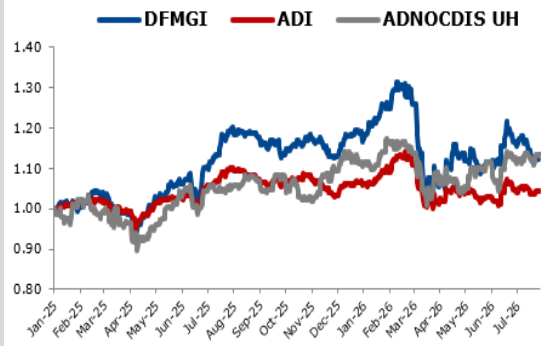
ADNOC Distribution (ADNOCDIST)

Robust operating performance driven by network expansion and higher fuel prices

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.08	AED 4.70	+15.2%	BUY

- Total fuel volumes increased 0.8% YOY to 3.9 Bn liters in 2Q26, supported by growth in aviation fuel volumes, despite lower retail fuel volumes.
- The Company acquired Shell Downstream South Africa (SDSA) further strengthening its international footprint.
- Service station network expanded to 1,045 stations, driven by a 65.0% YOY increase in Saudi Arabia under the DOCO model.
- Board approved the dividend of 5.14 fils per share for 2Q26, taking the total dividend declared for 1H26 to 10.28 fils per share.
- Management reaffirmed 2026 guidance, targeting the addition of 60-70 new service stations, 50-60 new EV charging points, and capex of USD 250-300 Mn.



Stock Information	
Market Cap (AED, Mn)	51,000.00
Paid Up Capital (Mn)	1,000.00
52 Week High	4.18
52 Week Low	3.47
3M Avg. daily value (AED)	59,353,600

2Q26 Result Review (AED, Mn)	
Total Assets	20,353
Total Liabilities	16,782
Total Equity	3,572
EBITDA	1,757
Net Profit	1,315

Financial Ratios	
Dividend Yield (12m)	5.04
Dividend Pay-out (%)	92.01
Price-Earnings Ratio(x)	14.31
Price-to-Book Ratio (x)	15.13
Book Value (AED)	0.27
Return-on Equity (%)	111.63

Stock Performance	
5 Days	2.00%
1 Months	2.77%
3 Months	5.43%
6 Months	0.99%
1 Year	10.27%
Month to Date (MTD%)	2.00%
Quarter to Date (QTD%)	4.08%
Year to Date (YTD%)	4.62%

2Q26 Net Profit higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit increased sharply from AED 677 Mn in 2Q25 to AED 1,315 Mn in 2Q26, higher than our estimate of AED 842 Mn. The increase in net profit is primarily driven by higher revenue and other income, coupled with lower distribution & administration expenses, depreciation & amortisation expenses, interest expenses, partially offset by higher direct costs, impairments charges, increased tax expenses and higher share to non-controlling interest holders.

P&L Highlights

ADNOCDIST's revenue rose strongly from AED 8,638 Mn in 2Q25 to AED 13,201 Mn in 2Q26, driven by increase in selling prices following higher crude oil prices, coupled with higher contribution from aviation fuel volume and growth in non-fuel retail segment, partially offset by lower retail fuel volume. The Company's total fuel volumes increased marginally by 0.8% YOY to 3.9 Bn litres in 2Q26, supported by strong growth in aviation fuel volumes, which was partially offset by lower retail and corporate fuel volumes. Retail segment fuel volume declined 1.6% YOY to 2.7 Bn litres in 2Q26, impacted by weaker consumption in UAE and KSA due to reduced mobility amid prices increase and extended Eid holidays. However, Egypt's retail fuel volume increased 1.5% YOY to 656 Mn litres in 2Q26, which partially offset the decline in overall retail fuel segment coupled with expansion of service stations in KSA. Retail segment revenue increased 37.4% YOY to AED 8,129 Mn in 2Q26, supported by higher fuel prices, with fuel retail revenue rising 39.5% YOY to AED 7,648 Mn and non-fuel retail revenue growing 10.7% YOY to AED 481 Mn. Revenue from the Commercial segment increased from AED 2,721 Mn in 2Q25 to AED 5,072 Mn in 2Q26, mainly due to higher selling price and aviation

aviation volume. Commercial segment fuel volume increased 6.7% YOY to 1,247 Mn litres in 2Q26, driven by robust growth in aviation fuel volume of 64.2% YOY to 205 Mn litres, partially offset by flat growth in corporate fuel volume to 1,041 Mn litres, following the Company's strategy of value driven operations. Direct cost rose from AED 6,957 Mn in 2Q25 to AED 10,773 Mn in 2Q26. Consequently, the Company's gross profit grew 44.5% YOY to AED 2,429 Mn in 2Q26, driven by strong operating performance supported by higher inventory gains. ADNOCDIST recorded inventory gains of AED 738 Mn in 2Q26, compared to an inventory gain of AED 37 Mn in 2Q25, comprising AED 485 Mn of inventory gains in fuel retail and AED 253 Mn of inventory gain in the commercial segment. Despite the support from inventory gains the gross margin contracted 106 bps YOY to 18.4% in 2Q26. Other income increased from AED 29 Mn in 2Q25 to AED 54 Mn in 2Q26, while distribution and administrative expenses declined 1.1% YOY to AED 824 Mn in 2Q26. Impairments and other expenses increased significantly from AED 20 Mn in 2Q25 to AED 91 Mn in 2Q26. Moreover, operating profit increased from AED 857 Mn in 2Q25 to AED 1,568 Mn in 2Q26, with operating profit margin expanding 195 bps YOY to 11.9% in 2Q26. D&A charges declined 10.9% YOY to AED 189 Mn in 2Q26. The Company's EBITDA grew from AED 1,069 Mn in 2Q25 to AED 1,757 Mn in 2Q26. EBITDA margin improved by 93 bps YOY to 13.3% in 2Q26. Interest income remained flat YOY at AED 15 Mn in 2Q26, as compared to 2Q25, while interest expense decreased 13.8% YOY to AED 89 Mn in 2Q26. Income tax expense increased sharply from AED 80 Mn in 2Q25 to AED 152 Mn in 2Q26. Share of profit attributable to non-controlling interest holders increased from AED 12 Mn in 2Q25 to AED 27 Mn in 2Q26.

Balance Sheet Highlights

ADNOCDIST maintained a strong liquidity position of AED 5.2 Bn in 2Q26, comprising of AED 2.2 Bn in cash and cash equivalents and AED 200 Mn term deposits along with an unutilized credit facility of AED 2.8 Bn. The Company's gross debt stood at AED 5.6 Bn in 2Q26, compared to AED 5.5 Bn in 2Q25. Net debt increased from AED 3.0 Bn in 1Q26 to AED 3.2 Bn in 2Q26. Reported net debt to EBITDA ratio improved from 0.67x in 1Q26 to 0.63x in 2Q26. The Company's capex declined from AED 181 Mn in 1Q26 to AED 158 Mn in 2Q26, primarily due to lower investments in service station projects and machinery & equipment. Furthermore, free cash flow increased from AED 136 Mn in 1Q26 to AED 1.9 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on ADNOCDIST with a target price of AED 4.70. ADNOC Distribution reported a strong performance in 2Q26, supported by resilient operations and continued execution of its growth strategy. The Company benefitted from higher fuel selling prices, robust commercial fuel demand, and continued momentum in the non-fuel retail business which resulted in strong profitability and improved cash generation in 2Q26. The Company also strengthened its growth platform through expansion of higher-margin businesses and disciplined capital allocation. In 2Q26, ADNOCDIST's total fuel volumes increased 0.8% YOY to 3.9 Bn litres, driven by strong growth in aviation fuel volumes partially offset by lower retail fuel volumes. ADNOCDIST continued to strengthen its retail presence across its key markets in 2Q26, with the total service station network expanding 11.3% YOY to 1,045 stations. Saudi Arabia remained the primary growth engine, where the network increased 65.0% YOY to 231 stations, supported by the sustained rollout of the DOCO model. The Company continued to scale its Saudi Arabia operations by increasing its contracted DOCO network to 161 stations, of which 52 were operational under the ADNOC brand as of 2Q26. Also, the Company expanded its presence across Saudi Arabia by increasing the footprint to 12 of the country's 13 provinces in 2Q26 from just three provinces 20 months earlier thereby strengthening the growth prospects in Saudi's market. Meanwhile, the UAE network increased to 569 stations, up 2.3% YOY with addition of one service station in 2Q26. This broader network expansion supported higher customer activity as UAE's fuel transaction increased 7.6% YOY to 53.3 Mn in 2Q26. The Egypt's service station network remains broadly stable comprising 245 stations in 2Q26. ADNOCDIST's non-fuel retail platform continued to deliver strong growth in 2Q26, reinforcing the Company's strategy of increasing the contribution from higher-margin businesses. Non-fuel retail revenue increased 10.7% YOY to AED 481 Mn in 2Q26, driven by higher convenience store transactions, continued expansion of the food & beverage offering, and a larger contribution from property management. Convenience store revenue increased 5.7% YOY to AED 279 Mn in 2Q26, supported by the Company's network of 541 convenience stores across the GCC and Egypt. However, convenience store conversion rates declined from 27.2% in 2Q25 to 26.0% in 2Q26. The Company operated 37 vehicle inspection centers during the quarter, with fresh vehicle inspections increasing 9.8% YOY to 355K. Furthermore, ADNOCDIST continued to expand its property management and real estate monetisation platform in 2Q26, with occupied and awarded rental units increasing 4.0% YOY to 1,181 properties with 18 new additions in 2Q26, supported by a higher number of high-yielding food & beverage and car care properties, alongside a reduction in lower-yielding ATM and other non-food & beverage units thereby improving the overall property mix. ADNOCDIST also continued to expand its "The HUB by ADNOC" destination retail concept, with seven flagship locations operational, with one addition in 2Q26. The HUB locations continued to perform better than the rest of the network, with fuel volume growth exceeding the network average by five percentage points. Building on this momentum, ADNOCDIST plans to launch five additional HUB locations during 2026 as it progresses towards its target of 30 sites by 2030. Furthermore, ADNOCDIST entered into a strategic partnership with Americana Restaurants to introduce up to 200 quick-service restaurants across its network, further enhancing its convenience retail offering. The Company further strengthened its non-fuel retail ecosystem in 2Q26 with addition of c. 90K members to ADNOC rewards loyalty programme taking total membership to 2.8 Mn, up 12.7% YOY. In 2Q26, the Company also launched a retail media network, "Engage by ADNOC", aimed at monetising customer engagement through targeted digital advertising, which is expected to contribute c. AED 92 Mn to non-fuel retail segment’s gross profit in first five years. On the EV front, ADNOCDIST continued to expand the network by adding six new charging points and increasing the number of installed charging points by 35.0% YOY to 406 in 1H26 across the UAE. Charging demand remained robust, with the volume of energy sold through the network increasing 2.1x YOY, while EVs charged through the Company's network travelled c. 16.0 Mn low-emission Km in 2Q26. The Company continued to focus on deploying charging infrastructure at high-traffic highways and urban locations, while enhancing customer experience through improved accessibility and integrated non-fuel retail offerings. The continued expansion of the EV charging network supports ADNOCDIST's long-term strategy of strengthening its position in sustainable mobility while increasing customer traffic across its retail network. ADNOCDIST reaffirmed 2026 guidance, targeting the addition of 60-70 new service stations, 50-60 new EV charging points and capex guidance of USD 250-300 Mn. In line with its dividend policy, the Company declared a dividend of 5.14 fils per share for 2Q26, bringing the total dividend declared for 1H26 to 10.28 fils per share. Subsequent to 2Q26, ADNOCDIST also acquired Shell Downstream South Africa (SDSA). This acquisition is expected to significantly strengthen the Company's international footprint by adding 580 fuel stations, alongside wholesale fuel, aviation, lubricants and convenience retail operations in South Africa. ADNOCDIST expects EBITDA and Net Profit to increase by c.13% and c.6%, respectively, in the first full year following completion, making the transaction immediately earnings accretive. Overall, ADNOC Distribution remains well positioned to deliver sustainable earnings growth supported by disciplined network expansion, increasing contribution from higher-margin non-fuel businesses, continued international expansion, and strong cash generation. Thus, me maintain BUY rating on the stock.

ADNOC Distribution - Relative valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
PE (x)	22.75	18.65	19.70	21.18	18.34	11.46
PB (x)	16.01	14.88	14.76	17.13	15.86	9.99
EV/EBITDA	22.43	18.16	18.06	17.63	15.54	9.92
BVPS	0.256	0.276	0.278	0.239	0.258	0.410
EPS	0.180	0.220	0.208	0.194	0.224	0.358
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend yield (%)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

FABS Estimates & Co Data

ADNOC Distribution – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	8,638	8,834	13,201	9,240	42.9%	NM	49.4%	35,897	46,688	30.1%
Direct costs	-6,957	-7,010	-10,773	-7,374	46.1%	NM	NM	-28,951	-37,727	30.3%
Gross profit	**1,681**	**1,824**	**2,429**	**1,865**	**30.2%**	**44.5%**	**33.2%**	**6,946**	**8,961**	**29.0%**
Other income	29	36	54	42	31.0%	NM	50.4%	168	210	25.3%
Distribution & admin exp.	-833	-822	-824	-855	-3.6%	-1.1%	0.3%	-3,324	-3,432	3.3%
Impairment & other exp.	-20	-89	-91	-18	NM	NM	1.6%	-284	-350	23.2%
Operating profit	**857**	**949**	**1,568**	**1,034**	**51.7%**	**82.9%**	**65.3%**	**3,506**	**5,390**	**53.7%**
D&A	212	181	189	206	-8.3%	-10.9%	4.6%	776	838	8.0%
EBITDA	**1,069**	**1,129**	**1,757**	**1,240**	**41.7%**	**64.3%**	**55.6%**	**4,282**	**6,227**	**45.4%**
Interest income	15	16	15	16	-6.6%	-0.2%	-6.8%	71	75	4.8%
Interest expenses	-104	-92	-89	-93	-4.1%	-13.8%	-2.9%	-403	-379	-6.0%
Profit before tax	**769**	**873**	**1,494**	**957**	**56.1%**	**94.3%**	**71.2%**	**3,174**	**5,086**	**60.2%**
Income tax	-80	-87	-152	-99	NM	NM	NM	-323	-524	NM
Net Profit for the year	**689**	**786**	**1,342**	**858**	**56.4%**	**94.9%**	**70.8%**	**2,851**	**4,562**	**60.0%**
Non-controlling interest	12	15	27	16	NM	NM	NM	57	91	NM
Net Profit	**677**	**771**	**1,315**	**842**	**56.1%**	**94.3%**	**70.6%**	**2,794**	**4,471**	**60.0%**

FABS estimate & Co Data

ADNOC Distribution - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.5%	20.6%	18.4%	-106	-225	19.3%	19.2%	-16
EBITDA	12.4%	12.8%	13.3%	93	53	11.9%	13.3%	141
Operating Profit	9.9%	10.7%	11.9%	195	114	9.8%	11.5%	178
Net Profit	7.8%	8.7%	10.0%	213	123	7.8%	9.6%	179

FABS estimate & Co Data

Key Developments:

- **12th January 2026:** ADNOCDIST 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:** ADNOCDIST 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.

- **7 July 2026:** ADNOCDIST acquired Shell Downstream South Africa (SDSA) for an implied enterprise value of approximately USD 1.0 Bn. The acquisition includes 580 fuel stations, 360 convenience stores, and wholesale fuel, aviation and lubricants operations. The transaction is expected to strengthen the Company's presence in Africa and enhance earnings.

- **29 July 2026:** ADNOCDIST launched "Engage by ADNOC", the UAE's first retail media network operated by a mobility and convenience retailer. The platform leverages the Company's extensive customer base and digital ecosystem to provide targeted advertising solutions for brands, creating a new high-margin revenue stream. The initiative is expected to generate more than AED 92 Mn in cumulative gross profit over its first five years.

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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	4.37	70.0%	3.06
Relative Valuation (RV)	5.46	30.0%	1.64
Weighted Average Valuation (AED)			**4.70**
Current market price (AED)			4.08
Upside/Downside (%)			+15.2%

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 arrived after using the cost of equity of 8.8% and the after-tax cost of debt of 4.8%. The cost of equity is calculated by using a 10-year government bond yield of 4.9%, a beta of 0.90, and equity risk premium of 4.3%. 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)	14,071
Terminal value (AED, Mn)	45,413
Firm Value	**59,484**
Net debt as of June 2026	4,882
FV to Common shareholders (AED, Mn)	**54,601**
No. of share (Mn)	12,497
Current Market Price (AED)	4.08
Fair Value per share (AED)	**4.37**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	4,866	3,607	3,818	4,069	4,249
Depreciation & Amortization	838	726	762	802	843
(-) Capex	-1,167	-970	-1,021	-1,079	-1,138
(-) Change in Working Capital	-338	319	29	90	108
Free Cash Flow to Firm (FCFF)	**4,199**	**3,682**	**3,587**	**3,881**	**4,062**
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFF	**2,032**	**3,288**	**2,955**	**2,950**	**2,848**

Source: FAB Securities, [1]Adjusted 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 2027 EV/EBITDA multiple of 15.5x compared to the peer multiple of 11.5x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
UGI Corp	7,620	8.1	7.4	12.6	10.8
Petronas Dagangan	4,743	7.1	7.0	16.6	16.5
Murphy USA	10,730	10.6	11.7	17.3	19.4
Hindustan Petroleum Corporation Limited	8,838	5.0	13.5	5.2	34.5
Aldrees Petroleum	3,200	12.1	11.2	24.0	21.9
Qatar Fuel Company	3,785	14.1	14.0	15.8	14.3
Average		**9.5x**	**10.8x**	**15.2x**	**19.5x**
Median		**9.3x**	**11.5x**	**16.2x**	**17.9x**
Max		**11.7x**	**13.1x**	**17.1x**	**21.2x**
Min		**7.4x**	**8.4x**	**13.4x**	**14.8x**

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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