

ADNOC Distribution (ADNOCDIST)

Profit Boosted by Fuel & Non-Fuel Growth with Strategic Margin Management

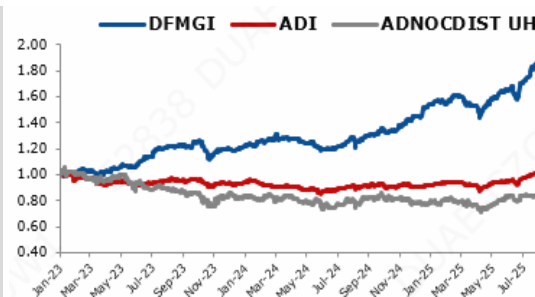
Current Price
AED 3.74

Target Price
AED 4.46

Upside/Downside (%)
+19%

Rating
BUY

- Total fuel grew 10.3% YOY to 3,899 Mn liters, attributed to a double-digit growth in retail and commercial volume.
- The Company added 47 service stations in 1H25, achieving its initial full-year target, and revised its guidance to open 60–70 new stations in 2025, including 50–60 stations in KSA.
- 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.
- ADNOCDIST's commercial fuel margins rose from 28 fils per litre in 2Q24 to 33 fils per litre in 2Q25, driven by dynamic pricing and proactive corporate fuel margin management.
- The Company achieved USD 3 Mn in like-for-like OPEX savings in 1H25 and remains on track to meet its USD 50 Mn target by 2028.



2Q25 Net Profit higher than our estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit attributable to equity shareholders rose 8.6% YOY to AED 677 Mn in 2Q25, higher than our estimate of AED 620 Mn. The growth in net profit is attributable to higher volume growth in retail & non-retail sales, increased contributions from international activities, and strategic fuel margin management in the corporate business.

P&L Highlights

ADNOC Distribution's revenue declined 1.7% YOY to AED 8,638 Mn in 2Q25, primarily driven by lower selling prices following a decline in crude oil prices, partially offset by increased fuel sales volume in the Retail and Commercial segment, coupled with stronger contributions from the non-fuel Retail segment. The Company's total fuel volumes expanded 10.3% YOY to 3.9 Bn liters in 2Q25. Retail fuel volume rose 10.0% YOY to 2.7 Bn liters in 2Q25 supported by strong regional economic activity, rising mobility trends, and network expansion. Commercial fuel volume rose 10.9% YOY to 1.2 Bn liters in 2Q25, attributable to a growth in corporate and aviation volume. The growth in corporate volume is supported by the award of new contracts in 2024 and 2025. Additionally, the 2Q24 volume was impacted due to a storm in the UAE in April 2024. Revenue of the Retail segment declined 2.3% YOY to AED 5,917 Mn in 2Q25, mainly due to a fall in revenue in the Fuel Retail segment, partially offset by a growth in the Non-fuel Retail segment. Revenue from the Fuel Retail segment declined 3.3% YOY to AED 5,482 Mn in 2Q25, driven by a decline in pump price. On the other hand, revenue from the Non-fuel Retail segment rose 13.0% YOY to AED 435 Mn in 2Q25, due to a growth in non-fuel transactions and improved customer offerings. Furthermore, the revenue from the Commercial segment fell 0.3% YOY to AED 2,721 Mn in 2Q25, due to lower prices partially offset by higher

Stock Information

Market Cap (AED, Mn)	46,750.00
Paid Up Capital (mn)	1,000.00
52 Week High	3.82
52 Week Low	2.95
3M Avg. daily value (AED)	24,113,980

2Q25 Result Review (AED, Mn)

Total Assets	17,598
Total Liabilities	14,395
Total Equity	3,016
EBITDA	1,069
Net Profit	677

Financial Ratios

Dividend Yield (12m)	5.51
Dividend Pay-out (%)	106.24
Price-Earnings Ratio(x)	18.24
Price-to-Book Ratio (x)	15.50
Book Value (AED)	0.24
Return-on Equity (%)	80.89

Stock Performance

5 Days	0.54%
1 Months	1.63%
3 Months	6.55%
6 Months	4.18%
1 Year	9.36%
Month to Date (MTD%)	0.81%
Quarter to Date (QTD%)	1.91%
Year to Date (YTD%)	6.25%

volume. Direct cost declined 3.9% YOY to AED 6,957 Mn in 2Q25. As a result, the Company's gross profit grew 9.1% YOY to AED 1,681 Mn in 2Q25. ADNOC DIST recorded an inventory gain of AED 37 Mn in 2Q25 compared to a gain of AED 128 Mn in 2Q24. Furthermore, the gross margin rose 192 bps YOY to 19.5% in 2Q25. The Company's other income grew 13.2% YOY to AED 29 Mn in 2Q25. Distribution and administrative expenses increased 10.2% YOY to AED 833 Mn in 2Q25, while the cash OPEX excluding depreciation rose 9.9% to AED 621 Mn in 2Q25. Impairment and other expenses fell 11.4% YOY to AED 20 Mn in 2Q25. Moreover, operating profit rose 8.8% YOY to AED 857 Mn in 2Q25, while the operating profit margin increased 95 bps YOY to 9.9% in 2Q25. D&A charges increased 11.1% YOY to AED 212 Mn in 2Q25. Furthermore, EBITDA grew 9.2% YOY to AED 1,069 Mn in 2Q25, even with lower inventory gains in 2Q25 compared to 2Q24. Underlying EBITDA excluding inventory movements and one-off items grew 22.3% YOY to AED 1,042 Mn in 2Q25, supported by robust underlying business fundamentals. In addition, ADNOC DIST's interest income shrank significantly from AED 32 Mn in 2Q24 to AED 15 Mn in 2Q25, whereas the interest expense also declined from AED 113 Mn in 2Q24 to AED 104 Mn in 2Q25. The Company's income tax rose 8.4% YOY to AED 80 Mn in 2Q25, in line with the growth in profitability.

Balance Sheet Highlights

ADNOC Distribution maintained a healthy liquidity position of AED 5.3 Bn with cash and cash equivalents, including cash and cash equivalents of AED 2.5 Bn, along with an unutilized credit facility of AED 2.8 Bn as of 2Q25. The Company's net debt to EBITDA ratio stood at 0.80x as of 2Q25 compared to 0.69x in 4Q24. Further, ADNOC DIST's borrowings stood at AED 5.7 Bn in 2Q25 compared to AED 5.6 Bn in 1Q25. The Company's Capex rose 35.4% YOY and 23.4% QOQ to AED 272 Mn in 2Q25, driven by spending on service station projects, industry & other projects and machinery & equipment along with advancement in technological infrastructure. Free Cash Flow declined 43.9% YOY to AED 1,006 Mn in 1H25 mainly due to an investment in working capital. However, the free cash flow excluding the effect of working capital rose 11.3% YOY to AED 1,500 Mn in 1H25.

Target Price and Rating

We maintain our BUY rating on ADNOC Distribution with a target price of AED 4.46. ADNOC Distribution recorded healthy bottom-line growth in 2Q25, driven by higher fuel volumes in both Retail and Commercial segments, strong expansion in the GCC region, and robust growth in the non-fuel segment. ADNOC Distribution expanded its global retail fuel network to 939 stations, adding 6 in the UAE, contracting 40 DOCO stations in KSA (doubling to 140 stations in 2H25 compared to 2H24), and operating 243 in Egypt in 1H25. The Company added 47 service stations in 1H25, surpassing its initial full-year target, and accordingly revised its guidance. ADNOC Distribution plans to add 60–70 additional service stations in 2025, including 50–60 in KSA under the CAPEX-light DOCO model. The Company also plans to roll out its first DOCO station in KSA in 1Q26. The station will contribute to volume growth starting from next year. It also expects the refurbished station volume to grow by 15–20% driven by brand recall and value proposition. ADNOC Distribution's commercial fuel volumes in the GCC region grew 3.7% YOY to 2,036 Mn liters, and Egypt volume rose 6.1% YOY to 264 Mn liters in 1H25, driven by new contracts and expansion in volume of the aviation segment. Additionally, the Company launched the Voyager lubricant line nationally in Egypt, expanding to third-party retail stores with a target of 3,000 points of sale by the end of 2026. 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. Furthermore, the Company enhanced its non-fuel retail strategy by expanding high-margin offerings, launching new convenience stores, and upgrading car wash and vehicle inspection facilities. The daily non-fuel transactions grew 12.2% YOY in 2Q25, driven by improvement in consumer sentiment, higher customer offerings, launch of car wash tunnels and upgrade of automatic car washes. The convenience store conversion rate increased from 26.1% in 2Q24 to 27.2% in 2Q25, reflecting improved customer engagement and cross-selling. It also entered into a strategic partnership with Noon to explore opportunities in last-mile delivery. ADNOC DIST plans to develop 40–50 dark stores within its network with shared delivery revenues. It plans to offer ADNOC Oasis stores and cafes on Noon and NowNow apps, with deliveries handled by Noon. The partnership is expected to scale operations, boost distribution and aid margins. 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. The company

plans to pay a USD 350 Mn dividend for 1H25 (10.285 fils per share) in October 2025 and target an annual payout of USD 700 Mn from 2025 to 2028, or 75% of net profit, whichever is higher. 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)	19.5	20.7	17.0	17.9	19.3	17.4
PB (x)	13.6	14.6	13.5	13.4	15.6	15.1
EV/EBITDA	19.3	20.5	16.6	16.5	16.1	15.0
BVPS	0.275	0.256	0.276	0.278	0.239	0.248
EPS	0.192	0.180	0.220	0.208	0.194	0.214
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend yield (%)	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%

FABS Estimates & Co Data

ADNOC Distribution - P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	8,784	8,473	8,638	8,509	1.5%	-1.7%	2.0%	35,454	35,120	-0.9%
Direct costs	-7,244	-6,855	-6,957	-6,926	0.5%	-3.9%	1.5%	-29,238	-28,553	-2.3%
Gross profit	1,541	1,618	1,681	1,583	6.2%	9.1%	3.9%	6,216	6,567	5.7%
Other income	26	26	29	30	-1.1%	13.2%	13.1%	138	105	-23.7%
Distribution & admin exp.	-756	-812	-833	-808	3.1%	10.2%	2.6%	-3,195	-3,231	1.1%
Impairment & other exp.	-23	-27	-20	-27	-26.0%	-11.4%	-25.0%	-90	-95	5.1%
Operating profit	788	805	857	777	10.4%	8.8%	6.5%	3,069	3,347	9.1%
D&A	191	206	212	201	5.5%	11.1%	3.0%	786	786	0.0%
EBITDA	979	1,011	1,069	978	9.4%	9.2%	5.8%	3,855	4,133	7.2%
Interest income	32	18	15	26	-41.1%	-53.8%	-16.4%	144	88	-39.0%
Interest expenses	-113	-103	-104	-103	0.8%	-8.6%	0.9%	-457	-410	-10.4%
Profit before tax	708	720	769	700	9.9%	8.7%	6.8%	2,756	3,025	9.8%
Income tax	-74	-72	-80	-70	14.5%	8.4%	11.3%	-283	-309	8.9%
Net Profit for the year	634	648	689	630	9.4%	8.7%	6.3%	2,472	2,717	9.9%
Non-controlling interest	11	9	12	9	28.2%	11.7%	28.6%	52	42	-19.0%
Net Profit attr. to equity holders	623	639	677	620	9.1%	8.6%	5.9%	2,420	2,675	10.5%

FABS estimate & Co Data

ADNOC Distribution - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross margin	17.5%	19.1%	19.5%	192	37	17.5%	18.7%	117
EBITDA margin	11.1%	11.9%	12.4%	123	45	10.9%	11.8%	89
Operating margin	9.0%	9.5%	9.9%	95	43	8.7%	9.5%	87
Net profit margin	7.1%	7.5%	7.8%	74	30	6.8%	7.6%	79

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value ADNOC Distribution. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.51	70.0%	3.16
Relative Valuation (RV)	4.33	30.0%	1.30
Weighted Average Valuation (AED)			4.46
Current market price (AED)			3.74
Upside/Downside (%)			+19%

1) DCF Method:

ADNOC Distribution is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.2%. It is arrived after using the cost of equity of 8.7% and after-tax cost of debt of 5.3%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.90 and equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	12,860
Terminal value (AED, Mn)	48,655
Firm Value	61,515
Net debt as of June 2025	5,142
FV to Common shareholders (AED, Mn)	56,373
No. of share (Mn)	12,500
Current Market Price (AED)	3.74
Fair Value per share (AED)	4.51

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	3,038	3,208	3,517	3,644	3,897
Depreciation & Amortization	786	845	935	995	1,060
(-) Capex	-1,018	-979	-945	-918	-858
(-) Change in Working Capital	316	-43	-31	-52	77
Free Cash Flow to Firm (FCFF)	3,122	3,031	3,476	3,669	4,175
Discounting Factor	0.97	0.90	0.83	0.76	0.71
Discounted FCFF	1,513¹	2,715	2,876	2,805	2,950

Source: FAB Securities, ¹Adjusted for the partial year

2) Relative Valuation:

We have used local as well as international peers to value ADNOC Distribution, and it is valued using the EV/EBITDA multiple. We have applied a premium to peer valuation as the company stands at a leading position in UAE's fuel and convenience retail segment. In addition, the ADNOC group guarantees minimum fuel margins, eliminating the risk of volatility in global oil prices. It is valued at an EV/EBITDA multiple of 14.3x compared to the peer multiple of 9.9x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
UGI Corp	7,756	8.0	7.4	11.4	11.3
Petronas Dagangan	5,381	9.8	9.9	20.6	20.3
Murphy USA	7,091	9.8	9.1	15.4	14.2
Hindustan Petroleum Corporation Limited	9,735	10.0	7.3	12.3	8.1
Aldrees Petroleum	3,243	13.3	11.8	29.6	25.8
Qatar Fuel Company	4,173	14.7	13.9	14.4	14.1
Average		10.9x	9.9x	17.3x	15.7x
Median		9.9x	9.5x	14.9x	14.2x
Max		12.5x	11.4x	19.3x	18.8x
Min		9.8x	7.8x	12.8x	12.0x

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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