Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Energy | Market: ADX

ADNOC Distribution (ADNOCDIST)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.90	AED 4.70	+21%	BUY

3Q26 Net Profit higher than our estimate

- ADNOC Distribution's revenue increased from AED 9,326 Mn in 3Q25 to AED 12,971 Mn in 3Q26, driven by higher selling prices, increased fuel volumes and a growing contribution from the non-fuel retail business.
- Direct cost increased from AED 7,529 Mn in 3Q25 to AED 11,099 Mn in 3Q26. Consequently, the Company's gross profit increased 4.2% YOY to AED 1,872 Mn, supported by growth in non-fuel retail, higher fuel volumes, increased contribution from international activities and proactive corporate fuel margin management, partially offset by lower inventory gains. However, gross margin declined 483 bps YOY to 14.4% in 3Q26.
- ADNOCDIST recorded nil inventory gains in 3Q26; compared to a gain of AED 88 Mn in 3Q25.
- The Company's total fuel volumes increased marginally by 0.8% YOY to 4.1 Bn litres in 3Q26, supported by higher retail fuel volumes, partially offset by lower commercial volumes following the strategic shift towards value-driven operations, despite strong aviation fuel demand.
- Retail segment fuel volumes increased 1.6% YOY to 2.9 Bn litres in 3Q26, while commercial fuel volumes declined 1.1% YOY to 1,231 Mn litres, with a 40.4% YOY increase in aviation fuel volumes to 169 Mn litres partially offsetting lower corporate volumes.
- Convenience store revenue increased 6.6% YOY to AED 277 Mn in 3Q26. However, convenience store conversion rates declined c.70 bps YOY to 25.3%, while fresh vehicle inspections increased 7.7% YOY to 355K during the quarter.
- Distribution and administrative expenses increased 9.8% YOY to AED 869 Mn in 3Q26, primarily reflecting higher network-related costs and depreciation. Excluding depreciation, OPEX increased 5.8% YOY to AED 668 Mn, while cash OPEX excluding one-off items rose 4.0% YOY to AED 633 Mn in 3Q26.
- EBITDA increased 4.0% YOY to AED 1,216 Mn in 3Q26, while EBITDA margin declined 317 bps YOY to 9.4%. Underlying EBITDA excluding inventory movements and one-off gain rose 13.3% YOY to AED 1,252 Mn in 3Q26.
- Net profit attributable to shareholders rose marginally from AED 811 Mn in 3Q25 to AED 818 Mn in 3Q26, due to higher revenue and lower interest expenses alongside fair gain on investment in financial assets. This is partially offset by higher direct costs, distribution & administrative expenses, impairment & other expenses and depreciation, alongside higher share attributable to non-controlling interests, and lower other income & interest income.
- The Board has approved a cash dividend distribution of 5.1425 fils per share for 3Q26.

Earnings Call Summary

- The Company upgraded its 2026 network expansion target to 80-90 new stations from the previous 60-70, following the addition of 71 stations in 9M26. The Company also reaffirmed its targets of adding 50-60 EV charging points and investing USD 250-300 Mn in capex during 2026.
- Following its agreement to acquire 100% of Shell Downstream South Africa (SDSA) at an implied Enterprise Value of USD 1 Bn, the Company expects the transaction to close in 2027, subject to regulatory approvals. The acquisition is expected to increase EPS by 6% post-closing and expects to generate an additional annual EBITDA run-rate of USD 30-40 Mn by the fifth year after closing of the transaction.
- The Company is expanding EV charging beyond retail through partnerships with taxi operators, logistics companies and corporate fleets, with its network reaching 433 charging points in September

2026 and energy sold through the charging stations more than doubled YOY, supporting its target of 500-750 charging points by 2028.

- ADNOC Distribution is expanding its Oasis convenience stores through a wider private-label range, including ready meals, yogurt and fresh juices and coffee, alongside initiatives such as coffee streak offers, prepaid beverage bundles through ADNOC Rewards and the Oasis raffle to drive repeat purchases.
- Property management remains the Company's fastest-growing non-fuel vertical, driven by an improved tenant mix and the addition of 61 F&B and car care units. It operated 14 Americana restaurants in partnership and plans to further add 13 before year-end. The Hub by Adnoc operated 8 Hubs and is targeted to reach 30 by 2030.
- Free cash flow before working capital movements rose 55% YOY to c. USD 900 Mn in 9M26, with net debt-to-EBITDA below 0.6x. Around 70% of annual capex is allocated to growth, with the balance directed towards asset integrity and critical digital projects.
- The Company expects double-digit net profit growth in 2026 and a full-year dividend exceeding USD 700 Mn, subject to shareholder approvals. Furthermore, its 2026-30 dividend policy provides for annual dividends of at least USD 700 Mn or 75% of net profit, whichever is higher.
- Management attributed one-off expenses partly to employee buyouts and expected credit loss provisions. While the Company has moderated its conservative provisioning approach, no customer write-offs are currently anticipated.
- Management noted healthy fuel retail activity in October and November, although the outlook for volume growth remains uncertain. Separately, UAE retail volumes grew 7-8% in 3Q25, resulting in a high comparison base.
- Fuel prices increased in October before easing in November, potentially affecting discretionary mobility. However, the Company does not currently anticipate a material impact on fuel demand from these price movements.
- Higher aviation volumes were partially offset by weaker profitability due to product mix and higher costs that could not be fully passed on to customers through higher selling prices. However, the company expects margins to normalise as conditions improve.
- Revised its guidance of new station additions from 60-70 to 80-90 in 2026. The updated guidance does not include pulling forward next year's pipeline.
- The EV charging business leverages the Company’s existing service station network and remains profitable despite regulated pricing, generating c.15% IRR at current utilisation. B2B partnerships offer further scope to drive demand.
- Corporate margins benefited from opportunistic spot trading, particularly during favourable contango conditions. As participation depends on market pricing and attractive trading opportunities, margins may fluctuate, with no specific guidance provided for 2027.
- Non-fuel retail growth is expected to outpace fuel, supported by ADNOC Rewards, an enhanced Oasis proposition, expanded F&B and private-label offerings, Hub expansion and advertising monetisation through Engage by ADNOC. These initiatives aim to increase customer engagement, spending and repeat visits.
- Management confirmed that the revised 2026 target of 80-90 station additions will be driven primarily by Saudi Arabia through the capital-light DOCO model, alongside c.5 additions in the UAE and a smaller number in Egypt.
- Management highlighted a disciplined, returns-led approach to capital allocation, with ROCE exceeding 30% over the past five years, supported by annual investments of USD 250–300 Mn. Key priorities include optimising the existing network, developing rental-led Hubs and pursuing international expansion.

ADNOC Distribution – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Revenue	9,326	13,201	12,971	10,427	24.4%	39.1%	-1.7%
Direct costs	-7,529	-10,773	-11,099	-8,601	29.0%	47.4%	3.0%
Gross profit	**1,796**	**2,429**	**1,872**	**1,827**	**2.5%**	**4.2%**	**-22.9%**
Distribution & admin. expense	-791	-824	-869	-847	2.6%	9.8%	5.4%
Operating profit	**1,010**	**1,568**	**1,005**	**933**	**7.7%**	**-0.6%**	**-35.9%**
EBITDA	**1,170**	**1,757**	**1,216**	**1,135**	**7.1%**	**4.0%**	**-30.8%**
Profit before tax	**926**	**1,494**	**938**	**864**	**8.5%**	**1.2%**	**-37.2%**
Income tax	-96	-152	-96	-88	9.1%	0.2%	-36.6%
Net profit attributable to shareholders	**811**	**1,315**	**818**	**760**	**7.6%**	**0.9%**	**-37.7%**

FABS estimate & Co Data

Management Guidance 2026:

Targets	Existing	Revised
New Stations	60 – 70	80 – 90
New EV CPs	50 – 60	50 – 60
Capex	250 – 300	250 – 300

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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