First Look Note | 3Q26

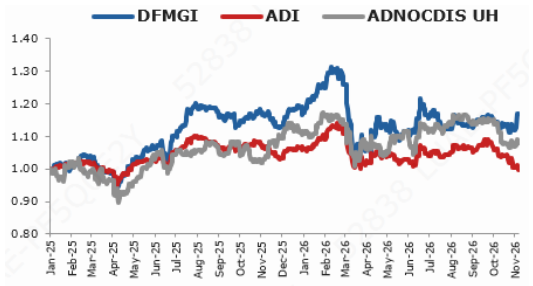
UAE Equity Research | Sector: Energy | Market: ADX

ADNOC Distribution (ADNOCDIST)

Higher fuel volumes and selling prices supported topline growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.84	AED 4.70	+22%	BUY

- Total fuel volumes increased marginally 0.8% YOY to 4.1 Bn liters in 3Q26, supported by growth in retail and aviation fuel volumes, partially offset by lower commercial volumes.
- Service station network expanded to 1,081 stations, driven by a 53.5% YOY increase in Saudi Arabia under the DOCO model.
- Board approved the cash dividend of 5.1425 fils per share for 3Q26, taking the total dividend declared for 9M26 to 15.43 fils per share.
- The Company upgraded its FY2026 guidance for new service station additions to 80-90, while maintaining its target of 50-60 new EV charging points and capex of USD 250-300 Mn.



Stock Information	
Market Cap (AED, Mn)	48,000.00
Paid Up Capital (Mn)	1,000.00
52 Week High	4.18
52 Week Low	3.47
3M Avg. daily value (AED)	37,799,620

3Q26 Result Review (AED, Mn)	
Total Assets	19,910
Total Liabilities	16,181
Total Equity	3,730
EBITDA	1,216
Net Profit	818

Financial Ratios	
Dividend Yield (12m)	5.36
Dividend Pay-out (%)	92.01
Price-Earnings Ratio(x)	13.44
Price-to-Book Ratio (x)	13.65
Book Value (AED)	0.28
Return-on Equity (%)	117.67

Stock Performance	
5 Days	-2.04%
1 Months	1.05%
3 Months	-5.65%
6 Months	-1.03%
1 Year	1.05%
Month to Date (MTD%)	2.13%
Quarter to Date (QTD%)	-4.95%
Year to Date (YTD%)	-1.54%

3Q26 Net Profit higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit increased marginally 0.9% YOY to AED 818 Mn in 3Q26, higher than our estimate of AED 760 Mn. The increase in net profit was primarily driven by higher revenue, and gains on financial assets measured at FVTPL coupled with lower interest expenses. This was partially offset by higher direct costs, distribution & administrative, impairment & other expenses and depreciation, alongside higher share attributable to non-controlling interests coupled with lower other income & interest income.

P&L Highlights

ADNOCDIST's revenue increased 39.1% YOY to AED 12,971 Mn in 3Q26, driven by growth in revenue from Retail and Commercial segment. The Company's total fuel volumes increased marginally by 0.8% YOY to 4.1 Bn litres in 3Q26, supported by higher retail and aviation fuel volumes, partially offset by lower commercial volumes following the strategic shift towards value-driven operations. Retail segment fuel volumes increased 1.6% YOY to 2.9 Bn litres in 3Q26. However, Egypt's retail fuel volumes declined 1.3% YOY to 704 Mn litres, partially offsetting 2.6% growth in GCC retail fuel volumes to 2,175 Mn litres in 3Q26, despite the impact of higher pump prices on consumer behaviour. Retail segment revenue increased 34.3% YOY to AED 8,481 Mn in 3Q26, supported by higher fuel prices and volumes, with fuel retail revenue rising 36.1% YOY to AED 7,991 Mn and non-fuel retail revenue growing 10.1% YOY to AED 490 Mn in 3Q26. Meanwhile, revenue from the Commercial segment increased from AED 3,010 Mn in 3Q25 to AED 4,490 Mn in 3Q26, mainly due to higher selling prices. Commercial segment fuel volumes declined 1.1% YOY to 1,231 Mn litres in 3Q26, mainly due to a 7.0% decline in GCC corporate volumes following the rationalisation of low-margin

customers, which partially offset significant growth in GCC aviation volumes to 108 Mn litres on the back of higher uptake from strategic customers. Direct cost rose from AED 7,529 Mn in 3Q25 to AED 11,099 Mn in 3Q26. Consequently, the Company's gross profit grew 4.2% YOY to AED 1,872 Mn in 3Q26, driven by growth in non-fuel retail, higher fuel volumes, increased contribution from international operations and proactive corporate fuel margin management, partially offset by lower inventory gains. ADNOCDIST recorded nil inventory gains in 3Q26; compared to a gain of AED 88 Mn in 3Q25. Consequently, gross margin contracted 483 bps YOY to 14.4% in 3Q26. Other income declined 6.4% YOY to AED 38 Mn in 3Q26, while distribution and administrative expenses increased 9.8% YOY to AED 869 Mn in 3Q26, primarily reflecting higher network-related costs and depreciation. Impairments and other expenses increased 3.0% YOY to AED 36 Mn in 3Q26. Moreover, operating profit declined marginally 0.6% YOY to AED 1,005 Mn in 3Q26, with operating profit margin contracting 309 bps YOY to 7.7% in 3Q26. D&A charges increased 25.8% YOY to AED 201 Mn in 3Q26. The Company's EBITDA grew 4.0% YOY to AED 1,216 Mn in 3Q26. EBITDA margin contracted by 317 bps YOY to 9.4% in 3Q26. Interest income declined 15.5% YOY to AED 18 Mn in 3Q26, while interest expense declined 9.0% YOY to AED 96 Mn in 3Q26. The Company recorded fair value gain on investment in financial assets at FVTPL of AED 11 Mn in 3Q26 compared to nil in 3Q25. Income tax expense remained flat at AED 96 Mn in 3Q26. Share of profit attributable to non-controlling interest holders increased 19.3% YOY to AED 23 Mn in 3Q26.

Balance Sheet Highlights

ADNOCDIST maintained a strong liquidity position of AED 5.4 Bn in 3Q26, comprising of AED 2.6 Bn in cash and cash equivalents and an unutilized credit facility of AED 2.8 Bn. The Company's gross debt remained unchanged at AED 5.6 Bn in 3Q26, compared to 2Q26. Net debt declined from AED 3.2 Bn in 2Q26 to AED 3.0 Bn in 3Q26. Reported net debt to EBITDA ratio improved from 0.63x in 2Q26 to 0.59x in 3Q26. The Company's capex increased from AED 158 Mn in 2Q26 to AED 215 Mn in 3Q26. Furthermore, free cash flow declined from AED 1.9 Bn in 2Q26 to AED 1.0 Bn in 3Q26.

Target Price and Rating

We maintain our BUY rating on ADNOCDIST with a target price of AED 4.70. ADNOC Distribution reported a robust performance in 9M26, driven by strong underlying business profitability, positive inventory movements and lower finance costs, partly offset by higher prudence-based provisions. The Company continued to expand its non-fuel retail and international operations, supported by growth in convenience retail, F&B, property management and its KSA network. In 3Q26, ADNOCDIST's total fuel volumes increased marginally 0.8% YOY to 4.1 Bn litres, driven by higher aviation fuel volumes, partially offset by lower commercial fuel volumes and a decline in Egypt's retail fuel volumes. ADNOCDIST continued to strengthen its retail presence across its key markets in 3Q26, with the total service station network expanding 10.6% YOY to 1,081 stations. Saudi Arabia remained the primary growth engine, where the network increased 53.5% YOY to 264 stations, supported by the sustained rollout of the DOCO model. During 9M26, the Company contracted 65 additional stations under this model, with 56 DOCO stations operational under the ADNOC brand as of 9M26, compared with 23 in 9M25. The Company also expanded its presence to 12 of Saudi Arabia's 13 provinces, from three provinces two years earlier. Meanwhile, the UAE network increased 1.4% YOY to 570 stations, while fuel transactions grew 8.0% YOY to 55.5 Mn in 3Q26. In Egypt, the network remained relatively stable at 247 stations, up 1.6% YOY. ADNOCDIST's non-fuel retail platform continued to deliver growth in 3Q26, with gross profit increasing 12.9% YOY to AED 275 Mn, driven by higher transactions and improved customer offerings. Non-fuel retail revenue increased 10.1% YOY to AED 490 Mn in 3Q26, supported by higher non-fuel transactions and an expanded F&B offering. Convenience store revenue increased 6.6% YOY to AED 277 Mn in 3Q26, although conversion rates declined c. 70 bps YOY to 25.3%. Meanwhile, the Company's vehicle inspection centre network stood at 37 centres, with fresh vehicle inspections rising 7.7% YOY to 355K during the quarter. Furthermore, ADNOC Distribution continued to expand its property management platform, with occupied and awarded rental units increasing 3.0% YOY to 1,168 in 3Q26. During 9M26, the Company added 61 higher-yielding F&B and car care properties, while reducing lower-yielding ATM and other non-F&B units by 27, improving the overall property mix. ADNOC Distribution continued to expand The HUB by ADNOC, with eight flagship locations operational by the end of 9M26, progressing towards its target of 30 sites by 2030. The Company plans to launch five Hubs in 2026, with 14 Americana restaurants opened during 3Q26 and 13 more expected in 4Q26. Furthermore, ADNOCDIST continued to expand its EV charging network, with installed fast and super-fast charging points

increasing 17.7% YOY to 433 across the UAE as of 9M26. Charging demand remained strong, with the volume of energy sold through the network increasing 2.1x YOY during 9M26. The Company continued to expand its EV charging infrastructure across strategic locations in the UAE, aligning network deployment with EV adoption, utilisation levels and customer demand. In addition, partnerships with taxi operators, ride-hailing providers, logistics companies and corporate customers are supporting the expansion of B2B charging demand, while the integration of charging services with the Company's existing service station network and convenience offerings enhances the overall customer experience. ADNOCDIST upgraded its FY26 network expansion guidance to 80-90 new service stations, from the previous target of 60-70, following the addition of 71 stations during 9M26. The Company reaffirmed its targets of adding 50-60 EV charging points and capex of USD 250-300 Mn in 2026. Furthermore, the proposed acquisition of Shell Downstream South Africa (SDSA) is expected to strengthen ADNOC Distribution's international presence, expanding its network by 55% to c.1,600 service stations and 70% to c.900 convenience stores. The transaction is expected to enhance earnings and cash flow from the first full year post-completion, with EBITDA and EPS expected to increase by 13% and 6%, respectively, and potential to generate an additional USD 30-40 Mn in annual EBITDA by fifth year through the application of ADNOC Distribution's retail capabilities. 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. Furthermore, the Board approved a dividend of 5.1425 fils per share for 3Q26, taking the total dividend approved for 9M26 to 15.43 fils per share. Accordingly, we maintain our BUY rating on the stock.

ADNOC Distribution - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	21.64	17.74	18.74	20.14	17.45	13.25
PB (x)	15.22	14.15	14.04	16.29	15.09	11.24
EV/EBITDA	21.40	17.32	17.22	16.81	14.82	11.66
BVPS	0.256	0.276	0.278	0.239	0.258	0.347
EPS	0.180	0.220	0.208	0.194	0.224	0.294
DPS	0.206	0.206	0.206	0.206	0.206	0.213
Dividend yield (%)	5.4%	5.4%	5.4%	5.4%	5.4%	5.5%

FABS Estimates & Co Data

ADNOC Distribution – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var.	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	9,326	13,201	12,971	10,427	24.4%	39.1%	-1.7%	35,897	48,077	33.9%
Direct costs	-7,529	-10,773	-11,099	-8,601	29.0%	47.4%	3.0%	-28,951	-39,977	38.1%
Gross profit	**1,796**	**2,429**	**1,872**	**1,827**	**2.5%**	**4.2%**	**-22.9%**	**6,946**	**8,100**	**16.6%**
Other income	41	54	38	47	-18.9%	-6.4%	-30.1%	168	183	9.0%
Distribution & admin exp.	-791	-824	-869	-847	2.6%	9.8%	5.4%	-3,324	-3,423	3.0%
Impairment & other exp.	-35	-91	-36	-94	-61.2%	3.0%	-59.8%	-284	-385	35.3%
Operating profit	**1,010**	**1,568**	**1,005**	**933**	**7.7%**	**-0.6%**	**-35.9%**	**3,506**	**4,475**	**27.6%**
D&A	160	189	201	202	-0.7%	25.8%	6.2%	776	747	-3.8%
EBITDA	**1,170**	**1,757**	**1,216**	**1,135**	**7.1%**	**4.0%**	**-30.8%**	**4,282**	**5,221**	**22.0%**
Interest income	21	15	18	20	-7.9%	-15.5%	19.8%	71	67	-5.6%
Interest expenses	-105	-89	-96	-88	8.4%	-9.0%	7.1%	-403	-367	-8.9%
Gain on assets at FVTPL	-	-	11	-	NM	NM	NM	-	11	NM
Profit before tax	**926**	**1,494**	**938**	**864**	**8.5%**	**1.2%**	**-37.2%**	**3,174**	**4,186**	**31.9%**
Income tax	-96	-152	-96	-88	9.1%	0.2%	-36.6%	-323	-431	33.5%
Net Profit for the year	**830**	**1,342**	**842**	**776**	**8.5%**	**1.4%**	**-37.3%**	**2,851**	**3,755**	**31.7%**
Non-controlling interest	20	27	23	16	47.0%	19.3%	-15.0%	57	75	31.6%
Net Profit attributable to shareholders	**811**	**1,315**	**818**	**760**	**7.6%**	**0.9%**	**-37.7%**	**2,794**	**3,680**	**31.7%**

FABS estimate & Co Data

ADNOC Distribution - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.3%	18.4%	14.4%	-483	-396	19.3%	16.8%	-250
EBITDA	12.5%	13.3%	9.4%	-317	-393	11.9%	10.9%	-107
Operating Profit	10.8%	11.9%	7.7%	-309	-413	9.8%	9.3%	-46
Net Profit	8.7%	10.0%	6.3%	-239	-365	7.8%	7.7%	-13

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.

- **7th 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.

- **29th 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.

- **21st August 2026:** ADNOCDIST entered into a definitive agreement with Reatile Group, under which Reatile will acquire a minority stake in Shell Downstream South Africa following completion of ADNOC Distribution's proposed acquisition of the business from Shell South Africa Holdings. The partnership reinforces the Company's commitment to South Africa's B-BBEE policies and supports local participation, energy security, job creation and sustainable value creation.

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	4.84	70.0%	3.39
Relative Valuation (RV)	4.38	30.0%	1.31
Weighted Average Valuation (AED)			**4.70**
Current market price (AED)			3.84
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 8.5%. It is arrived after using the cost of equity of 8.9% 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 4.8%, a beta of 0.90, and equity risk premium of 3.9%. 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)	16,998
Terminal value (AED, Mn)	48,251
Firm Value	**65,250**
Net debt as of September 2026	4,736
FV to Common shareholders (AED, Mn)	**60,513**
No. of share (Mn)	12,497
Current Market Price (AED)	3.84
Fair Value per share (AED)	**4.84**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	4,044	3,495	3,985	4,166	4,407	4,602
Depreciation & Amortization	747	770	785	801	820	840
(-) Capex	-1,010	-829	-863	-896	-933	-964
(-) Change in Working Capital	-315	302	28	110	117	148
Free Cash Flow to Firm (FCFF)	**3,466**	**3,737**	**3,934**	**4,182**	**4,411**	**4,626**
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.66
Discounted FCFF	**857[1]**	**3,406**	**3,305**	**3,238**	**3,148**	**3,044**

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 12.8x compared to the peer multiple of 9.5x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
UGI Corp	8,048	8.1	8.5	13.4	11.7
Petronas Dagangan	4,761	6.9	7.0	16.2	16.1
Murphy USA	9,553	9.7	10.8	14.9	17.4
Hindustan Petroleum Corporation Limited	9,062	378.1	6.6	NA	6.7
Aldrees Petroleum	3,016	11.3	10.5	22.1	20.3
Qatar Fuel Company	3,736	12.1	12.8	13.5	14.2
Average		**71.0x**	**9.3x**	**16.0x**	**14.4x**
Median		**10.5x**	**9.5x**	**14.9x**	**15.2x**
Max		**11.9x**	**10.7x**	**16.2x**	**17.1x**
Min		**8.5x**	**7.4x**	**13.5x**	**12.3x**

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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