

## ADNOC Gas PLC

Strong domestic demand and lower feedstock cost boosted profitability

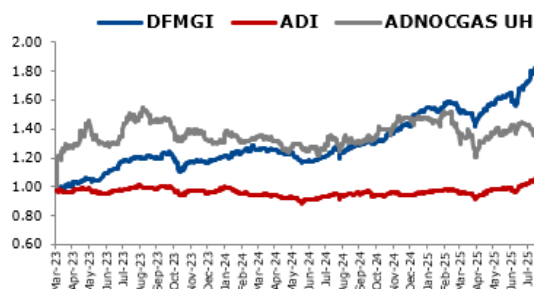
**Current Price**  
AED 3.36

**Target Price**  
AED 3.93

**Upside/Downside (%)**  
**+17%**

**Rating**  
**BUY**

- ADNOC GAS's total sales volume increased 2.6% YOY to 931 TBTU in 2Q25, owing to strong domestic demand.
- The Company 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 revised to 990–1,010 TBTU, compared to the previous guidance of 965–975 TBTU.
- The Company's EBITDA margin stood at 36.6% in 1H25, and it aims to maintain this margin in 2025.
- In line with its dividend policy, the Company declared a USD 1.8 Bn (8.573 fils per share) interim dividend for 1H25.



### Stock Information

Market Cap (AED, mn)	257,117.3
Paid Up Capital (mn)	76,751.42
52 Week High	3.69
52 Week Low	2.71
3M Avg. daily value (AED)	139,203,400

### 2Q25 Result Review (USD, Mn)

Total Assets	30,447
Total Liabilities	5,551
Total Equity	24,896
EBITDA	2,087
Net Profit	1,385

### Financial Ratios

Dividend Yield (12m)	4.86
Dividend Pay-out (%)	250.58
Price-Earnings Ratio(x)	13.24
Price-to-Book Ratio (x)	2.82
Book Value (AED)	0.32
Return-on Equity (%)	22.02

### Stock Performance

5 Days	1.20%
1 Months	-0.88%
3 Months	4.02%
6 Months	-5.88%
1 Year	10.89%
Month to Date (MTD%)	0.90%
Quarter to Date (QTD%)	-1.75%
Year to Date (YTD%)	-4.27%

### 2Q25 Net Profit higher than our estimate

ADNOC Gas plc (ADNOC GAS/the Company) reported a 16.4% YOY increase in net profit to USD 1,385 Mn in 2Q25, exceeding our estimate of USD 1,240 Mn. The strong increase in net profit is primarily attributable to lower direct costs, reduced inventory consumption, a decline in the share of operating costs from equity-accounted investees, and other expenses, partially offset by a decrease in revenue, other operating income, and an increase in employee benefits and other operating costs.

### P&L Highlights

ADNOC GAS's net revenue declined 4.2% YOY to USD 4,657 Mn in 2Q25, while the Company's total revenue, including revenue from Re-injection gas, ADNOC LNG JV, intercompany elimination and other income, declined 1.9% YOY to USD 5,960 Mn in 2Q25. The decline in revenue is mainly due to an unfavourable pricing environment, partially offset by higher sales volumes. The Company's total sales volume (including ADNOC GAS LNG JV) rose 2.6% YOY to 931 trillion British thermal units (TBTU) in 2Q25. Domestic gas sales volume grew 5.3% YOY to 611 in 2Q25, driven by the strong domestic demand. Exports and traded liquids volume declined 5.3% YOY to 252 TBTU in 2Q25. Furthermore, the Company's LNG JV's sales volume rose 15.2% YOY to 65 TBTU in 2Q25. The Company also maintained a healthy availability of 93.6% and reliability of 97.6% across its assets in 2Q25. Direct cost declined 10.5% YOY to USD 2,635 Mn in 2Q25. Thus, gross profit grew 5.3% YOY to USD 2,023 Mn in 2Q25, supported by lower feedstock cost, partially offset by a decline in revenue. Gross margins grew from 39.5% in 2Q24 to 43.4% in 2Q25. Other operating income declined from USD 267 Mn in 2Q24 to USD 264 Mn in 2Q25. Share of profit to equity accounted investee grew from USD 93 Mn in 2Q24 to USD 150 Mn in 2Q25. Employee benefit expenses grew 7.6% YOY to

USD 295 Mn in 2Q25. Other operating costs also rose 6.3% YOY to USD 81 Mn in 2Q25. Share of operating cost in equity accounted investee declined from USD 64 Mn in 2Q24 to USD 58 Mn in 2Q25. Inventory consumption also fell from USD 17 Mn in 2Q24 to USD 16 Mn in 2Q25. Other expenses declined 20.4% YOY to USD 52 Mn in 2Q25. Thus, the Company's EBITDA grew 8.6% YOY to USD 2,087 Mn in 2Q25, and EBITDA margin rose 528 bps YOY to 44.8% in 2Q25. Domestic segment EBITDA grew strongly 22.8% YOY to USD 920 Mn in 2Q25, primarily due to higher sales volume and improved commercial terms. Export & traded liquid EBITDA declined 10.2% YOY to USD 982 Mn in 2Q25 owing to a decline in volume. ADNOC GAS's share of LNG EBITDA grew significantly from USD 265 Mn in 2Q24 to USD 270 Mn in 2Q25. Thus, the Company's operating profit rose 9.1% YOY to USD 1,765 Mn in 2Q25. Finance income declined from USD 36 Mn in 2Q24 to USD 18 Mn in 2Q25. Finance cost grew 2.0% YOY to USD 46 Mn in 2Q25. Total income tax expenses declined 16.2% YOY to USD 351 Mn in 2Q25.

### Balance Sheet Highlights

ADNOC GAS's investment in capex grew from USD 431 Mn in 2Q24 to USD 665 Mn in 2Q25, primarily due to the expansion of growth projects such as Meram and IGD-E2 and the ongoing shutdown/maintenance programs. The Company had revised capex guidance from a previous range of USD 3,000–3,500 Mn to USD 3,000 Mn for 2025. The Company's net cash flow from operating activities rose from USD 1,317 Mn in 2Q24 to USD 1,550 Mn in 2Q25 due to lower working capital activities. ADNOC GAS's free cash flow declined from USD 1,124 Mn in 2Q24 to USD 696 Mn in 2Q25. As of 2Q25, the Company held cash and cash equivalents of USD 4.0 Bn.

### Target Price and Rating

We maintain our BUY rating on ADNOC GAS with a target price of AED 3.93. ADNOC GAS recorded an increase in overall sales volume in 2Q25, supported by strong demand across the product portfolio, especially within the local market. However, the Company faced pressure from weaker oil prices, which weighed on Naphtha and condensate pricing, but resilient LPG prices helped mitigate the impact. ADNOC GAS's total sales volume (including LNG JV) increased 2.6% YOY to 931 TBTU, with the domestic gas volume rising 5.3% YOY and QOQ in 2Q25, driven by the strong domestic sales. The domestic market remained a key growth driver in 2Q25, contributing to both volume growth and margin expansion. The Company expects it to continue being a major contributor to profitability going forward. ADNOC GAS maintained a healthy level of reliability at 97.6% across its assets in 2Q25. The Company scheduled a planned shutdown in the 2H25, with the majority of the impact expected in the 4Q25. However, ADNOC GAS aims to minimize downtime during scheduled shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs. The Company 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. ADNOC GAS further aims to expand its gas processing capacity by 30% and improve asset utilization from 86% to 95% between 2023 and 2029. The Company continues to advance its strategic growth initiatives, having finalized the Final Investment Decision (FID) for Phase 1 of the Rich Gas Development Project in June 2025. Additionally, the Company's other major projects, including IGDE2, are on track for completion by the end of 2025, followed by the MERAM project in 2026. These growth projects are anticipated to boost the Company's processing capacity and support its financial performance going forward. The Company's EBITDA margin stood at 36.6% in 1H25, up from 34.4% in 1H24. The Company aims to maintain healthy margins through the remainder of 2025, supported by its structured turnaround and optimization programs. Thus, it revised its EBITDA margin from 35% to 36% in 2025. ADNOC GAS also outlined a total CAPEX plan of USD 3 Bn for 2025, with USD 1.2 Bn already spent in 1H25 and the remaining USD 1.8 Bn scheduled for 2H25. Moreover, in line with its dividend policy, the Company declared a USD 1.8 Bn (8.573 fils per share) interim dividend for 1H25, resulting in a dividend yield of 4.8% for 2025. Thus, based on our analysis, we maintain our BUY rating on the stock.

**Adnoc Gas - Relative valuation<sup>1</sup>**

(at CMP in USD)	2023	2024	2025F
PE	13.82	14.00	14.37
PB	3.14	3.04	2.76
EV/EBITDA	8.82	7.63	7.52
BVPS (AED)	1.067	1.103	1.213
EPS (AED)	0.242	0.239	0.233
DPS (AED)	0.156	0.163	0.171
Dividend yield	4.64%	4.86%	5.12%

FABS estimate & Co Data, <sup>1</sup>ADNOC GAS share started trading in 2023 hence previous-year multiples is not provided.

**Adnoc Gas - P&L**

(USD Mn)	2Q24	1Q25	2Q25A	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,863	4,670	4,657	4,810	-3.2%	-4.2%	-0.3%	19,065	19,093	0.2%
Direct Cost	2,943	2,797	2,635	2,904	-9.3%	-10.5%	-5.8%	11,385	11,478	0.8%
<b>Gross Profit</b>	<b>1,921</b>	<b>1,872</b>	<b>2,023</b>	<b>1,906</b>	<b>6.1%</b>	<b>5.3%</b>	<b>8.0%</b>	<b>7,680</b>	<b>7,615</b>	<b>-0.8%</b>
Other Operating income	267	297	264	261	1.0%	-1.3%	-11.1%	1,097	1,135	3.5%
Share of profit of eq-acc inv	93	129	150	133	12.6%	61.6%	16.0%	519	580	11.9%
Recharges to eq acc inv	138	146	152	154	-0.8%	10.4%	4.1%	575	604	5.0%
Employee benefit expenses	-274	-275	-295	-291	1.4%	7.6%	7.3%	-1,112	-1,237	11.3%
Other operating costs	-76	-68	-81	-53	50.8%	6.3%	18.8%	-371	-398	7.1%
Share of operating costs in eq acc inv	-64	-60	-58	-68	-14.1%	-8.1%	-2.9%	-268	-292	8.8%
Inventory Consumption	-17	-17	-16	-19	-18.2%	-8.4%	-8.1%	-49	-66	35.8%
Other expenses	-66	-47	-52	-53	-2.0%	-20.4%	11.1%	-189	-217	14.6%
<b>EBITDA</b>	<b>1,922</b>	<b>1,978</b>	<b>2,087</b>	<b>1,969</b>	<b>6.0%</b>	<b>8.6%</b>	<b>5.5%</b>	<b>7,881</b>	<b>7,725</b>	<b>-2.0%</b>
Depreciation and amortization	-304	-285	-322	-322	0.0%	5.6%	12.8%	-1,216	-1,286	5.7%
<b>EBIT</b>	<b>1,618</b>	<b>1,693</b>	<b>1,765</b>	<b>1,647</b>	<b>7.2%</b>	<b>9.1%</b>	<b>4.3%</b>	<b>6,665</b>	<b>6,439</b>	<b>-3.4%</b>
Finance Income	36	40	18	38	-53.3%	-51.9%	-55.8%	127	110	-13.5%
Finance Cost	-45	-45	-46	-51	-9.7%	2.0%	1.8%	-180	-191	6.2%
<b>Profit before tax</b>	<b>1,609</b>	<b>1,687</b>	<b>1,736</b>	<b>1,633</b>	<b>6.3%</b>	<b>7.9%</b>	<b>2.9%</b>	<b>6,612</b>	<b>6,358</b>	<b>-3.8%</b>
Income Tax expense	419	417	351	393	-10.7%	-16.2%	-15.8%	1,611	1,485	-7.8%
<b>Net Income</b>	<b>1,190</b>	<b>1,270</b>	<b>1,385</b>	<b>1,240</b>	<b>11.7%</b>	<b>16.4%</b>	<b>9.1%</b>	<b>5,001</b>	<b>4,872</b>	<b>-2.6%</b>

FABS estimate & Co Data

**Adnoc Gas - Margins**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	39.5%	40.1%	43.4%	394	333	40.3%	39.9%	-40
EBITDA	39.5%	42.4%	44.8%	528	245	41.3%	40.5%	-88
Net Profit	24.5%	27.2%	29.7%	528	256	26.2%	25.5%	-71

FABS estimate & Co Data

## 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 ADNOC GAS, as a result, it is valued as a standalone business.

Valuation Method	Target	Weight	Weighted Value
DCF Method (ADNOC GAS + ADNOC L&G)	3.67	70.0%	2.57
Relative Valuation (RV) – EV/EBITDA	4.50	15.0%	0.67
– Dividend Yield	4.56	15.0%	0.68
<b>Weighted Average Valuation (AED)</b>			<b>3.93</b>
Current market price (AED)			3.36
Upside/Downside (%)			+17%

### 1) ADNOC Gas DCF Method:

ADNOC GAS is valued using free cash flow to Equity. We have discounted the cash flow using a weighted average cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.4%, a beta of 0.97, and an equity risk premium of 4.2%. 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)	16,089
Terminal value (USD, Mn)	50,444
<b>FV to Common shareholders (USD, Mn)</b>	<b>66,533</b>
No. of shares (Mn)	76,751
Current Market Price (AED)	3.36
<b>Fair Value per share (AED)</b>	<b>3.18</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	4,292	4,411	4,879	4,583	4,673	4,594
D&A	1,286	1,374	1,487	1,564	1,695	1,710
(-) Capex	-3,000	-3,300	-3,250	-2,850	-2,600	-550
Change in working capital	-542	-293	-201	-53	-19	-54
Net change in debt	500	1,000	1,000	500	0	0
<b>Free Cash Flow to Equity (FCFE)</b>	<b>1,268<sup>1</sup></b>	<b>3,192</b>	<b>3,914</b>	<b>3,745</b>	<b>3,748</b>	<b>5,701</b>
Discounting Factor	0.97	0.88	0.81	0.74	0.68	0.62
<b>Discounted FCFE</b>	<b>1,224</b>	<b>2,822</b>	<b>3,170</b>	<b>2,778</b>	<b>2,547</b>	<b>3,548</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) ADNOC Gas LNG JV DCF Method:

Adnoc Gas LNG JV is valued using free cash flow to Equity. It is discounted using a similar WACC used to discount ADNOC GAS. We have discounted the cash flow using a weighted average cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.4%, a beta of 0.97, and an equity risk premium of 4.2%. 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)	4,193
Terminal value (USD, Mn)	10,349
<b>FV to Common shareholders (USD, Mn)</b>	<b>14,542</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	829	893	942	993	1,028	1,063
D&A	193	200	214	229	243	257
(-) Capex	-554	-561	-368	-232	-172	-177
Change in working capital	-46	-51	-55	-59	-61	-63
Net change in debt	250	300	300	200	100	100
<b>Free Cash Flow to Equity (FCFE)</b>	<b>336<sup>1</sup></b>	<b>781</b>	<b>1,034</b>	<b>1,131</b>	<b>1,138</b>	<b>1,180</b>
Discounting Factor	0.97	0.88	0.81	0.74	0.68	0.62
<b>Discounted FCFE</b>	<b>325</b>	<b>690</b>	<b>838</b>	<b>839</b>	<b>773</b>	<b>734</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

### 3) Relative Valuation: EV/ EBITDA & Dividend Yield

We have used regional and global peers to value ADNOC GAS PLC, which is valued using the EV/EBITDA and Dividend Yield multiples. It is valued at a 2025 EV/EBITDA multiple of 10.2x in line with its peers. In the dividend yield, we have used a dividend Yield of 3.8% to value ADNOC GAS.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Saudi Basic Industries Corp	46,091	10.2	8.5	75.9	25.5	5.8%	6.0%
Saudi Arabian Oil Co	1,568,150	7.3	7.2	15.6	15.5	5.4%	5.6%
Borouge	21,590	11.0	9.3	NA	NA	1.6%	1.6%
Petronas Gas Bhd	8,509	10.2	9.9	19.4	18.6	4.1%	4.2%
Kinder Morgan Inc	59,441	11.2	10.8	20.9	19.8	4.4%	4.5%
Valero Energy Corp	41,460	8.1	6.9	16.9	12.9	3.4%	3.5%
Marathon Petroleum Corp	49,385	8.3	7.5	20.9	14.1	2.2%	2.4%
Oneok Inc	47,376	9.8	9.1	13.8	12.0	5.5%	5.7%
Targa Resources Corp	35,371	10.8	9.8	22.4	17.2	2.4%	2.9%
Williams Cos Inc	71,610	13.1	12.2	27.0	24.0	3.4%	3.6%
<b>Average</b>		<b>10.0x</b>	<b>9.1x</b>	<b>25.9x</b>	<b>17.7x</b>	<b>3.8%</b>	<b>4.0%</b>
<b>Median</b>		<b>10.2x</b>	<b>9.2x</b>	<b>20.9x</b>	<b>17.2x</b>	<b>3.8%</b>	<b>3.9%</b>
<b>Max</b>		<b>11.0x</b>	<b>9.9x</b>	<b>22.4x</b>	<b>19.8x</b>	<b>5.2%</b>	<b>5.3%</b>
<b>Min</b>		<b>8.7x</b>	<b>7.8x</b>	<b>16.9x</b>	<b>14.1x</b>	<b>2.7%</b>	<b>3.0%</b>

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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