FAB أبوظبـي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q25

UAE Equity Research | Sector: Energy | Market: ADX

ADNOC Distribution (ADNOCDIST)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.70	AED 4.46	+20.5%	BUY

2Q25 Net Profit higher than our estimate

- Revenue fell 1.7% YOY to AED 8,638 Mn in 2Q25, mainly due to reduced selling prices stemming from a drop in crude oil prices, partially offset by increased fuel volumes in the Retail and Commercial segment, stronger contributions from the Non-fuel Retail segment.
- Direct costs declined 3.9% YOY to AED 6,957 in 2Q25. Resultantly, the gross profit rose 9.1% YOY to AED 1,681 Mn in 2Q25, mainly due to higher fuel volumes, a rise in non-fuel retail business and an increase in contribution from international activities, coupled with proactive fuel margin management in the corporate business. Inventory gain declined from AED 127 Mn in 2Q24 to AED 37 Mn in 2Q25.
- Total fuel volume rose 10.3% YOY to 3.9 Bn litres in 2Q25, which marked the highest 2Q fuel volume on record. Furthermore, total fuel volume in GCC rose 12.2% YOY to 3.1 Bn liters and Egypt by 3.1% YOY to 0.8 Bn liters in 2Q25.
- GCC retail fuel volumes rose 12.6% YOY, supported by sustained economic growth, increased mobility, and the expansion of service station networks across the region. Meanwhile, GCC commercial fuel volumes grew 11.5% YOY, driven by strong demand in both corporate and aviation segments.
- Non-fuel transactions in the UAE rose 12.2% YOY to 13.7 Mn in 2Q25, driven by improved consumer sentiment and higher non-fuel offerings following the introduction of car wash tunnels and the ongoing upgrade of automatic car washes.
- Average gross basket size declined 2.6% YOY to AED 25.6 in 2Q25, however, convenience store conversion rate increased 114 bps to 27.2% in 2Q25.
- OPEX increased 10.2% YOY to AED 833 Mn in 2Q25, while the cash OPEX rose 9.9% YOY to AED 621 Mn due to a rise in the Company's network and associated costs.
- EBITDA grew 9.2% YOY to AED 1,069 Mn in 2Q25 even with lower inventory gains in 2Q25 compared to inventory gains in 2Q24.
- Net profit attributable to shareholders grew 8.6% YOY to AED 677 Mn in 2Q25, attributed to lower direct costs, strong underlying business profitability and lower finance costs partially offset by lower inventory gain.

Earnings Call Summary

- ADNOC Distribution outlined five strategic growth pillars, including focusing on core UAE investments, non-fuel retail, digital and AI integration, energy transition via EV charging, and capital-light international expansion, particularly in Saudi Arabia through the DOCO model.
- The company added 47 service stations in 1H25, surpassing its initial full-year target, and accordingly revised its guidance upward to 60–70 stations for the year, including 50–60 in Saudi Arabia.
- Added 81 EV charging points in 1H25, with a total network of 301 fast and super-fast EV charging points, targeting 100 new points for the full year of 2025.
- ADNOCDIST adopted the Dealer Owned-Company Operated (DOCO) Model in KSA, which is expected to increase the profit per litre from 9 to 15 halala. Additionally, the Company plans to add 50–60 such stations in 2025.
- Realized a further OPEX savings of AED 11 Mn in 1H25 and on track to realize savings of c. AED 184 Mn during 2024-28.
- The company plans to pay a USD 350 Mn dividend for 1H25 (10.285 fils per share) in October 2025 and targets an annual payout of USD 700 Mn from 2025 to 2028, or 75% of net profit, whichever is higher.

- The company doubled its stations in Saudi Arabia from 70 at the end of 2024 to 140 as of 2Q25, focusing on growth in a large, underpenetrated market with strong long-term financial potential.
- ADNOCDIST's commercial fuel margins rose from 28 fils/litre in 2Q24 to 33 fils/litre in 2Q25, driven by dynamic pricing and proactive corporate fuel margin management. In the future, management expects the margin to remain within the historical range.
- Inventory gain is a function of volatility, which impacted the gain in 2Q25.
- Retail fuel volume adjusting for the effect of floods and Ramadan grew close to 10% YOY in 2Q25.
- The management is confident of meeting consensus EBITDA and net profit target.
- ADNOC Oasis stores and cafés are now available via Noon's NowNow platform expanding customer sales channels.
- The partnership with Noon is expected to support future distribution growth and enhance market reach.
- DOCO store is expected to come online by next year, with volume contributions anticipated from 1Q26 onwards.
- The decline in average basket size was offset by a 5% rise in transaction volumes, indicating strong customer footfall at ADNOC Oasis stores in 2H25.
- Refurbished and DOCO stations in Saudi Arabia typically see a 15–20% volume increase, driven by ADNOC's brand strength and value proposition meeting local market needs.
- The company is increasingly leveraging AI in assortment planning, inventory management, and targeted marketing.
- The company follows a margin-per-litre model, with 65% of its cash flows coming from the retail fuel segment, backed by a fixed supply margin under its ADNOC contract. Additionally, it also records inventory gains when oil prices rise and do not incur inventory losses when prices fall.

ADNOC Distribution – P&L

AED mm	**2Q24**	**1Q25**	**2Q25**	**2Q25F**	**Var.**	**YOY Ch**	**QOQ Ch**
Revenue	**8,784**	**8,473**	**8,638**	**8,509**	1.5%	**-1.7%**	**2.0%**
Direct costs	-7,244	-6,855	-6,957	-6,926	0.5%	-3.9%	1.5%
Gross profit	**1,541**	**1,618**	**1,681**	**1,583**	**6.2%**	**9.1%**	**3.9%**
Distribution & admin. expense	-756	-812	-833	-808	3.1%	10.2%	2.6%
Operating profit	**788**	**805**	**857**	**777**	**10.4%**	**8.8%**	**6.5%**
EBITDA	**979**	**1,011**	**1,069**	**978**	**9.4%**	**9.2%**	**5.8%**
Profit before tax	**708**	**720**	**769**	**700**	**9.9%**	**8.7%**	**6.8%**
Income tax	-74	-72	-80	-70	14.5%	8.4%	11.3%
Net profit attributable to equity	**623**	**639**	**677**	**620**	**9.1%**	**8.6%**	**5.9%**

FABS estimate & Co Data

Guidance

New 2025 guidance for # of stations

60-70 additional service stations

including **50-60** stations in KSA under CAPEX-light DOCO* model

(vs. previous guidance from Feb. 2025: 40-50 stations, incl. 30-40 DOCO)

~100 new EV charging points

expanding in a disciplined manner based on EV adoption, utilization and current forecast of On-the-Go EV charging customer demand

$250-300 million CAPEX

focused on organic growth

Explore inorganic opportunities

in pursuit of step-change growth through value-accretive transactions

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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