

ADNOC Distribution (ADNOCDIST)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.60	AED 4.46	+23.9%	BUY

4Q24 Net Profit lower than our estimate

- Revenue declined 7.6% YOY to AED 8,837 Mn in 4Q24 due to lower selling prices as a result of a decline in crude oil prices.
- Direct costs fell 10.1% YOY to AED 7,229 in 4Q24. As a result, the Gross profit rose 5.4% YOY to AED 1,608 Mn in 4Q24, mainly due to higher fuel volumes and growth in the non-fuel retail business.
- Total fuel volume rose 7.2% YOY to 4.0 Bn liters in 4Q24, and stood at 3.2 Bn litres in UAE and KSA due to solid economic activity, increased mobility, and network expansion.
- Retail fuel volumes increased 6.8% YOY to 2.7 Bn liters in 4Q24 while commercial fuel volumes grew 7.9% YOY to 1.3 Bn liters.
- Non-fuel transactions in the UAE increased 12.3% YOY to 13.4 Mn in 4Q24, driven by improved consumer sentiment, enhanced offerings following the revitalisation of the convenience stores, the introduction of car wash tunnels and the ongoing upgrade of automatic car washes.
- Average gross basket size increased 0.7% YOY to AED 27.6 in 4Q24, and convenience store revenue across the GCC region increased 10.3% YOY to AED 258 Mn in 4Q24 due to an increase in transactions.
- OPEX rose 10.2% YOY to AED 861 Mn in 4Q24 mainly due to an increase in the Company's network in UAE and KSA and associated costs.
- EBITDA rose 1.3% YOY to AED 954 million in 4Q24 despite the inventory losses in 4Q24 compared to inventory gains in 4Q23. Reported EBITDA excluding inventory movements and one-off items demonstrated 10.8% YOY to AED 986 Mn in 4Q24, supported by higher volumes, growing contribution from the non-fuel retail segment, and international activities.
- Net profit attributable to shareholders fell 14.3% YOY to AED 580 Mn in 4Q24 due to the impact of inventory movements and one-off items along with an increase in tax expense.
- The board paid a dividend of AED 1,286 Mn in 4Q24 for 1H24 and approved a dividend of AED 1,286 Mn 2H24, resulting in a total dividend of AED 2,571 Mn for 2024 equivalent to 20.57 fils per share.
- ADNOC Distribution is focusing on more than 20 AI projects by including AI and advanced technologies across their business to improve operating efficiency and customer experience.

Earnings Call Summary

- The Company launched Phase 2 of the solarization initiative, with plans to install solar panels at over 100 service stations in Abu Dhabi.
- The Company is targeting a 50% increase in the non fuel transactions by 2028.
- It plans to expand service station network to 1,000 stations by 2028 and is likely to add 40-50 new stations in 2025.
- The Company has made significant strides in property management by successfully operating 12 Burger King franchises. ADNOC Distribution plans to expand its franchising efforts significantly, with a goal of reaching 50 franchise operations by 2028.
- The Company plans to expand EV charging infrastructure by 10 to 15 times by 2028 and is likely to add 100 EV charging stations in 2025.
- Capex guidance for FY2025 stood at USD 250-300 Mn focusing on non-fuel retail upgrades, technology, and EV infrastructure.
- Capex is not required for station rebranding and upgrades, as these are handled by station owners.
- ADNOC Distribution expects continued strong growth in 2025 in fuel volumes across the GCC region.

- Property management has expanded, with approximately 1,200 units under lease, representing a substantial increase of 120 units compared to FY2023.
- The new dividend policy for 2024-2028 ensures a minimum payout of USD 700 Mn or 75% of net income, whichever is higher.

ADNOC Distribution – P&L

AED mm	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Revenue	9,564	9,083	8,837	9,689	-8.8%	-7.6%	-2.7%
Direct costs	-8,038	-7,496	-7,229	-8,125	-11.0%	-10.1%	-3.6%
Gross profit	1,525	1,587	1,608	1,564	2.8%	5.4%	1.3%
Distribution & admin. expense	-781	-806	-861	-724	19.0%	10.2%	6.8%
Operating profit	749	801	744	856	-13.1%	-0.7%	-7.1%
EBITDA	941	1,009	954	1,018	-6.3%	1.3%	-5.5%
Profit before tax	672	792	682	804	-15.1%	1.6%	-13.9%
Income tax	5	-74	-90	-65	37.4%	NM	21.9%
Net profit attributable to equity	677	667	580	724	-19.8%	-14.3%	-13.0%

FABS estimate & Co Data

