

## ADNOC Distribution (ADNOCDIST)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.70	AED 4.46	+20.5%	BUY

### 2Q25 Net Profit higher than our estimate

- Revenue fell 1.7% YOY to AED 8,638 Mn in 2Q25, mainly due to reduced selling prices stemming from a drop in crude oil prices, partially offset by increased fuel volumes in the Retail and Commercial segment, stronger contributions from the Non-fuel Retail segment.
- Direct costs declined 3.9% YOY to AED 6,957 in 2Q25. Resultantly, the gross profit rose 9.1% YOY to AED 1,681 Mn in 2Q25, mainly due to higher fuel volumes, a rise in non-fuel retail business and an increase in contribution from international activities, coupled with proactive fuel margin management in the corporate business. Inventory gain declined from AED 127 Mn in 2Q24 to AED 37 Mn in 2Q25.
- Total fuel volume rose 10.3% YOY to 3.9 Bn litres in 2Q25, which marked the highest 2Q fuel volume on record. Furthermore, total fuel volume in GCC rose 12.2% YOY to 3.1 Bn liters and Egypt by 3.1% YOY to 0.8 Bn liters in 2Q25.
- GCC retail fuel volumes rose 12.6% YOY, supported by sustained economic growth, increased mobility, and the expansion of service station networks across the region. Meanwhile, GCC commercial fuel volumes grew 11.5% YOY, driven by strong demand in both corporate and aviation segments.
- Non-fuel transactions in the UAE rose 12.2% YOY to 13.7 Mn in 2Q25, driven by improved consumer sentiment and higher non-fuel offerings following the introduction of car wash tunnels and the ongoing upgrade of automatic car washes.
- Average gross basket size declined 2.6% YOY to AED 25.6 in 2Q25, however, convenience store conversion rate increased 114 bps to 27.2% in 2Q25.
- OPEX increased 10.2% YOY to AED 833 Mn in 2Q25, while the cash OPEX rose 9.9% YOY to AED 621 Mn due to a rise in the Company's network and associated costs.
- EBITDA grew 9.2% YOY to AED 1,069 Mn in 2Q25 even with lower inventory gains in 2Q25 compared to inventory gains in 2Q24.
- Net profit attributable to shareholders grew 8.6% YOY to AED 677 Mn in 2Q25, attributed to lower direct costs, strong underlying business profitability and lower finance costs partially offset by lower inventory gain.

### Earnings Call Summary

- ADNOC Distribution outlined five strategic growth pillars, including focusing on core UAE investments, non-fuel retail, digital and AI integration, energy transition via EV charging, and capital-light international expansion, particularly in Saudi Arabia through the DOCO model.
- The company added 47 service stations in 1H25, surpassing its initial full-year target, and accordingly revised its guidance upward to 60–70 stations for the year, including 50–60 in Saudi Arabia.
- Added 81 EV charging points in 1H25, with a total network of 301 fast and super-fast EV charging points, targeting 100 new points for the full year of 2025.
- ADNOCDIST adopted the Dealer Owned-Company Operated (DOCO) Model in KSA, which is expected to increase the profit per litre from 9 to 15 halala. Additionally, the Company plans to add 50–60 such stations in 2025.
- Realized a further OPEX savings of AED 11 Mn in 1H25 and on track to realize savings of c. AED 184 Mn during 2024-28.
- The company plans to pay a USD 350 Mn dividend for 1H25 (10.285 fils per share) in October 2025 and targets an annual payout of USD 700 Mn from 2025 to 2028, or 75% of net profit, whichever is higher.

- The company doubled its stations in Saudi Arabia from 70 at the end of 2024 to 140 as of 2Q25, focusing on growth in a large, underpenetrated market with strong long-term financial potential.
- ADNOC DIST's commercial fuel margins rose from 28 fils/litre in 2Q24 to 33 fils/litre in 2Q25, driven by dynamic pricing and proactive corporate fuel margin management. In the future, management expects the margin to remain within the historical range.
- Inventory gain is a function of volatility, which impacted the gain in 2Q25.
- Retail fuel volume adjusting for the effect of floods and Ramadan grew close to 10% YOY in 2Q25.
- The management is confident of meeting consensus EBITDA and net profit target.
- ADNOC Oasis stores and cafés are now available via Noon's NowNow platform expanding customer sales channels.
- The partnership with Noon is expected to support future distribution growth and enhance market reach.
- DOCO store is expected to come online by next year, with volume contributions anticipated from 1Q26 onwards.
- The decline in average basket size was offset by a 5% rise in transaction volumes, indicating strong customer footfall at ADNOC Oasis stores in 2H25.
- Refurbished and DOCO stations in Saudi Arabia typically see a 15–20% volume increase, driven by ADNOC's brand strength and value proposition meeting local market needs.
- The company is increasingly leveraging AI in assortment planning, inventory management, and targeted marketing.
- The company follows a margin-per-litre model, with 65% of its cash flows coming from the retail fuel segment, backed by a fixed supply margin under its ADNOC contract. Additionally, it also records inventory gains when oil prices rise and do not incur inventory losses when prices fall.

#### ADNOC Distribution – P&L

AED mm	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch
Revenue	8,784	8,473	8,638	8,509	1.5%	-1.7%	2.0%
Direct costs	-7,244	-6,855	-6,957	-6,926	0.5%	-3.9%	1.5%
<b>Gross profit</b>	<b>1,541</b>	<b>1,618</b>	<b>1,681</b>	<b>1,583</b>	<b>6.2%</b>	<b>9.1%</b>	<b>3.9%</b>
Distribution & admin. expense	-756	-812	-833	-808	3.1%	10.2%	2.6%
<b>Operating profit</b>	<b>788</b>	<b>805</b>	<b>857</b>	<b>777</b>	<b>10.4%</b>	<b>8.8%</b>	<b>6.5%</b>
<b>EBITDA</b>	<b>979</b>	<b>1,011</b>	<b>1,069</b>	<b>978</b>	<b>9.4%</b>	<b>9.2%</b>	<b>5.8%</b>
<b>Profit before tax</b>	<b>708</b>	<b>720</b>	<b>769</b>	<b>700</b>	<b>9.9%</b>	<b>8.7%</b>	<b>6.8%</b>
Income tax	-74	-72	-80	-70	14.5%	8.4%	11.3%
<b>Net profit attributable to equity</b>	<b>623</b>	<b>639</b>	<b>677</b>	<b>620</b>	<b>9.1%</b>	<b>8.6%</b>	<b>5.9%</b>

FABS estimate & Co Data

## Guidance

### New 2025 guidance for # of stations

#### **60-70** additional service stations

including **50-60** stations in KSA under CAPEX-light DOCO\* model  
(vs. previous guidance from Feb. 2025: 40-50 stations, incl. 30-40 DOCO)

#### **~100** new EV charging points

expanding in a disciplined manner based on EV adoption, utilization and current forecast of On-the-Go EV charging customer demand

#### **\$250-300** million CAPEX

focused on organic growth

#### Explore inorganic opportunities

in pursuit of step-change growth through value-accretive transactions

## 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](mailto:ahmad.banihani@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

## DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.