FAB أبوظبي الأول للأوراق المالية SECURITIES

# Earnings Call Insight | 4Q24

UAE Equity Research | Sector: Energy | Market: ADX

# ADNOC Gas PLC

| Current Price | Target Price | Upside/Downside (%) | Rating |
|---|---|---|---|
| AED 3.50 | AED 3.93 | +12.3% | ACCUMULATE |

## 4Q24 Net Profit higher than our estimate

- Revenue fell 4.3% YOY to USD 4,771 Mn in 4Q24, due to lower production volumes attributable to planned shutdowns.
- Total sales volume fell 4.7% YOY to 869 trillion British thermal units (TBTU) in 4Q24. Domestic gas volume declined 3.7% YOY to 567 TBTU in 4Q24. Exports and Traded liquids volume fell to 235 TBTU in 4Q24 compared to 257 TBTU in 4Q23.
- Gross profit grew 4.5% YOY to USD 2,062 Mn in 4Q24 primarily due to a decline in direct costs owing to a fall in the feedstock costs. As a result, gross margins expanded 363 bps YOY and to 43.2% in 4Q24.
- EBITDA grew 1.0% YOY to USD 2,073 Mn in 4Q24. EBITDA Margin rose from 41.2% in 4Q23 to 43.4% in 4Q24.
- Net profit grew 2.6% YOY to USD 1,381 Mn in 4Q24. The net profit margin rose from 27.0% in 4Q23 to 28.9% in 4Q24.

## Earnings Call Summary

- ADNOC Gas aims to stay flexible with its investments, avoiding extremely high-risk acquisitions or mergers (M&A) as their project provides strong mid-teen growth. Additionally, the flexibility also allows the Company to grab on immediate opportunities.
- ADNOC Gas plans to invest USD 15 Bn in the next five years and does not include Rich Gas Development and Bab Gas Cap project for which the final investment decision is in 2025 and 2026 respectively. Additionally, the IDG-E2 and MERAM gas projects are included in nearing completion.
- The Ruwais LNG project is included in the capital investments planned through 2029. The project involves significant infrastructure, including the construction of two LNG trains, which are expected to be completed in late 2028 and 2Q29. Additionally, the complete impact of both trains would be reflected in the 2030 financials.
- NGL business is taxed at 55% whereas the domestic gas business will no longer be tax-free after 2027
- The MERAM project is progressing well and is expected to start in late 2025. It is anticipated to generate mid-teen returns.
- The domestic gas margin benefited from the one-off benefit of the Dolphin pipeline outage in 2024, which allowed the company to step in and provide gas, generating additional revenue. Hence, margin guidance is lower for 2025.
- The Company is likely to witness a sustained benefit from renegotiated domestic gas contracts that will continue to support the margin.
- The Company expects fewer LNG spot cargoes in 2025 compared to 2024, primarily due to scheduled maintenance shutdowns. The train 3 shutdown impacted ADNOC Gas' ability to deliver more cargo.
- ADNOCGAS plans to utilize the USD 1.2 Bn surplus cash generated in 2024 for capital investments.
- Debt-to-EBITDA ratio is anticipated to be around 1.5x by 2029.
- ADNOC Gas guidance on commodity prices stood in a range of USD 70 to USD 80 per barrel for Brent crude oil. It mentions a USD 300 Mn bottom-line impact for every USD 10 change in the price of Brent
- The Company observed that LPG prices continue to outperform Brent as of January 2024, and the outlook for February suggests that LPG pricing will remain strong compared to Brent.
- LPG demand is expected to rise as oil and gas production in the UAE and Saudi Arabia increases.
- Focuses on minimizing the downtime during planned shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs.

- Gas demand is expected to fluctuate with the seasons, and while nuclear and solar power reduce reliance on gas at certain times, gas will still be required for its flexibility in storage and supply during high-demand periods.
- Announced a final dividend of USD 1.7 Bn, resulting in a total dividend of USD 3.4 Bn for 2024 in line with the commitment of 5% annual dividend growth.
- Planned shutdown in 1Q25 is expected to result in an impact of USD 100 Mn on net income.

**Adnoc Gas - P&L**

| (USD mn) | 4Q23 | 3Q24 | 4Q24 | 4Q24F | Var. | YOY Ch | QOQ Ch |
|---|---|---|---|---|---|---|---|
| Revenue | 4,983 | 4,870 | 4,771 | 4,397 | 8.5% | -4.3% | -2.0% |
| Direct Cost | 3,010 | 2,962 | 2,709 | 2,751 | -1.5% | -10.0% | -8.5% |
| **Gross Profit** | **1,973** | **1,908** | **2,062** | **1,646** | **25.2%** | **4.5%** | **8.0%** |
| Other Operating income | 295 | 262 | 265 | 273 | -2.7% | -10.1% | 1.3% |
| Share of profit of equity-accounted investee | 120 | 160 | 123 | 194 | -36.7% | 2.4% | -23.4% |
| Recharges to equity accounted investees | 287 | 156 | 108 | 160 | -32.6% | -62.5% | -30.8% |
| Employee benefit expenses | -293 | -276 | -252 | -256 | -1.7% | -13.9% | -8.5% |
| Other operating costs and administrative exp | -241 | -94 | -99 | -68 | 45.4% | -59.0% | 4.9% |
| Share of operating costs in an equity acc inv | -66 | -57 | -90 | -30 | NM | 36.2% | 56.2% |
| Inventory Consumption | -8 | -17 | -5 | -13 | -62.2% | -41.2% | -72.0% |
| Other expenses | -15 | -40 | -39 | -21 | 91.3% | 163.2% | -1.3% |
| **EBITDA** | **2,052** | **2,002** | **2,073** | **1,885** | **10.0%** | **1.0%** | **3.5%** |
| Depreciation and amortisation | -317 | -308 | -322 | -326 | -1.0% | 1.7% | 4.8% |
| **EBIT** | **1,735** | **1,694** | **1,750** | **1,559** | **12.3%** | **0.9%** | **3.3%** |
| Finance Income | 46 | 39 | 31 | 40 | -22.3% | -32.8% | -21.0% |
| Finance Cost | -53 | -51 | -64 | -113 | -43.5% | 20.7% | 24.7% |
| **Profit before tax** | **1,728** | **1,682** | **1,718** | **1,486** | **15.6%** | **-0.6%** | **2.1%** |
| Income Tax expense | 383 | 439 | 337 | 524 | -35.8% | -12.0% | -23.2% |
| **Net Income** | **1,346** | **1,243** | **1,381** | **962** | **43.6%** | **2.6%** | **11.0%** |

*FABS estimate & Co Data*

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## 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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