الشركة العملية للطاقة (ش.م.ك.ع)
Action Energy Company (K.S.C.P)

Action Energy Company Q1 2026 Earnings Call Transcript

Nadia (Moderator)

Hello, everyone, and welcome to the Action Energy Company Q1 2026 Earnings Call. My name is Nadia, and I will be coordinating the call today. If you would like to ask a question, please press star followed by one on your telephone keypad. If you have joined online, please use the Q&A chat box provided. I will now hand over to your host, Nour Eldin Sherif from Arqaam Capital to begin. Please go ahead.

Nour Eldin Sherif (Arqaam Capital)

Good morning, and good afternoon, ladies, and gentlemen. Thank you for joining us today. This is Nour Eldin Sherif and on behalf of Arqaam Capital, I am delighted to welcome you to Action Energy Company's Earnings Call for the first quarter of 2026. We have with us today, from the management team:

1. **Engineer Rawaf Bourisli - Vice Chairman**
2. **Mr. Ahmad Al-Ajlan - Board Member & Chief Executive Officer**
3. **Mr. Vikas Arora - Board Member**
4. **Mr. Jainuddin Jhabuawala - General Manager, Finance**
5. **Mr. Ivan Chikunov – GM, Services and Business Development**

As a reminder, all participants are in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I will now hand over the call to Mr. Vikas Arora, Action Energy Board member. Please go ahead.

Mr. Vikas Arora (Board Member)

Thank you, Nour Eldin. Good afternoon, everyone, and welcome to the earnings call of Action Energy Company for the first quarter of 2026. Before we begin, please note that this presentation may include forward-looking statements that involve risks and uncertainties, and actual results may differ due to factors beyond our control.

Let me start with a brief overview of Action Energy before we discuss and deep dive into the financial performance and strategy. Next slide, please. Established in 2015, the company has grown to become one of Kuwait's leading onshore drilling service providers, operating 20 rigs plus seven rigs under manufacture.

The business is built around two segments: drilling services, supported by a modern high utilization fleet and oilfield services, which provides well life cycle support through in-house capabilities and strategic partnerships. We have a robust backlog of KWD 358 million, providing strong multiyear revenue visibility and cash flow stability. This is primarily contracted with Kuwait Oil Company, reflecting our long-standing relationship and high level of trust.

Next slide please. This slide, as you can see, illustrates the strength of Action Energy's integrated full cycle platform. Drilling services remain the core of the business, driven by a high-spec, high-utilization and a young rig fleet. In parallel, oilfield services are progressively expanding through a combination of in-house capabilities and strategic technical partnerships that we'll touch upon later in the slides as well.

Together, this integrated model improves operational efficiencies and allows Action Energy to capture additional value through comprehensive end-to-end contracts. I will now hand over to our Vice Chairman, Engineer Rawaf Bourisli, to discuss the key pillars of our investment case and strategic road map.

Eng. Rawaf Bourisli (Vice Chairman)

Thank you, Vikas, and good afternoon, everybody. In the strategic review section, we outline how Action Energy is leveraging its strong operational foundation, market leadership in Kuwait and well-established track record to drive disciplined growth. Our strategy is focused on strengthening our core drilling business, expanding into oilfield services and maintaining a solid financial and operational performance.

Next slide. This slide summarizes the key factors that demonstrate why Action Energy is a compelling investment opportunity. AEC operates in an industry with strong fundamentals, providing its clients with the full spectrum of services within the upstream energy sector. The company has a clear and disciplined growth strategy, executed by a seasoned leadership team and reinforced by a strong governance framework.

A substantial contract backlog provides strong multiyear revenue visibility, while a young fit for purpose fleet supports superior efficiency and performance. We have a strong financial profile with a solid cash generation and a resilient business model that has been proven across all cycles.

Next slide. Action Energy is one of Kuwait's leading onshore drilling and oilfield services providers. As of Q1 2026, the company operates 20 rigs with 100% utilization and seven rigs are under manufacturing, supported by a young fleet with an average age of just over 2 years. This scale and operational excellence have resulted in a strong financial performance with strong revenue growth, EBITDA margin above 50% and a backlog of KWD 358 million.

Our strong safety culture, effective project execution and deep relationship with Kuwait Oil Company reinforces our position as a partner of choice and a clear national champion in this sector. The company benefits from a highly derisked contracted revenue base, supported by a strong backlog that enhances earnings visibility.

Very strong margins are supported by a lean cost structure alongside a conservative approach to capital expenditure and working capital management. An efficient and well-balanced capital structure provides flexibility to optimize operations and support growth, enabling solid cash generation and best-in-class returns.

Action Energy continues to benefit from the strength of the industry, given Kuwait's long reserve life, low emissions intensity and globally competitive lifting costs. The market is also protected by high barriers to entry through stringent regulations. We believe the timing is right as onshore drilling across the GCC is proving to be resilient, supported by solid energy demand and multiyear expansion program.

Action Energy is ideally positioned with the right assets, and we operate one of the youngest fleets in Kuwait. The performance is supported by a seasoned management team and a strong culture of operational excellence. This enables consistent execution, strong client relationships and a solid performance.

Across different market cycles, the company has demonstrated strong growth in backlog, margins and scale of operations while remaining largely insulated from commodity price volatility through contracted day rate structures. A lean cost base and operational efficiencies support low OpEx, while long-term contracts provide visibility and downside protection.

As shown, backlog and operational rigs have increased materially over time, reflecting our disciplined growth, consistent project execution and the ability to perform in different market conditions. Action Energy is active across the whole spectrum of the upstream sector, including drilling, well intervention and production operations.

This is supported by strategic joint ventures with leading international partners, which enables access to specialized high-value services. This collaborative model allows Action Energy to broaden its service offering, deepen integration with clients and capture additional market opportunities.

The company operates one of the youngest fleets in Kuwait with an average age of just over 2 years, well below both regional and global averages. All rigs are fully contracted, supporting high utilization and efficiency, lower downtime and superior safety performance, and this reinforces our competitive advantage and enables us to capture rising demand in Kuwait's onshore drilling market.

The company has a substantial backlog, as mentioned, anchored by long-term contracts of over 5 years, primarily with Kuwait Oil Company. It is well diversified between existing contracts and rigs under mobilization, providing clear revenue visibility over the coming years. With long average contract duration and renewal clauses in place, this backlog supports cash flow stability and enables us to achieve our strategic growth plans. I will now hand over to our CEO, Mr. Ahmad Al-Ajlan, to highlight some of the key pillars of our investment case and strategy.

Mr. Ahmad Al-Ajlan (Board Member & Chief Executive Officer)

Thank you very much. Good afternoon, everybody. This slide shows that Action Energy's leadership team brings a wealth of experience in the industry across functions such as drilling, operations, finance, HSE and field services. Their many years of experience at Action Energy provides operational stability enabling the company to grow rapidly while maintaining strong margins and a leading safety performance.

Action Energy also focuses on a solid governance framework. The Board consists of seven members, including independent directors with committees that are fully aligned with CMA requirements. Governance has been reinforced through updated policies, enhanced compliance and a dedicated investor relations function. This framework ensures transparency, strong oversight and alignment with capital markets' best practices.

This slide outlines our strategic road map. Action Energy has established itself as Kuwait's only local player covering drilling, workover and oilfield services supported by strong shareholder backing and global technical partnerships.

High barriers to entry, qualification requirements and regulatory changes are key factors that protect the company market position. Overall, our strategy enables us to expand into high-value services and expand our business while achieving solid returns.

We have three core strategic pillars supporting Action Energy's next phase of growth. In Kuwait, the priority is to sustain and grow market leadership by leveraging long-term demand from KOC and benefiting from a young, high utilization rig fleet.

The company is also expanding and diversifying its oilfield services, moving into high-value ongoing service lines supported by global technology partners. Finally, Action Energy is selectively evaluating regional expansion, guided by disciplined capital allocation to ensure sustainable growth.

Our HSE culture is a core pillar of our business model. Action Energy operates in line with international standards supported by strong leadership commitment, disciplined procedures and continuous monitoring. These results are clear with low LTIR, 0 employee fatalities and multi long-term safety awards. This strong HSE track record enhances operational efficiency, reduces risk and provides a clear competitive advantage when bidding for contracts. Thank you very much. I will now hand over to Mr. Jainuddin to discuss our financial performance.

Mr. Jainuddin Jhabuawala (General Manager, Finance)

Thank you, Mr. Ahmad. Good afternoon, everyone. In the next few slides, we'll discuss our profitability, cash generation, backlog evolution and balance sheet strength. If you can, go to the next slide. Revenue has increased 69%, reaching to KWD 9.1 million in Q1 2026, driven by fleet expansion and high operational utilization. EBITDA also witnessed an increase, reaching to KWD 4.6 million with a margin above 50%.

Meanwhile, net profit grew significantly by 150%, reaching to KWD 2.2 million due to solid operational performance and the absence of interest expense related to convertible preference shares. Strong operating cash flow reflects disciplined execution and efficient working capital management. At the same time, our backlog increased to KWD 358 million, reinforcing revenue visibility and supporting continued growth.

Looking at our revenue performance and backlog trends, we can see the revenue performance continues to be strong. This was due to the expansion of our fleet size, high utilization and improved operating efficiencies. At the same time, backlog reached KWD 358 million, up significantly year-on-year, providing strong earnings visibility and cash flow certainly. The backlog is well diversified by segment, where drilling activities remain as a core contributor.

EBITDA continued to grow during the period, reflecting strong operational performance. despite the change in revenue mix. While margins reduced slightly due to lower rig lease contribution and higher G&A costs linked to fleet expansion, overall profitability remains strong.

CapEx declined significantly compared to the prior period, reflecting the type and timing of projects, while net profit increased to KWD 2.2 million, demonstrating the company's ability to translate operational growth into robust profitability.

Safety remains a top priority for Action Energy with 0 lost time incidents recorded during the quarter, reflecting a strong HSE culture. Nonproductive time remains low, demonstrating high operational efficiency and reliability across the fleet. These metrics underscore Action Energy's ability to increase the scale of operations while maintaining safety, efficiency and consistent service quality.

The company maintains strong liquidity with healthy cash balances that provides flexibility to fund growth and navigate business volatility. Long-term debt remains at reasonable levels, while net debt to equity declined materially to 0.61x when compared to Q1 2025, reflecting an optimized capital structure.

Overall, this strong financial position enables Action Energy to continue to expand its fleet and capture strategic growth opportunities while maintaining a solid financial profile. With that, I'll now hand it over to Engineer Rawaf for his concluding remarks.

Eng. Rawaf Bourisli (Vice Chairman)

Thank you, Jainuddin. Before we conclude, the key message is that Action Energy is on track to achieve its strategic growth objectives, supported by a modern fleet, diversified revenue streams and a long-standing partnership with Kuwait Oil Company.

The company delivered a strong Q1 2026 with revenue growth of 69% and EBITDA growth of 54% and margins above 50%. Net profit was KWD 2.2 million. Our backlog stands very strong at KWD 358 million, which translates to about $1.1 billion, providing strong earnings visibility and cash flow stability.

And as a concluding remark, since the beginning of the current regional events, the company has taken proactive steps to protect its supply chain lines and spare parts stocking. With no further deterioration on the security landscape, we do not expect an effect on our operations. Thank you, everyone, for joining us today, and we look forward for any of your questions as we open the floor for them.

Nadia (Moderator)

Thank you. If you would like to ask a question, please press star followed by 1 on your telephone keypad. If you would like to remove your question, please press star followed by 2. If you have joined online, please use the Q&A chat box provided. We'll pause for just a moment. It appears we have no audio questions at this time. So, I'll hand over to Nour Eldin to read any written questions.

Nour Eldin Sherif (Arqaam Capital)

Thank you.

A couple of questions in the Q&A box. We'll take the first one from Abdulmohsen.

Thanks for this call. What is the outlook on drilling activities given the drop in oil production?

Eng. Rawaf Bourisli (Vice Chairman)

Thank you very much, Abdulmohsen. That's a very important question. Drilling activities are not really connected to the oil prices, As far as we have right now, there is no significant reduction in the production itself. Hence, our drilling activities have not been affected.

Nour Eldin Sherif (Arqaam Capital)

That's very clear.

Another question from Ahmed.

To which projects the CapEx of KWD 5.2 million was related to, please elaborate on project commencement date, project tenure, project value and remaining estimated CapEx?

Eng. Rawaf Bourisli (Vice Chairman)

Yes. The 5.5 million relates to the rigs, the seven rigs that are under production as we speak right now. The mobilization, we expect to happen partially. Some will be in Q4 2026 and some in Q1 2027. The total number are seven rigs, two are workover, 750 horsepower and four are 1,500 horsepower drilling and one is drilling 1,000 horsepower, but we're designing it as 1,500. So, you can consider it to be 1,500 horsepower and two workovers at 750 horsepower.

Nour Eldin Sherif (Arqaam Capital)

That is very comprehensive. Another question from Berna.

Can you shed some light on any potential Aramco contracts? What would the day rates and cost structure look like compared to Kuwait?

Eng. Rawaf Bourisli (Vice Chairman)

Well, as we're being regulated by the CMA, we have a very transparent and clear messaging and information to our shareholders and to the market. Anything that will evolve in that arena will be communicated to the market through the official channels.

Nour Eldin Sherif (Arqaam Capital)

Thank you. A question from my side.

Can you give us an update on the ESP contract delivery? And when should we expect the financial contribution?

Eng. Rawaf Bourisli (Vice Chairman)

Yes, actually. About 75 units are being manufactured as we speak right now. We expect the commencement to happen on 15th of July with the first month to be an installation month. So, the financial impact will happen in Q3 2026.

Nadia (Moderator)

Thank you. And as a reminder, if you would like to ask a question, please press star followed by 1 on your telephone keypad. If you have joined online, please use the Q&A chat box provided. We'll pause for just a moment. It looks like we have no further questions at this time. I will hand over to Engineer Rawaf Bourisli for any closing comments.

Eng. Rawaf Bourisli (Vice Chairman)

Thank you very much. And I would like to thank our shareholders and our investors and all the attendants for their time, and I look forward for meeting you on our next earnings call. Thank you very much and have a good day.

Nadia (Moderator)

Thank you. This now concludes today's call. Thank you all for joining, and you may now disconnect your lines.
