First Look Note | 1Q26

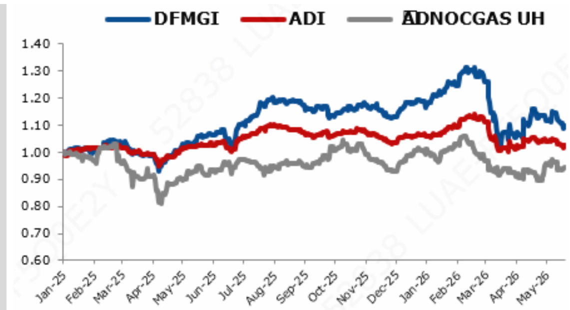
UAE Equity Research Sector: Energy Market: ADX

Adnoc Gas PLC

Profitability impacted by export disruptions but operational fundamentals remained strong

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.35	AED 4.30	+28.4%	BUY

- ADNOCGAS reported a resilient 1Q26 performance despite geopolitical disruptions and export constraints caused by the temporary closure of the Strait of Hormuz.
- Total sales volumes declined 14.6% YOY to 770 TBTU in 1Q26, mainly due to lower LNG, LPG and Naphtha export volumes.
- Consolidated EBITDA margin remained strong at 36.5%, supported by stable domestic gas pricing, favorable product mix and disciplined cost management.
- ADNOCGAS restored nearly 60% of Habshan's processing capacity and expects gradual recovery through 2026, with full normalization targeted by 2027.
- Management guided FY26 net income in the range of USD 3.5-4.0 Bn, while expecting earnings recovery in 2027.



Stock Information	
Market Cap (AED, Mn)	257,117.26
Paid Up Capital (Mn)	19,187.86
52 Week High	3.76
52 Week Low	3.12
3M Avg. daily value (AED)	93,979,430

1Q26 Result Review (USD, Mn)	
Total Assets	33,385
Total Liabilities	7,606
Total Equity	25,779
EBITDA	1,700
Net Profit	1,074

Financial Ratios	
Dividend Yield (12m)	5.20
Dividend Pay-out (%)	69.32
Price-Earnings Ratio(x)	14.00
Price-to-Book Ratio (x)	2.72
Book Value (AED)	0.34
Return-on Equity (%)	20.18

Stock Performance	
5 Days	1.52%
1 Months	6.69%
3 Months	-3.74%
6 Months	1.82%
1 Year	4.04%
Month to Date (MTD%)	-0.59%
Quarter to Date (QTD%)	4.69%
Year to Date (YTD%)	-5.63%

1Q26 Net Profit higher than our estimate

ADNOC Gas plc (ADNOCGAS/the Company) reported a 15.0% YOY decline in net profit attributable to shareholder to USD 1,079 Mn in 1Q26, higher than our estimate of USD 1,012 Mn. The decrease in net profit is primarily driven by lower revenue, other operating income, share of profit of equity investee, and higher other operating costs and other expenses, coupled with lower finance income and higher finance costs, partially offset by a decline in direct costs, and lower employee benefit expenses.

P&L Highlights

ADNOC Gas's net revenue declined 13.6% YOY to USD 4,034 Mn in 1Q26, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 18.0% YOY to USD 5,003 Mn in 1Q26. The Company's revenue declined in 1Q26, primarily due to lower export sales volumes following the closure of the Strait of Hormuz in March 2026, which impacted LNG, LPG, and other traded liquid exports, despite resilient domestic gas demand. Total sales volume (including ADNOCGAS LNG JV) declined 14.6% YOY to 770 trillion British thermal units (TBTU) in 1Q26. Domestic gas sales volume declined 10.5% YOY to 519 TBTU in 1Q26, primarily impacted by lower gas-to-electricity demand amid cooler weather conditions. Exports and traded liquids volumes declined 19.5% YOY to 202 TBTU in 1Q26, primarily due to the closure of the Strait of Hormuz in March 2026, which disrupted the Company's ability to export LPG, Naphtha, and LNG products. Furthermore, the Company's LNG JV's sales volume declined 32.4% YOY to 46 TBTU in 1Q26. The sales volume of sulfur remained flat at 3 TBTU in 1Q26 and 1Q25. Direct cost declined 17.6% YOY to USD 2,303 Mn in 1Q26. Thus, gross profit declined 7.6% YOY to USD 1,731 Mn in 1Q26, primarily due to lower revenue. However, gross margins

grew 280 bps YOY to 42.9% in 1Q26. Other operating income declined 18.7% YOY to USD 242 Mn in 1Q26. Share of profit from equity accounted investee fell from USD 129 Mn in 1Q25 to USD 62 Mn in 1Q26. Employee benefit expenses declined 3.6% YOY to USD 265 Mn in 1Q26. Other operating costs rose 24.8% YOY to USD 85 Mn in 1Q26. Share of operating cost in equity accounted investee decreased 4.3% YOY to USD 58 Mn in 1Q26. Inventory consumption decreased from USD 17 Mn in 1Q25 to USD 13 Mn in 1Q26. Other expenses increased 4.6% YOY to USD 49 Mn in 1Q26. Thus, the Company's EBITDA decreased 14.0% YOY to USD 1,700 Mn in 1Q26, however EBITDA margin remained almost stable at 42.1% in 1Q26, compared to 42.4% in 1Q25.
Overall Domestic Gas EBITDA declined 9% YOY to USD 684 Mn in 1Q26. Export & Traded Liquids EBITDA decreased 21% YOY to USD 821 Mn, primarily impacted by lower sales volumes in March following the closure of the Strait of Hormuz. Additionally, ADNOC Gas' share of EBITDA from the ALNG joint venture declined 51% YOY to USD 158 Mn in 1Q26, mainly due to export restrictions related to the Strait of Hormuz disruption. Thus, the Company's operating profit decreased 18.9% YOY to USD 1,373 Mn in 1Q26. Finance income declined from USD 40 Mn in 1Q25 to USD 17 Mn in 1Q26. Finance costs grew 13.9% YOY to USD 52 Mn in 1Q26. Total income tax expenses declined 38.0% YOY to USD 258 Mn in 1Q26.

Balance Sheet Highlights

ADNOCGAS's investment in capex grew from USD 555 Mn in 1Q25 to USD 1,025 Mn in 1Q26, primarily due to significant investments in growth projects. The Company's net cash flow from operating activities increased from USD 1,265 Mn in 1Q25 to USD 1,428 Mn in 1Q26, primarily due to lower working capital activities partially offset by lower profit. As of 1Q26, the Company remained debt free with cash and cash equivalents of USD 4.2 Bn.

Target Price and Rating

We maintain our BUY rating on ADNOCGAS with a target price of AED 4.30. ADNOC Gas delivered a resilient operational and financial performance in 1Q26, despite a challenging geopolitical backdrop that disrupted regional trade activity and export operations. The temporary closure of the Strait of Hormuz during March 2026 materially impacted LNG, LPG and Naphtha exports, resulting in lower sales volumes and softer earnings during the quarter. However, the Company continued to benefit from its integrated infrastructure, operational flexibility and resilient domestic gas business. Total sales volumes declined 14.6% YOY to 770 TBTU in 1Q26, primarily due to weaker LNG and export volumes, while domestic gas demand remained relatively stable despite cooler weather conditions and softer gas-to-power demand. Despite lower volumes, ADNOCGAS maintained a healthy EBITDA margin of 36.5%, supported by disciplined cost management, stable domestic gas pricing and a favorable product mix. Operationally, the Company maintained strong asset reliability of 98.1% during 1Q26, despite the regional disruptions and security-related incidents at the Habshan complex. ADNOCGAS successfully restored nearly 60% of Habshan's processing capacity within a short period and expects further recovery through 2026, with full normalization targeted by 2027. The Company continues to enhance its long-term growth outlook through strategic expansion projects and long-term supply agreements. ADNOCGAS recently signed a 25-year gas supply agreement for the Ta'ziz methanol project valued at c. USD 5 Bn, strengthening its position within the UAE's industrial development strategy. In addition, the Company secured a new five-year LNG supply agreement with TotalEnergies, further expanding its international LNG customer portfolio and improving long-term revenue visibility. On the project front, ADNOCGAS continues to progress key growth initiatives including the Rich Gas Development (RGD) project, MERAM ethane recovery project and Ruwais LNG expansion. The Company reiterated its target of achieving more than 40% EBITDA growth by 2029 compared to 2023 levels. Furthermore, ADNOCGAS plans to invest USD 4.5-5.0 Bn during 2026, reflecting continued investments in growth projects as well as reinstatement activities at Habshan. Despite the near-term impact from the Strait of Hormuz disruption and Habshan-related outages, the Company expects export volumes to gradually recover once maritime operations normalize. The Company also indicated that stronger LNG and LPG pricing could partially offset deferred export volumes during 2H26. ADNOCGAS continues to maintain a strong balance sheet with USD 4.2 Bn in cash and substantial financial flexibility. The Company reaffirmed its dividend policy, targeting annual dividend growth of 5% through 2030, with cumulative dividends of c. USD 24.4 Bn expected during 2025-2030. For 2026, ADNOC Gas has guided domestic sales volumes of 1,920-2,000 TBTU, exports and traded liquids volumes of 730-770 TBTU and LNG JV volumes of 160-175 TBTU. Net Profit unit margins of Domestic gas products between (0.83-0.90 in $/mmBTU), Export Exports & Traded Liquids between (1.65-1.75 in

$/mmBTU) and LNG JV Products between (2.00-2.10 in $/mmBTU). In addition, the Company expects 2026 net income to range between USD 3.5-4.0 Bn, reflecting the impact of the Strait of Hormuz disruption and Habshan outage, while remaining confident that earnings will recover in 2027, supported by capacity normalization, stronger commodity pricing and higher associated gas volumes following the UAE's exit from OPEC. Thus, based on our analysis, we maintain our BUY rating on the stock.

Adnoc Gas - Relative valuation[1]

(at CMP in USD)	2023	2024	2025	2026F
PE	13.66	13.83	13.39	18.13
PB	3.10	3.00	2.80	2.78
EV/EBITDA	8.71	7.53	7.58	9.42
BVPS (AED)	1.067	1.103	1.182	1.189
EPS (AED)	0.242	0.239	0.247	0.183
DPS (AED)	0.156	0.163	0.172	0.180
Dividend yield	4.7%	4.9%	5.1%	5.4%

FABS Estimates & Co Data [1]ADNOCGAS share started trading in 2023, hence, previous-year multiples are not provided

Adnoc Gas - P&L

(USD Mn)	1Q25	4Q25	1Q26	1Q26F	VAR	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	4,670	4,326	4,034	4,060	-0.6%	-13.6%	-6.7%	18,509	15,251	-17.6%
Direct Cost	2,797	2,446	2,303	2,385	-3.4%	-17.6%	-5.8%	10,622	8,886	-16.3%
Gross Profit	**1,872**	**1,880**	**1,731**	**1,676**	**3.3%**	**-7.6%**	**-7.9%**	**7,887**	**6,366**	**-19.3%**
Other Operating income	297	293	242	241	0.1%	-18.7%	-17.4%	1,134	949	-16.3%
Share of profit of eq-acc inv	129	78	62	104	-40.0%	NM	-20.6%	428	351	-18.2%
Recharges to eq acc inv	146	153	140	155	-9.8%	-4.4%	-8.3%	598	609	2.0%
Employee benefit expenses	-275	-253	-265	-279	-5.0%	-3.6%	4.9%	-1,105	-1,068	-3.3%
Other operating costs	-68	-127	-85	-92	-8.2%	24.8%	-33.5%	-386	-353	-8.6%
Share of operating costs in eq acc inv	-60	-69	-58	-63	-8.2%	-4.3%	-16.0%	-252	-238	-5.4%
Inventory Consumption	-17	-1	-13	-11	10.6%	-26.8%	NM	-53	-50	-6.0%
Other expenses	-47	-70	-49	-70	-29.4%	4.6%	-29.3%	-231	-181	-21.7%
EBITDA	**1,978**	**1,885**	**1,700**	**1,660**	**2.4%**	**-14.0%**	**-9.8%**	**8,021**	**6,385**	**-20.4%**
Depreciation and amortization	-285	-361	-332	-329	1.0%	16.6%	-8.0%	-1,299	-1,379	6.1%
EBIT	**1,693**	**1,523**	**1,373**	**1,331**	**3.1%**	**-18.9%**	**-9.9%**	**6,721**	**5,006**	**-25.5%**
Finance Income	40	28	17	30	-44.5%	NM	-41.3%	105	120	14.6%
Finance Cost	-45	-41	-52	-41	27.0%	13.9%	24.7%	-177	-163	-7.9%
Profit before tax	**1,687**	**1,510**	**1,338**	**1,321**	**1.3%**	**-20.7%**	**-11.4%**	**6,649**	**4,963**	**-25.4%**
Income Tax expense	417	337	258	308	-16.2%	-38.0%	-23.3%	1,483	1,149	-22.6%
Remeasurement gain on employees end of service benefit	0	0	0	0	NM	NM	NM	0	0	NM
Net Income	**1,270**	**1,174**	**1,079**	**1,012**	**6.6%**	**-15.0%**	**-8.0%**	**5,166**	**3,815**	**-26.2%**

FABS estimate & Co Data

Adnoc Gas - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	40.1%	43.5%	42.9%	280	-56	42.6%	41.7%	-87
EBITDA	42.4%	43.6%	42.1%	-22	-143	43.3%	41.9%	-147
Net Profit	27.2%	27.1%	26.8%	-44	-37	27.9%	25.0%	-290

FABS estimate & Co Data

Key Developments:

- **19th January 2026:** ADNOCGAS signed a 10-year LNG sales agreement with Hindustan Petroleum Corporation Limited valued between USD 2.5–3.0 Bn for the supply of 0.5 MTPA of LNG. By 2029, the Company expects India to account for nearly 20% of its LNG sales portfolio, with total contracted LNG volumes to Indian customers reaching 3.2 MTPA, including supplies to HPCL.

- **05th May 2026:** ADNOCGAS signed a 25-year gas feedstock supply agreement with ADNOC to provide natural gas to the TA’ZIZ Methanol facility, with supply expected to commence upon the project’s commissioning in 2029. The agreement, valued at c. USD 5 Bn, will support the development of the UAE’s first methanol production plant at the TA’ZIZ Industrial Chemicals Zone in Al Ruwais City, Abu Dhabi.

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Valuation:

We have used Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Dividend Yield to value ADNOC Gas. We have assigned 70% weight to DCF, 15% to RV, and 15% to Dividend Yield. In addition, we have also valued ADNOC LNG JV using the Discounted Free Cash Flow (DCF) and Relative Valuation (RV) method. We excluded the profit of ADNOC LNG JV while valuing ADNOCGAS, as a result, it is valued as a standalone business.

Valuation Method	Target	Weight	Weighted Value
DCF Method (ADNOCGAS + ADNOC LNG)	4.10	70.0%	2.87
Relative Valuation (RV) – EV/EBITDA	3.69	15.0%	0.55
Dividend Yield	5.88	15.0%	0.88
Weighted Average Valuation (AED)			**4.30**
Current market price (AED)			3.35
Upside/Downside (%)			+28.4%

1) ADNOC Gas DCF Method:

ADNOCGAS is valued using free cash flow to Equity. We have discounted the cash flow using a weighted average cost of equity of 9.1%. The cost of equity is calculated using a 10-year government bond yield of 5.2%, a beta of 0.97, and an equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	12,114
Terminal value (USD, Mn)	66,276
FV to Common shareholders (USD, Mn)	**78,390**
No. of shares (Mn)	76,717
Current Market Price (AED)	3.35
Fair Value per share (AED)	**3.75**

DCF Method

(All Figures in USD Mn)	FY2026F	FY2027F	FY2028F	FY2029F	FY2030F
Net Income	3,464	4,009	4,762	5,425	5,992
D&A	1,379	1,422	1,460	1,496	1,504
(-) Capex	-4,750	-3,850	-3,950	-4,200	-900
Change in working capital	-795	386	338	247	268
Net change in debt	1,000	1,000	500	0	0
Free Cash Flow to Equity (FCFE)	**298**	**2,968**	**3,110**	**2,968**	**6,864**
Discounting Factor	0.95	0.87	0.80	0.73	0.67
Discounted FCFE	**282**	**2,580**	**2,480**	**2,170**	**4,602**

Source: FAB Securities

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2) ADNOC Gas LNG JV DCF Method:

ADNOCGAS LNG JV is valued using free cash flow to Equity. It is discounted using the same WACC applied for ADNOC Gas. We have discounted the cash flow using a weighted average cost of equity of 9.1%. The cost of equity is calculated using a 10-year government bond yield of 5.2%, a beta of 0.97, and an equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	2,913
Terminal value (USD, Mn)	7,317
FV to Common shareholders (USD, Mn)	**10,230**

DCF Method

(All Figures in USD Mn)	FY2026F	FY2027F	FY2028F	FY2029F	FY2030F
Net Income	501	538	578	582	584
D&A	200	214	229	243	257
(-) Capex	-355	-261	-182	-138	-141
Change in working capital	-30	-36	-42	-44	-45
Net change in debt	300	300	200	100	100
Free Cash Flow to Equity (FCFE)	**615**	**756**	**782**	**743**	**754**
Discounting Factor	0.95	0.87	0.80	0.73	0.67
Discounted FCFE	**583**	**657**	**624**	**543**	**506**

Source: FAB Securities

3) Relative Valuation: EV/ EBITDA & Dividend Yield

We have used regional and global peers to value ADNOCGAS PLC, which is valued using the EV/EBITDA and Dividend Yield multiples. It is valued at a 2026 EV/EBITDA multiple of 10.5x in line with its peers. In the dividend yield, we have used a dividend Yield of 3.1% to value ADNOCGAS.

Company	Market	EV/EBITDA (x)		P/E (x)		Dividend Yield (%)	
	(USD Mn)	2026F	2027F	2026F	2027F	2026F	2027F
Saudi Basic Industries Corp	46,927	10.8x	8.5x	39.5x	23.3x	5.4%	5.5%
Saudi Arabian Oil Co	1,802,412	6.9x	7.3x	14.1x	14.8x	5.0%	5.5%
Borouge	20,225	6.1x	4.5x	NA	27.1x	1.7%	1.8%
Petronas Gas Bhd	8,557	10.2x	9.9x	18.4x	17.7x	4.2%	4.4%
Kinder Morgan Inc	76,334	12.6x	12.2x	23.3x	22.4x	3.5%	3.5%
Valero Energy Corp	77,980	6.3x	8.5x	9.5x	13.4x	1.8%	1.9%
Marathon Petroleum Corp	76,785	6.9x	7.9x	9.3x	12.0x	1.6%	1.7%
Oneok Inc	60,004	11.3x	10.8x	16.5x	15.4x	4.5%	4.7%
Targa Resources Corp	59,285	13.5x	12.6x	26.0x	23.4x	1.8%	2.1%
Williams Cos Inc	97,106	15.4x	14.0x	33.2x	30.9x	2.7%	2.8%
Average		**10.0x**	**9.6x**	**21.1x**	**20.0x**	**3.2%**	**3.4%**
Median		**10.5x**	**9.2x**	**18.4x**	**20.1x**	**3.1%**	**3.2%**
Max		**12.3x**	**11.8x**	**26.0x**	**23.4x**	**4.5%**	**4.6%**
Min		**6.9x**	**8.0x**	**14.1x**	**15.0x**	**1.8%**	**2.0%**

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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