

## ADNOC Distribution

Continued network expansion coupled with retail volume growth fueled the bottom-line

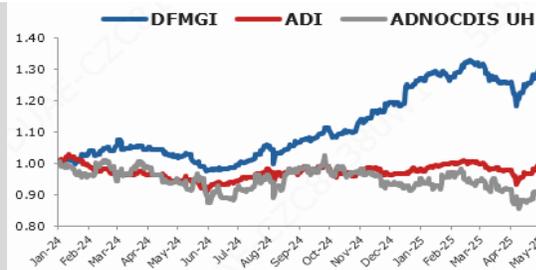
**Current Price**  
AED 3.42

**Target Price**  
AED 4.46

**Upside/Downside (%)**  
+30%

**Rating**  
BUY

- ADNOCDIST total fuel volume marginally grew 1.1% YOY to 3.7 Bn liters in 1Q25, driven by increased mobility, network expansion, with increased share from KSA operations.
- The Company expects to add 40 to 50 new service stations across the network with 30 to 40 stores under the DOCO model in 2025
- EBITDA grew 10.8% YOY to AED 1,011 Mn in 1Q25, even with lower inventory gains in 1Q25 compared to 1Q24.
- ADNOCDIST partnered with Noon to improve its logistics capabilities and provide 15-minute delivery to the end customer.
- The Company expects the non-fuel retail segment to grow faster than the fuel retail segment.



### 1Q25 Net Profit higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit recorded a healthy growth of 16.2% YOY to AED 639 Mn in 1Q25, higher than our estimate of AED 604 Mn. The growth in net profit is attributable to a decline in direct costs and interest expense, partially offset by lower revenue and inventory gains, other income and interest income coupled with higher tax expenses.

### P&L Highlights

ADNOC Distribution's revenue declined 3.2% YOY to AED 8,473 Mn in 1Q25, mainly due to lower crude oil prices compared to 1Q24, partially offset by an increase in volumes and improved contribution from non-fuel segment. The Company's total fuel volumes marginally grew 1.1% YOY to 3.7 Bn litres in 1Q25 driven by increased mobility, network expansion, with increased share from KSA operations partially offset by lower volume from commercial segment due to lower spot market trading activities in the UAE. Revenue in the Retail segment declined 1.3% YOY to AED 5,693 Mn in 1Q25, mainly due to reduced pump prices. Revenue from the non-fuel retail segment expanded 10.3% YOY to AED 404 Mn in 1Q25. Furthermore, the revenue from the Commercial segment fell 6.8% YOY to AED 2,780 Mn in 1Q25 due to lower prices and volumes. Direct cost fell 5.7% YOY to AED 6,855 Mn in 1Q25. As a result, the Company's gross profit grew 9.3% YOY to AED 1,618 Mn in 1Q25. ADNOCDIST recorded an inventory gain of AED 110 Mn in 1Q25 compared to AED 122 Mn in 1Q24. Furthermore, the gross margin rose 217 bps YOY to 19.1% in 1Q25. The Company's other income contracted 41.6% YOY to AED 26 Mn in 1Q25. Distribution and administrative expenses increased 5.1% YOY to AED 812 Mn in 1Q25, while the cash operating expenditure excluding depreciation rose 1.8% to AED 606 Mn in 1Q25. Impairment and other expenses surged 55.7% YOY to AED 27 Mn in 1Q25.

### Stock Information

Market Cap (AED, mm)	42,625.00
Paid Up Capital (mm)	1,000.00
52 Week High	3.82
52 Week Low	2.95
3M Avg. daily value (AED)	13,437,620

### 1Q25 Result Review (AED, Mn)

Total Assets	18,139
Total Liabilities	15,593
Total Equity	2,546
EBITDA	1,011
Net Profit	639

### Financial Ratios

Dividend Yield (12m)	6.03
Dividend Pay-out (%)	106.24
Price-Earnings Ratio(x)	17.04
Price-to-Book Ratio (x)	18.16
Book Value (AED)	0.19
Return-on Equity (%)	99.46

### Stock Performance

5 Days	1.48%
1 Months	5.25%
3 Months	-5.01%
6 Months	-5.28%
1 Year	-2.29%
Month to Date (MTD%)	1.19%
Quarter to Date (QTD%)	0.29%
Year to Date (YTD%)	-3.12%

Moreover, operating profit rose 9.4% YOY to AED 805 Mn in 1Q25, while the operating profit margin increased 109 bps YOY to 9.5% in 1Q25. D&A charges increased 16.2% YOY to AED 206 Mn in 1Q25. Furthermore, EBITDA grew 10.8% YOY to AED 1,011 Mn in 1Q25, even with lower inventory gains in 1Q25 compared to 1Q24. Reported EBITDA excluding inventory movements and one-off items witnessed 12.9% YOY growth to AED 904 Mn in 1Q25, driven by higher volumes, increased commercial segment margin and effective cost control measures. In addition, ADNOCDIST's interest income shrank from AED 48 Mn in 1Q24 to AED 18 Mn in 1Q25, whereas the interest expense also declined from AED 209 Mn in 1Q24 to AED 103 Mn in 1Q25. The Company's income tax rose from AED 46 Mn in 1Q24 to AED 72 Mn in 1Q25.

### Balance Sheet Highlights

ADNOC Distribution maintained healthy liquidity position with cash and cash equivalents, including term deposits of AED 2.8 Bn in 1Q25, along with an unutilized credit facility of AED 2.8 Bn, totaling to AED 5.6 Bn as of 1Q25. The Company's net debt to EBITDA ratio reached 0.70x as of 1Q25 compared to 0.69x in 4Q24. Further, ADNOCDIST's borrowings remained flat at AED 5.6 Bn in 1Q25 compared to 4Q24. The Company's Capex rose 30.1% YOY to AED 220 Mn in 1Q25 and declined 44.4% on a QOQ basis, driven by various service station, industrial and other projects along with advancement in technological infrastructure. The Free Cash Flow stood at AED 7 Mn in 1Q25, compared to AED 804 Mn in 4Q24 due to investment in working capital. The free cash flow excluding the effect of working capital rose 15.7% YOY to AED 728 Mn in 1Q25.

### Target Price and Rating

We maintain our BUY rating on ADNOC Distribution with a target price of AED 4.46. In the 1Q25, ADNOCDIST experienced a decline in topline performance due to falling crude oil prices, though this was partially offset by increased fuel volumes and strong growth in the non-fuel segment. Fuel transactions in the UAE rose 3.0% YOY to 46.6 Mn, while non-fuel transactions grew at a faster pace of 8.5% YOY, reaching 12.3 Mn in 1Q25. The Company continues to prioritize the expansion of its retail network, aiming to add 40 to 50 new service stations and 30 to 40 convenience stores under the DOCO model in 2025. ADNOCDIST also expanded its electric vehicle (EV) charging infrastructure to 283 charging points and plans to install an additional 100 EV charging points by the end of 2025, capitalizing on the high-margin EV business. In line with its capital-light, smart growth strategy, ADNOC Distribution is investing heavily in convenience and mobility store formats, having already allocated c. USD 80 Mn out of its unchanged capital expenditure guidance of USD 250–300 Mn for 2025. Additionally, the Company is leveraging AI cloud technologies to enhance operational efficiency and customer insight gathering, including predictive fuel demand models and smart workforce allocation to reduce excess costs and optimize inventory. Strategic investments in AI and data analytics are also expected to drive margin expansion and cost savings, contributing to the USD 17 Mn in like-for-like (LfL) operating expenditure savings achieved over the last twelve months. The Company's non-fuel segment, including car wash, vehicle inspection, and property management, is expected to continue outperforming the fuel segment in terms of growth and profit contribution. ADNOC Distribution's EBITDA grew 10.8% YOY to AED 1,011 Mn in 1Q25, despite lower inventory gains of AED 110 Mn compared to AED 122 Mn in 1Q24, a performance cushioned by a five-year agreement with ADNOC that protects against inventory losses. The Company is also pursuing new revenue opportunities, including a strategic partnership with Noon to introduce a quick commerce solution using ADNOC service stations as dark stores. This initiative is expected to enable 15-minute delivery of ADNOC Oasis products, adding convenience for customers and opening an additional income stream. As part of enhancing its retail offerings, the Company also plans to launch a private label under the ADNOC Oasis brand to strengthen brand perception and increase sales. ADNOC Distribution's aviation business in Egypt also posted strong results, with volumes increasing by 20% on YOY basis. Regionally, the Company expanded by adding five new stations in the UAE and 15 dual-core stations in KSA under contract models. The network expansion in Saudi Arabia remains on track, with a target of reaching 300 stations by 2026. The Company also saw continued success in customer engagement, as its loyalty program reached 2.4 Mn members, reflecting a 19% YOY increase, including the addition of 100K new members in 1Q25. Lastly, the Company maintained its shareholder returns with a dividend distribution of AED 2.6 Bn for 2024, equating to 20.57 fils per share and a 6.0% dividend yield. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

**ADNOC Distribution - Relative valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	17.8	19.0	15.6	16.4	17.7	16.5
PB (x)	12.4	13.4	12.4	12.3	12.9	14.2
EV/EBITDA	17.8	18.9	15.3	15.2	14.7	2.1
DPS	0.21	0.21	0.21	0.21	0.21	0.21
Dividend yield (%)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

*FABS Estimates & Co Data*
**ADNOC Distribution - P&L**

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	8,750	8,836	8,473	8,478	-0.1%	-3.2%	-4.1%	35,454	36,435	2.8%
Direct costs	-7,269	-7,229	-6,855	-6,952	-1.4%	-5.7%	-5.2%	-29,238	-30,041	2.7%
<b>Gross profit</b>	<b>1,481</b>	<b>1,608</b>	<b>1,618</b>	<b>1,526</b>	<b>6.0%</b>	<b>9.3%</b>	<b>0.6%</b>	<b>6,216</b>	<b>6,394</b>	<b>2.9%</b>
Other income	45	35	26	34	-23.2%	-41.6%	-26.3%	138	135	-2.4%
Distribution & admin exp.	-773	-861	-812	-793	2.5%	5.1%	-5.6%	-3,195	-3,206	0.4%
Impairment & other exp.	-17	-38	-27	-19	37.7%	55.7%	-29.4%	-90	-98	9.0%
<b>Operating profit</b>	<b>735</b>	<b>744</b>	<b>805</b>	<b>748</b>	<b>7.6%</b>	<b>9.4%</b>	<b>8.1%</b>	<b>3,069</b>	<b>3,224</b>	<b>5.1%</b>
Depreciation & Amortization	177	210	206	207	-0.4%	16.2%	-1.7%	786	810	3.0%
<b>EBITDA</b>	<b>913</b>	<b>954</b>	<b>1,011</b>	<b>955</b>	<b>5.9%</b>	<b>10.8%</b>	<b>6.0%</b>	<b>3,855</b>	<b>4,034</b>	<b>4.7%</b>
Interest income	48	27	18	25	-29.3%	-62.5%	-33.8%	144	77	-46.8%
Interest expenses	-209	-89	-103	-103	-0.2%	-51.0%	15.0%	-457	-411	-10.2%
<b>Profit before tax</b>	<b>574</b>	<b>682</b>	<b>720</b>	<b>670</b>	<b>7.4%</b>	<b>25.4%</b>	<b>5.6%</b>	<b>2,756</b>	<b>2,890</b>	<b>4.9%</b>
Income tax	-46	-90	-72	-60	19.3%	55.4%	-19.8%	-283	-260	-8.2%
<b>Net Profit for the year</b>	<b>528</b>	<b>592</b>	<b>648</b>	<b>610</b>	<b>6.2%</b>	<b>22.8%</b>	<b>9.4%</b>	<b>2,472</b>	<b>2,630</b>	<b>6.4%</b>
Non-controlling interest	-22	12	9	6	54.3%	NM	-21.6%	52	41	-21.6%
<b>Net Profit</b>	<b>550</b>	<b>580</b>	<b>639</b>	<b>604</b>	<b>5.8%</b>	<b>16.2%</b>	<b>10.0%</b>	<b>2,420</b>	<b>2,590</b>	<b>7.0%</b>

*FABS estimate & Co Data*
**ADNOC Distribution - Margins**

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross margin	16.9%	18.2%	19.1%	217	90	17.5%	17.6%	2
EBITDA margin	10.4%	10.8%	11.9%	150	113	10.9%	11.1%	20
Operating margin	8.4%	8.4%	9.5%	109	107	8.7%	8.9%	19
Net profit margin	6.3%	6.6%	7.5%	126	97	6.8%	7.1%	28

*FABS estimate & Co Data*

## 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	4.41	70.0%	3.08
Relative Valuation (RV)	4.58	30.0%	1.38
<b>Weighted Average Valuation (AED)</b>			<b>4.46</b>
Current market price (AED)			3.42
Upside/Downside (%)			+30%

### 1) DCF Method:

ADNOC Distribution is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.2%. It is arrived after using the cost of equity of 8.7% and after-tax cost of debt of 5.3%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.0%. 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)	13,419
Terminal value (AED, Mn)	46,353
<b>Firm Value</b>	<b>59,771</b>
Net debt as of Mar 2025	4,697
<b>FV to Common shareholders (AED, Mn)</b>	<b>55,074</b>
No. of share (Mn)	12,500
Current Market Price (AED)	3.42
<b>Fair Value per share (AED)</b>	<b>4.41</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	2,964	3,457	3,631	3,830	4,024
Depreciation & Amortization	810	914	988	1,060	1,128
(-) Capex	-1,057	-1,078	-1,049	-1,074	-1,048
(-) Change in Working Capital	290	-150	19	-69	-64
<b>Free Cash Flow to Firm (FCFF)</b>	<b>3,007</b>	<b>3,143</b>	<b>3,589</b>	<b>3,747</b>	<b>4,040</b>
Discounting Factor	0.95	0.88	0.81	0.75	0.69
<b>Discounted FCFF</b>	<b>2,142<sup>1</sup></b>	<b>2,758</b>	<b>2,911</b>	<b>2,809</b>	<b>2,799</b>

Source: FAB Securities, <sup>1</sup>Adjusted for the partial year

## 2) Relative Valuation:

We have used local as well as international peers to value ADNOC Distribution 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 EV/EBITDA multiple of 15.4x compared to the peer multiple of 10.9x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
UGI Corp	7,201	7.1	6.7	11.0	10.8
Petronas Dagangan	4,551	9.2	9.2	18.1	18.0
Murphy USA	10,039	11.8	11.1	19.6	17.6
Hindustan Petroleum Corporation Limited	10,351	10.0	7.9	12.3	8.3
Aldrees Petroleum	3,541	13.6	12.5	31.0	27.8
Qatar Fuel Company	4,078	13.9	13.5	14.1	14.4
<b>Average</b>		<b>10.9x</b>	<b>10.1x</b>	<b>17.7x</b>	<b>16.1x</b>
<b>Median</b>		<b>10.9x</b>	<b>10.1x</b>	<b>16.1x</b>	<b>16.0x</b>
<b>Max</b>		<b>13.2x</b>	<b>12.1x</b>	<b>19.2x</b>	<b>17.9x</b>
<b>Min</b>		<b>9.4x</b>	<b>8.2x</b>	<b>12.7x</b>	<b>11.7x</b>

Source: FAB Securities

