension option of 2 years at one-year increments.

The strategy remains to utilize bonds as the predominant long-term funding vehicle with the RCF serving as a liquidity backstop. The Group has a well-managed debt maturity profile with adequate liquidity lines.

The Group's credit rating remains investment grade at A+ with Stable Outlook by both Fitch and S&P Global.

## OUTLOOK

Globally, markets are currently experiencing a turbulent period with a high inflation environment, rising interest rates, geopolitical tensions as well as continued ramifications of the COVID-19 pandemic, including supply chain disruptions and supply shortages.

Pressure on container trade growth is increasing globally with macroeconomic headwinds, lockdowns in China and a 'cost of living crisis', affecting consumer activity in key trade regions. This comes against some normalising demand trends post COVID-19 as consumer spending switches back towards services, however pent-up demand for goods remains.

As a result, global seaborne container trade volumes decreased around 2.5% in H1 2022, with full-year forecasts expected to finish higher at near 1% YoY growth.

However, container shipping market rates remain at extraordinary levels. Charter rates have softened through the year, but they remain more than four times the 2010-19 period average. The outlook for the rest of the year remains positive, with continuing disruption providing shipping market support despite trade headwinds.

## FINANCIAL HIGHLIGHTS - Q2 2022



Looking to 2023, trade growth is projected to trend towards more typical levels of 2.5% growth. Potential easing of congestion and accelerating shipping fleet growth are likely to see freight and charter rates start adjusting downwards from the 2022 highs, though congestion is expected to take some time to unwind fully.

AD Ports Group presents, however, a unique business model with defensive attributes on account of highly synergetic assets and long-term contracted revenues while investing heavily in both organic and inorganic growth, with planned organic capital investments of more than AED 15 billion over the period 2022-2026 across all the Group's Clusters.

Moreover, its strategic alignment with the emirate of Abu Dhabi offers significant business opportunities in a region, which is currently experiencing a buoyant economy, notably on the back of high oil prices and various government initiatives to diversify the economy and open-up the country. Case in point is the recently announced launch of the Abu Dhabi Industrial Strategy, which aims at more than doubling the size of the emirate's manufacturing sector to AED 172 billion by 2031. As the exclusive developer and regulator of ports and related infrastructure in Abu Dhabi, AD Ports Group is well positioned to be one of the key beneficiaries of that windfall.

AD Ports Group anticipates continuing to deliver on its performance for the remainder of the year

| AED million | Q2 2021 | Q2 2022 | Q2 2022 vs. Q2 2021 | H1 2021 | H1 2022 | H1 2022 vs. H1 2021 | FY 2021 |
|---|---|---|---|---|---|---|---|
| **Revenue** | 922 | 1,242 | 35% | 1,832 | 2,289 | 25% | 3,910 |
| **EBITDA**[1] | 377 | 532 | 41% | 770 | 1,056 | 37% | 1,601 |
| **Net Profit** | 189 | 300 | 59% | 407 | 606 | 49% | 853 |
| **EBITDA %** | 41% | 43% | 5% | 42% | 46% | 9% | 41% |
| **Earnings per Share** | 0.05 | 0.06 | 23% | 0.11 | 0.13 | 19% | 0.22 |
| **Total Assets** | 25,704 | 35,684 | 9,980 | 25,704 | 35,684 | 9,980 | 28,149 |
| **Total Liabilities** | 16,866 | 16,786 | (80) | 16,866 | 16,786 | (80) | 17,458 |
| **Total Equity** | 8,838 | 18,898 | 10,060 | 8,838 | 18,898 | 10,060 | 10,691 |
| **Cash Flow from Operations** | 54 | 473 | 419 | 338 | 523 | 185 | 787 |
| **Cash Flow from Investments** | (614) | (806) | (192) | (1,075) | (3,672) | (2,596) | (2,390) |
| **Free Cash Flow (FCFF)** | (560) | (333) | 228 | (738) | (3,148) | (2,411) | (1,603) |
| **Capital Expenditure** | 635 | 1,606 | 971 | 1,095 | 2,574 | 1,479 | 3,125 |
| **Net Debt**[2] | 4,017 | 1,828 | (2,189) | 4,017 | 1,828 | (2,189) | 3,676 |
| **Net Debt / EBITDA**[2] | 2.7 | 0.9 | (1.8) | 2.6 | 0.9 | (1.7) | 2.3 |
| **Return on Capital Employed**[3] | 5.1% | 5.1% | (0.3%) | 5.1% | 4.9% | (3.0%) | 4.9% |

1. EBITDA is calculated by taking net profit and adding depreciation and amortization, finance costs, impairment of investment properties and subtracting government grants, fair value gain on pre-existing interest in a joint venture and finance income
2. Net debt is calculated as borrowings (including bank overdrafts) excluding payables to ZIF project companies less cash and bank balances
3. ROCE is calculated as net profit before funding cost divided by Invested capital being the sum of total equity, borrowings, deferred government grant, lease liabilities and amounts payable to project companies less cash

## IR CONTACT

Marc Hammoud - Head of Investor Relations
marc.hammoud@adports.ae
T: +971 2 695 2790

AD PORTS GROUP

adportsgroup.com