FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Energy | Market: ADX

ADNOC Gas PLC (ADNOCGAS)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.44	AED 4.30	+25%	BUY

3Q26 Net Profit higher than our estimate

- Revenue declined 9.7% YOY to USD 4,384 Mn in 3Q26, primarily due to lower domestic gas sales and reduced export and traded liquids sales volumes amid the continued Strait of Hormuz disruption.
- Total sales volume declined 21.7% YOY to 751 TBTU in 3Q26.
- Domestic gas sales volume declined 19.2% YOY to 513 TBTU in 3Q26, while the export and traded liquids volumes declined 27.5% YOY to 198 TBTU.
- ADNOC LNG JV sales volume declined from 46 TBTU in 3Q25 to 37 TBTU in 3Q26. The sales volume of sulphur declined from 5 TBTU in 3Q25 to 3 TBTU in 3Q26.
- Direct cost declined 14.9% YOY to USD 2,335 Mn in 3Q26, resulting in a 3.0% YOY decline in gross profit to USD 2,049 Mn in 3Q26. Thus, gross margin expanded 325 bps YOY to 46.7% in 3Q26.
- EBITDA declined 9.7% YOY to USD 1,871 Mn in 3Q26, while EBITDA margin remained broadly stable at 42.7%. On a consolidated basis, including ADNOC LNG JV and other adjustments, EBITDA declined 7.0% YOY to USD 2,027 Mn.
- Operating profit declined 12.2% YOY to USD 1,527 Mn in 3Q26.
- Finance income increased 3.4% YOY to USD 20 Mn in 3Q26, while finance costs increased 19.7% YOY to USD 52 Mn in 3Q26.
- Net profit declined marginally by 0.2% YOY to USD 1,336 Mn in 3Q26, significantly higher than our estimate of USD 811 Mn. The decline was primarily driven by lower revenue, other operating income and profit share from equity-accounted investees, coupled with higher other operating costs, depreciation & amortisation and finance costs. These factors were largely offset by lower direct costs, inventory consumption, share of operating costs of equity-accounted investees and other expenses, alongside higher finance income and other income, and a decline in income tax expenses.

Earnings Call Summary

- ADNOCGAS remains committed to delivering more than 60% EBITDA growth by 2030 vs 2023, from USD 7.6 Bn to c. USD 12.2 Bn (assuming a USD 70/bbl oil price), driven by c. 45% growth in gas processed volumes from 3,566 TBTU to c. 5,200 TBTU. The plan is underpinned by USD 28 Bn of committed capex across MERAM, RGD Phases 1–3 and Ruwais LNG, while Bab Gas Cap remains at the pre-FID stage.
- Net profit doubled QOQ to USD 1,336 Mn in 3Q26, with domestic gas contributing an additional USD 199 Mn, ETL and LNG USD 251 Mn, and sulphur and others USD 221 Mn. The rebound was driven by improved shipping conditions, the Habshan recovery and strong sulphur prices, with every available operational asset back at 100% production by September 2026.
- Shipping activity through the Strait of Hormuz recovered meaningfully, with the number of loaded vessels more than doubling QOQ and cargo movements in September 2026 returning to c. 88% of 2025 levels. As a result, ETL and LNG sales volumes rose 72% QOQ to 235 TBTU, although they remained c. 26% lower YOY.
- Domestic gas EBITDA rose 28% QOQ to USD 878 Mn as sales volumes increased 20% QOQ to 513 TBTU, supported by the Habshan restoration and seasonal demand. Higher consumption above base load triggered higher tier pricing for the power sector, which, together with gas-to-electrons sales, lifted the domestic net income margin to USD 1.34/MMBtu in 3Q26 from USD 1.13/MMBtu in 2Q26.

- The Company noted that gas-to-electrons sales, under which ADNOCGAS supplies gas that is converted into electricity and transmitted through the Gulf grid, are increasingly becoming a recurring revenue stream, although volumes remain subject to a tender process.
- Realised prices improved despite softer QOQ benchmarks, lifting the net income margin for ETL to USD 1.72/MMBtu in 3Q26 from USD 1.23/MMBtu in 2Q26 and for LNG to USD 2.15/MMBtu in 3Q26 from USD 1.29/MMBtu in 2Q26. Sulphur prices averaged c. USD 1,000/t in 3Q26 compared to USD 272/t in 3Q25, and the Company deliberately timed sulphur sales to capture this price level.
- The Habshan recovery progressed ahead of schedule, with c. 85% of supply restored within 43 days of the 8 April 2026 shutdown, and full pre-war capacity is expected to be restored by mid-2027, ahead of the original plan. AI-driven inspection (75% faster across 600 km of pipeline) and 3D printing of 38 compressor parts (saving 180 days of lead time) accelerated the recovery, and the remaining work involves installing and testing long-lead equipment.
- Growth projects reached key milestones during the quarter. Ruwais LNG installed the first two 75 MW refrigeration compressor trains, RGD Phase 3 broke ground at Ruwais NGL Train 5, and Estidama completed start-up of the first gas compression train. MERAM (3.4 MTPA, including 2.2 MTPA of ethane and 1.2 MTPA of NGLs) completed the first-stage tie-ins with existing operations, with gas now flowing for testing.
- RGD Phases 2 and 3 are being executed under EPC contracts worth a combined c. USD 8.2 Bn, and upfront advances paid to contractors under these contracts contributed to the working capital outflow (USD 486 Mn in 9M26). Even so, 9M26 operating cash flow of USD 3.82 Bn comfortably covered USD 2.82 Bn of dividends.
- The Company indicated that the Bab Gas Cap FID is not an immediate priority, given the focus on executing current projects and the need to secure the right feedstock volumes and composition from ADNOC for this condensate-heavy development. FID could now take place in late 2026 or 1Q27, with ADNOCGAS emphasising that the decision will not be rushed.
- On LNG, ADNOCGAS has already committed c. 90% of its base LNG volumes and signed a new five-year agreement with TotalEnergies for up to 1.6 MTPA. Near-term LNG prices are expected to depend largely on weather, given lower European inventories, while a longer-term market surplus is expected to stimulate demand, favouring low-cost suppliers with long-term contracts and proximity to demand centres.
- No decision has been taken on a potential additional LNG export facility in Fujairah, which remains one of several growth opportunities under evaluation, either independently or together with ADNOC depending on project size.
- Domestic demand remains strong, with incoming requests roughly matching the capacity being built. At ADIPEC, the Company signed an agreement with SNOC (Sharjah) covering incremental volumes, an extension of the existing contract and potential use of gas storage, along with a framework agreement with EWEC for new power generation in the Northern Emirates, which the Estidama pipeline is expected to help unlock.
- For the recently sanctioned unconventional gas project, ADNOCGAS will not carry the upstream capex or processing, but will market the resulting volumes to domestic and international customers, allocating them to the highest-value use.
- ADNOCGAS expects to make the first drawdown under the USD 4.0 Bn growth capex facility in late 2026 or early 2027, alongside the existing USD 2.0 Bn working capital facility, with borrowings from ADNOC at competitive rates. There are no plans to access public debt markets, except potentially for LNG and low-carbon projects.
- The Company indicated that the 3Q26 net profit beat its USD 600–800 Mn guidance mainly because vessel movements through the Strait of Hormuz were higher than assumed and because of the timing of sulphur sales. October 2026 was a strong month, but visibility on November and December remains limited, and domestic sales typically soften in 4Q after the 3Q seasonal peak.

- The Company raised 2026 net profit guidance to at least USD 4.0 Bn from USD 3.5–4.0 Bn and maintained capex guidance of c. USD 5.0 Bn. Volume guidance stands at 1,950–2,000 TBTU for domestic gas, 680–740 TBTU for Exports & Traded liquids and 125–150 TBTU for LNG, with sulphur net profit guidance at USD 600–720 Mn.
- Shareholder returns remain a priority alongside growth investment, with the Board approving USD 940 Mn dividends (4.5 fils per share) for 3Q26. The 2026 dividend commitment remains at USD 3.76 Bn (18 fils per share), in line with the policy of 5% annual dividend growth through 2030.

ADNOC Gas - P&L

(USD Mn)	3Q25	2Q26	3Q26	3Q26F	Var.	YOY Ch	QOQ Ch
Revenue	4,856	3,111	4,384	3,504	25.1%	-9.7%	40.9%
Direct Cost	2,744	1,729	2,335	1,973	18.3%	-14.9%	35.1%
Gross Profit	**2,112**	**1,383**	**2,049**	**1,531**	**33.9%**	**-3.0%**	**48.2%**
Other Operating income	281	128	178	172	3.8%	-36.5%	39.2%
Share of profit of equity-accounted investee	71	11	57	116	NM	-18.7%	NM
Recharges to equity accounted investees	146	145	146	155	-5.4%	0.3%	0.7%
Employee benefit expenses	-281	-275	-281	-325	-13.5%	-0.1%	2.2%
Other operating costs and administrative exp	-111	-115	-149	-94	NM	34.8%	30.1%
Share of operating costs in an equity acc inv	-65	-55	-62	-44	42.9%	-3.6%	14.4%
Inventory Consumption	-19	-16	-13	-6	NM	-30.3%	-18.5%
Other expenses	-62	-142	-56	-144	NM	-9.7%	NM
Other Income	0	48	2	0	NM	NM	NM
EBITDA	**2,072**	**1,118**	**1,871**	**1,361**	**37.4%**	**-9.7%**	**NM**
Depreciation and amortisation	-332	-334	-343	-330	4.1%	3.6%	2.9%
EBIT	**1,740**	**779**	**1,527**	**1,031**	**48.1%**	**-12.2%**	**NM**
Finance Income	19	13	20	25	-20.3%	3.4%	NM
Finance Cost	-44	-48	-52	-37	41.2%	19.7%	9.5%
Profit before tax	**1,716**	**744**	**1,495**	**1,019**	**46.6%**	**-12.9%**	**NM**
Income Tax expense	378	79	159	208	-23.5%	-57.9%	NM
Net Income	**1,338**	**665**	**1,336**	**811**	**NM**	**-0.2%**	**NM**

FABS estimate & Co Data

2026 Management Guidance:

		Q1-Q3 2026 actual	2026 guidance
Financial	EBITDA Margin %	36%	36-37%

	(in TBTU)	Q1-Q3 2026 actual	2026 guidance
Sales volume	Domestic Gas Products	1,460	1,950 – 2,000
	Exports & Traded Liquids	517	680 – 740
	LNG JV Products	103	125 – 150

	(in $/MMBtu)	Q1-Q3 2026 actual	2026 guidance
Net Profit Unit Margins	Domestic Gas Products	1.17	1.13 – 1.17
	Exports & Traded Liquids	1.57	1.50 – 1.65
	LNG JV Products	1.53	1.50 – 1.65
	Sulphur ($ Millions)	462	600 - 720

	($ Million)	Q1-Q3 2026 actual	2026 guidance
Investments	CAPEX	3,672	~5,000

Note: ADNOC Gas' proportionate 70% share of ALNG volumes includes LNG, LPG, Naphtha and Sulphur.
2026 CAPEX is subject to Habshan restoration progress.

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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