UAE Energy Sector – June 2025

Energy Markets Brace for Slower Growth and Rising Inventories

Sector Weighting:
MARKET WEIGHT

ADNOC Distribution stands out as our preferred pick over ADNOC Drilling, ADNOC Gas, and Dana Gas, backed by its strong operational execution, diversified revenue streams, and scalable growth strategy. While lower crude oil prices impacted topline in early quarters, ADNOC Distribution recorded all-time high fuel volumes of 3.7 Bn litres in 1Q25, growing 1.1% YOY, supported by steady demand across UAE, KSA, and Egypt. ADNOCDIST operated 915 fuel stations as of 1Q25, 555 in the UAE, 115 in Saudi Arabia, and 245 in Egypt, and added 20 new stations during the quarter, aiming to scale this network to 1,000 by 2028, with 40–50 new sites planned in 2025. While ADNOC Distribution's fuel business provides strong baseline cash flows, it is the non-fuel operations that offer margin expansion and diversification. Non-fuel continues to be a high-growth vertical, supported by strong retail conversion. ADNOC Distribution recorded a 9% YOY increase in non-fuel transactions in 1Q25, following a series of strategic enhancement in its convenience and services portfolio. Convenience store network and service penetration also improved, contributing to a c. 14% YOY rise in non-fuel gross profit in 1Q25. Vehicle inspections also remained a strong support line, growing 20.4% YOY in 2024 and 3.5% YOY in 1Q25, aided by network expansion and new offerings. ADNOC Distribution is advancing rapidly in clean energy infrastructure, with EV charging points increasing more than fourfold to 283 as of 1Q25, adding 63 during the quarter. ADNOCDIST aims to expand its EV infrastructure 10–15 times by 2028, with 100 new chargers planned for 2025.

ADNOC Drilling presents long-term growth through upstream exposure and rising rig count, targeting 151 rigs by 2028. In 1Q25, management confirmed 2025 revenue guidance of USD 4.6–4.8 Bn and continued to execute on its Enersol JV and SLB partnerships. However, the business remains capital-intensive, and many of its newer rigs, including three island rigs, will only contribute meaningfully by 2027 and beyond. The business model of ADNOCDRILL is back-end loaded, with significant capex and modest near-term return visibility. This limits near-term upside for consistent yield and earnings clarity. ADNOC Gas benefits from a large base of long-term contracts and stable asset reliability (99.8% in 1Q25), However, its short-term earnings growth is limited. After a 4.7% YOY decline in volumes in 4Q24, ADNOCGAS recovered modestly in 1Q25, reporting a 1.3% YOY increase in total volumes to 902 TBTU, with domestic volumes up 1.2% YOY. However, ADNOC Gas continues to face planned shutdowns in 2025, which could impact up to USD 100 Mn in net income. While defensively positioned, ADNOC Gas lacks the optionality and consumer-driven growth of ADNOC Distribution. Meanwhile, Dana Gas continues to face structural and geopolitical headwinds across its operating geographies, primarily in the Kurdistan Region of Iraq and Egypt, which limits its growth potential and financial consistency. Free cash flow volatility and high operational risk diminish its investment appeal, particularly in comparison to ADNOC Distribution's stable, diversified earnings base. Overall, ADNOC Distribution offers the most balanced mix of near-term revenue visibility, recurring income from fuel and non-fuel businesses, strategic growth in mobility and EV, and strong dividend payouts, positioning it as the preferred choice across the energy sector.

Stocks	Target Price	CMP	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
ADNOC Distribution (AED)	4.46	3.68	+21.2%	**BUY**	17.7	1.8	5.6%
ADNOC Drilling (USD)	6.50	5.79	+12.3%	**ACCUMULATE**	18.0	12.5	3.4%
ADNOC Gas (USD)	3.93	3.38	+16.3%	**BUY**	14.1	7.6	5.1%
Dana Gas (USD)	0.95	0.75	+26.7%	**BUY**	9.8	6.4	7.3%

Source: FABS Estimate, [1]Data refers to FY2025E

Key Developments in the Energy Sector

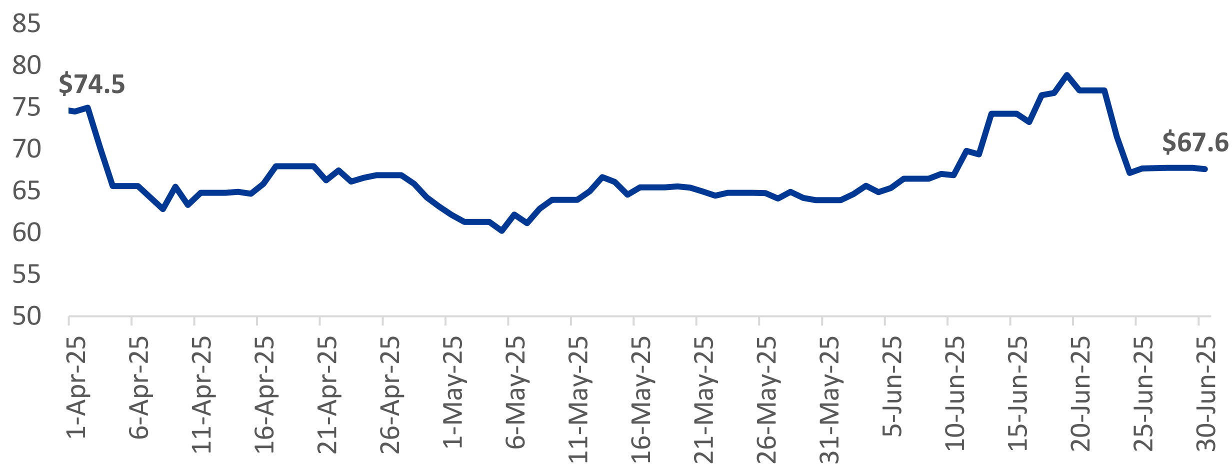
Advanced Economies Face Slowdown; UAE Defies Trend with Robust Growth Outlook

Global economic growth is projected to moderate to 2.8% in 2025 and 3.0% in 2026, compared to 3.3% in 2024. In the April 2025 World Economic Outlook, the IMF downgraded its growth projections for 2025 by 0.5% and for 2026 by 0.3% from its January forecast. The downward revision of the growth in mainly attributable to impact of new trade restrictions and their effects. The short-term impact of tariffs on growth varies by country, depending on its trade ties, industries, government responses, and the ease with which it can shift trade elsewhere. Growth in advanced economies is expected to remain subdued at 1.4% in 2025, which stood 0.5% lower than the January 2025 WEO forecast. Specifically, the United States is forecast to expand by just 1.8%, a notable 0.9 percentage point downward revision amid rising policy uncertainty, intensifying trade tensions, and weakening demand momentum. Similarly, Euro Area growth is projected to decelerate to 0.8%, down 0.2 percentage point from earlier estimates. Emerging market and developing economies are also expected to see a slowdown, with growth forecast at 3.7% in 2025 and 3.9% in 2026. Countries most impacted by recent trade restrictions, such as China, are facing significant downward revisions. On the inflation front, global headline inflation is anticipated to ease more gradually than previously expected, reaching 4.3% in 2025 and 3.6% in 2026. This includes upward revisions for advanced economies and a marginal downward adjustment for emerging markets in 2025. Against this challenging global backdrop, the UAE stands out with a robust growth outlook. The International Monetary Fund (IMF) projects the UAE’s real GDP to rise 4.0% in 2025, up from an 3.8% in 2024. The UAE's non-oil private sector also shows signs of resilience, as reflected in the S&P Global PMI, which edged up from 53.3 in May 2025 to 53.5 in June 2025. This marginal improvement signals overall sectoral strength, despite mixed movements across sub-indices. Notably, a slight easing in new business growth was counterbalanced by stronger output expansion and stabilisation in inventory levels, underscoring the private sector's continued recovery momentum.

Brent Crude Recovers in June but Ends 2Q25 Lower; Outlook Hinges on Middle East Tensions

Brent crude oil prices fluctuated between USD 78.9 and USD 60.2 per barrel in the 2Q25, eventually settling at USD 67.6 per barrel on 30th June 2025, marking a 9.3% QOQ decline. However, prices increased for the first time in five months during June 2025, averaging USD 71 per barrel. This rise was mainly driven by geopolitical tensions, particularly owing to the concerns of supply disruption amid conflict over Iran’s nuclear program. The situation highlighted the strategic importance of the Strait of Hormuz, through which an estimated 20% of global petroleum consumption is shipped. Concerns over a potential closure of this key chokepoint triggered a spike in oil prices and increased market volatility. Although crude oil prices surged during the period of increased tensions, have nearly returned to pre-conflict levels, falling to USD 68 per barrel on 25th June 2025 after the announcement of the ceasefire agreement between Iran and Israel. While some energy facilities in Iran were damaged, there have been no major disruptions to oil flows in the region. Despite the announcement of a ceasefire, the outlook remains uncertain, and the risk of renewed conflict continues to influence market sentiment. Global oil inventories rose by an estimated 1.2 Mn bpd in 1H25. On the other hand, in 2H25, global oil inventories are expected average 0.9 Mn bpd. This trend is forecast to continue into 2026, with global inventory expected to average 1.1 Mn bpd. The rise in global oil inventories is expected to exert downward pressure on prices. According to EIA, Brent crude oil prices are projected to average USD 69 per barrel in 2025, mainly due to higher near-term prices influenced by the ongoing geopolitical risk stemming from the Israel-Iran conflict. However, in 2026, prices are expected to decline, averaging USD 58 per barrel, as rising global oil inventories weigh on the market.

Brent Crude Oil Price During 2Q25 (USD per Barrel)



Source: Bloomberg

Crude Oil Supply and Demand

- According to IEA, Global oil demand is expected to rise by 720,000 bpd in 2025, mainly due to weaker-than-expected oil deliveries in the US and China during the 2Q25, which offset stronger demand in other regions. In 2026, oil demand growth is projected to moderate to 740,000 bpd. This deceleration reflects the impact of a weaker global economic outlook and rising adoption of clean energy technologies, which are gradually reducing reliance on fossil fuels.

- Global oil supply increased 330,000 bpd in May 2025, reaching 105 Mn bpd. This is 1.8 Mn bpd higher compared to May 2024. The monthly increase was equally shared between OPEC+ and non-OPEC+ producers, as few OPEC+ members started easing voluntary production cuts.

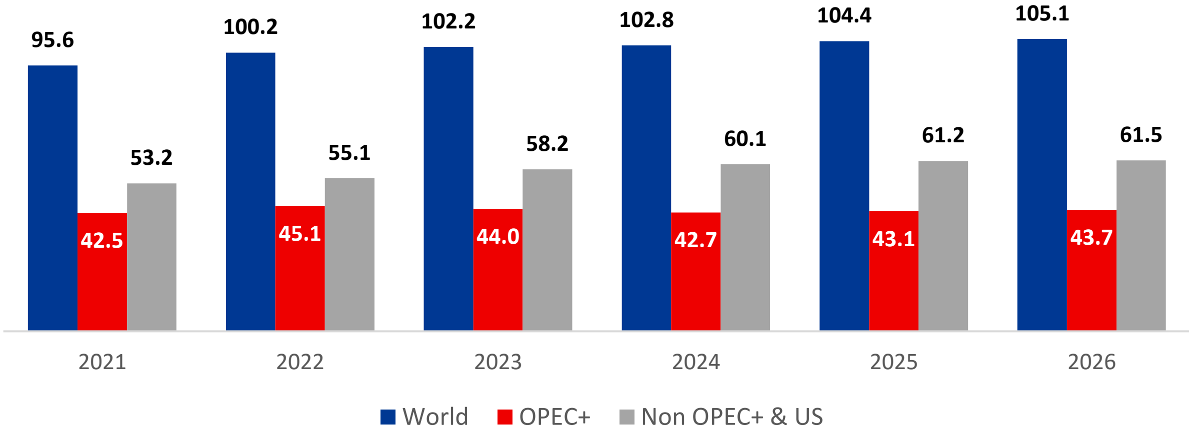
- IEA expects global oil supply to grow 1.8 Mn bpd to 104.9 Mn bpd in 2025, followed by a further increase of 1.1 Mn bpd in 2026. These gains will be largely driven by non-OPEC+ producers, who are projected to contribute 1.4 Mn bpd in 2025 and 840,000 bpd in 2026.

- Global liquid fuels consumption is forecast to grow 0.8 Mn bpd in 2025 and 1.1 Mn bpd in 2026, primarily driven by non-OECD countries.

- Consumption in non-OECD regions is expected to increase 0.9 Mn bpd in 2025 and 1.0 Mn bpd in 2026, while OECD countries are anticipated to see a slight decline of 0.1 Mn bpd in 2025 and remain largely flat in 2026.

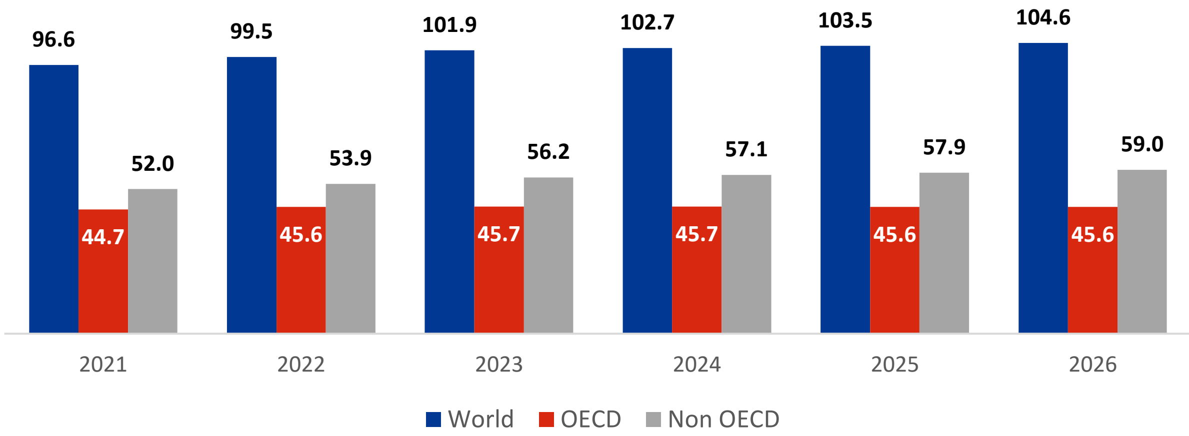
- Most of the demand growth in non-OECD countries is concentrated in Asia, with India's consumption forecast to rise by 0.5 Mn bpd over the next two years, and China's consumption expected to grow by 0.4 Mn bpd through 2026.

Petroleum and other liquid fuels production (Mn BPD)



Source: Energy Information Administration

Petroleum and other liquid fuels Consumption (Mn BPD)



Source: Energy Information Administration

LNG Prices Surge in Asia Amid Geopolitical Risks and US Spot Prices Drop Sharply

In 2025, global gas and LNG markets are expected to experience modest demand growth, characterised by tight supply dynamics and shifting regional trade patterns, driven by geopolitical and macroeconomic factors. In the US, Henry Hub Natural Gas spot prices declined 26.7% QOQ from USD 4.12 per Million Btu in March 2025 to USD 3.02 per Million Btu in June 2025. According to Bloomberg, the average price for front-month LNG cargoes in East Asia increased 66 cents to USD 13.94 per MMBtu. In the Netherlands, natural gas futures at the Title Transfer Facility (TTF) increased by 11 cents to an average of USD 12.95 per MMBtu. The spots LNG price for near-month delivery to Northeast Asia JKM was in the low USD 12s per MMBtu at the start of June 2025. However, the prices began rising due to an expected summer demand and Egypt's purchase of spot cargoes. Mid-June, after Israel's attack on Iran and rising geopolitical tensions, JKM climbed to the high USD 14s, the highest level since mid-February 2025. According to EIA, Global gas demand is projected to grow at a slower pace in 2025, increasing by c.1.5% amid rising macroeconomic uncertainties. In the Asia-Pacific region, demand is expected to rise by just over 2% in 2025, significantly lower than the 5.5% growth recorded in 2024. Despite this deceleration, Asia is expected to remain the primary driver of global gas demand, accounting for nearly one-third of the total increase in 2025. After a colder-than-usual first quarter, natural gas consumption in North America is expected to grow by just below 1% compared to 2024. In Central and South America, demand is anticipated to remain largely unchanged. Meanwhile, Europe’s natural gas demand is projected to rise by 1.5% YOY, though it will still be nearly 20% below 2021 levels. Combined demand across Africa and the Middle East is forecast to grow by 2.5% in 2025. LNG markets remained tight during the 2024/25 heating season, with global trade rising by around 2% YOY. The United States led supply growth, boosting exports by 9% YOY supported by new projects such as Plaquemines LNG. On the demand side, Europe’s LNG imports grew by 6% YOY. In comparison, Asia saw a 1% YOY decline, largely due to a sharp 12% drop in China’s imports amid weaker domestic demand and increased Russian pipeline gas deliveries during the 2024/25 heating season. In contrast, LNG imports in Central and South America rose by 8% YOY, driven by greater gas-to-power usage in Brazil and Colombia. Looking ahead to 2025, global LNG supply is projected to grow by 5%, driven primarily by North America, particularly the United States, which is expected to contribute around 85% of the new supply. Additional volumes from Canada and Mexico are also anticipated, further strengthening North America's export capacity. Outside North America, LNG supply growth is expected to be limited or remain flat, with potential declines in Africa and Russia due to outages, sanctions, and weaker upstream conditions. In Asia, supply is also projected to stay flat, reflecting increasingly challenging feedgas availability in certain markets. On the demand side, Europe is expected to lead LNG import growth in 2025, with a projected increase of 25%, driven by declining pipeline imports from Russia and rising storage requirements. In contrast, Asian LNG imports are anticipated to decrease slightly, particularly in China, where imports could fall by 4% following a 10% increase in 2024.

Middle East Energy Players Scale Operations with Major Drilling, Distribution, and LNG Investments

Dana Gas

- Crescent Petroleum and Dana Gas with their partner Pearl Petroleum approved USD 160 Mn for drilling three wells at the Chemchemal field and installation of extended well test (EWT) facility along with building necessary supporting infrastructure.
- Pearl Petroleum is considering funding options for unlocking near-term growth opportunities across Khor Mor Field. The funding round may result in issuing a new five-year senior secured bond.
- The daily production at the Khor Mor gas field reached 525 Mn standard cubic feet per day (MMscfd) in early March 2025, marking a 75% increase since 2017. Additionally, Dana gas also produced 15,200 bpd of condensate and 1,070 tons per day of LPG.

ADNOC Distribution

- ADNOC Distribution and Noon announced a strategic partnership to strengthen last-mile delivery and expand quick-commerce services in the UAE. Noon will 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, which will be delivered through Noon's AI-driven logistics system, adding convenience for customers and opening an additional income stream.
- ADNOC Distribution, in collaboration with TotalEnergies Marketing Egypt (TEME), has launched its Voyager lubricant range in Egypt, marking its first entry into third-party retail channels in the country. Currently, ADNOC Voyager products are available at select outlets in Greater Cairo and the Nile Delta, as well as on Amazon and Noon. ADNOC Distribution aims to expand its distribution network to 3,000 points of sale across Egypt by the end of 2026, supporting its regional growth strategy and enhancing brand visibility.

ADNOC Drilling

- ADNOC has secured a contract of USD 800 Mn from ADNOC Onshore to provide integrated hydraulic fracturing services for conventional and tight reservoirs. The five-year agreement will commence in 3Q25. This deal supports ADNOC Drilling's strategy to expand its service offerings and strengthen its position as a fully integrated, technology-driven energy services provider.
- During May 2025, ADNOC Drilling announced plans to acquire a 70% stake in SLB's land drilling rigs business in Kuwait and Oman. The deal includes eight operational land rigs currently under contract with the national oil companies of both countries. This acquisition supports ADNOC Drilling's regional expansion strategy and strengthens its presence in key Gulf markets.
- ADNOC Drilling announced a USD 1.15 Bn contract from ADNOC Offshore for the deployment of two jack-up rigs in May 2025. The 15-year contract supports ADNOC's expanding offshore operations and builds on existing agreements. The deal is expected to deliver stable, long-term revenue and enhance returns for ADNOC Drilling.
- ADNOC Drilling announced a contract worth approximately USD 806 Mn from ADNOC Offshore for three island rigs. The rigs will support the ongoing expansion of the offshore Zakum development project. This follows a previous order for three island rigs in July 2024, bringing the total to six and reinforcing ADNOC Drilling's role in offshore growth initiatives.

ADNOC Gas

- On June 10, 2025, ADNOC Gas announced that the Company has taken a final investment decision (FID) and awarded USD 5 Bn in contracts for the first phase of its Rich Gas Development (RGD) Project. This marks a major step in the Company's largest capital investment to date and supports its strategy to expand gas processing capacity and meet growing demand.
- On May 14, 2025, ADNOC Gas announced that its shares had been selected for inclusion in the MSCI Emerging Markets Index, effective from June 2, 2025. The inclusion reflects the Company's compliance with MSCI's eligibility criteria and is expected to enhance its visibility among global investors.
- On July 10, 2025, ADNOC Gas signed a three-year agreement to supply liquefied natural gas (LNG) to SEFE, a German energy company. The deal covers the delivery of 0.7 Mn tonnes of LNG, with shipments starting later in 2025. The total value of the contract is estimated at c.USD 400 Mn (AED 1.5 Bn) over the three-year period. The LNG is expected to be supplied from ADNOC Gas' Das Island facility, which is a major part of its operations.

Contents

2Q25 Preview: ADNOC Distribution

Accelerating growth through diversification

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.68	AED 4.46	+21.2%	BUY

2Q25 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to decline marginally 0.4% YOY to AED 620 Mn in 2Q25, driven by an estimated decline in revenue and higher operating expenses, partially offset by expected decline in direct cost, net finance cost, and income tax expense. ADNOCDIST's revenue is predicted to decline 3.1% YOY to AED 8,509 Mn in 2Q25, due to expected decline in revenue from Retail segments partially offset by higher contribution from Commercial segment. On the other hand, direct costs are predicted to decline 4.4% YOY to AED 6,926 Mn in 2Q25. As a result, gross profit is likely to increase 2.7% YOY to AED 1,583 Mn in 2Q25. The Company's other income is estimated to increase 14.4% YOY to AED 30 Mn in 2Q25, whereas distribution & admin expenses are predicted to grow 6.9% YOY to AED 808 Mn. Moreover, impairment & others expenses are predicted to rise 19.8% YOY to AED 27 Mn in 2Q25. Hence, operating profit is expected to decline marginally 1.4% YOY to AED 777 Mn. Depreciation & amortization charge is anticipated to increase 5.3% YOY to AED 201 Mn in 2Q25. Thus, EBITDA is expected to increase marginally 0.1% YOY to AED 978 Mn in 2Q25. Interest income is anticipated to fall 21.4% YOY to AED 26 Mn in 2Q25. Interest expenses are forecasted to decline 9.3% YOY to AED 103 Mn in 2Q25. ADNOCDIST's income tax is predicted to decrease 5.3% YOY to AED 70 Mn in 2Q25. Additionally, the share of profit attributable to NCI is expected to decline 12.8% YOY to AED 9 Mn in 2Q25.

2025 Forecast

ADNOC Distribution is expected a report a 7.5% increase in net profit to AED 2,603 Mn in 2025. The rise in net profit is mainly attributed to an anticipated rise in revenue, decrease in net finance cost, income tax expense and NCI, partially offset by an estimated growth in direct costs, impairment & others expenses and depreciation & amortization expenses. ADNOCDIST's revenue is forecasted to increase 2.8% YOY to AED 36,435 Mn in 2025, due to expected increase in revenue in Retail and Commercial segments. On the other hand, direct costs are predicted to rise 2.7% YOY to AED 30,041 Mn in 2025. Thus, gross profit is likely to boost 2.9% YOY to AED 6,394 Mn in 2025. Other income is anticipated to decrease 2.4% YOY to AED 135 Mn in 2025. Distribution & administrative expenses are predicted to marginally grow 0.4% YOY to AED 3,206 Mn in 2025, while impairment & others expenses are forecasted to increase 9.0% YOY to AED 98 Mn. Thus, operating profit is expected to increase 5.1% YOY to AED 3,224 Mn. Depreciation & amortization expenses are anticipated to rise 3.0% YOY to AED 810 Mn in 2025. EBITDA is expected to increase 4.7% YOY to AED 4,034 Mn in 2025. Interest income is projected to decline significantly 36.7% YOY to AED 91 Mn in 2025, whereas interest expenses is predicted to decline 10.2% YOY to AED 411 Mn in 2025. The Company's income tax charge in forecasted to fall 7.7% YOY to AED 261 Mn in 2025. Non-controlling Interest is expected to decrease 21.2% YOY to AED 41 Mn in 2025.

1Q25 Outturn

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 nonfuel segment. The Company's total fuel volumes marginally grew 1.0% YOY to 3.7 Bn liters 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 10.4% 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. 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. Moreover, operating profit rose 9.4% YOY to AED 805 Mn 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 fell from AED 48 Mn in 1Q24 to AED 18 Mn in 1Q25, whereas the interest expense declined from AED 209 Mn in 1Q24 to AED 103 Mn in 1Q25. The Company's income tax expense rose from AED 46 Mn in 1Q24 to AED 72 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. Regionally, the Company expanded by adding five new stations in the UAE and 15 dual-core stations in KSA under contract models. 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. 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)	19.3	20.5	16.8	17.7	19.1	17.7
PB (x)	13.4	14.4	13.4	13.3	13.9	15.3
EV/EBITDA	19.1	20.3	16.4	16.3	15.8	1.8
BVPS (AED)	0.275	0.256	0.276	0.278	0.266	0.242
EPS (AED)	0.192	0.180	0.220	0.208	0.194	0.208
DPS (AED)	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%

ADNOC Distribution - P&L

AED Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	**8,784**	**8,473**	**8,509**	**-3.1%**	**0.4%**	**35,454**	**36,435**	**2.8%**
Direct costs	-7,244	-6,855	-6,926	-4.4%	1.0%	-29,238	-30,041	2.7%
Gross profit	**1,541**	**1,618**	**1,583**	**2.7%**	**-2.2%**	**6,216**	**6,394**	**2.9%**
Other income	26	26	30	14.4%	14.4%	138	135	-2.4%
Distribution & admin. Exp.	-756	-812	-808	6.9%	-0.5%	-3,195	-3,206	0.4%
Impairment & others Exp.	-23	-27	-27	19.8%	1.4%	-90	-98	9.0%
Operating Profit	**788**	**805**	**777**	**-1.4%**	**-3.5%**	**3,069**	**3,224**	**5.1%**
Depreciation & amortisation	191	206	201	5.3%	-2.4%	786	810	3.0%
EBITDA	**979**	**1,011**	**978**	**-0.1%**	**-3.2%**	**3,855**	**4,034**	**4.7%**
Interest income	32	18	26	-21.4%	42.0%	144	91	-36.7%
Interest expenses	-113	-103	-103	-9.3%	0.1%	-457	-411	-10.2%
Profit before tax	**708**	**720**	**700**	**-1.1%**	**-2.8%**	**2,756**	**2,905**	**5.4%**
Income tax	-74	-72	-70	-5.3%	-2.8%	-283	-261	-7.7%
Net profit for the year	**634**	**648**	**630**	**-0.6%**	**-2.8%**	**2,472**	**2,644**	**6.9%**
Non-Controlling interest	11	9	9	-12.8%	0.4%	52	41	-21.2%
Net profit	**623**	**639**	**620**	**-0.4%**	**-2.9%**	**2,420**	**2,603**	**7.5%**

FABS estimate & Co Data

ADNOC Dist - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	17.5%	19.1%	18.6%	106	-49	17.5%	17.6%	2
EBITDA	11.1%	11.9%	11.5%	35	-43	10.9%	11.1%	20
Operating Profit	9.0%	9.5%	9.1%	16	-37	8.7%	8.9%	19
Net Profit	7.1%	7.5%	7.3%	20	-25	6.8%	7.1%	32

FABS estimate & Co Data

2Q25 preview: ADNOC Drilling

Rig expansion and fleet addition to support profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.79	AED 6.50	+12.3%	ACCUMULATE

2Q25 Estimate

ADNOC Drilling Co. PJSC (ADNOCDRILL/the Company) net profit is expected to grow 16.4% YOY to USD 344 Mn in 2Q25, driven by a strong growth anticipated in revenue coupled with a decline in net finance cost, partially offset by a forecasted increase in direct cost, G&A expenses, and tax. ADNOCDRILL revenue is predicted to rise 25.7% YOY to USD 1,176 Mn in 2Q25, due to an increase in revenue of onshore and offshore business segments. On the other hand, direct cost is projected to rise 34.9% YOY to USD 727 Mn in 2Q25. As a result, gross profit is likely to grow 13.1% YOY to USD 448 Mn in 2Q25. G&A expenses are predicted to grow 14.4% YOY to USD 47 Mn in 2Q25. ADNOCDRILL's EBITDA is forecasted to rise 13.4% YOY to USD 535 Mn in 2Q25. Thus, the Company's operating profit is expected to grow 13.0% YOY to USD 401 Mn in 2Q25. Share of results of a JV is anticipated to increase from USD 1 Mn in 2Q24 to USD 3 Mn in 2Q25. Meanwhile, other income is expected to rise from USD 1 Mn in 2Q24 to USD 2 Mn in 2Q25. Finance cost is forecasted to decrease 14.4% YOY to USD 28 Mn in 2Q25. Additionally, the Company's corporate tax is expected to grow 17.5% YOY to USD 34 Mn in 2Q25.

2025 Forecast

ADNOC Drilling Co. PJSC net profit is forecasted to rise 7.9% YOY to USD 1,406 Mn in 2025. The increase in net profit is mainly attributed to a rise in revenue and a decline in net finance cost, partially offset by growth in direct cost, G&A expenses, and corporate tax. ADNOCDRILL's revenue is anticipated to rise 17.5% YOY to USD 4,740 Mn in 2025, mainly attributed to growth in Drilling services revenue. The Company's direct cost is predicted to rise 24.3% YOY to USD 2,906 Mn in 2025. Hence, gross profit is likely to increase 8.1% YOY to USD 1,834 Mn in 2025. G&A expenses are predicted to increase 22.0% YOY to USD 190 Mn in 2025. The Company's EBITDA is estimated to rise 8.1% YOY to USD 2,178 Mn in 2025. EBIDA margin is likely to fall from 49.9% in 2024 to 46.0% in 2025. Moreover, operating profit is forecasted to grow 6.7% YOY to USD 1,645 Mn in 2025. Share of results of a JV is expected to rise marginally 1.0% YOY to USD 9 Mn in 2025. Similarly, other income is forecasted to boost 11.3% YOY to USD 7 Mn in 2025. Finance cost is projected to decrease 7.7% YOY to USD 115 Mn in 2025.The Company's corporate tax is predicted to increase 8.2% YOY to USD 139 Mn in 2025.

1Q25 Outturn

ADNOC Drilling's net revenue grew strongly 32.1% YOY to USD 1,170 Mn in 1Q25 driven by the expansion of operations, the full operational impact of rigs commissioned in stages during 2024, moreover the unconventional business supported revenue by USD 152 Mn in 1Q25. Onshore revenue increased 20.1% YOY USD 494 Mn in 1Q25 due to new rigs commencing operations and a USD 30 Mn contribution from unconventional activity related to land drilling. Revenue from the Offshore Jackup & Island grew 1.5% YOY to USD 333.5 Mn in 1Q25, driven by higher activity from reactivation island rigs for Hailand Ghasha project. OFS segmental revenue grew significantly from USD 146 Mn in 1Q24 to USD 342 Mn in 1Q25, primarily driven by USD 122 Mn revenue from the unconventional business, coupled with growth in IDS activities, and providing more discrete services. The direct cost grew 39.7% YOY to USD 723 Mn in 1Q25. Thus, the Company's gross profit grew 21.3% YOY to USD 447 Mn in 1Q25. G&A expenses grew 18.5% YOY to USD 49 Mn in 1Q25. Thus, EBITDA rose 22.0% YOY to USD 533 Mn in 1Q25. EBITDA margin fell 374 bps YOY to 45.5% in 1Q25. Onshore segment EBITDA rose from USD 190 Mn in 1Q24 to USD 246 Mn in 1Q25 due to higher revenue and the realization of cost optimization initiatives and less operational day in 1Q25, whereas the Offshore Jack-Up & Island segment's EBITDA rose from USD 213 Mn in 1Q24 to USD 236 Mn in 1Q25 supported by robust revenue growth and improved operational efficiency resulting in lower operational costs. OFS segment EBITDA rose from USD 34 Mn in 1Q24 compared to USD 51 Mn in 1Q25, owing to higher activity by unconventional business with lower margin discrete services and contributions from Enersol and Turnwell JVs. Net finance costs increased 5.6% YOY to USD 29 Mn in 1Q25 owing to increased rate of interest. The share of results of a JV amounted to USD 3 Mn in 1Q25 compared to USD 2 Mn in 1Q24. ADNOCDRILL recorded a growth in the other income from USD 1 Mn in 1Q24 to USD 2 Mn in 1Q25. The corporate tax expense amounted to USD 33 Mn in 1Q25. Thus, net profit rose 24.2% YOY to USD 341 Mn in 1Q25.

Target price and rating

We revised our rating on ADNOC Drilling from BUY to ACCUMULATE with a revised target price of AED 6.50. ADNOC Drilling delivered a strong financial and operational performance in 1Q25, supported by fleet expansion, improved efficiency, and strategic growth initiatives. As of March 2025, the Company owned 142 rigs, including 95 onshore and 47 offshore, with a rig availability rate of 96%, indicating excellent operational uptime. ADNOC Drilling secured six additional island rigs that will be added incrementally between 2026 and 2028, bringing the total fleet to 148 rigs by 2026 and 151 by 2028. Full contribution of rigs added in 2024 and ongoing growth in Oilfield Services (OFS) and unconventional operations is anticipated to drive the revenue in the upcoming period. Improved drilling efficiency, including a 23% boost in Integrated Drilling Services (IDS) performance, is expected to support margin expansion. ADNOC Drilling is advancing its international expansion, with one rig currently operating in Jordan and tenders active in Oman and Kuwait. Additionally, the Company is leveraging its Enersol joint venture to support growth, investing c. USD 400 Mn in 2025. Enersol has already deployed USD 800 Mn in acquisitions across four technology-driven companies, including the recent addition of DeepWell Services (DWS). Gordon Technologies has opened a fully operational facility in Abu Dhabi, while EV is relocating its regional base to the UAE, enhancing the local tech ecosystem. For 2025, EBITDA is forecasted between USD 2.15–2.30 Bn, with margins of 46-48%. Net income is expected in the USD 1.35-1.45 Bn range, translating to a healthy net margin of 28–30%. ADNOC Drilling's CapEx is projected at USD 350–550 Mn, for rig maintenance and investments in new island rigs. CapEx is expected to increase in the second half of the year, tied to the construction and phased delivery of rigs scheduled for 2027–2028. ADNOC Drilling has been awarded a contract worth up to USD 800 Mn by ADNOC Onshore for integrated hydraulic fracturing services across conventional and tight reservoirs. The five-year contract is expected to begin in 3Q25, supporting revenue growth in the OFS segment. ADNOC Drilling continues to prioritise its dividend policy, with management considering a potential revision to the base dividend in 2025. This follows the 2024 shift to quarterly payments and a 10% annual growth floor. Thus, considering the above-mentioned factors, we assign an ACCUMULATE rating to the stock.

ADNOC Drilling- Relative Valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025F**
PE (x)	41.9	31.5	24.5	19.4	18.0
PB (x)	9.0	8.6	7.7	6.6	5.8
EV/EBITDA	25.2	21.5	18.2	13.5	12.5
BVPS (AED)	0.641	0.672	0.749	0.874	1.007
EPS (AED)	0.139	0.184	0.237	0.299	0.323
DPS (AED)	0.157	0.157	0.164	0.181	0.199
Dividend Yield (%)	2.7%	2.7%	2.8%	3.1%	3.4%

ADNOC Drilling - P&L

USD Mn	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	935	1,170	1,176	25.7%	0.5%	4,034	4,740	17.5%
Direct Cost	-539	-723	-727	34.9%	0.6%	-2,337	-2,906	24.3%
Gross Profit	**396**	**447**	**448**	**13.1%**	**0.3%**	**1,697**	**1,834**	**8.1%**
G&A expenses	-41	-49	-47	14.4%	-3.8%	-155	-190	22.0%
EBITDA	**472**	**533**	**535**	**13.4%**	**0.5%**	**2,015**	**2,178**	**8.1%**
EBIT	**355**	**398**	**401**	**13.0%**	**0.8%**	**1,541**	**1,645**	**6.7%**
Share of results of a JV	1	3	3	152.5%	1.0%	8	9	1.0%
Other Income- Net	1	2	2	77.1%	-14.2%	6	7	11.3%
Finance Costs- Net	-33	-29	-28	-14.4%	-2.9%	-124	-115	-7.7%
Profit before tax	**324**	**374**	**378**	**16.5%**	**1.0%**	**1,432**	**1,546**	**7.9%**
Corporate tax	-29	-33	-34	17.5%	3.9%	-129	-139	8.2%
Net profit	**295**	**341**	**344**	**16.4%**	**0.8%**	**1,304**	**1,406**	**7.9%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	42.3%	38.2%	38.1%	-422	-7	42.1%	38.7%	-336
EBITDA	50.5%	45.5%	45.6%	-491	0	49.9%	46.0%	-399
Net Profit	31.5%	29.1%	29.2%	-232	8	32.3%	29.7%	-264

FABS estimate & Co Data

2Q25 preview: ADNOC Gas

Lower feedstock cost and operating expenses to support profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.38	AED 3.93	+16.3%	BUY

2Q25 estimate

ADNOC Gas plc (ADNOCGAS/the Company) net profit is expected to increase 4.2% YOY to USD 1,240 Mn in 2Q25, driven by a higher share from equity accounted investee, lower direct costs and operating expenses, coupled with higher finance income, partially offset by a decline in revenue and higher finance costs. We expect the revenue to decline 1.1% YOY to USD 4,810 Mn in 2Q25, due to an anticipated fall in average selling prices, partially offset by stable growth in sales volume. Direct cost is anticipated to fall marginally 1.3% YOY to USD 2,904 Mn in 2Q25. As a result, gross profit is likely to decrease marginally 0.8% YOY to USD 1,906 Mn in 2Q25. Other operating income is forecasted to decline marginally by 2.3% YOY to USD 261 Mn in 2Q25. Recharges to equity accounted investees is anticipated to increase 11.3% YOY to USD 154 Mn in 2Q25. Employee benefit expenses are expected to grow 6.1% YOY to USD 291 Mn in 2Q25. Other operating costs and administrative expenses are expected to decline 29.5% YOY to USD 53 Mn in 2Q25. The share of operating costs in an equity accounted investee is projected to grow 7.0% YOY to USD 68 Mn in 2Q25. Inventory Consumption is expected to increase from USD 17 Mn in 2Q24 to USD 19 Mn in 2Q25. However, other expenses are predicted to decrease 18.8% YOY to USD 53 Mn in 2Q25. Thus, we expect EBITDA to grow 2.4% YOY to USD 1,969 Mn and EBITDA margin to grow 141 bps YOY to 40.9% in 2Q25. Depreciation and amortization are forecasted to rise 5.6% YOY to USD 322 Mn in 2Q25. Thus, EBIT is expected to grow 1.8% YOY to USD 1,647 Mn in 2Q25. Finance income is expected to increase 3.0% YOY to USD 38 Mn, while we expect finance cost to grow 13.0% YOY to USD 51 Mn in 2Q25. Income tax expense is predicted to decline 6.1% YOY to USD 393 Mn in 2Q25.

2025 forecast

ADNOCGAS net profit is expected to grow marginally 0.8% YOY to USD 5,039 Mn in 2025. The increase is likely to be supported by a rise in revenue, a higher share from equity accounted investee, coupled with an increase in other operating income and finance income, partially offset by an increase in direct costs, operating expenses, and higher finance costs. ADNOCGAS's revenue is predicted to increase 1.7% YOY to USD 19,382 Mn in 2025, due to a rise in average selling price, partially offset by an expected decline in sales volume. Direct cost is anticipated to rise marginally by 2.2% YOY to USD 11,631 Mn in 2025. Thus, gross profit is likely to surge 0.9% YOY to USD 7,751 Mn in 2025. Other operating income is forecasted to grow 5.1% YOY to USD 1,152 Mn in 2025. Profit share from ADNOC LNG JV is anticipated to grow 2.7% YOY to USD 533 Mn in 2025. Recharges to equity accounted investees is also expected to grow 5.0% YOY to USD 604 Mn in 2025. Employee benefit expenses are predicted to increase 7.8% YOY to USD 1,199 Mn in 2025. Similarly, other operating costs and administrative expenses are expected to grow 6.6% YOY to USD 396 Mn in 2025. Share of operating costs in an equity accounted investee is projected to grow 5.4% YOY to USD 283 Mn in 2025. Inventory Consumption is expected to surge 9.7% YOY to USD 54 Mn in 2025. Likewise, other expenses are predicted to grow 11.0% YOY to USD 210 Mn in 2025. EBITDA is expected to increase slightly 0.2% YOY, to USD 7,899 Mn in 2025, with the EBITDA margin projected to decline from 41.3% in 2024 to 40.8% in 2025. Depreciation and amortization are projected to rise 5.7% YOY to USD 1,286 Mn in 2025. Thus, EBIT is expected to decline marginally 0.8% YOY to USD 6,613 Mn in 2025. Finance income is expected to increase 18.0% YOY to USD 150 Mn in 2025. Finance cost is anticipated to rise 13.6% YOY to USD 205 Mn in 2025. The Company's income tax expense is predicted to decline 5.7% YOY to USD 1,519 Mn in 2025.

1Q25 outturn

ADNOCGAS's net revenue grew 2.4% YOY to USD 4,670 Mn in 1Q25, while the Company's total revenue, including revenue from Reinjection gas, ADNOC LNG JV, intercompany elimination and other income, rose 1.5% YOY to USD 6,099 Mn in 1Q25. The increase in revenue is primarily due to a rise in sales volumes, efficient plant shutdowns, and stable prices. The Company's total sales volume (including ADNOCGAS LNG JV) rose 1.3% YOY to 902 TBTU in 1Q25. The Company's domestic gas sales volume grew 1.2% YOY to 580 trillion British thermal units (TBTU) in 1Q25. Exports and traded liquids volume increased 4.1% YOY to 251 TBTU in 1Q25. Furthermore, the Company's LNG JV's sales volume declined 7.5% YOY to 68 TBTU in 1Q25. The Company also maintained a healthy availability of 97.8% and reliability of 99.7% across its assets in 1Q25. The Company's direct cost increased 0.9% YOY to USD 2,797 Mn in 1Q25. Thus, gross profit grew 4.6% YOY to USD 1,872 Mn in 1Q25, primarily due to a rise in revenue, partially offset by an increase in cost of feedstock. Gross profit grew 4.6% YOY to USD 1,872 Mn in 1Q25. Gross margins grew from 39.2% in 1Q24 to 40.1% in 1Q25. Other operating income declined from USD 302 Mn in 1Q24 to USD 297 Mn in 1Q25. Share of profit of equity accounted investee also declined from USD 143 Mn in 1Q24 to USD 129 Mn in 1Q25. Employee benefit expenses declined 11.1% YOY to USD 275 Mn in 1Q25. Other operating costs, including administrative expenses also declined from USD 102 Mn in 1Q24 to USD 68 Mn in 1Q25. Share of operating cost in equity accounted investee grew from USD 58 Mn in 1Q24 to USD 60 Mn in 1Q25. Inventory consumption increased from USD 9 Mn in 1Q24 to USD 17 Mn in 1Q25. Other expenses grew from USD 44 Mn in 1Q24 to USD 47 Mn in 1Q25. Thus, Company's EBITDA grew 4.9% YOY to USD 1,978 Mn in 1Q25, and EBITDA margin grew 102 Bps YOY to 42.4% in 1Q25. Domestic segment EBITDA grew 4.9% YOY to USD 752 Mn in 1Q25, primarily due to higher sales volume and improved commercial terms. Export & traded liquid EBITDA increased 1.2% YOY to USD 1,038 Mn in 1Q25 owing to growth in volume. ADNOCGAS's share of LNG EBITDA grew significantly from USD 307 Mn in 1Q24 to USD 323 Mn in 1Q25, mainly supported by higher margins. Thus, the Company's operating profit grew 5.6% YOY to USD 1,693 Mn in 1Q25. Finance income increased significantly from USD 21 Mn in 1Q24 to USD 40 Mn in 1Q25. Finance cost also grew from USD 20 Mn in 1Q24 to USD 45 Mn in 1Q25. Total income tax expenses remained flat at USD 417 Mn in 1Q25.

Target price and recommendation

We maintain our BUY rating on ADNOCGAS with a target price of AED 3.93. The Company reported an increase in profitability mainly due to stable sales volumes, efficient plant shutdowns, and strong LNG and LPG pricing during 1Q25. ADNOCGAS's total sales volume (including LNG JV) increased 1.3% YOY to 902 TBTU in 1Q25, primarily due to effective management of the planned shutdown. The Company's domestic gas volume increased 1.2% YOY and 2.3% QOQ to 580 TBTU in 1Q25, mainly driven by the renewal of the high-margin USD 40 bn UIC contract and optimized spot sales. The Company further anticipates the domestic market to remain a major contributor to profitability going forward. The Company also capitalized on elevated energy support prices in its export business by forward-selling the majority of its support volumes. Additionally, stable LPG prices relative to broader market movements further supported export performance. ADNOCGAS also maintained a healthy level of reliability at 99.7% across its assets in 1Q25. The Company anticipates more shutdowns for the remainder of 2025, including two major ones related to tie-ins for new growth projects. Thus, it has revised its sales volume from 2,320-2,390 to 2,340-2,370 TBTU for the domestic gas segment. The Company also increased its guidance for export & traded liquid from 920-965 TBTU to 965-975 TBTU and for LNG JV products from 220-230 TBTU to 250-260 TBTU in 2025. The Company's planned shutdown is most likely to affect LNG and ETL. However, ADNOCGAS aims to minimize downtime during scheduled shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs. ADNOCGAS continues to advance its strategic growth initiatives with the Final Investment Decision (FID) for the rich gas development project expected by summer 2025 to support its 40% growth target by 2025. ADNOCGAS recently reduced its 2025 CAPEX guidance to approximately USD 3 Bn compared to the previous guidance of USD 3.5 Bn by cancelling several lower-return projects as part of its continuous review process. The company also approved a final cash dividend of 8.165 files (2.22 cents) per share, totalling to USD 1.71 Bn for 2024, which was fully paid on 18 April 2025. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Gas- Relative Valuation

(at CMP)	2023	2024	2025F
PE	13.99	14.17	14.1
PB	3.18	3.07	2.8
EV/EBITDA	8.78	8.25	7.6
BVPS (AED)	1.07	1.10	1.22
EPS (AED)	0.24	0.24	0.24
DPS (AED)	0.156	0.163	0.171
Dividend Yield	4.6%	4.8%	5.1%

FABS Estimate & Co Data

*As ADNOC Gas is listed in 2023, multiples for the prior period are not available

ADNOC Gas- P&L

(USD mm)	2Q24	1Q25	2Q25A	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,863	4,670	4,810	-1.1%	3.0%	19,065	19,382	1.7%
Direct Cost	2,943	2,797	2,904	-1.3%	3.8%	11,385	11,631	2.2%
Gross Profit	**1,921**	**1,872**	**1,906**	**-0.8%**	**1.8%**	**7,680**	**7,751**	**0.9%**
Other Operating income	267	297	261	-2.3%	-12.0%	1,097	1,152	5.1%
Share of profit of equity-accounted investee	93	129	133	43.4%	3.0%	519	533	2.7%
Recharges to equity accounted investees	138	146	154	11.3%	5.0%	575	604	5.0%
Employee benefit expenses	-274	-275	-291	6.1%	5.8%	-1,112	-1,199	7.8%
Other operating costs and administrative expenses	-76	-68	-53	-29.5%	-21.2%	-371	-396	6.6%
Share of operating costs in an equity accounted investee	-64	-60	-68	7.0%	13.0%	-268	-283	5.4%
Inventory Consumption	-17	-17	-19	12.1%	12.4%	-49	-54	9.7%
Other expenses	-66	-47	-53	-18.8%	13.4%	-189	-210	11.0%
EBITDA	**1,922**	**1,978**	**1,969**	**2.4%**	**-0.5%**	**7,881**	**7,899**	**0.2%**
Depreciation and amortisation	-304	-285	-322	5.6%	12.8%	-1,216	-1,286	5.7%
EBIT	**1,618**	**1,693**	**1,647**	**1.8%**	**-2.7%**	**6,665**	**6,613**	**-0.8%**
Finance Income	36	40	38	3.0%	-5.3%	127	150	18.0%
Finance Cost	-45	-45	-51	13.0%	12.7%	-180	-205	13.6%
Profit before tax	**1,609**	**1,687**	**1,633**	**1.5%**	**-3.2%**	**6,612**	**6,558**	**-0.8%**
Income Tax expense	419	417	393	-6.1%	-5.7%	1,611	1,519	-5.7%
Net profit	**1,190**	**1,270**	**1,240**	**4.2%**	**-2.3%**	**5,001**	**5,039**	**0.8%**

FABS Estimate & Co Data

ADNOC Gas- Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	39.5%	40.1%	39.6%	13	-48	40.3%	40.0%	-29
EBITDA	39.5%	42.4%	40.9%	141	-142	41.3%	40.8%	-58
Net Profit	24.5%	27.2%	25.8%	131	-141	26.2%	26.0%	-23

FABS estimate and Co data

2Q25 preview: Dana Gas

Planned maintenance activities expected to weigh on revenue

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.75	AED 0.95	+26.7%	BUY

2Q25 estimate

Dana Gas PJSC's ("Dana" or "the Company") net profit is expected to increase 6.9% YOY to USD 36 Mn in 2Q25, mainly due to a decline in royalties and general and administrative expenses, coupled with an increase in investment & finance income, partially offset by lower revenue and higher income tax expense. Dana's revenue is expected to decline 7.7% to USD 86 Mn in 2Q25. Royalties are forecasted to decline from USD 20 Mn in 2Q24 to USD 16 Mn in 2Q25. Thus, net revenue is expected to decline 4.8% YOY to USD 70 Mn in 2Q25. Operating cost is anticipated to remain stable at USD 26 Mn in 2Q25 compared to 2Q24. As a result, gross profit is expected to decline from USD 47 Mn in 2Q24 to USD 44 Mn in 2Q25. G&A expenses are forecasted to decrease 2.7% YOY to USD 3 Mn in 2Q25. Investment & finance income is also anticipated to increase from USD 2 Mn in 2Q24 to USD 3 Mn in 2Q25. Hence, operating profit is expected to rise from USD 40 Mn in 2Q24 to USD 43 Mn in 2Q25, and operating profit margin from 43.0% in 2Q24 to 49.6% in 2Q25. The Company's EBITDA is projected to grow from USD 54 Mn in 2Q24 to USD 56 Mn in 2Q25, and the EBITDA margin is anticipated to increase 699 bps YOY to 65.0% in 2Q25. Finance cost is estimated to decrease 15.0% YOY to USD 3 Mn in 2Q25. Income tax expense is projected to increase from USD 3 Mn in 2Q24 to USD 4 Mn in 2Q25.

2025 forecast

Dana's net profit is expected to decline 3.1% YOY to USD 146 Mn in 2025, primarily due to a decline in revenue, higher operating cost and increase in general and administrative expenses, partially offset by a decline in royalties, an increase in investment & finance income along with a decrease in finance cost and income tax expenses. Dana Gas's revenue is expected to decline 18.5% YOY to USD 363 Mn in 2025. Royalties are anticipated to decline 35.8% YOY to USD 70 Mn in 2025. Resultantly, net revenue is expected to fall 12.9% YOY to USD 293 Mn in 2025. Operating cost is predicted to increase 1.7% YOY to USD 122 Mn in 2025. Thus, gross profit is anticipated to decrease 21.0% YOY to USD 171 Mn in 2025. G&A expenses are projected to increase from USD 11 Mn in 2024 to USD 13 Mn in 2025. Whereas, investment & finance income is expected to increase 64.8% YOY to USD 18 Mn in 2025. Other expenses are forecasted to fall 27.5% YOY to USD 4 Mn in 2025. Impairment of financial assets is anticipated to increase 25.0% YOY to USD 5 Mn in 2025. Hence, operating profit is predicted to decline marginally by 3.3% YOY to USD 168 Mn in 2025. The operating profit margin is expected to increase from 39.1% in 2024 to 46.4% in 2025. The Company's EBITDA is projected to decline 18.2% YOY to USD 215 Mn in 2025. However, we expect the EBITDA margin to increase 25 bps YOY to 59.3% in 2025. Finance costs are expected to decline 7.3% YOY to USD 10 Mn in 2025. Dana's income tax expenses are anticipated to decline 2.6% YOY to USD 12 Mn in 2025.

1Q25 outturn

Dana experienced a 6.2% YOY decline in revenue to USD 91 Mn in 1Q25, mainly due to a decline in production in Egypt, along with lower realised hydrocarbon prices, partially offset by revised gas pricing in Egypt and increased condensate price realisation in Kurdistan Region of Iraq (KRI). The Company's average production decreased from 56,750 boepd in 1Q24 to 52,200 boepd in 1Q25. Notably, KRI's average production rose 3% YOY to 39,650 boepd in 1Q25, supported by strong demand from local power stations. Egypt witnessed a 31.0% YOY decline to 12,550 boepd in 1Q25, mainly due to the decline of the natural field and the effect of a planned maintenance shutdown. Royalty payments declined 11.1% YOY to USD 16 Mn in 1Q25. However, net revenue fell 5.1% YOY to USD 75 Mn in 1Q25. Operating costs declined 15.6% YOY to USD 27 Mn in 1Q25. Thus, gross profit increased 2.1% YOY to USD 48 Mn in 1Q25. Gross margins grew 429 bps YOY to 52.7% in

1Q25. Furthermore, Dana's G&A expenses remained unchanged at USD 3 Mn in 1Q25 compared to 1Q24. Investment & finance income increased 33.3% YOY to USD 4 Mn in 1Q25. Moreover, impairments of financial assets stood flat at USD 1 Mn in 1Q25 compared to 1Q24. Hence, Dana's operating profit surged 4.3% YOY to USD 48 Mn in 1Q25. Operating profit margin increased from 47.4% in 1Q24 to 52.7% in 1Q25. The Company's EBITDA declined 4.9% YOY to USD 58 Mn, however EBITDA margin increased 85 bps YOY to 63.7% in 1Q25. Dana's finance cost declined from USD 4 Mn in 1Q24 to USD 2 Mn in 1Q25. Additionally, income tax expense declined 25.0% YOY to USD 3 Mn in 1Q25

Target price and recommendation

We maintain our BUY rating on Dana Gas with a target price of AED 0.95. Dana reported strong growth in net income in 1Q25, primarily attributed to an increase in production in KRI, partially offset by lower production in Egypt. Despite the lower output in Egypt and oil prices, the Company benefited from the revised gas pricing in Egypt. Additionally, in Egypt, Dana is progressing with its post-consolidation agreement investment program, committing USD 100 Mn over the next two years to drill 11 new wells. The Company plans to drill three wells in 2025, with drilling operations for the first well commencing in May and spudding anticipated in June. These programs are expected to increase gas recovery by 80 billion cubic feet and help offset natural field decline. Furthermore, the cumulative production from the Khor Mor field reached 500 million barrels of oil equivalent, indicating the strength and consistency of operations. The daily gas production at Khor Mor stood at 525 million standard cubic feet, marking a 75% increase since 2017. In April, production at the Khor Mor plant was temporarily reduced to undertake planned maintenance activities aimed at preserving the facility's long-term reliability and operational efficiency. This planned downtime is expected to impact the Company's performance in 2Q25. Despite this, the KM250 expansion project is progressing well on an accelerated timeline, with first gas anticipated by 1Q26. Upon full commissioning, the project is expected to add 250 MMscf/d of gas processing capacity, representing a 50% increase in Pearl Petroleum's overall production, which is anticipated to enhance Dana's profitability significantly. Pearl Petroleum also commenced the first phase of a USD 160 Mn investment plan for the development of Chemchemal field, which involved drilling three wells and installing an extended well test facility, with a Production target of up to 75 MMscf/d in 2H26. Recently, Dana's shareholders also approved a cash dividend of USD 105 Mn for 2024, resulting in a dividend yield of 7.3%. The Company's Board is also planning to resume sustainable dividend payments, which reflects Dana's strong financial position and positive outlook. Hence, based on the above-mentioned factors, we maintain a BUY rating.

Dana Gas- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	4.5	7.9	8.9	9.5	9.8
PB	0.7	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	10.2	5.4	4.5	6.0	5.4	6.4
BVPS (USD)	0.3	0.3	0.3	0.3	0.4	0.4
EPS (USD)	NM	0.05	0.03	0.02	0.02	0.02
DPS (AED)	0.055	0.080	0.090	0.000	0.055	0.055
Dividend Yield	7.3%	10.7%	12.0%	NA	7.3%	7.3%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	2Q24	1Q25	2Q25F	YOY	QOQ	2024	2025F	Change
Revenue	93	91	86	-7.7%	-5.7%	445	363	-18.5%
Royalties	-20	-16	-16	-18.5%	1.9%	-109	-70	-35.8%
Net Revenue	**73**	**75**	**70**	**-4.8%**	**-7.3%**	**336**	**293**	**-12.9%**
Operating Costs	-26	-27	-26	0.0%	-3.7%	-120	-122	1.7%
Gross Profit	**47**	**48**	**44**	**-7.4%**	**-9.3%**	**216**	**171**	**-21.0%**
G&A expenses	-3	-3	-3	-2.7%	-2.7%	-11	-13	15.4%
Investment &finance income	2	4	3	50.2%	-24.9%	11	18	64.8%
Other Expenses	-4	0	0	NM	NM	-5	-4	-27.5%
Impairment of fin. assets	-1	-1	-1	NM	NM	-4	-5	25.0%
Operating Profit	**40**	**48**	**43**	**6.5%**	**-11.3%**	**174**	**168**	**-3.3%**
EBITDA	**54**	**58**	**56**	**3.4%**	**-3.7%**	**263**	**215**	**-18.2%**
Finance costs	-3	-2	-3	-15.0%	27.5%	-11	-10	-7.3%
Profit Before Tax	**37**	**46**	**40**	**8.2%**	**-13.0%**	**163**	**158**	**-3.1%**
Income tax expense	-3	-3	-4	23.2%	23.2%	-12	-12	-2.6%
Profit After Tax	**34**	**43**	**36**	**6.9%**	**-15.5%**	**151**	**146**	**-3.1%**
NCI	0	0	0	NA	NA	0	0	NM
Net profit	**34**	**43**	**36**	**6.9%**	**-15.5%**	**151**	**146**	**-3.1%**

FABS estimate & Co Data

Dana Gas- Margins

	2Q24	1Q25	2Q25F	YOY	QOQ	2024	2025	Change
Gross Profit	50.5%	52.7%	50.7%	18	-203	48.5%	47.1%	-148
Operating Profit	43.0%	52.7%	49.6%	661	-313	39.1%	46.4%	728
EBITDA	58.1%	63.7%	65.0%	699	131	59.1%	59.3%	25
Net Profit Margin	36.6%	47.3%	42.3%	578	-491	33.9%	40.3%	641

FABS estimate and Co data

FAB Securities Contacts

Research Analyst		
Ahmad Banihani	+971-2 -6161629	ahmad.banihani@Bankfab.com
Sales & Execution		
Trading Desk Abu Dhabi Head Office	+971-2 -6161777	
	+971-2 -6161700/1	
Institutional Desk	+971-4 -5658395	
Sales and Marketing	+971-2 -6161703	
Customer Service		
Abu Dhabi Office	+971-2 -6161600	Online Trading Link

DISCLAIMER