

ADNOC Gas PLC

Current Price
AED 3.30

Target Price
AED 3.93

Upside/Downside (%)
+17%

Rating
BUY

1Q25 Net Profit higher than our estimate

- Revenue declined 4.2% YOY to USD 4,657 Mn in 2Q25, primarily due to an unfavourable pricing environment, partially offset by higher sales volumes, particularly in the domestic and LNG JV segments.
- Total sales volume rose 2.6% YOY to 931 trillion British thermal units (TBTU) in 2Q25. Domestic gas volume grew 5.3% YOY to 611 TBTU in 2Q25. However, Exports and Traded liquids volume declined 5.3% YOY to 252 TBTU in 2Q25.
- ADNOC LNG JV's sales volume grew 15.2% YOY to 65 TBTU in 2Q25.
- Gross profit grew 5.3% YOY to USD 2,023 Mn in 2Q25, primarily due to lower feedstock cost partially offset by a decline in revenue. Thus, gross margins expanded 394 bps YOY to 43.4% in 2Q25.
- EBITDA grew 8.6% YOY to USD 2,087 Mn in 2Q25. EBITDA Margin rose from 39.5% in 2Q24 to 44.8% in 2Q25.
- Net profit grew 16.4% YOY to USD 1,385 Mn in 2Q25. The net profit margin rose from 24.5% in 2Q24 to 29.7% in 2Q25.

Earnings Call Summary

- ADNOCGAS is currently in discussions to supply to an AI data center, aligning gas supply with emerging tech demands.
- The Company's Final Investment Decision (FID) for Phase 1 of the Rich Gas Development Project was finalized in June 2025.
- The Company's major projects, including IGDE2, are on track for completion by the end of 2025, followed by the MERAM project in 2026.
- ADNOCGAS recorded an increase in overall sales volume in 2Q25, supported by strong demand across the product portfolio, especially within the local market.
- The Company faced pressure from weaker oil prices, which weighed on Naphtha and condensate pricing, but resilient LPG prices helped mitigate the impact.
- Domestic market remained a key growth engine in terms of both volume and margin uplift during 2Q25.
- ADNOCGAS aims to expand its gas processing capacity by 30% and improve asset utilization from 86% to 95% between 2023 and 2029.
- The Company's five-year CAPEX plan increased from USD 15 Bn to USD 20 Bn, primarily due to Phase 1 of the Rich Gas Development Project.
- JKM performance highlighted continued strength in the LNG market, further supporting ADNOCGAS's diversified portfolio.
- The Company remains firmly on track to achieve its target of 40% EBITDA growth by 2029.
- Free cash flow for 1H25 stood at a solid USD 1.9 Bn, despite working capital movements.
- ADNOCGAS declared a USD 1.8 Bn interim dividend for 1H25, aligned with its progressive dividend policy.
- The Company's total CAPEX for 2025 is projected at USD 3 Bn, with USD 1.2 Bn already spent in 1H25 and USD 1.8 Bn planned for 2H25.
- The Company's MERAM project is expected to begin commissioning activities in late 2026, targeting Ready for Commissioning (RFC) at that time, with a gradual production ramp-up leading to full utilization by early 2027.
- ADNOCGAS continues to witness strong demand from both the industrial and power sectors in the UAE.

- The Company's several domestic contracts are currently under review, with room to unlock more value through pricing and structural enhancements.
- ADNOC GAS targets securing c.80% of its LNG volumes through long-term contracts to ensure revenue stability and predictability.
- The Company aims to maintain EBITDA margins through the remainder of 2025, supported by its structured turnaround and optimization programs.
- ADNOC GAS revised its previously guided 2025 EBITDA margin upward, from 35% to 36%.
- ADNOC GAS also revised its 2025 sales volume outlook and now expects Domestic sales volume to range between 2,410–2,450 TBTU, up from the earlier estimate of 2,340–2,370 TBTU. Exports and traded liquids sales volume have also been revised to 990–1,010 TBTU, compared to the previous guidance of 965–975 TBTU.
- LNG JV sales volume is anticipated to decline from the earlier range of 250–260 TBTU to 230–240 TBTU in 2025.
- The Company scheduled a planned shutdown in the 2H25, with the majority of the impact expected in the 4Q25.

ADNOC Gas - P&L

(USD Mn)	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch
Revenue	4,863	4,670	4,657	4,810	-3.2%	-4.2%	-0.3%
Direct Cost	2,943	2,797	2,635	2,904	-9.3%	-10.5%	-5.8%
Gross Profit	1,921	1,872	2,023	1,906	6.1%	5.3%	8.0%
Other Operating income	267	297	264	261	1.0%	-1.3%	-11.1%
Share of profit of equity-accounted investee	93	129	150	133	12.6%	61.6%	16.0%
Recharges to equity accounted investees	138	146	152	154	-0.8%	10.4%	4.1%
Employee benefit expenses	-274	-275	-295	-291	1.4%	7.6%	7.3%
Other operating costs and administrative exp	-76	-68	-81	-53	50.8%	6.3%	18.8%
Share of operating costs in an equity acc inv	-64	-60	-58	-68	-14.1%	-8.1%	-2.9%
Inventory Consumption	-17	-17	-16	-19	-18.2%	-8.4%	-8.1%
Other expenses	-66	-47	-52	-53	-2.0%	-20.4%	11.1%
EBITDA	1,922	1,978	2,087	1,969	6.0%	8.6%	5.5%
Depreciation and amortisation	-304	-285	-322	-322	0.0%	5.6%	12.8%
EBIT	1,618	1,693	1,765	1,647	7.2%	9.1%	4.3%
Finance Income	36	40	18	38	-53.3%	-51.9%	-55.8%
Finance Cost	-45	-45	-46	-51	-9.7%	2.0%	1.8%
Profit before tax	1,609	1,687	1,736	1,633	6.3%	7.9%	2.9%
Income Tax expense	419	417	351	393	-10.7%	-16.2%	-15.8%
Net Income	1,190	1,270	1,385	1,240	11.7%	16.4%	9.1%

FABS estimate & Co Data

Revised Guidance

Financial		Previous 2025 guidance	H1 2025 actual	2025 updated guidance	
EBITDA Margin %		~35%	36.6%	~36%	
Sales volume:	(in TBTU)	Previous 2025 guidance	H1 2025 actual	2025 updated guidance	
Domestic Gas Products		2,340 - 2,370	1,190	2,410 - 2,450	Shutdowns planned for H2 (mostly affecting Q4)
Exports & Traded Liquids		965 - 975	503	990 - 1,010	
LNG JV Products		250 - 260	133	230 - 240	
Net Profit Unit Margins	(in \$/mmBTU)	Previous 2025 guidance	H1 2025 actual	2025 updated guidance	
Domestic Gas Products		1.04 - 1.06	1.18	1.13 - 1.17	ETL, LNG margins consistent with 60-70\$/bbl oil price range
Exports & Traded Liquids		1.35 - 1.50	1.67	1.51 - 1.55	
LNG JV Products		1.60 - 1.70	1.95	1.82 - 1.86	
Sulphur (\$ Millions)		200 - 220	123	180 - 200	
Investments	(\$ Million)	Previous 2025 guidance	H1 2025 actual	2025 updated guidance	
CAPEX		~3,000	1,220	~3,000	Mostly growth project driven (RGD phase 1, MERAM, IGD-E2)

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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