UAE Energy Sector

Middle East de-escalation unwinds supply disruptions, stabilizing oil markets

Sector Weighting:
MARKET WEIGHT

Global crude oil markets experienced heightened volatility during 2Q26, as escalating geopolitical tensions in the Middle East raised concerns over supply disruptions and energy security. While the conflict temporarily disrupted crude flows and shipping activity through the Strait of Hormuz, the impact on underlying market fundamentals remained relatively contained, with inventories helping to offset near-term supply shortages. According to the US Energy Information Administration (EIA), global liquid fuels consumption is expected to decline to 102.8 Mn bpd in 2026 from 104.0 Mn bpd in 2025, before rebounding to 104.8 Mn bpd in 2027 as supply flows normalize and lower oil prices support demand. On the supply side, global liquid fuels production is forecast to decline to 101.9 Mn bpd in 2026 from 106.1 Mn bpd in 2025, reflecting temporary disruptions in the Middle East, before rebounding to 109.8 Mn bpd in 2027 as production and exports return to near pre-conflict levels. The recovery in global oil supply is expected to be supported by production growth from non-OPEC producers including US, alongside the gradual unwinding of OPEC+ voluntary production cuts. As supply growth is forecast to outpace demand growth in 2027, global petroleum inventories are expected to rebuild, shifting the market from a relatively tight balance in 2026 to a more adequately supplied environment. Consequently, crude oil prices are expected to moderate over the medium term, although they are likely to remain sensitive to geopolitical developments and any renewed disruptions to global energy supply. Reflecting this improving supply outlook, the EIA forecasts Brent crude oil prices to average c. USD 74 per barrel in 3Q26, moderating to c. USD 70 per barrel in 4Q26 and further to an average of c. USD 65 per barrel in 2027.

Global natural gas markets weakened significantly in 2026, with the IEA forecasting demand to decline by c. 0.5% (20 bcm), marking the third annual contraction this decade. The decline is primarily attributed to supply disruptions following the temporary closure of the Strait of Hormuz, elevated natural gas prices and weaker consumption across the Middle East, Asia, Europe and North America, partially offset by modest growth in Eurasia and Central & South America. Natural gas prices remained elevated during 2Q26, with European TTF averaging USD 16 per MBtu which increased 32.0% on YOY basis and Asia Platts JKM rising c. 45.0% YOY to USD 17.5 per MBtu, supported by disrupted LNG shipments through the Strait of Hormuz and weaker Australian LNG supply. Looking ahead, LNG prices are expected to average c. USD 16 per MBtu in 2026, while global natural gas production is projected to decline c. 0.7% to 4,274 bcm, mainly due to a c. 15% contraction in Middle Eastern output. Although new LNG liquefaction capacity, led by projects in the US, is expected to support medium-term supply growth, disruptions to Middle Eastern infrastructure are estimated to reduce cumulative LNG supply by 140 bcm during 2026-2030, keeping price volatility elevated despite increasing non-Gulf LNG supply.

ADNOC Distribution continues to be our preferred pick among ADNOC Drilling, ADNOC Gas, Dana Gas, and NMDC Energy underpinned by strong earnings visibility, resilient non-fuel growth, and a diversified business model. We believe the company's increasing contribution from higher-margin non-fuel businesses, including convenience retail, commercial fuels, property management and EV charging, will support sustainable earnings growth over the medium term. In addition, its disciplined capital allocation strategy and attractive dividend profile position the company to deliver superior shareholder returns. During 1Q26, ADNOC Distribution expanded its retail network by adding two new service stations, increasing its UAE network to 568 stations, while its Saudi Arabia network grew 90.4% YOY to 219 stations. Under its capital-light DOCO model, the Company contracted an additional 20 stations in Saudi Arabia, taking the contracted network to 149 stations, of which 43 are currently operational under the ADNOC Distribution brand. The Company also continued expanding its convenience retail and EV charging businesses, with the UAE charging network reaching 400 charging points and EV energy sales increasing 2.1x YOY. The Company also reiterated its 2026 guidance, targeting the addition of 60-70 new service stations across the UAE, KSA, and Egypt, while maintaining capex guidance of USD 250-300 Mn. Furthermore, ADNOC Distribution remains on track to achieve cumulative operating cost savings of up to AED 184 Mn over 2024-2028, supported by ongoing AI and digital transformation initiatives. The Company also maintained its quarterly dividend policy, by paying a dividend of 5.14 fils per share in 1Q26. Subsequent to the quarter, ADNOC Distribution announced the proposed acquisition of Shell Downstream South Africa (SDSA) at an implied Enterprise Value of USD 1.0 Bn, with completion expected in 2027 subject to regulatory approvals. The transaction marks a transformational step in the Company's international expansion strategy, increasing its service station network by 55%, convenience stores by 70%, and fuel volumes by 20%. Importantly, the Company expects the acquisition to be immediately earnings accretive, with EBITDA and net profit projected to increase by c.13% and c.6%, respectively, in the first full year post-completion.

ADNOC Drilling maintained operational resilience in 1Q26 despite regional tensions, supported by its long-term contracts and integrated drilling and oilfield services platform. The Company completed the consolidation of eight land rigs in Oman and Kuwait through the SLDC transaction, while the MBPS acquisition of 22 regional rigs was completed in May 2026. ADNOC Drilling further reaffirmed its target of operating c. 70 IDS rigs by the end of 2026, supporting long-term earnings visibility and operational scale. ADNOC Gas entered into a 25-year gas supply agreement for the Ta'ziz methanol project, valued at c. USD 5 Bn, reinforcing its role in the UAE's industrial development strategy. While export volumes were temporarily impacted by the Strait of Hormuz disruption and Habshan-related outages, Company expects a gradual recovery in 2H26, supported by stronger LNG and LPG pricing. Dana Gas reported weaker underlying profitability, primarily due to the temporary operational disruption at Khor Mor caused by the regional security situation in March 2026. Despite this, customer deliveries continued with minimal disruption. The USD 100 Mn investment programme remains on track, with seven wells planned for 2026 to stabilise production, restore growth across the Nile Delta portfolio, and support reserve replacement. In Egypt, the latest exploration well encountered c. 10 Bcf of gas, well above initial estimates, while identifying additional prospective resources that support the Company's long-term production outlook. NMDC Energy reported weaker profitability and margins due to operational disruptions, including offshore vessel standby, GPS interference, night operation restrictions, and periodic evacuations. The Company expects margin recovery in 3Q26 and 4Q26, subject to improving operating conditions, while first quarter is typically a seasonally softer quarter. The Company remains well-positioned for the rest of 2026, supported by a strong backlog, robust pipeline, and solid execution capabilities. Thus, based on the above factors, ADNOC Distribution offers a resilient, low-volatility earnings profile, strong non-fuel retail growth, an expanding regional footprint, and enhanced visibility on dividends and cash flows, positioning it as the preferred pick among the five companies under our energy sector coverage.

We have assigned a BUY rating to all the five companies under our coverage and out of those DANA Gas provides the highest dividend yield of 7.6%.

Stock	Target Price	CMP	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
ADNOC Distribution	4.70	4.00	+17.5%	**BUY**	13.98	12.08	5.2%
ADNOC Drilling	7.00	5.79	+20.9%	**BUY**	16.40	12.00	4.2%
ADNOC Gas	4.30	3.42	+25.7%	**BUY**	19.17	10.28	5.3%
Dana Gas	1.15	0.92	+25.0%	**BUY**	7.18	5.04	7.6%
NMDC Energy	3.80	2.88	+31.9%	**BUY**	8.20	4.68	6.1%

Source: FABS Estimate, [1]Data refers to FY2026E

Key Developments in the Energy Sector

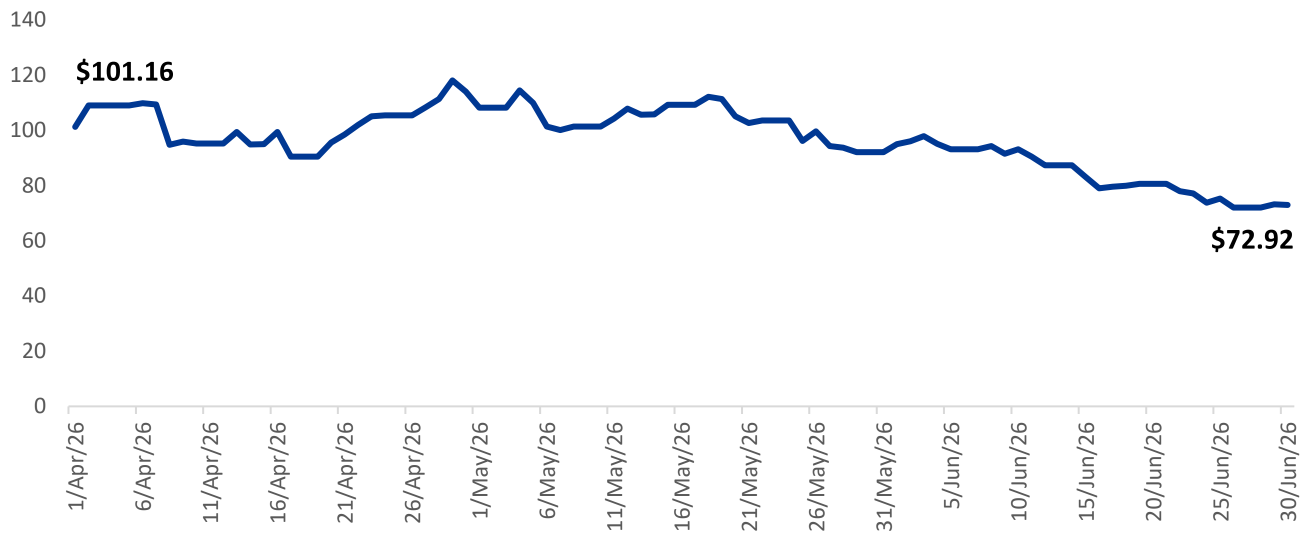
UAE non-oil private sector growth weakens amid geopolitical headwinds

The UAE non-oil private sector recorded its slowest expansion in over five years during June, as geopolitical disruptions, cautious client activity, and competitive pressures continued to weigh on business conditions, although resilient domestic spending and public investment provided ongoing support. The seasonally adjusted S&P Global UAE Purchasing Managers' Index (PMI) declined from 52.6 in May 2026 to 50.8 in June 2026, marking the weakest improvement in operating conditions since February 2021, while remaining above the 50.0 threshold and signalling a marginal improvement in business conditions. Total private sector activity expanded at its weakest pace in five years, while new business growth remained below the historical average as customers delayed spending decisions. Employment declined at the fastest pace since August 2020 amid weaker demand, rising costs, and productivity initiatives. Meanwhile, purchasing activity rebounded sharply, supported by restocking and precautionary inventory building, while supply chain conditions improved as delivery times shortened following the easing of shipping bottlenecks in the Strait of Hormuz. However, input cost inflation continued to outpace selling price increases, putting pressure on profitability.

Oil prices ease after sharp volatility amid de-escalating Middle East tensions

Crude oil prices remained highly volatile during 2Q26, primarily driven by geopolitical developments in the Middle East. Brent crude averaged above USD 100 per barrel during April and May as attacks on regional energy infrastructure, including key oil production facilities, and the temporary closure of the Strait of Hormuz disrupted global supply flows and significantly increased geopolitical risk premiums. Oil prices briefly surged to a peak of c. USD 118.35 per barrel during the quarter before reversing sharply as market sentiment improved. Despite intermittent military strikes and renewed US military action against Iran causing temporary price spikes, expectations of a diplomatic resolution between the US and Iran gradually eased supply concerns. The signing of a preliminary Memorandum of Understanding (MoU) on 18th June 2026, aimed at de-escalating the conflict and facilitating the reopening of the Strait of Hormuz, marked a key turning point in market sentiment. By the end of June 2026, the resumption of tanker traffic through the Strait and growing optimism surrounding peace negotiations in Doha helped restore confidence in global energy markets, driving Brent crude lower to c. USD 72.92 per barrel. According to the EIA, Brent crude averaged c. USD 103 per barrel during 2Q26, reflecting the elevated geopolitical risk premium associated with the Middle East conflict and disruptions to global energy trade. Looking ahead, the EIA expects oil prices to moderate further as supply disruptions unwind and export flows normalize, with Brent projected to average c. USD 74 per barrel in 3Q26, decline to c. USD 70 per barrel in 4Q26, and average c. USD 65 per barrel in 2027. Accordingly, the medium-term outlook has shifted from one dominated by geopolitical supply risks to a more balanced market supported by improving supply availability, although crude prices are expected to remain sensitive to any renewed geopolitical tensions in the region.

Brent crude oil price during 2Q26 (USD per Barrel)



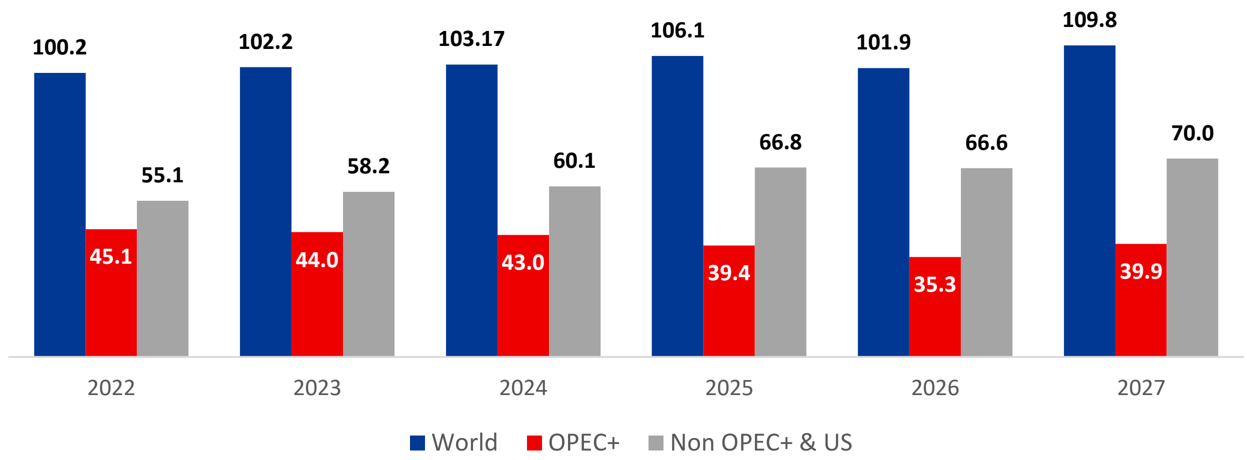
Source: Bloomberg

Crude Oil Supply and Demand (EIA)

- According to the EIA, global oil demand fell more sharply than previously forecasted, with world liquid fuels consumption now expected to decline by an average of 1.2 Mn bpd in 2026, reflecting high fuel prices, fuel shortages, and government-led measures to curtail fuel use during the conflict. Most of this demand reduction occurred in Asia, where countries were most reliant on Middle East crude imports. Demand is projected to rebound in 2027, growing by 2.0 Mn bpd to reach 104.8 Mn bpd, which is 0.8 Mn bpd above the 2025 average as prices ease and supply flows fully normalize.
- On the supply side, the US and Iran signed a MoU on June 18, 2026 to end the conflict and reopen the Strait of Hormuz, which had been effectively closed since February 28, 2026. Following the resumption of tanker traffic, production shut-ins have fallen faster than expected after peaking at 11.2 Mn bpd in May 2026, shut-ins averaged 8.3 Mn bpd in June. Most crude oil production and trade patterns are now expected to return to near pre-conflict levels by the end of 2026, with an average of just 1.4 Mn bpd still shut-in in 4Q26, and the majority of remaining shut-in production back online by 1Q27.
- Global oil inventories fell by an average of 5.1 Mn bpd in 2Q26, with a further, much smaller 2.2 Mn bpd draw forecast for 3Q26 as the initial adjustment period winds down. Thereafter, markets are expected to shift back to the pre-conflict state of oversupply, with inventories building by 2.7 Mn bpd in 4Q26 and 5.0 Mn bpd in 2027. OECD inventories are now projected to rise to 2.6 Bn barrels by December 2026 and 3.0 Bn barrels by December 2027.
- According to the EIA, global liquid fuels consumption is expected to average c. 102.8 Mn bpd in 2026, while production is forecasted at c. 101.9 Mn bpd. In 2027, global consumption is projected to increase to about 104.8 Mn bpd, while production is expected to rise to c. 109.8 Mn bpd.

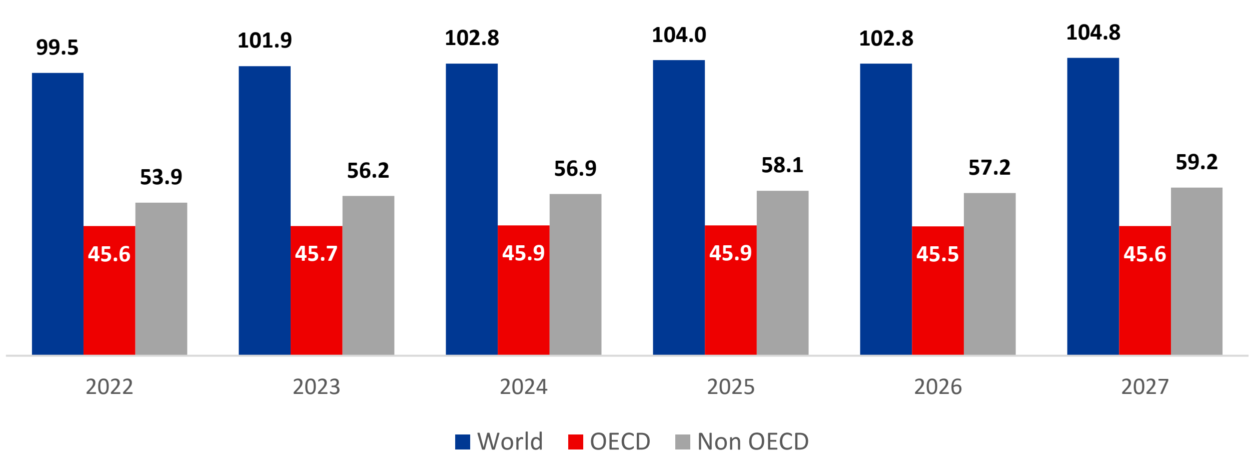
- Brent crude averaged USD 85 per barrel in June 2026, down USD 22 per barrel from May 2026, with prices falling further to below USD 70 per barrel by July 1, 2026 as tanker traffic resumed following the US-Iran MoU to reopen the Strait of Hormuz. This follows a 2Q26 quarterly average of USD 103 per barrel, when prices remained elevated on the Middle East risk premium.
- Oil prices are projected to ease further as supply flows normalize, averaging USD 74 per barrel in 3Q26 and falling to USD 70 per barrel by 4Q26, before declining to an average of USD 65 per barrel in 2027, as rising production and inventory rebuilding put sustained downward pressure on the market.

Petroleum and other liquid fuels production (Mn BPD)



Source: Energy Information Administration

Petroleum and other liquid fuels consumption (Mn BPD)



Source: Energy Information Administration

Global LNG markets to stay tight through 2026-27 as Hormuz-related supply losses offset new liquefaction capacity

According to the International Energy Agency (IEA), global natural gas demand growth turned negative in 2026, with consumption expected to fall by c. 0.5% (or 20 bcm), marking the third annual decline this decade, as the closure of the Strait of Hormuz tightened supply fundamentals and drove up prices in key import markets. The decline is primarily concentrated in the Middle East and Asia, while fuel demand in North America and Europe is also expected to contract. In contrast, Eurasia and Central & South America are projected to continue recording positive demand growth. In the Middle East, gas demand is projected to contract by c. 4%, the region's first annual decline since 1993, as damage to local production and processing facilities and reduced associated gas output weigh on consumption. In Asia, demand is set to decline by c. 0.5% as higher LNG prices support gas-to-coal switching in the power sector and reduce operating rates across gas- and energy-intensive industries. In Europe, strong growth in renewables output combined with higher gas prices is expected to reduce demand by more than 2%. North American demand is forecasted to decline marginally following an unseasonably mild first quarter that reduced gas use in buildings. In contrast, gas demand in Eurasia is projected to expand by nearly 3% following a cold first quarter, while Central and South America is set to grow by c. 3% as lower hydropower output supports stronger gas burn in the power sector.

Natural gas prices remained elevated and highly volatile during 2Q26 as the temporary closure of the Strait of Hormuz disrupted global LNG trade and tightened supply. European gas prices, represented by the TTF benchmark, averaged close to USD 16/MBtu in 2Q26, rising 32% YOY, supported by lower LNG imports and heightened market uncertainty. Similarly, Asia Platts JKM increased by c. 45% YOY to an average of USD 17.5 per MBtu, marking their highest second-quarter average since 2022. The rise was primarily driven by disruptions to LNG shipments through the Strait of Hormuz, coupled with weaker LNG supply from Australia. Looking ahead, LNG prices are projected to increase by c. 30% in 2026, averaging close to USD 16 per MBtu.

On the supply side, new LNG liquefaction capacity is set to reach the market over the medium term, with three major projects in US. However, the Middle East conflict has also disrupted the medium-term supply outlook, with cumulative LNG supply losses between 2026 and 2030 estimated at 140 bcm once the damage to regional gas infrastructure including Qatar's Ras Laffan site, the world's largest liquefaction facility is factored in alongside near-term disruptions. These losses are equivalent to c. 15% of new LNG supply expected globally over 2026-2030, with the impact concentrated in 2026 and 2027, meaning markets could stay tighter than previously expected over the next two years. Global natural gas production is expected to decline slightly by c. 0.7% to 4,274 bcm in 2026, down from 4,303 bcm in 2025, driven largely by the c. 15% contraction in Middle Eastern output. While price volatility may persist in the near term given the uncertain timeline for a full reopening of the Strait of Hormuz, continued growth in non-Gulf LNG supply and strengthened international co-ordination on gas security.

Energy companies drive top-line growth through strategic partnerships and increased production initiatives

Dana Gas

- **23rd June 2026:** Dana Gas announced strong drilling results in Egypt, with its latest well discovering an estimated 10 Bcf of gas reserves, significantly above initial expectations.
- **6th May 2026:** Dana Gas signed an MoU with Levidian to develop the Sharjah Graphene Park, a phased advanced materials initiative aimed at establishing industrial-scale graphene production in the UAE using Levidian's LOOP technology, with the project aimed at advancing local manufacturing and industrial diversification.

ADNOC Distribution

- **19th May 2026:** ADNOC Distribution partnered with Americana Restaurants to introduce up to 200 quick-service restaurants across its service station network in the UAE, Saudi Arabia, and Egypt, supporting the expansion of its non-fuel retail business and enhancing roadside dining and convenience offerings.

ADNOC Drilling

- **4th May 2026:** ADNOC Drilling completed the acquisition of an 80% stake in MB Petroleum Services (MBPS), expanding its regional footprint and increasing its total fleet to 170 rigs, while recently secured four additional rig contracts in Oman and Kuwait, supporting long-term growth and revenue visibility.

ADNOC Gas

- **5th May 2026:** ADNOC Gas signed a 25-year natural gas feedstock supply agreement with ADNOC to supply the TA'ZIZ Methanol production facility from 2029, with the contract valued at over USD 5 Bn, supporting the development of the UAE's first methanol production facility.

Contents:

2Q26 Preview: ADNOC Distribution

Double-digit growth in Commercial segment to boost profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.00	AED 4.70	+17.5%	BUY

2Q26 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to increase 24.4% YOY to AED 842 Mn in 2Q26, driven by a projected rise in revenue, other income, and interest income, coupled with an anticipated decline in impairment & other expenses, depreciation & amortization, and interest expenses, partially offset by an anticipated increase in direct costs, distribution & admin expenses, income tax expenses, and non-controlling interests. ADNOCDIST's revenue is expected to increase 7.0% YOY to AED 9,240 Mn in 2Q26, due to an anticipated rise in revenue across the Retail and Commercial segments, supported by an expected increase in Retail, Corporate, and Aviation fuel volumes sold. Retail segment revenue is forecasted to grow 3.6% YOY to AED 6,131 Mn in 2Q26, due to projected increase in Fuel and Non-Fuel segments. While Commercial segment is projected to expand 14.2% YOY to AED 3,109 Mn in 2Q26, driven by anticipated growth in Corporate and Aviation segments. Direct costs are projected to rise 6.0% YOY to AED 7,374 Mn in 2Q26. As a result, gross profit is likely to expand 11.0% YOY to AED 1,865 Mn in 2Q26, and gross profit margin is expected to increase 73 bps YOY to 20.2% in 2Q26. The Company's other income is projected to grow 41.1% YOY to AED 42 Mn in 2Q26. Distribution & admin expenses are expected to grow 2.6% YOY to AED 855 Mn in 2Q26. Impairment & other expenses are forecasted to decline 8.3% YOY to AED 18 Mn in 2Q26. Hence, operating profit is anticipated to increase 20.6% YOY to AED 1,034 Mn in 2Q26. Moreover, operating profit margin is anticipated to increase 127 bps YOY to 11.2% in 2Q26. Depreciation & amortisation expenses are projected to decline 2.8% YOY to AED 206 Mn in 2Q26. Thus, EBITDA is expected to increase 15.9% YOY to AED 1,240 Mn in 2Q26 and EBITDA margin is projected to expand 104 bps YOY to 13.4% in 2Q26. Interest income is projected to increase 6.9% YOY to AED 16 Mn in 2Q26, while interest expenses are forecasted to decline 10.1% YOY to AED 93 Mn in 2Q26. ADNOCDIST's income tax is expected to increase 23.1% YOY to AED 99 Mn in 2Q26. Additionally, non-controlling interest is expected to increase 34.4% YOY to AED 16 Mn in 2Q26.

2026 Forecast

ADNOC Distribution is expected to report a 27.4% increase in net profit to AED 3,559 Mn in 2026. The increase in net profit is primarily attributed to an anticipated rise in revenue and other income, coupled with a forecasted decline in impairment & other expenses, and interest expenses, partially offset by a projected increase in direct costs, distribution & administrative expenses, depreciation & amortization, income tax expenses, and non-controlling interests, along with lower interest income. ADNOCDIST's revenue is forecasted to increase 12.0% YOY to AED 40,188 Mn in 2026, supported by anticipated growth across Retail and Commercial segments. The retail segment is expected to grow 11.3% YOY to AED 27,354 Mn in 2026 due to projected increase in Fuel and Non-Fuel segments. The commercial segment is projected to grow 13.4% YOY to AED 12,834 Mn in 2026, due to forecasted rise in Corporate and Aviation segments. On the other hand, direct costs are expected to rise 11.3% YOY to AED 32,236 Mn in 2026. Thus, gross profit is likely to increase 14.5% YOY to AED 7,952 Mn in 2026, while gross profit margin is expected to rise 44 bps YOY to 19.8% in 2026. Other income is expected to increase 7.9% YOY to AED 181 Mn in 2026. Distribution & administrative expenses are projected to rise 9.4% YOY to AED 3,637 Mn in 2026, while impairment & other expenses are forecasted to decline from AED 284 Mn in 2025 to AED 141 Mn in 2026. Thus, operating profit is expected to increase 24.2% YOY to AED 4,355 Mn in 2026, with an improvement in operating profit margin from 9.8% in 2025 to 10.8% in 2026. Depreciation & amortisation expenses are anticipated to rise 3.0% YOY to AED 799 Mn in 2026. EBITDA is forecasted to increase 20.4% YOY to AED 5,154 Mn in 2026, with EBITDA margin rising from 11.9% in 2025 to 12.8% in 2026. Interest income is projected to decline 9.8% YOY to AED 64 Mn in 2026, while interest expenses are expected to fall 7.9% YOY to AED 371 Mn in 2026. The Company's income tax charge is forecasted to increase 29.1% YOY to AED 417 Mn in 2026. Non-controlling interest is anticipated to increase 27.3% YOY to AED 73 Mn in 2026.

1Q26 Outturn

ADNOCDIST's revenue grew 4.3% YOY to AED 8,834 Mn in 1Q26, driven by growth in fuel volumes and higher contribution from the non-fuel retail segment, partially offset by lower selling prices resulting from lower crude oil prices compared to the same period last year. The Company's total fuel volumes rose 2.4% YOY to 3.8 Bn litres in 1Q26, supported by higher retail volume growth, partially offset by lower commercial volume. This growth was driven by strong volume growth in the UAE and KSA region. Retail segment fuel volume increased 3.7% to 2.7 Bn litres in 1Q26, supported by new initiatives aimed at increasing customer footfall and favourable mobility trends. Revenue from the Retail segment grew 4.8% YOY to AED 5,968 Mn in 1Q26, with fuel retail segment revenue increasing 4.4% YOY to AED 5,522 Mn and non-fuel retail revenue segment rising 10.4% YOY to AED 446 Mn in 1Q26. Revenue from the Commercial segment increased 3.1% YOY to AED 2,865 Mn in 1Q26. Commercial segment fuel volume declined 0.6% YOY to 1,125 Mn litres in 1Q26 due to a strategic shift toward value-driven operations, partially offset by higher aviation fuel volumes. Direct cost increased 2.3% YOY to AED 7,010 Mn in 1Q26. Consequently, the Company's gross profit grew 12.7% YOY to AED 1,824 Mn in 1Q26, driven by strong operating performance and higher commercial margins, partially offset by lower inventory gains compared to 1Q25. ADNOCDIST recorded inventory gains of AED 23 Mn in 1Q26, compared to AED 110 Mn in 1Q25, comprising AED 43 Mn of inventory gains in fuel retail and AED 20 Mn of inventory losses in the commercial segment. As a result, gross margin expanded by 155 bps YOY to 20.6% in 1Q26. Other income increased 39.1% YOY to AED 36 Mn in 1Q26, while D&A expenses rose 1.2% YOY to AED 822 Mn in 1Q26. Impairments and other expenses increased from AED 27 Mn in 1Q25 to AED 89 Mn in 1Q26. Moreover, operating profit increased 17.9% YOY to AED 949 Mn in 1Q26, with operating profit margin expanding by 124 bps YOY to 10.7% in 1Q26. D&A charges declined 12.3% YOY to AED 181 Mn in 1Q26. The Company's EBITDA increased 11.7% YOY to AED 1,129 Mn, while EBITDA margin improved by 85 bps YOY to 12.8% in 1Q26. Interest income declined 10.4% YOY to AED 16 Mn in 1Q26, while interest expense also decreased 10.4% YOY to AED 92 Mn in 1Q26. Income tax expense increased 21.0% YOY to AED 87 Mn in 1Q26, in line with profit before tax. Share of profit attributable to noncontrolling interest holders increased from AED 9 Mn in 1Q25 to AED 15 Mn in 1Q26.

Target price and rating

We maintain our BUY rating on ADNOCDIST with a target price of AED 4.70. ADNOCDIST delivered a strong performance in 1Q26, continuing to execute its growth strategy despite the ongoing geopolitical situation in the region. ADNOCDIST's total fuel volumes increased 2.4% YOY to 3.8 Bn liters in 1Q26, driven by strong retail momentum across the UAE and KSA, partially offset by lower commercial volumes due to the targeted rationalization of low-margin and tail-end customers. During 1Q26, the Company added two new service stations, one in the UAE and one in Egypt, while further accelerating its KSA expansion strategy under the capex-light DOCO model. ADNOCDIST's UAE network expanded to 568 service stations as of 1Q26, representing an increase of 13 stations, including 57 stations located in Dubai. The Company contracted an additional 20 stations in Saudi Arabia during 1Q26, bringing the total contracted DOCO network to 149 stations. As of 1Q26, 43 DOCO stations were operational under the ADNOC Distribution brand, while KSA network reached 219 stations, representing a 90.4% YOY increase. ADNOCDIST also expanded its presence from 3 to 11 of Saudi Arabia's 13 provinces over the past 18 months, with the KSA pipeline standing at c. 220 sites. In Egypt, ADNOCDIST continued strengthening its regional presence through its 50% stake in TotalEnergies Marketing Egypt, with 12 upgraded service stations operational during the quarter. As of 1Q26, the Egypt portfolio comprised 245 service stations following the addition of one new station during the quarter, alongside aviation fuel, lubricant, and wholesale fuel operations, as well as c. 140

convenience stores, c. 230 lube changing sites, and c. 130 car wash locations. ADNOCDIST's non-fuel retail platform continued to deliver strong growth and margin expansion on a YOY basis, reinforcing the Company's diversification strategy toward higher-margin businesses. Non-fuel retail gross profit increased 10% YOY in 1Q26, supported by higher convenience store transactions and continued expansion of property management and food & beverage offerings. Convenience store gross profit increased 6% YOY during the quarter, while coffee cups sold rose 11% YOY, supporting further growth in high-margin barista-prepared beverage offerings. The Company also continued expanding its "OASIS by ADNOC" premium convenience retail concept, supported by AI-driven customer personalization and category management initiatives. During 1Q26, ADNOCDIST launched two new convenience stores in the UAE, bringing the total number of stores in the UAE to 386. The Company also operated 37 vehicle inspection centres during the quarter, with fresh vehicle inspections increasing 6.0% YOY, supported by network expansion, new service offerings, promotional campaigns, and cross-selling initiatives. Convenience store conversion rates improved by 64 bps YOY to 25.9% in 1Q26. In addition, ADNOCDIST continued expanding its "The Hub by ADNOC" destination retail concept, with six operational sites currently in place, alongside plans to launch five additional hubs in 2026 and a target to reach 30 sites by 2030. ADNOCDIST also continued scaling its property management and real estate monetization platform, with 1,163 occupied or awarded properties as of 1Q26. During the quarter, 11 new properties were launched under leading international and local brands. ADNOCDIST expanded EV charging network to 400 charging points across the UAE, representing 1.4x growth YOY, while energy sold through the EV network increased 2.1x YOY in 1Q26. Looking ahead, management reaffirmed plans to add 50-60 additional charging points during 2026. Alongside its EV strategy, the Company continues leveraging AI and digital transformation initiatives across operations, with more than 20 AI use cases currently deployed across retail optimization, logistics efficiency, and customer engagement. ADNOC Rewards membership increased 14% YOY to 2.7 Mn members in 1Q26, reinforcing the Company's proprietary customer engagement and loyalty platform. ADNOCDIST achieved additional like-for-like OPEX savings of AED 6 Mn in 1Q26, remaining on track to deliver cumulative OPEX savings of up to AED 184 Mn between 2024 and 2028. Furthermore, ADNOCDIST reaffirmed its 2026 outlook, including plans to add 60-70 new stations across the UAE, KSA, and Egypt. The Company continues to guide for capex of USD 250-300 Mn during 2026. The Company also paid the first quarterly dividend payment of 5.14 fils per share for 1Q26, totaling c. AED 643 Mn, for 1Q26. Moreover, subsequent to the quarter, ADNOC Distribution announced the proposed acquisition of Shell Downstream South Africa (SDSA) at an implied Enterprise Value of USD 1.0 Bn, with completion expected in 2027 subject to regulatory approvals. The transaction marks a transformational step in the Company's international expansion strategy, increasing its service station network by 55%, convenience stores by 70%, and fuel volumes by 20%. Importantly, the Company expects the acquisition to be immediately earnings accretive, with EBITDA and net profit projected to increase by c.13% and c.6%, respectively, in the first full year post-completion. Thus, based on these factors, we maintain our BUY rating on the stock.

ADNOC Distribution - Relative Valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
PE (x)	22.09	18.10	19.12	20.56	17.81	13.98
PB (x)	15.54	14.44	14.33	16.63	15.40	11.80
EV/EBITDA	21.81	17.65	17.56	17.14	15.11	12.08
BVPS (AED)	0.256	0.276	0.278	0.239	0.258	0.337
EPS (AED)	0.180	0.220	0.208	0.194	0.224	0.285
DPS (AED)	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%

FABS Estimate & Co Data

ADNOC Distribution - P&L

AED Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	8,638	8,834	9,240	7.0%	4.6%	35,897	40,188	12.0%
Direct costs	-6,957	-7,010	-7,374	6.0%	5.2%	-28,951	-32,236	11.3%
Gross profit	**1,681**	**1,824**	**1,865**	**11.0%**	**2.3%**	**6,946**	**7,952**	**14.5%**
Other income	29	36	42	41.1%	14.8%	168	181	7.9%
Distribution & admin. Exp.	-833	-822	-855	2.6%	4.0%	-3,324	-3,637	9.4%
Impairment & others Exp.	-20	-89	-18	-8.3%	-79.3%	-284	-141	-50.5%
Operating Profit	**857**	**949**	**1,034**	**20.6%**	**9.0%**	**3,506**	**4,355**	**24.2%**
Depreciation & amortisation	212	181	206	-2.8%	14.1%	776	799	3.0%
EBITDA	**1,069**	**1,129**	**1,240**	**15.9%**	**9.8%**	**4,282**	**5,154**	**20.4%**
Interest income	15	16	16	6.9%	-0.2%	71	64	-9.8%
Interest expenses	-104	-92	-93	-10.1%	1.3%	-403	-371	-7.9%
Profit before tax	**769**	**873**	**957**	**24.5%**	**9.6%**	**3,174**	**4,048**	**27.5%**
Income tax	-80	-87	-99	23.1%	13.2%	-323	-417	29.1%
Net profit for the year	**689**	**786**	**858**	**24.6%**	**9.3%**	**2,851**	**3,631**	**27.4%**
Non-Controlling interest	12	15	16	34.4%	9.3%	57	73	27.3%
Net profit	**677**	**771**	**842**	**24.4%**	**9.3%**	**2,794**	**3,559**	**27.4%**

FABS estimate & Co Data

ADNOC Distribution - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.5%	20.6%	20.2%	73	-45	19.3%	19.8%	44
EBITDA	12.4%	12.8%	13.4%	104	64	11.9%	12.8%	90
Operating Profit	9.9%	10.7%	11.2%	127	45	9.8%	10.8%	107
Net Profit	7.8%	8.7%	9.1%	128	39	7.8%	8.9%	107

FABS estimate & Co Data

2Q26 preview: ADNOC Drilling

Higher operating expense growth outpacing revenue growth, to weigh on profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.79	AED 7.00	+20.9%	BUY

2Q26 Estimate

ADNOC Drilling's (ADNOCDRILL/the Company) net profit for the period is expected to decrease marginally by 1.1% YOY to USD 347 Mn in 2Q26, primarily due to a projected increase in direct costs, G&A expenses, income tax expense, and a decline in share of results from a JV, partially offset by the anticipated rise in revenue coupled with a decline in finance costs. The Company's revenue is expected to increase 2.7% YOY to USD 1,229 Mn in 2Q26, due to an anticipated rise in revenue from the Offshore, and OFS, partially offset by a projected decline in revenue from Onshore drilling operations. Direct costs are projected to rise 3.7% YOY to USD 780 Mn in 2Q26. As a result, gross profit is expected to rise marginally by 0.9% YOY to USD 448 Mn in 2Q26, and the gross profit margin is likely to decline by 63 bps YOY to 36.5% in 2Q26. G&A expenses are forecasted to increase 4.8% YOY to USD 47 Mn in 2Q26. ADNOCDRILL's EBITDA is expected to decline 3.3% YOY to USD 527 Mn in 2Q26, as operating cost growth is expected to outpace revenue growth. The EBITDA margin is expected to contract by 266 bps YOY to 42.9% in 2Q26. Operating profit is projected to grow marginally by 0.5% YOY to USD 402 Mn in 2Q26. The Company's share of results from a JV is expected to decline to USD 9 Mn in 2Q26 from USD 11 Mn in 2Q25. Meanwhile, other income is expected to increase to USD 2 Mn in 2Q26 from USD 1 Mn in 2Q25. Net finance costs are forecasted to decline 11.3% YOY to USD 24 Mn in 2Q26. Thus, profit before tax is anticipated to increase marginally by 1.2% YOY to USD 389 Mn in 2Q26. However, income tax expense is expected to rise 6.0% YOY to USD 36 Mn in 2Q26. The Company is expected to record NCI of USD 6 Mn in 2Q26 compared to nil in 2Q25.

2026 Forecast

ADNOC Drilling is expected to report a 5.2% YOY increase in net profit to USD 1,523 Mn in 2026. The rise in net profit is mainly attributed to an anticipated increase in revenue and the share of results from a JV, along with a decline in G&A expenses, and finance costs, partially offset by a forecasted rise in direct costs, higher corporate tax expenses, the anticipated introduction of non-controlling interests in 2026, and a projected decline in other income. ADNOC Drilling's revenue is forecasted to increase 2.8% YOY to USD 5,040 Mn in 2026, driven by projected increase in revenue from Offshore and OFS, along with the introduction of revenue from MBPS, partially offset by expected decline in revenue from Onshore. On the other hand, direct costs are expected to rise marginally by 1.5% YOY to USD 3,152 Mn in 2026. Thus, gross profit is likely to increase 5.1% YOY to USD 1,888 Mn in 2026. Gross profit margin is expected to expand by 81 bps YOY to 37.5% in 2026. G&A expenses are projected to decline 6.5% YOY to USD 156 Mn in 2026. EBITDA is forecasted to increase 2.5% YOY to USD 2,253 Mn in 2026, while EBITDA margin is projected to decline 13 bps YOY to 44.7% in 2026. Thus, EBIT is expected to increase 6.3% YOY to USD 1,732 Mn in 2026. Share of results from a JV is projected to increase to USD 35 Mn in 2026 from USD 29 Mn in 2025. Other income is expected to decline to USD 15 Mn in 2026 from USD 27 Mn in 2025. Net finance costs are expected to decline 7.4% YOY to USD 91 Mn in 2026. The Company's income tax charge is forecasted to rise 9.4% YOY to USD 152 Mn in 2026. The Company is expected to record NCI of USD 15 Mn in 2026 compared to nil in 2025.

1Q26 Outturn

ADNOCDRILL's revenue increased 5.0% YOY to USD 1,228 Mn in 1Q26, supported by increased activity across the oilfield services and offshore segments, partially offset by the impact from the repurposing of certain onshore rigs, as highlighted in the previous quarter. Onshore segment revenue declined 3.4% YOY to USD 477 Mn in 1Q26 due to the repurposing of the segment rigs, as well as the conversion of two onshore rigs to offshore during 2H26, which will operate as island rigs, partially offset by the positive contribution from the addition of eight land rigs in Oman and Kuwait, following the acquisition of a 70% stake in SLDC HOLDINGS RSC LTD (the joint venture established with SLB). Revenue from the Offshore Jack-up & Island segment increased 3.4% YOY to USD 345 Mn in 1Q26, supported by the commencement of operations of two new jack-up rigs in the second half of 2025, along with the conversion of two rigs from Onshore to Offshore operations during 2Q25 and 3Q25. OFS segmental revenue rose 18.5% YOY to USD 406 Mn in 1Q26, primarily driven by higher IDS activity, expanded discrete services delivery, and favourable phasing in directional drilling and drilling fluids. Direct costs increased 10.1% YOY to USD 796 Mn in 1Q26 due to faster growth in the OFS segment. Consequently, the Company's gross profit declined 3.3% YOY to USD 432 Mn in 1Q26, while gross profit margin contracted 302 bps YOY to 35.2% in 1Q26. G&A expenses declined 12.5% YOY to USD 43 Mn in 1Q26. EBITDA declined 1.2% YOY to USD 526 Mn in 1Q26, impacted by the repurposing of onshore rigs and activity phasing within the OFS segment. EBITDA margin contracted by 268 bps YOY to 42.9% in 1Q26. Onshore segment EBITDA declined 10.6% YOY to USD 220 Mn in 1Q26. Offshore Jack-up & Island segment EBITDA increased marginally 0.4% YOY to USD 237 Mn in 1Q26. Meanwhile, the OFS segment EBITDA increased from USD 51 Mn in 1Q25 to USD 70 Mn in 1Q26. The Company's net finance costs declined 34.4% YOY to USD 19 Mn in 1Q26. The share of results of JV increased significantly from USD 3 Mn in 1Q25 to USD 10 Mn in 1Q26. Other income declined from USD 2.1 Mn in 1Q25 to USD 1.6 Mn in 1Q26. Tax charges rose 6.4% YOY to USD 35 Mn in 1Q26.

Target price and rating

We maintain our BUY rating on ADNOCDRILL with a target price of AED 7.00. The Company maintained operational resilience in 1Q26 despite regional tensions, owing to long-term contracts that protected the business. As a result, ADNOCDRILL revenue and net profit rose 5% YOY and 1% YOY, respectively, in 1Q26. The Company continued to benefit from the expansion of its integrated drilling and oilfield services platform, while maintaining operational continuity and stable activity levels despite the prevailing regional conflict. During 1Q26, the full quarterly impact from the repurposing of certain onshore rigs weighed on performance, with management estimating an impact of c. USD 40 Mn on revenue and c. USD 26 Mn on EBITDA compared to only a marginal impact in 4Q25. Looking ahead, management remains constructive on the outlook, supported by sustained drilling activity, continued OFS expansion, attractive regional growth opportunities, and the two island rigs to begin operation in 2H26. On a pro-forma basis, the rig fleet expanded to 170 rigs by the end of 1Q26, including 140 rigs in Abu Dhabi (92 onshore and 48 offshore) and 30 regional rigs across Oman, Kuwait, and Bahrain through the SLDC and MBPS transactions. During the quarter, ADNOC Drilling completed the consolidation of the eight land rigs in Oman and Kuwait acquired through the SLDC transaction, while the MBPS transaction, comprising 22 regional rigs, was completed in May 2026. The Company also secured additional contract awards through its regional operations, including two rigs in Kuwait under SLDC and four rigs under MBPS, with deployment expected from late 2026 through 1H27, strengthening long-term activity visibility and reinforcing the platform's growth trajectory. Fleet availability remained strong at 98% for the domestic owned fleet, while onshore and offshore rig availability stood at 99% and 97%, respectively. ADNOC Drilling drilled 191 wells during 1Q26 compared to 184 wells in 1Q25, while non-productive time (NPT) declined by 62% relative to target levels. The OFS segment remained the primary growth driver during the quarter, with revenue increasing 18.5% YOY to USD 406 Mn. The number of IDS rigs increased to 60 in 1Q26 from 57 in 1Q25, while at least one discrete service was deployed across 53 rigs compared to 48 in the prior year period. Management highlighted that the OFS platform is expected to continue expanding, with ADNOC Drilling targeting c. 70 IDS rigs by the end of 2026, supporting future earnings visibility and reinforcing its operational scale. In addition, IDS drilling efficiency improved by 30% in 1Q26 compared to the 2024 benchmark. The unconventional business contributed USD 131 Mn in revenue during 1Q26, including USD 105 Mn from OFS and USD 26 Mn from Onshore operations. Management reiterated that unconventional activity is expected to moderate in 2026 following the accelerated activity ramp-up witnessed during 2025. However, the lower unconventional contribution is expected to be largely offset by additional growth in OFS services, resulting in no change to 2026 revenue guidance. During the quarter, Turnwell delivered the UAE's first 10,000-ft lateral unconventional gas wells. As of April 2026, ADNOC Drilling had drilled 94 wells and fractured 64 wells under the unconventional Phase 1 program, while management highlighted the potential for future Phase 2 expansion. Cash generation and balance sheet metrics remained healthy during the quarter. As of March 2026, the Company's liquidity headroom, including unutilized syndicated term and revolving facilities, stood at c. USD 1.56 Bn. Operating working capital remained broadly stable at 8% of revenue during the quarter, while normalized working capital stood at 12%. Management expects the net working capital-to-revenue ratio to remain broadly stable at c. 12% over the medium term. ADNOCDRILL reaffirmed its 2026 guidance despite the current regional environment, with management expecting revenue of c. USD 5 Bn, including Onshore revenue of c. USD 2 Bn, Offshore revenue of c. USD 1.5 Bn, and Oilfield Services revenue of c. USD 1.5 Bn. The Company expects EBITDA of USD 2.2–2.3 Bn, and net profit of USD 1.45–1.50 Bn. EBITDA margins are expected to remain stable at 44%-45%. Management also expects free cash flow (excluding M&A) of USD 1.2-1.3 Bn in 2026, while cash capex excluding M&A is projected at USD 0.6-0.8 Bn. Over the medium term, ADNOC Drilling targets EBITDA margins of c. 50% for the domestic conventional drilling business and 23%-26% for the conventional OFS business, while maintenance capex is expected to remain c. USD 250 Mn annually. The Company also expects leverage to remain below 2.0x in 2026. In line with its progressive dividend policy, the Board approved an interim cash dividend of USD 262.5 Mn (AED 964.0 Mn) for 1Q26, equivalent to 6.0252 fils per share. ADNOC Drilling also reaffirmed its minimum annual dividend floor of USD 1.05 Bn for 2026, alongside a commitment to a minimum 5% annual dividend increase through 2030. Thus, considering all the above-mentioned factors, we maintain our BUY rating on the stock.

ADNOC Drilling- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	41.8	31.5	24.4	19.4	17.4	16.4
PB (x)	9.0	8.6	7.7	6.6	6.1	5.5
EV/EBITDA	25.1	21.4	18.1	13.5	12.4	12.0
BVPS (AED)	0.642	0.673	0.749	0.875	0.943	1.055
EPS (AED)	0.139	0.184	0.237	0.299	0.333	0.354
DPS (AED)	0.157	0.157	0.165	0.181	0.230	0.241
Dividend Yield (%)	2.7%	2.7%	2.8%	3.1%	4.0%	4.2%

FABS Estimate & Co Data

ADNOC Drilling - P&L

USD Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,197	1,228	1,229	2.7%	0.1%	4,903	5,040	2.8%
Direct Cost	-753	-796	-780	3.7%	-2.0%	-3,106	-3,152	1.5%
Gross Profit	**444**	**432**	**448**	**0.9%**	**3.8%**	**1,797**	**1,888**	**5.1%**
G&A expenses	-45	-43	-47	4.8%	9.2%	-167	-156	-6.5%
EBITDA	**545**	**526**	**527**	**-3.3%**	**0.2%**	**2,198**	**2,253**	**2.5%**
EBIT	**400**	**389**	**402**	**0.5%**	**3.2%**	**1,630**	**1,732**	**6.3%**
Share of results of a JV	11	10	9	-18.2%	-10.0%	29	35	NM
Other Income- Net	1	2	2	NM	NM	27	15	NM
Finance Costs- Net	-27	-19	-24	-11.3%	23.5%	-98	-91	-7.4%
Profit before tax	**385**	**381**	**389**	**1.2%**	**2.0%**	**1,588**	**1,691**	**6.5%**
Corporate tax	-34	-35	-36	6.0%	2.9%	-139	-152	9.4%
Non-controlling interest	0	2	6	NM	NM	NM	15	NM
Net profit	**351**	**345**	**347**	**-1.1%**	**0.7%**	**1,449**	**1,523**	**5.2%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	37.1%	35.2%	36.5%	-63	131	36.7%	37.5%	81
EBITDA	45.6%	42.9%	42.9%	-266	4	44.8%	44.7%	-13
Net Profit	29.3%	28.1%	28.2%	-108	16	29.5%	30.2%	68

FABS estimate & Co Data

2Q26 preview: ADNOC Gas

Export disruptions to pressure 2Q26 earnings, despite resilient domestic operations

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.42	AED 4.30	+25.7%	BUY

2Q26 estimate

ADNOC Gas plc's (ADNOC Gas/the Company) net profit is projected to decline from USD 1,385 Mn in 2Q25 to USD 568 Mn in 2Q26, primarily due to anticipated lower revenue, decrease in other operating income and share of profit from equity-accounted investees, coupled with higher depreciation and amortisation, other operating costs and administrative expenses, partially offset by lower direct costs, decline in employee benefit expenses, lower inventory consumption, other expenses, share of operating costs in equity-accounted investees, lower recharges to equity-accounted investees and income tax expenses. ADNOC Gas revenue is anticipated to decline 32.1% YOY to USD 3,164 Mn in 2Q26, mainly driven by an expected decrease in domestic gas sales volumes and Export and traded liquids sales volumes. Direct costs are expected to decrease 22.9% YOY to USD 2,033 Mn in 2Q26. Consequently, gross profit is projected to decline 44.1% YOY to USD 1,131 Mn, while gross profit margin is expected to decrease from 43.4% in 2Q25 to 35.8% in 2Q26. Other operating income is forecasted to decline 30.3% YOY to USD 184 Mn, while the share of profit from equity-accounted investees is expected to decrease from USD 150 Mn in 2Q25 to USD 70 Mn in 2Q26. Recharges to equity-accounted investees are anticipated to decline 12.0% YOY to USD 134 Mn. Employee benefit expenses are projected to decrease 23.3% YOY to USD 226 Mn, whereas other operating costs and administrative expenses are expected to increase 4.5% YOY to USD 84 Mn in 2Q26. The share of operating costs in equity-accounted investees is forecasted to decline 10.8% YOY to USD 52 Mn, while inventory consumption is expected to decrease 36.9% YOY to USD 10 Mn. Other expenses are projected to decline 23.4% YOY to USD 40 Mn in 2Q26. As a result, EBITDA is expected to decline 47.0% YOY to USD 1,107 Mn, with EBITDA margin expected to contract from 44.8% in 2Q25 to 35.0% in 2Q26. Depreciation and amortisation are anticipated to increase 8.5% YOY to USD 349 Mn. EBIT is projected to decline from USD 1,765 Mn in 2Q25 to USD 758 Mn in 2Q26. Finance income is expected to increase 42.8% YOY to USD 25 Mn, while finance cost is projected to decline 10.8% YOY to USD 41 Mn. Income tax expenses are anticipated to decrease from USD 351 Mn in 2Q25 to USD 173 Mn in 2Q26.

2026 forecast

ADNOC Gas net profit is expected to decline 27.6% YOY to USD 3,739 Mn in 2026, primarily due to lower revenue, lower other operating income, a lower share of profit from equity-accounted investees, coupled with higher depreciation and amortisation. However, it is partially offset by lower direct costs, reduced employee benefit expenses, lower other operating costs and administrative expenses, lower share of operating costs in equity-accounted investees, lower inventory consumption, lower other expenses, higher recharges to equity-accounted investees, lower finance costs and lower income tax expenses. ADNOC Gas's revenue is projected to decline 17.6% YOY to USD 15,251 Mn in 2026. Direct cost is anticipated to decline 16.3% YOY to USD 8,886 Mn in 2026. Thus, gross profit is likely to decline 19.3% YOY to USD 6,366 Mn in 2026, while gross profit margin is projected to contract 87 bps YOY to 41.7% in 2026. Other operating income is forecasted to decline 16.3% YOY to USD 949 Mn in 2026. Share of profit of equity-accounted investees is anticipated to decline 36.4% YOY to USD 272 Mn in 2026. Recharges to equity-accounted investees are expected to increase 2.0% YOY to USD 609 Mn in 2026. Employee benefit expenses are expected to decline 3.3% YOY to USD 1,068 Mn in 2026. Other operating costs and administrative expenses are expected to decline 8.6% YOY to USD 353 Mn in 2026. Share of operating costs in an equity-accounted investee is expected to decline 5.4% YOY to USD 238 Mn in 2026. Inventory consumption is expected to decline 6.0% YOY to USD 50 Mn in 2026. Also, other expenses are expected to decline 21.7% YOY to USD 181 Mn in 2026. EBITDA is expected to decline 21.4% YOY to USD 6,307 Mn, while the EBITDA margin is projected to contract by 198 bps YOY to 41.4% in 2026. Depreciation and amortisation are projected to increase 6.1% YOY to USD 1,379 Mn in 2026. Thus, EBIT is expected to decline 26.7% YOY to USD 4,928 Mn in 2026. Finance income is expected to decline 4.5% YOY to USD 100 Mn in 2026. Finance cost is anticipated to decline 6.8% YOY to USD 165 Mn in 2026. The Company's income tax expense is expected to decline 24.2% YOY to USD 1,124 Mn in 2026.

1Q26 outturn

ADNOC Gas's net revenue declined 13.6% YOY to USD 4,034 Mn in 1Q26, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 18.0% YOY to USD 5,003 Mn in 1Q26. The Company's revenue declined in 1Q26, primarily due to lower export sales volumes following the closure of the Strait of Hormuz in March 2026, which impacted LNG, LPG, and other traded liquid exports, despite resilient domestic gas demand. Total sales volume (including ADNOCGAS LNG JV) declined 14.6% YOY to 770 trillion British thermal units (TBTU) in 1Q26. Domestic gas sales volume declined 10.5% YOY to 519 TBTU in 1Q26, primarily impacted by lower gas-to-electricity demand amid cooler weather conditions. Exports and traded liquids volumes declined 19.5% YOY to 202 TBTU in 1Q26, primarily due to the closure of the Strait of Hormuz in March 2026, which disrupted the Company's ability to export LPG, Naphtha, and LNG products. Furthermore, the Company's LNG JV's sales volume declined 32.4% YOY to 46 TBTU in 1Q26. The sales volume of sulfur remained flat at 3 TBTU in 1Q26 and 1Q25. Direct cost declined 17.6% YOY to USD 2,303 Mn in 1Q26. Thus, gross profit declined 7.6% YOY to USD 1,731 Mn in 1Q26, primarily due to lower revenue. However, gross margins grew 280 bps YOY to 42.9% in 1Q26. Other operating income declined 18.7% YOY to USD 242 Mn in 1Q26. Share of profit from equity accounted investee fell from USD 129 Mn in 1Q25 to USD 62 Mn in 1Q26. Employee benefit expenses declined 3.6% YOY to USD 265 Mn in 1Q26. Other operating costs rose 24.8% YOY to USD 85 Mn in 1Q26. Share of operating cost in equity accounted investee decreased 4.3% YOY to USD 58 Mn in 1Q26. Inventory consumption decreased from USD 17 Mn in 1Q25 to USD 13 Mn in 1Q26. Other expenses increased 4.6% YOY to USD 49 Mn in 1Q26. Thus, the Company's EBITDA decreased 14.0% YOY to USD 1,700 Mn in 1Q26, however EBITDA margin remained almost stable at 42.1% in 1Q26, compared to 42.4% in 1Q25. Overall Domestic Gas EBITDA declined 9% YOY to USD 684 Mn in 1Q26. Export & Traded Liquids EBITDA decreased 21% YOY to USD 821 Mn, primarily impacted by lower sales volumes in March following the closure of the Strait of Hormuz. Additionally, ADNOC Gas' share of EBITDA from the ALNG joint venture declined 51% YOY to USD 158 Mn in 1Q26, mainly due to export restrictions related to the Strait of Hormuz disruption. Thus, the Company's operating profit decreased 18.9% YOY to USD 1,373 Mn in 1Q26. Finance income declined from USD 40 Mn in 1Q25 to USD 17 Mn in 1Q26. Finance costs grew 13.9% YOY to USD 52 Mn in 1Q26. Total income tax expenses declined 38.0% YOY to USD 258 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on ADNOCGAS with a target price of AED 4.30. ADNOC Gas delivered a resilient operational and financial performance in 1Q26, despite a challenging geopolitical backdrop that disrupted regional trade activity and export operations. The temporary closure of the Strait of Hormuz during March 2026 materially impacted LNG, LPG and Naphtha exports, resulting in lower sales volumes and softer earnings during the quarter. However, the Company continued to benefit from its integrated infrastructure, operational flexibility and resilient domestic gas business. Total sales volumes declined 14.6% YOY to 770 TBTU in 1Q26, primarily due to weaker LNG and export volumes, while domestic gas demand remained relatively stable despite cooler weather conditions and softer gas-to-power demand. Despite lower volumes, ADNOCGAS maintained a healthy EBITDA margin of 42.1%, supported by disciplined cost management, stable domestic gas pricing and a favorable product mix. Operationally, the Company maintained strong asset reliability of 98.1% during 1Q26, despite the regional disruptions and security-related incidents at the Habshan complex. ADNOCGAS successfully restored nearly 60% of Habshan's processing capacity within a short period and expects further recovery through 2026, with full normalization targeted by 2027. For 2Q26, management expects sales volumes to remain under pressure due to the continued impact of the Strait of Hormuz disruption and the partial outage at the Habshan processing facilities. Consequently, the Company guided for 2Q26 net income in the range of USD 400-600 Mn, reflecting lower export volumes and production constraints, although management expects earnings to improve once export operations normalize and Habshan capacity is progressively restored. The Company also indicated that stronger LNG and LPG pricing could partially offset deferred export volumes during 2H26. Furthermore, ADNOCGAS continues to enhance its long-term growth outlook through strategic expansion projects and long-term supply agreements. ADNOCGAS recently signed a 25-year gas supply agreement for the Ta'ziz methanol project valued at c. USD 5 Bn, strengthening its position within the UAE's industrial development strategy. In addition, the Company secured a new five-year LNG supply agreement with TotalEnergies, further expanding its international LNG customer portfolio and improving longterm revenue visibility. On the project front, ADNOCGAS continues to progress key growth initiatives including the Rich Gas Development (RGD) project, MERAM ethane recovery project and Ruwais LNG expansion. The Company reiterated its target of achieving more than 40% EBITDA growth by 2029 compared to 2023 levels. Furthermore, ADNOCGAS plans to invest USD 4.5-5.0 Bn during 2026, reflecting continued investments in growth projects as well as reinstatement activities at Habshan. ADNOCGAS also continues to maintain a strong balance sheet with USD 4.2 Bn in cash and substantial financial flexibility. The Company reaffirmed its dividend policy, targeting annual dividend growth of 5% through 2030, with cumulative dividends of c. USD 24.4 Bn expected during 2025-2030. For 2026, ADNOC Gas has guided domestic sales volumes of 1,920-2,000 TBTU, exports and traded liquids volumes of 730-770 TBTU and LNG JV volumes of 160-175 TBTU. Net Profit unit margins of Domestic gas products between (0.83-0.90 in $/mmBTU), Export Exports & Traded Liquids between (1.65-1.75 in $/mmBTU) and LNG JV Products between (2.00-2.10 in $/mmBTU). In addition, the Company expects 2026 net income to range between USD 3.5-4.0 Bn, reflecting the impact of the Strait of Hormuz disruption and Habshan outage, while remaining confident that earnings will recover in 2027, supported by capacity normalization, stronger commodity pricing and higher associated gas volumes following the UAE's exit from OPEC. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Gas- Relative Valuation

(at CMP)	**2023**	**2024**	**2025**	**2026F**
PE	14.15	14.33	13.87	19.17
PB	3.22	3.11	2.90	2.89
EV/EBITDA	9.04	7.82	7.87	10.28
BVPS (AED)	1.067	1.103	1.182	1.185
EPS (AED)	0.242	0.239	0.247	0.179
DPS (AED)	0.156	0.163	0.172	0.180
Dividend Yield	4.6%	4.8%	5.0%	5.3%

FABS Estimate & Co Data

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

ADNOC Gas- P&L

USD Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	4,657	4,034	3,164	-32.1%	-21.6%	18,509	15,251	-17.6%
Direct Cost	2,635	2,303	2,033	-22.9%	-11.8%	10,622	8,886	-16.3%
Gross Profit	**2,023**	**1,731**	**1,131**	**-44.1%**	**-34.7%**	**7,887**	**6,366**	**-19.3%**
Other Operating income	264	242	184	-30.3%	-23.8%	1,134	949	-16.3%
Share of profit of equity-accounted investee	150	62	70	NM	12.7%	428	272	-36.4%
Recharges to equity accounted investees	152	140	134	-12.0%	-4.2%	598	609	2.0%
Employee benefit expenses	-295	-265	-226	-23.3%	-14.6%	-1,105	-1,068	-3.3%
Other operating costs and administrative expenses	-81	-85	-84	4.5%	-0.5%	-386	-353	-8.6%
Share of operating costs in a equity-accounted investee	-58	-58	-52	-10.8%	-9.5%	-252	-238	-5.4%
Inventory Consumption	-16	-13	-10	-36.9%	-20.7%	-53	-50	-6.0%
Other expenses	-52	-49	-40	-23.4%	-18.7%	-231	-181	-21.7%
EBITDA	**2,087**	**1,700**	**1,107**	**-47.0%**	**-34.9%**	**8,021**	**6,307**	**-21.4%**
Depreciation and amortisation	-322	-332	-349	8.5%	4.9%	-1,299	-1,379	6.1%
EBIT	**1,765**	**1,373**	**758**	**NM**	**-44.8%**	**6,721**	**4,928**	**-26.7%**
Finance Income	18	17	25	42.8%	NM	105	100	-4.5%
Finance Cost	-46	-52	-41	-10.8%	-20.3%	-177	-165	-6.8%
Profit before tax	**1,736**	**1,338**	**742**	**NM**	**-44.6%**	**6,649**	**4,863**	**-26.9%**
Income Tax expense	351	258	173	NM	-32.9%	1,483	1,124	-24.2%
Net profit	**1,385**	**1,079**	**568**	**NM**	**-47.3%**	**5,166**	**3,739**	**-27.6%**

FABS Estimate & Co Data

ADNOC Gas- Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	43.4%	42.9%	35.8%	-767	-715	42.6%	41.7%	-87
EBITDA	44.8%	42.1%	35.0%	-982	-715	43.3%	41.4%	-198
Net Profit	29.7%	26.8%	18.0%	NM	-879	27.9%	24.5%	-340

FABS estimate and Co data

2Q26 preview: Dana Gas

Higher revenue expected to drive earnings growth amid rising costs

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.92	AED 1.15	+25.0%	BUY

2Q26 estimate

Dana Gas PJSC's (Dana/the Company) net profit is expected to increase from USD 30 Mn in 2Q25 to USD 50 Mn in 2Q26, largely driven by an anticipated increase in revenue and investment & finance income, coupled with lower other expenses, and impairment charges, partially offset by higher royalties, operating costs, general & administrative expenses, and income tax expenses. Dana's revenue is expected to increase 44.6% YOY to USD 116 Mn in 2Q26, supported by an expected increase in production following the commencement of planned production activities. Royalties are forecasted to increase from USD 10 Mn in 2Q25 to USD 18 Mn in 2Q26. Thus, net revenue is expected to increase 39.7% YOY to USD 98 Mn in 2Q26. Operating costs are anticipated to increase 36.2% YOY to USD 38 Mn in 2Q26. Overall, gross profit is expected to increase 42.0% YOY to USD 60 Mn in 2Q26. However, gross profit margin is anticipated to decline by 96 bps YOY to 51.5% in 2Q26. G&A expenses are expected to increase 35.7% YOY to USD 4 Mn in 2Q26, while other expenses are forecasted to decline from USD 5 Mn in 2Q25 to USD 1 Mn in 2Q26. Investment & finance income is anticipated to increase 11.8% YOY to USD 3 Mn in 2Q26. Impairment of financial assets is expected to be nil in 2Q26, compared to USD 1 Mn in 2Q25. Operating profit is expected to increase from USD 36 Mn in 2Q25 to USD 58 Mn in 2Q26, with the operating profit margin is projected to improve from 45.0% in 2Q25 to 50.4% in 2Q26. The Company's EBITDA is projected to increase from USD 47 Mn in 2Q25 to USD 74 Mn in 2Q26, with the EBITDA margin anticipated to expand by 486 bps YOY to 63.6% in 2Q26. Finance costs are expected to decline 1.3% YOY to USD 1 Mn in 2Q26, while income tax expenses are anticipated to increase 37.5% YOY to USD 7 Mn in 2Q26.

2026 forecast

Dana's net profit is expected to increase from USD 130 Mn in 2025 to USD 243 Mn in 2026, primarily due to an anticipated increase in revenue, higher investment & finance income, lower other expenses, and the absence of impairment of financial assets, partially offset by an expected increase in royalties, operating costs, general and administrative expenses, finance costs, and income tax expenses. Dana Gas's revenue is expected to increase 47.3% YOY to USD 512 Mn in 2026. Royalties are anticipated to increase 28.6% YOY to USD 66 Mn in 2026. Consequently, net revenue is expected to rise from USD 297 Mn in 2025 to USD 447 Mn in 2026. Operating costs are projected to increase 33.2% YOY to USD 161 Mn in 2026. Thus, gross profit is anticipated to increase from USD 176 Mn in 2025 to USD 286 Mn in 2026, with the gross profit margin expected to improve from 50.6% in 2025 to 55.8% in 2026. G&A expenses are projected to increase 34.4% YOY to USD 16 Mn in 2026, while investment & finance income is expected to increase 28.1% YOY to USD 15 Mn in 2026. Other expenses are projected to decline 41.4% YOY to USD 4 Mn in 2026. Impairment of financial assets is expected to be nil in 2026, compared to USD 4 Mn in 2025. Hence, operating profit is expected to increase from USD 154 Mn in 2025 to USD 282 Mn in 2026, while operating profit margin is expected to improve from 44.3% in 2025 to 55.1% in 2026. The Company's EBITDA is projected to increase from USD 215 Mn in 2025 to USD 341 Mn in 2026, with the EBITDA margin expected to expand by 482 bps YOY to 66.6% in 2026. Finance costs are expected to increase 12.0% YOY to USD 9 Mn in 2026 and income tax expenses are anticipated to increase from USD 16 Mn in 2025 to USD 30 Mn in 2026.

1Q26 outturn

Dana's revenue increased from USD 91 Mn in 1Q25 to USD 145 Mn in 1Q26, primarily driven by a one-off adjustment of USD 48 Mn. Excluding this one-off item, underlying revenue increased USD 6 Mn, supported by higher Egypt production and increased KRI gas sales volumes. In 1Q26, the

Company’s average production remained broadly stable at 53,150 boepd. Egypt’s production increased 4% YOY to 13,050 boepd while KRI reported a 3% YOY decline in production to 40,100 boepd. Royalties declined 6.3% YOY to USD 15 Mn in 1Q26. As a result, net revenue increased from USD 75 Mn in 1Q25 to USD 130 Mn in 1Q26. Operating costs increased 29.6% YOY to USD 35 Mn in 1Q26, leading to an increase in gross profit from USD 48 Mn in 1Q25 to USD 95 Mn in 1Q26. The gross profit margin also expanded from 52.7% in 1Q25 to 65.5% in 1Q26. Furthermore, Dana’s G&A expenses increased 33.3% YOY to USD 4 Mn in 1Q26, while investment and finance income declined 25.0% YOY to USD 3 Mn in 1Q26. Other expenses increased from nil in 1Q25 to USD 2 Mn in 1Q26. Impairment charges increased, with impairment of financial assets rising from USD 1 Mn in 1Q25 to USD 7 Mn in 1Q26. Moreover, Dana’s operating profit increased from USD 48 Mn in 1Q25 to USD 85 Mn in 1Q26, while operating profit margin expanded from 52.7% in 1Q25 to 58.6% in 1Q26. The Company’s EBITDA increased from USD 58 Mn in 1Q25 to USD 108 Mn in 1Q26. Furthermore, finance costs rose significantly from USD 2 Mn in 1Q25 to USD 6 Mn in 1Q26, while income tax expenses increased from USD 3 Mn in 1Q25 to USD 5 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on Dana Gas with a target price of AED 1.15. Dana Gas reported a strong top line performance in 1Q26, with earnings supported by a one-off USD 48 Mn gas metering reconciliation related to historical gas sales at the Khor Mor field in the KRI. Excluding this adjustment, underlying profitability remained subdued mainly due to temporary disruption of operations caused by regional conflict at Khor Mor facility during March 2026. Egypt showed signs of operational recovery, with production increasing 4% YOY, marking the first annual production growth since 2017 following sustained drilling and workover activity. Although two exploration wells drilled during the quarter proved non-commercial, the broader USD 100 Mn investment programme remains on track, with seven additional wells planned during 2026, comprising four development and three exploration wells, which should support further production stabilisation and reserve replacement. Recently in June 2026, the Company's Egypt drilling programme delivered encouraging results, with the latest exploration well identifying an estimated 10 Bcf of gas resources compared with an initial expectation of 3 Bcf. The discovery has potential for a further 12 Bcf of prospective gas resources across the licensed area thereby strengthening in the long-term production outlook. Furthermore, Dana Gas having already demonstrated production above 700 MMscf/d in January 2026 following the KM250 expansion. The development activities at the Chemchemal field progressed during the quarter under Pearl Petroleum's USD 160 Mn investment programme. In May 2026, the company entered into a strategic partnership with UK based Levidian to develop the Sharjah Graphene Park in the UAE with initial investment of USD 2-5 Mn, with potential expansion of USD 50 Mn. The project aims to commercialise graphene production using methane feedstock through Levidian's proprietary technology, which converts natural gas into graphene and hydrogen. The initial phase is expected to establish local production capacity of c. 15 tonnes per annum, with a phased scale-up additional production unit. Dana Gas also maintained a healthy financial position with cash at USD 228 Mn in 1Q26, including USD 95 Mn held at the Pearl JV, while corporate debt was fully repaid and replaced with a new USD 75 Mn lower cost banking facility, improving liquidity and financial flexibility. Strong collections in the KRI, where billing realisation remained close to 100%, together with the full settlement of overdue of Egypt receivables the company’s balance sheet stands strong with improved cashflow visibility. In May 2026, Dana Gas distributed a cash dividend of 6.5 fils per share, amounting to USD 124 Mn, reflecting the Company's strong liquidity position and confidence in its cash flow generation despite temporary operational disruptions. Thus, based on our analysis we maintain BUY rating to the stock.

Dana Gas- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	5.55	9.60	10.92	11.57	13.44	7.18
PB	0.76	0.76	0.74	0.69	0.69	0.65
EV/EBITDA	6.55	5.46	7.27	6.61	8.31	5.04
BVPS (USD)	1.204	1.207	1.245	1.324	1.337	1.402
EPS (USD)	0.165	0.095	0.084	0.079	0.068	0.128
DPS (AED)	0.080	0.090	NA	0.055	0.065	0.070
Dividend Yield	8.7%	9.8%	NA	6.0%	7.1%	7.6%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Revenue	80	145	116	44.6%	-20.2%	348	512	47.3%
Royalties	-10	-15	-18	NM	19.5%	-51	-66	28.6%
Net Revenue	**70**	**130**	**98**	**39.7%**	**-24.8%**	**297**	**447**	**NM**
Operating Costs	-28	-35	-38	36.2%	9.0%	-121	-161	33.2%
Gross Profit	**42**	**95**	**60**	**42.0%**	**-37.2%**	**176**	**286**	**NM**
G&A expenses	-3	-4	-4	35.7%	1.8%	-12	-16	34.4%
Investment &finance income	3	3	3	11.8%	11.8%	12	15	28.1%
Other Expenses	-5	-2	-1	NM	NM	-7	-4	-41.4%
Impairment of financial asset	-1	-7	0	NM	NM	-4	0	NM
Operating Profit	**36**	**85**	**58**	**NM**	**-31.4%**	**154**	**282**	**NM**
EBITDA	**47**	**108**	**74**	**NM**	**-31.9%**	**215**	**341**	**NM**
Finance costs	-1	-6	-1	-1.3%	NM	-8	-9	12.0%
Profit Before Tax	**35**	**79**	**57**	**NM**	**-27.5%**	**146**	**273**	**NM**
Income tax expense	-5	-5	-7	37.5%	37.5%	-16	-30	NM
Profit After Tax	**30**	**74**	**50**	**NM**	-31.9%	**130**	**243**	**NM**
NCI	0	0	0	NM	NM	0	0	NM
Net profit	**30**	**74**	**50**	**NM**	**-31.9%**	**130**	**243**	**NM**

FABS estimate & Co Data

Dana Gas- Margins

	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Gross Profit	52.5%	65.5%	51.5%	-96	NM	50.6%	55.8%	518
Operating Profit	45.0%	58.6%	50.4%	537	-825	44.3%	55.1%	NM
EBITDA	58.8%	74.5%	63.6%	486	NM	61.8%	66.6%	482
Net Profit Margin	37.5%	51.0%	43.6%	608	-746	37.4%	47.4%	NM

FABS estimate and Co data

2Q26 preview: NMDC Energy

Robust backlog execution expected to support revenue despite weaker profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.88	AED 3.80	+31.9%	BUY

2Q26 estimate

NMDC Energy's ("NMDC"/ "the Company") net profit is expected to decrease from AED 366 Mn in 2Q25 to AED 53 Mn in 2Q26, driven by a projected rise in direct costs, general & admin expenses, and finance costs, and lower finance income, partially offset by higher revenue and other income, coupled with lower other operating expenses and lower income tax expenses. NMDC's revenue is expected to increase 7.4% YOY to AED 4,758 Mn in 2Q26, driven by robust backlog unwinding. Direct costs are projected to rise 17.0% YOY to AED 4,615 Mn in 2Q26. As a result, gross profit is likely to decline from AED 486 Mn in 2Q25 to AED 143 Mn in 2Q26, with the gross profit margin expected to decrease from 11.0% in 2Q25 to 3.0% in 2Q26. The Company's other operating expenses are projected to decrease 7.6% YOY to AED 62 Mn in 2Q26, whereas general & admin expenses are expected to increase from AED 21 Mn in 2Q25 to AED 38 Mn in 2Q26. Moreover, the Company is expected to record net other income of AED 6 Mn in 2Q26 compared to net other expenses of AED 1 Mn in 2Q25. Hence, operating profit expected to decrease from AED 391 Mn in 2Q25 to AED 49 Mn in 2Q26, with the operating profit margin anticipated to decrease from 8.8% in 2Q25 to 1.0% in 2Q26. EBITDA is expected to decrease from AED 485 Mn in 2Q25 to AED 162 Mn in 2Q26, with the EBITDA margin projected to contract from 10.9% in 2Q25 to 3.4% in 2Q26. Finance income is expected to decline 4.0% YOY to AED 26 Mn in 2Q26, while finance costs are forecasted to rise 10.6% YOY to AED 11 Mn in 2Q26. NMDC's income tax expense is expected to decrease from AED 41 Mn in 2Q25 to AED 9 Mn in 2Q26.

2026 forecast

NMDC Energy's net profit is expected to increase 9.8% YOY to AED 1,757 Mn in 2026, driven by a projected rise in revenue and other income, along with lower direct costs and general & admin expenses, partially offset by higher other operating expenses, finance costs, income tax expenses, and lower finance income. NMDC's revenue is expected to increase 1.0% YOY to AED 18,851 Mn in 2026 driven by robust backlog unwinding. The direct costs are projected to decline marginally by 0.3% YOY to AED 16,411 Mn in 2026. As a result, gross profit is likely to increase 11.0% YOY to AED 2,440 Mn in 2026, with the gross profit margin expected to expand by 116 bps YOY to 12.9% in 2026. The Company's other operating expenses are projected to increase 1.0% YOY to AED 280 Mn in 2026, whereas general & admin expenses are expected to decline 5.4% YOY to AED 152 Mn in 2026. Moreover, the Company is expected to record net other income of AED 12 Mn in 2026 compared to net other expenses of AED 17 Mn in 2025. Hence, operating profit is anticipated to increase 16.1% YOY to AED 2,012 Mn in 2026, with the operating profit margin expected to improve by 139 bps YOY to 10.7% in 2026. EBITDA is expected to increase 14.4% YOY to AED 2,472 Mn in 2026, with the EBITDA margin projected to expand by 154 bps YOY to 13.1% in 2026. Finance income is expected to decline 10.3% YOY to AED 98 Mn in 2026, while finance costs are forecasted to increase 4.7% YOY to AED 41 Mn in 2026. NMDC's income tax expense is expected to increase from AED 200 Mn in 2025 to AED 310 Mn in 2026. Additionally, non-controlling interests are projected to increase 9.1% YOY to AED 2 Mn in 2026.

1Q26 outturn

NMDC Energy's revenue increased 32.9% YOY to AED 4,964 Mn in 1Q26, supported by the continued execution of its robust project backlog. Revenue from the local market grew by 58.2% YOY to AED 3,673 Mn, while revenue contribution from international markets declined 8.7% to AED 1,291 Mn in 1Q26, further reinforcing the UAE as the Company's primary market. The revenue mix comprised 56% offshore and 44% onshore projects. The Company's backlog stood at AED 35.3 Bn in 1Q26, offering solid revenue visibility, with 80% of backlog coming from the local (UAE) market and the remaining 20% from international markets. The Company's direct costs rose 39.6% YOY to AED 4,794 Mn in 1Q26. Consequently, gross profit declined 43.5% YOY to AED 170 Mn in 1Q26, with the gross margin decreasing by 463 bps YOY to 3.4% in 1Q26. G&A expenses increased 43.2% YOY to AED 36 Mn in 1Q26, while other operating expenses declined 29.9% YOY to AED 41 Mn in 1Q26. Other income, net increased from negative AED 4.8 Mn in 1Q25 to a negative AED 5.5 Mn in 1Q26. NMDC Energy's EBITDA declined 36.2% YOY to AED 197 Mn in 1Q26, impacted by cost overruns, particularly related to logistics, fuel, and insurance, along with standby time on offshore projects amid the ongoing regional situation. As a result, EBITDA margin contracted by 431 bps YOY to 4.0% in 1Q26. NMDC Energy's operating profit declined from AED 218 Mn in 1Q25 to AED 79 Mn in 1Q26, with the operating profit margin decreasing from 5.8% in 1Q25 to 1.6% in 1Q26. The Company's finance costs declined 40.7% YOY to AED 8 Mn in 1Q26, while finance income decreased 20.7% YOY to AED 21 Mn. Additionally, income tax expenses declined 15.6% YOY to AED 12 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on NMDC Energy with a target price of AED 3.80. NMDC Energy revenues grew 33% YOY to AED 5.0 Bn in 1Q26, on the back of strong backlog execution despite a challenging operating environment during March. However, profitability and margins were impacted by operational challenges during the quarter, including offshore vessel standby, GPS interference, night operation restrictions, and periodic evacuations affecting onshore project execution. The Company adopted a prudent approach by fully recognizing incurred costs and incorporating estimated increases in forecast costs related to ongoing disruptions, resulting in EBITDA margin declining to 4.0% and net profit margin to 1.6% in 1Q26. As of 1Q26, NMDC Energy's backlog stood at AED 35.3 Bn, with 80% derived from the local (UAE) market and the remaining 20% from international markets, while offshore projects accounted for 64% and onshore projects for 36% of the total backlog, providing strong revenue visibility. The Company maintained a healthy project pipeline of c. AED 67.4 Bn, including c. 20 projects under evaluation, supporting strong bidding activity and medium-term growth prospects. Operationally, NMDC Energy has largely returned to normal levels, supported by mitigation measures such as alternative logistics routes (including Fujairah, Sohar, Duqm, Jeddah, and Khorfakkan) and the implementation of anti-jamming solutions to address earlier GPS disruptions, thereby improving offshore productivity. The Company maintained a strong liquidity position, with cash and bank balances at AED 3.5 Bn in 1Q26, supporting financial resilience and flexibility to navigate evolving market conditions. Looking ahead, while cost pressures may persist in the near term, Company expects margins to improve in 3Q26 and 4Q26 if conditions stabilize, with 1Q typically representing a softer quarter. Overall, NMDC Energy remains well-positioned for the remainder of 2026, supported by a solid backlog, robust pipeline, and strong execution capabilities, while continuing to align its operations with the UAE's long-term economic and energy priorities. Thus, considering the above factors, we assign a BUY rating on the stock.

NMDC Energy - Relative Valuation[1]

(at CMP)	2024	2025	2026F
PE	10.26	9.00	8.20
PB	2.76	2.34	2.02
EV/EBITDA	6.06	4.76	4.68
BVPS (AED)	1.044	1.231	1.422
EPS (AED)	0.281	0.320	0.351
DPS (AED)	0.140	0.160	0.176
Dividend Yield	4.9%	5.6%	6.1%

FABS Estimate & Co Data

[1]As NMDC Energy is listed in 2024, multiples for the prior period are not available

NMDC Energy - P&L

AED Mn	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Revenue	4,432	4,964	4,758	7.4%	-4.1%	18,662	18,851	1.0%
Direct costs	-3,945	-4,794	-4,615	17.0%	-3.7%	-16,464	-16,411	-0.3%
Gross profit	**486**	**170**	**143**	**NM**	**-16.0%**	**2,198**	**2,440**	**11.0%**
Other operating expenses	-67	-41	-62	-7.6%	NM	-277	-280	1.0%
General & admin. Exp.	-21	-36	-38	NM	6.1%	-160	-152	-5.4%
Other income, net	-1	-5	6	NM	NM	-17	12	NM
EBIT	**391**	**79**	**49**	**NM**	**-38.3%**	**1,733**	**2,012**	**16.1%**
EBITDA	**485**	**197**	**162**	**NM**	**-18.0%**	**2,160**	**2,472**	**14.4%**
Finance income	27	21	26	-4.0%	23.2%	109	98	-10.3%
Finance costs	-10	-8	-11	10.6%	48.3%	-39	-41	4.7%
Profit before tax	**408**	**92**	**63**	**NM**	**-31.5%**	**1,803**	**2,069**	**14.8%**
Income tax	-41	-12	-9	NM	-21.2%	-200	-310	NM
Profit for the year	**366**	**80**	**54**	**NM**	**-33.0%**	**1,602**	**1,759**	**9.8%**
Non-Controlling interest	0.5	0.6	0.3	-28.9%	-45.0%	2	2	9.1%
Net profit after NCI	**366**	**80**	**53**	**NM**	**-32.9%**	**1,601**	**1,757**	**9.8%**

FABS estimate & Co Data

NMDC Energy - Margins

	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Gross Profit	11.0%	3.4%	3.0%	-798	-42	11.8%	12.9%	116
EBITDA	10.9%	4.0%	3.4%	-755	-57	11.6%	13.1%	154
Operating Profit	8.8%	1.6%	1.0%	-780	-57	9.3%	10.7%	139
Net Profit	8.3%	1.6%	1.1%	-713	-48	8.6%	9.3%	74

FABS estimate and Co data

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