

ADNOC Distribution (ADNOCDIST)

Robust growth in fuel volume and stable direct cost boosted the bottom line

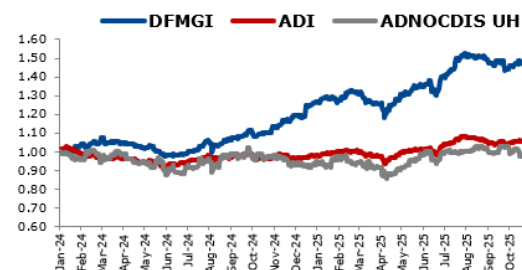
Current Price
AED 3.61

Target Price
AED 4.46

Upside/Downside (%)
+24%

Rating
BUY

- Total fuel volume grew 6.5% YOY to 4,078 Mn liters in 3Q25, attributed to a strong growth in retail and commercial volume.
- ADNOC Distribution revised its full-year 2025 target upward to 90–100 new stations, of which 80–90 will be located in Saudi Arabia, after exceeding its August 2025 guidance of adding 60–70 new stations.
- GCC retail fuel volumes grew by 9.2% YOY, while GCC commercial fuel volumes recorded a 2.0% YOY increase in 3Q25.
- ADNOC Distribution expanded its network to 977 service stations and 533 convenience stores across the UAE, KSA, and Egypt, adding 85 new stations and 382 convenience stores in the UAE during 9M25.



3Q25 Net Profit higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit increased 21.5% YOY to AED 811 Mn in 3Q25, higher than our estimate of AED 712 Mn. The rise in net profit is primarily attributable to higher revenue resulting from an increase in fuel volumes, coupled with an increase in other income and lower distribution & administrative expenses, partially offset by higher impairments, interest expenses, and an increase in tax expenses.

P&L Highlights

ADNOC Distribution's revenue grew 2.7% YOY to AED 9,326 Mn in 3Q25, mainly attributed to higher fuel volumes, partially offset by a decline in selling price, due to lower crude oil prices. The Company's total fuel volumes rose 6.5% YOY to 4.08 Bn liters in 3Q25. The growth is fueled by strong volume growth in the UAE and KSA region. Retail segment fuel volume rose from 2,619 Mn liters in 3Q24 to 2,833 Mn liters in 3Q25. Revenue from the Retail segment grew 4.4% YOY to AED 6,315 Mn in 3Q25, mainly due to strong growth in fuel and non-fuel segments. The fuel retail segment revenue increased 3.7% YOY to AED 5,871 Mn in 3Q25, due to a rise in volume growth, partially offset by the decline in pump prices. Revenue from the non-fuel retail segment rose 14.2% YOY to AED 445 Mn in 3Q25. Revenue from the Commercial segment declined marginally 0.7% YOY to AED 3,010 Mn in 3Q25, driven by a fall in prices, partially offset by a higher volume growth. Commercial segment fuel volume rose from 1,211 Mn liters in 3Q24 to 1,245 Mn liters in 3Q25. Direct cost increased marginally 0.4% YOY to AED 7,529 Mn in 3Q25. As a result, the Company's gross profit grew 13.2% YOY to AED 1,796 Mn in 3Q25, driven by higher fuel volumes, expansion in the non-fuel retail segment, increased contribution from international operations, and effective fuel margin management within the corporate business.

Stock Information

Market Cap (AED, Mn)	45,125.00
Paid Up Capital (mn)	1,000.00
52 Week High	3.87
52 Week Low	2.95
3M Avg. daily value (AED)	37,522,970

3Q25 Result Review (AED, Mn)

Total Assets	18,394
Total Liabilities	15,625
Total Equity	2,769
EBITDA	1,170
Net Profit	811

Financial Ratios

Dividend Yield (12m)	5.73
Dividend Pay-out (%)	106.24
Price-Earnings Ratio(x)	16.58
Price-to-Book Ratio (x)	17.56
Book Value (AED)	0.20
Return-on Equity (%)	103.62

Stock Performance

5 Days	0.28%
1 Months	-1.90%
3 Months	-2.96%
6 Months	6.80%
1 Year	-0.55%
Month to Date (MTD%)	0.56%
Quarter to Date (QTD%)	-5.00%
Year to Date (YTD%)	2.56%

ADNOCDIST also recorded higher inventory gains of AED 88 Mn in 3Q25 compared to a gain of AED 14 Mn in 3Q24. Thus, the gross margin boosted 179 bps YOY to 19.3% in 3Q25. The Company's other income rose 26.7% YOY to AED 41 Mn in 3Q25. Distribution and administrative expenses declined 1.8% YOY to AED 791 Mn in 3Q25. Impairments and other expenses increased significantly from AED 12 Mn in 3Q24 to AED 35 Mn in 3Q25. Moreover, operating profit expanded 26.1% YOY to AED 1,010 Mn in 3Q25. As a result, the operating profit margin rose from 8.8% in 3Q24 to 10.8% in 3Q25. D&A charges fell 23.2% YOY to AED 160 Mn in 3Q25, primarily due to the revision of the estimated useful lives of property, plant, and equipment, which led to a lower depreciation charge. Furthermore, EBITDA increased 15.9% YOY to AED 1,170 Mn in 3Q25, with an EBITDA margin of 12.5% in 3Q25 compared to 11.1% in 3Q24, mainly due to lower inventory gains in 3Q24. In addition, ADNOCDIST's interest income decreased from AED 36 Mn in 3Q24 to AED 21 Mn in 3Q25. Interest expense rose exponentially from AED 46 Mn in 3Q24 to AED 105 Mn in 3Q25. The Company incurred income tax expense of AED 96 Mn in 3Q25, compared to AED 74 Mn in 3Q24. The share of profit to non-controlling interest holders declined substantially from AED 51 Mn in 3Q24 to AED 20 Mn in 3Q25.

Balance Sheet Highlights

ADNOCDIST's cash and cash equivalents, including term deposits, stood at AED 3.2 Bn in 3Q25, along with an unutilized credit facility of AED 2.8 Bn, leading to a strong liquidity position of AED 6.0 Bn in 3Q25. The Company's gross debt declined from AED 5.7 Bn in 2Q25 to AED 5.6 Bn in 3Q25. Net debt fell from AED 3.2 Bn in 2Q25 to AED 2.4 Bn in 3Q25. Net debt to EBITDA ratio declined from 0.80x in 2Q25 to 0.58x in 3Q25. The company's CAPEX grew from AED 272 Mn in 2Q25 to AED 280 Mn in 3Q25. Furthermore, free cash flow declined from AED 999 Mn in 2Q25 to AED 920 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on ADNOCDIST with a target price of AED 4.46. The Company delivered strong profitability growth in 3Q25, primarily driven by higher-ever fuel volume across the GCC region and growth across the non-fuel segment. The Company's GCC retail fuel volumes rose 9.2% YOY, while GCC commercial fuel volumes increased 2.0% YOY in 3Q25, reflecting robust demand across retail and commercial segments. ADNOCDIST expanded its network to 977 service stations and 533 convenience stores across the UAE, KSA, and Egypt, including 85 new stations and 382 convenience stores in the UAE in 9M25, reflecting continued growth and strategic network optimization. Additionally, the Company added 13 new stations, including 12 in the UAE and one in Egypt, and contracted 72 stations in Saudi Arabia under a CAPEX-light DOCO model currently under development. These stations are further expected to begin operating under the ADNOC Distribution brand, further strengthening the Company's footprint in the fast-growing and dynamic Saudi market. ADNOCDIST upgraded its station network guidance by 15% to 1,150 stations by 2028. Furthermore, the Company maintained a disciplined rollout, achieving approximately 3.3x growth to around 370 EV charging points installed across strategic locations in the UAE, with energy sold doubling YOY in 9M25. ADNOCDIST already surpassed its full-year target of adding 100 EV charging points and now anticipates installing up to 180 EV charging points by 2025. The Company mostly aims to expand its EV infrastructure at high-traffic sites, including highways and key urban hubs. ADNOCDIST expanded its VOYAGER lubricants export network to 50 markets in 9M25, indicating the Company's continued focus on penetrating high-growth lubricant markets through strategic collaborations with leading global partners. Additionally, ADNOCDIST entered into a lubricant franchise agreement with TotalEnergies Marketing Egypt and commenced production of low- and mid-tier lubricants in 2024 for both domestic and export markets. The Company also rolled out its Voyager lubricant line across Egypt, expanding into third-party retail channels with a target of reaching 3,000 points of sale by the end of 2026. The Company's non-fuel retail segment outperformed the fuel business, supported by robust growth in convenience stores, property management, and car wash services. This indicates the Company's successful diversification strategy. Non-fuel transactions grew by 10% in 3Q25 in the UAE, driven by improved customer offerings and the introduction of new car wash tunnels. The convenience store conversion rate increased from 25.9% in 3Q24 to 26.0% in 3Q25, reflecting improved customer engagement and cross-selling. To further enhance non-fuel segment, ADNOCDIST is investing in modernizing convenience stores, expanding product offerings, and strengthening digital and mobility services. ADNOCDIST is also advancing its AI and digital strategy, with over 20 new AI-driven projects currently underway across its value chain. The Company

is set to redefine the retail experience with the launch of The Hub, debuting in November, this initiative will introduce 30 new retail destinations, expanding ADNOC's retail footprint threefold. ADNOCDIST plans to develop 40-50 dark stores within its network with shared delivery revenues. It plans to offer ADNOC Oasis stores and cafes on Noon and NowNow apps, with deliveries handled by Noon. The partnership is expected to scale operations, boost distribution, and aid margins. Thus, ADNOCDIST expects its non-fuel retail business transactions to double by 2030, compared to 2023. The Company focuses on delivering sustainable and profitable growth under its 2024–2028 strategy, accelerating expansion both domestically and internationally through efficient capital allocation. The Company also boasts a healthy balance sheet, with a strong total liquidity position of AED 6.0 Bn, supporting both its organic and inorganic growth plans. Moreover, ADNOCDIST paid 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 2030, or 75% of net profit, whichever is higher. Meanwhile, the Company also plans to pay quarterly dividends starting from 1Q26. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

ADNOC Distribution - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	18.94	20.15	16.51	17.44	18.75	15.49
PB (x)	13.21	14.17	13.17	13.07	15.17	13.61
EV/EBITDA	18.78	20.01	16.18	16.09	15.71	13.34
BVPS	0.275	0.256	0.276	0.278	0.239	0.267
EPS	0.192	0.180	0.220	0.208	0.194	0.234
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend yield (%)	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%

FABS Estimates & Co Data

ADNOC Distribution – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	9,083	8,638	9,326	8,961	4.1%	2.7%	8.0%	35,454	36,001	1.5%
Direct costs	-7,496	-6,957	-7,529	-7,261	3.7%	0.4%	8.2%	-29,238	-29,082	-0.5%
Gross profit	1,587	1,681	1,796	1,700	5.7%	13.2%	6.9%	6,216	6,919	11.3%
Other income	32	29	41	29	41.9%	26.7%	38.1%	138	144	4.3%
Distribution & admin exp.	-806	-833	-791	-815	-2.9%	-1.8%	-5.0%	-3,195	-3,276	2.5%
Impairment & other exp.	-12	-20	-35	-22	58.0%	NM	75.7%	-90	-130	43.6%
Operating profit	801	857	1,010	891	13.4%	26.1%	17.8%	3,069	3,658	19.2%
D&A	208	212	160	216	-26.0%	-23.2%	-24.8%	786	863	9.9%
EBITDA	1,009	1,069	1,170	1,107	5.7%	15.9%	9.4%	3,855	4,521	17.3%
Interest income	36	15	21	19	13.2%	-41.4%	41.5%	144	79	-45.0%
Interest expenses	-46	-104	-105	-102	3.2%	130.9%	1.5%	-457	-410	-10.3%
Profit before tax	792	769	926	808	14.7%	17.0%	20.5%	2,756	3,326	20.7%
Income tax	-74	-80	-96	-85	13.2%	30.6%	19.9%	-283	-343	20.9%
Net Profit for the year	718	689	830	723	14.8%	15.6%	20.6%	2,472	2,984	20.7%
Non-controlling interest	51	12	20	11	80.4%	-61.7%	61.6%	52	54	3.3%
Net Profit attr. to equity holders	667	677	811	712	13.8%	21.5%	19.8%	2,420	2,930	21.1%

FABS estimate & Co Data

ADNOC Distribution - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	17.5%	19.5%	19.3%	179	-20	17.5%	19.2%	169
EBITDA	11.1%	12.4%	12.5%	144	16	10.9%	12.6%	168
Operating Profit	8.8%	9.9%	10.8%	201	91	8.7%	10.2%	150
Net Profit	7.3%	7.8%	8.7%	135	86	6.8%	8.1%	131

FABS estimate & Co Data

Key Developments:

- **27th December 2024:** ADNOC DIST entered into a new five-year agreement with ADNOC Gas Facilities, effective until December 2028, for the purchase of propane, with the contract set to renew unless terminated by either party automatically. ADNOC DIST also entered into a separate five-year agreement with ADNOC Gas Operations & Marketing (O&M), effective until August 2029, under which ADNOC Gas O&M will manage propane handling operations.
- **23rd April 2025:** ADNOC Distribution entered into a strategic partnership with noon, the Middle East's leading e-commerce and quick-delivery platform, to enhance convenience and delivery speed across the UAE through advanced AI-driven logistics and last-mile delivery solutions.
- **28th May 2025:** ADNOC Distribution and TotalEnergies launched locally manufactured ADNOC Voyager lubricants across Egypt to strengthen ADNOC's regional presence, support Egypt's industrial growth, and bring high-performance UAE-made lubricants to a rapidly expanding North African market.
- **11th September 2025:** ADNOC Distribution and Landmark Group linked their ADNOC Rewards and Shukran programs, creating the region's largest loyalty alliance that allows members to seamlessly convert and redeem points across both platforms for greater value and convenience.
- **8th October 2025:** ADNOC announced plans to distribute AED 158 Bn (USD 43 Bn) in dividends across its six listed companies by 2030, nearly double the total dividends paid since its first listing in 2017. Additionally, ADNOC DIST, ADNOC Gas, and ADNOC Logistics & Services (L&S) will now join ADNOC Drilling in paying quarterly dividends, enhancing payout frequency for investors.

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value ADNOC Distribution. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.36	70.0%	3.05
Relative Valuation (RV)	4.69	30.0%	1.41
Weighted Average Valuation (AED)			4.46
Current market price (AED)			3.61
Upside/Downside (%)			+24%

1) DCF Method:

ADNOCDIST is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.5%. It is arrived after using the cost of equity of 9.0% and the after-tax cost of debt of 4.7%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 0.90 and equity risk premium of 4.7%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	15,489
Terminal value (AED, Mn)	43,318
Firm Value	58,807
Net debt as of Sep 2025	4,276
FV to Common shareholders (AED, Mn)	54,531
No. of share (Mn)	12,500
Current Market Price (AED)	3.61
Fair Value per share (AED)	4.36

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	3,315	3,434	3,608	3,701	3,803	3,817
Depreciation & Amortization	863	922	1,020	1,085	1,155	1,219
(-) Capex	-1,044	-1,004	-969	-942	-881	-806
(-) Change in Working Capital	273	-49	-28	-56	45	-36
Free Cash Flow to Firm (FCFF)	3,407	3,304	3,631	3,788	4,122	4,193
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.66
Discounted FCFF	840	3,003	3,042	2,924	2,932	2,748

Source: FAB Securities, ¹Adjusted for the partial year

2) Relative Valuation:

We have used local as well as international peers to value ADNOCDIST, and it is valued using the EV/EBITDA multiple. We have applied a premium to peer valuation as the company stands at a leading position in UAE's fuel and convenience retail segment. In addition, the ADNOC group guarantees minimum fuel margins, eliminating the risk of volatility in global oil prices. It is valued at a 2026 EV/EBITDA multiple of 13.5x compared to the peer multiple of 9.3x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
UGI Corp	7,181	7.7	7.1	10.5	10.3
Petronas Dagangan	5,365	9.4	9.4	19.7	19.6
Murphy USA	6,809	9.7	9.2	15.4	14.3
Hindustan Petroleum Corporation Limited	11,276	10.0	6.6	12.3	6.3
Aldrees Petroleum	4,088	15.9	14.1	36.1	31.9
Qatar Fuel Company	4,097	15.6	14.8	14.1	13.9
Average		11.4x	10.2x	18.0x	16.0x
Median		9.8x	9.3x	14.8x	14.1x
Max		14.2x	12.9x	18.6x	18.3x
Min		9.5x	7.7x	12.7x	11.2x

Source: FAB Securities

