

ADNOC Distribution (ADNOCDIST)

Fuel retail expansion and non-fuel momentum support earnings growth

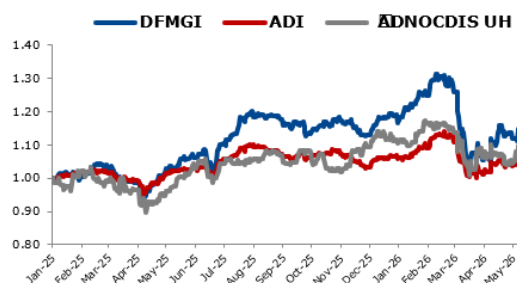
Current Price
AED 3.86

Target Price
AED 4.70

Upside/Downside (%)
+22%

Rating
BUY

- ADNOCDIST's total fuel volumes increased 2.4% YOY to 3.8 Bn liters in 1Q26, supported by strong retail momentum across the UAE and KSA markets.
- Continued expanding retail network during 1Q26, adding two new service stations in the UAE and Egypt, also contracting an additional 20 stations in KSA under the capex-light DOCO model.
- Expanded EV charging network to 400 charging points in the UAE in 1Q26, while energy sold through the EV network increased 2.1x YOY.
- The Board approved the first quarterly dividend payment of 5.14 fils per share for 1Q26, expected to be distributed in June 2026.



1Q26 Net Profit is higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit increased 20.7% YOY to AED 771 Mn in 1Q26, higher than our estimate of AED 703 Mn. The increase in net profit was primarily driven by higher revenue and other income, coupled with lower depreciation & amortisation expenses and interest expenses, partially offset by higher direct costs, distribution & administrative expenses, impairments, increased tax charges, and lower interest income.

P&L Highlights

ADNOCDIST's revenue grew 4.3% YOY to AED 8,834 Mn in 1Q26, driven by growth in fuel volumes and higher contribution from the non-fuel retail segment, partially offset by lower selling prices resulting from lower crude oil prices compared to the same period last year. The Company's total fuel volumes rose 2.4% YOY to 3.8 Bn litres in 1Q26, supported by higher retail volume growth, partially offset by lower commercial volume. This growth was driven by strong volume growth in the UAE and KSA region. Retail segment fuel volume increased 3.7% to 2.7 Bn litres in 1Q26, supported by new initiatives aimed at increasing customer footfall and favourable mobility trends. Revenue from the Retail segment grew 4.8% YOY to AED 5,968 Mn in 1Q26, with fuel retail segment revenue increasing 4.4% YOY to AED 5,522 Mn and non-fuel retail revenue segment rising 10.4% YOY to AED 446 Mn in 1Q26. Revenue from the Commercial segment increased 3.1% YOY to AED 2,865 Mn in 1Q26. Commercial segment fuel volume declined 0.6% YOY to 1,125 Mn litres in 1Q26 due to a strategic shift toward value-driven operations, partially offset by higher aviation fuel volumes. Direct cost increased 2.3% YOY to AED 7,010 Mn in 1Q26. Consequently, the Company's gross profit grew 12.7% YOY to AED 1,824 Mn in 1Q26, driven by strong operating performance and higher commercial margins, partially offset by lower inventory gains compared to 1Q25.

Stock Information

Market Cap (AED, Mn)	48,250.00
Paid Up Capital (mn)	1,000.00
52 Week High	4.18
52 Week Low	3.36
3M Avg. daily value (AED)	24,493,690

1Q26 Result Review (AED, Mn)

Total Assets	18,180
Total Liabilities	15,312
Total Equity	2,867
EBITDA	1,129
Net Profit	771

Financial Ratios

Dividend Yield (12m)	5.33
Dividend Pay-out (%)	92.01
Price-Earnings Ratio(x)	16.49
Price-to-Book Ratio (x)	18.19
Book Value (AED)	0.21
Return-on Equity (%)	117.07

Stock Performance

5 Days	-0.52%
1 Months	2.93%
3 Months	-5.16%
6 Months	2.66%
1 Year	8.12%
Month to Date (MTD%)	5.18%
Quarter to Date (QTD%)	1.85%
Year to Date (YTD%)	-1.03%

ADNOCDIST recorded inventory gains of AED 23 Mn in 1Q26, compared to AED 110 Mn in 1Q25, comprising AED 43 Mn of inventory gains in fuel retail and AED 20 Mn of inventory losses in the commercial segment. As a result, gross margin expanded by 155 bps YOY to 20.6% in 1Q26. Other income increased 39.1% YOY to AED 36 Mn in 1Q26, while D&A expenses rose 1.2% YOY to AED 822 Mn in 1Q26. Impairments and other expenses increased from AED 27 Mn in 1Q25 to AED 89 Mn in 1Q26. Moreover, operating profit increased 17.9% YOY to AED 949 Mn in 1Q26, with operating profit margin expanding by 124 bps YOY to 10.7% in 1Q26. D&A charges declined 12.3% YOY to AED 181 Mn in 1Q26. The Company's EBITDA increased 11.7% YOY to AED 1,129 Mn, while EBITDA margin improved by 85 bps YOY to 12.8% in 1Q26. Interest income declined 10.4% YOY to AED 16 Mn in 1Q26, while interest expense also decreased 10.4% YOY to AED 92 Mn in 1Q26. Income tax expense increased 21.0% YOY to AED 87 Mn in 1Q26, in line with profit before tax. Share of profit attributable to non-controlling interest holders increased from AED 9 Mn in 1Q25 to AED 15 Mn in 1Q26.

Balance Sheet Highlights

ADNOCDIST's cash and cash equivalents, including term deposits, stood at AED 2.6 Bn, along with an unutilized credit facility of AED 2.8 Bn, resulting in a strong liquidity position of AED 5.4 Bn in 1Q26. The Company's gross debt stood at AED 5.5 Bn, while net debt remained broadly stable at AED 3.0 Bn in 1Q26. Net debt to EBITDA ratio improved from 0.70x in 4Q25 to 0.67x in 1Q26. The Company's capex declined from AED 279 Mn in 4Q25 to AED 181 Mn in 1Q26. Free cash flow decreased from AED 795 Mn in 4Q25 to AED 136 Mn in 1Q26.

Target Price and Rating

We maintain our BUY rating on ADNOCDIST with an unchanged target price of AED 4.70. ADNOC Distribution delivered a strong performance in 1Q26, continuing to execute its growth strategy despite the ongoing geopolitical situation in the region. The Company reported one of its strongest quarterly performances, achieving double-digit growth in both EBITDA and net profit, reflecting operational resilience and its ability to navigate evolving market conditions while continuing to create shareholder value. During 1Q26, ADNOCDIST maintained uninterrupted operations, with no impact on people, assets, or supply reliability, while continuing to meet customer demand seamlessly across its network. ADNOCDIST's total fuel volumes increased 2.4% YOY to 3.8 Bn liters in 1Q26, driven by strong retail momentum across the UAE and KSA, partially offset by lower commercial volumes due to the targeted rationalization of low-margin and tail-end customers. During 1Q26, the Company added two new service stations, one in the UAE and one in Egypt, while further accelerating its KSA expansion strategy under the capex-light DOCO model. ADNOCDIST's UAE network expanded to 568 service stations as of 1Q26, representing an increase of 13 stations, including 57 stations located in Dubai. The Company contracted an additional 20 stations in Saudi Arabia during 1Q26, bringing the total contracted DOCO network to 149 stations. As of 1Q26, 43 DOCO stations were operational under the ADNOC Distribution brand, while KSA network reached 219 stations, representing a 90.4% YOY increase. ADNOC Distribution also expanded its presence from 3 to 11 of Saudi Arabia's 13 provinces over the past 18 months, with the KSA pipeline standing at c. 220 sites. In Egypt, ADNOC Distribution continued strengthening its regional presence through its 50% stake in TotalEnergies Marketing Egypt, with 12 upgraded service stations operational during the quarter. As of 1Q26, the Egypt portfolio comprised 245 service stations following the addition of one new station during the quarter, alongside aviation fuel, lubricant, and wholesale fuel operations, as well as c. 140 convenience stores, c. 230 lube changing sites, and c. 130 car wash locations. ADNOCDIST's non-fuel retail platform continued to deliver strong growth and margin expansion on a YOY basis, reinforcing the Company's diversification strategy toward higher-margin businesses. Non-fuel retail gross profit increased 10% YOY in 1Q26, supported by higher convenience store transactions and continued expansion of property management and food & beverage offerings. Convenience store gross profit increased 6% YOY during the quarter, while coffee cups sold rose 11% YOY, supporting further growth in high-margin barista-prepared beverage offerings. The Company also continued expanding its "OASIS by ADNOC" premium convenience retail concept, supported by AI-driven customer personalization and category management initiatives. ADNOC Distribution also launched a "Healthier Living Campaign" during 1Q26 to support incremental non-fuel sales growth across the Oasis platform. During 1Q26, ADNOC Distribution launched two new convenience stores in the UAE, bringing the total number of stores in the UAE to 386. The Company also operated 37 vehicle inspection centres during the quarter, with fresh vehicle inspections increasing 6.0% YOY, supported by network expansion, new service offerings, promotional campaigns, and cross-selling initiatives. Convenience store conversion rates improved by 64 bps YOY to 25.9%

in 1Q26. In addition, ADNOC Distribution continued expanding its “The Hub by ADNOC” destination retail concept, with six operational sites currently in place, alongside plans to launch five additional hubs in 2026 and a target to reach 30 sites by 2030. ADNOC Distribution also continued scaling its property management and real estate monetization platform, with 1,163 occupied or awarded properties as of 1Q26. During the quarter, 11 new properties were launched under leading international and local brands. ADNOC DIST expanded EV charging network to 400 charging points across the UAE, representing 1.4x growth YOY, while energy sold through the EV network increased 2.1x YOY in 1Q26. Looking ahead, management reaffirmed plans to add 50-60 additional charging points during 2026. Alongside its EV strategy, the Company continues leveraging AI and digital transformation initiatives across operations, with more than 20 AI use cases currently deployed across retail optimization, logistics efficiency, and customer engagement. ADNOC Rewards membership increased 14% YOY to 2.7 Mn members in 1Q26, reinforcing the Company’s proprietary customer engagement and loyalty platform. ADNOC Distribution achieved additional like-for-like OPEX savings of AED 6 Mn in 1Q26, remaining on track to deliver cumulative OPEX savings of up to AED 184 Mn between 2024 and 2028. Furthermore, ADNOC Distribution reaffirmed its 2026 outlook, including plans to add 60-70 new stations across the UAE, KSA, and Egypt. The Company continues to guide for capex of USD 250-300 Mn during 2026. The Board approved the first quarterly dividend payment of 5.14 fils per share for 1Q26, expected to be distributed in June 2026, following the distribution of the 2H25 dividend in April 2026. Based on these factors, we assign BUY rating on the stock.

ADNOC Distribution - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	21.48	17.60	18.60	19.99	17.31	15.81
PB (x)	15.11	14.04	13.93	16.17	14.97	12.99
EV/EBITDA	21.25	17.19	17.09	16.69	14.72	13.64
BVPS	0.256	0.276	0.278	0.239	0.258	0.296
EPS	0.180	0.220	0.208	0.194	0.224	0.244
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend yield (%)	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%

FABS Estimates & Co Data

ADNOC Distribution – P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	8,473	9,459	8,834	8,698	1.6%	4.3%	-6.6%	35,897	46,857	30.5%
Direct costs	-6,855	-7,609	-7,010	-7,051	-0.6%	2.3%	-7.9%	-28,951	-39,675	37.0%
Gross profit	1,618	1,851	1,824	1,648	10.7%	12.7%	-1.5%	6,946	7,182	3.4%
Other income	26	71	36	35	4.1%	39.1%	-49.3%	168	141	-16.2%
Distribution & admin exp.	-812	-887	-822	-783	5.0%	1.2%	-7.3%	-3,324	-3,397	2.2%
Impairment & other exp.	-27	-202	-89	-26	NA	NA	-55.8%	-284	-164	-42.3%
Operating profit	805	833	949	873	8.6%	17.9%	13.8%	3,506	3,762	7.3%
D&A	206	198	181	192	-6.0%	-12.3%	-8.8%	776	770	-0.8%
EBITDA	1,011	1,031	1,129	1,066	6.0%	11.7%	9.5%	4,282	4,532	5.8%
Interest income	18	17	16	19	-13.5%	-10.4%	-5.3%	71	75	5.2%
Interest expenses	-103	-92	-92	-93	-0.7%	-10.4%	0.2%	-403	-373	-7.4%
Profit before tax	720	759	873	799	9.2%	21.2%	15.0%	3,174	3,463	9.1%
Income tax	-72	-75	-87	-82	5.8%	21.0%	16.4%	-323	-357	10.5%
Net Profit for the year	648	684	786	717	9.5%	21.2%	14.9%	2,851	3,107	9.0%
Non-controlling interest	9	16	15	14	3.8%	58.2%	-6.6%	57	62	8.9%
Net Profit attr. to equityholders	639	668	771	703	9.7%	20.7%	15.4%	2,794	3,045	9.0%

FABS estimate & Co Data

ADNOC Distribution - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.1%	19.6%	20.6%	155	108	19.3%	15.3%	-402
EBITDA	11.9%	10.9%	12.8%	85	188	11.9%	9.7%	-226
Operating Profit	9.5%	8.8%	10.7%	124	193	9.8%	8.0%	-174
Net Profit	7.5%	7.1%	8.7%	119	166	7.8%	6.5%	-129

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.
- **21st November 2025:** ADNOC Distribution launched 'The Hub by ADNOC' roadside retail concept, with the first location opened in Shawamekh, Abu Dhabi, while targeting six locations by the end of 2025 and 30 locations by 2030. The concept integrates fuel, EV charging, and car care services, coupled with lifestyle retail offerings, and is expected to generate around USD 30 Mn annual EBITDA by 2030.
- **11th December 2025:** ADNOC Distribution, with First Abu Dhabi Bank (FAB) and Mastercard, launched the ADNOC Rewards Credit Card in December 2025, offering 15% value back on ADNOC purchases, while providing rewards on parking, tolls, domestic spending, and international transactions. Rewards are redeemable across fuel, EV charging, car care, and ADNOC Rewards partner brands, supporting customer engagement.
- **12th January 2026:** ADNOC Distribution launched one of the world's largest superfast EV charging hubs on the E11 highway between Abu Dhabi and Dubai, featuring 60 charging points and marking the largest such facility across the Middle East, Africa, and Turkey. The Company also unveiled its UAE highway electrification roadmap, targeting 20 EV charging hubs by 2027, while expanding its E2GO network and The Hub by ADNOC commuter-focused retail concept to support the UAE's sustainable mobility transition.
- **19th May 2026:** ADNOC Distribution partnered with Americana Restaurants to introduce up to 200 quick service restaurants across its service station network in the UAE, Saudi Arabia, and Egypt, supporting the expansion of its non-fuel retail business. The collaboration will enhance dining and convenience offerings across high-traffic roadside locations, including The Hub by ADNOC concept, while supporting ADNOC Distribution's target to double non-fuel retail transactions by 2030.

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	4.74	70.0%	3.32
Relative Valuation (RV)	4.60	30.0%	1.38
Weighted Average Valuation (AED)			4.70
Current market price (AED)			3.86
Upside/Downside (%)			+22%

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 8.4%. It is arrived after using the cost of equity of 8.8% 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 5.2%, a beta of 0.90, and equity risk premium of 4.1%. 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)	14,717
Terminal value (AED, Mn)	49,127
Firm Value	63,844
Net debt as of Mar 2026	4,583
FV to Common shareholders (AED, Mn)	59,261
No. of share (Mn)	12,500
Current Market Price (AED)	3.86
Fair Value per share (AED)	4.74

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	3,405	3,701	3,896	4,148	4,283
Depreciation & Amortization	770	810	850	895	942
(-) Capex	-1,054	-979	-936	-889	-832
(-) Change in Working Capital	-247	221	30	90	112
Free Cash Flow to Firm (FCFF)	2,873	3,753	3,840	4,245	4,505
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFF	2,050¹	3,293	3,107	3,167	3,100

Source: FAB Securities, ¹Adjusted for 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 13.7x compared to the peer multiple of 9.4x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
UGI Corp	7,405	7.8	7.2	11.9	10.3
Petronas Dagangan	4,883	7.2	7.1	16.4	16.2
Murphy USA	10,442	11.1	11.8	17.6	19.3
Hindustan Petroleum Corporation Limited	7,927	5.0	6.6	5.2	25.4
Aldrees Petroleum	3,075	11.8	10.6	23.4	21.7
Qatar Fuel Company	3,851	15.6	13.9	15.2	14.2
Average		9.7x	9.5x	14.9x	17.9x
Median		9.4x	8.9x	15.8x	17.8x
Max		11.6x	11.5x	17.3x	21.1x
Min		7.4x	7.2x	12.7x	14.7x

Source: FAB Securities

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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