

## ADNOC Gas PLC

Lower volume and planned shutdowns impacted revenue growth

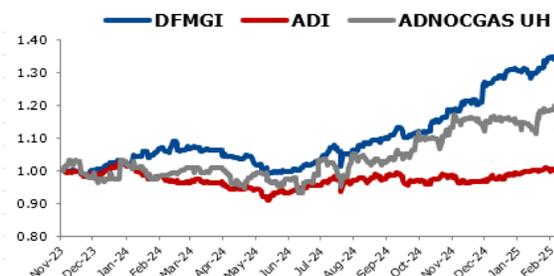
**Current Price**  
AED 3.43

**Target Price**  
AED 3.93

**Upside/Downside (%)**  
+15%

**Rating**  
BUY

- ADNOCGAS's total sales volume (excluding ADNOCGAS LNG JV) declined 4.7% YOY to 869 TBTU in 4Q24.
- The Company expects lower sales volume in 1Q25 primarily due to planned shutdowns to maintain asset integrity and extend asset life.
- Plans to incur a capex of USD 3,000-3,500 Mn in 2025 owing to the MERAM project.
- Free cash flow grew from USD 834 Mn in 4Q23 to USD 1,215 Mn in 4Q24.
- In line with its dividend policy, the Company anticipates paying an interim dividend of USD 1.7 Bn, resulting in a dividend yield of 4.8% for 2024.



### 4Q24 Net Profit higher than our estimate

ADNOC Gas plc (ADNOCGAS/the Company) reported a 2.6% YOY increase in net profit to USD 1,381 Mn in 4Q24, exceeding our estimate of USD 962 Mn. The increase in net profit is primarily attributable to a decline in direct costs, lower employee benefits and other operating costs partially offset by a decline in revenue, lower profit contributions from equity-accounted investees, and higher finance costs.

### P&L Highlights

ADNOCGAS's net revenue declined 4.3% YOY to USD 4,771 Mn in 4Q24, while the Company's total revenue, which includes revenue from reinjection, ADNOC LNG JV, intercompany elimination and other income, declined 3.8% YOY to USD 6,060 Mn in 4Q24. The decline in revenue is primarily due to lower volumes attributable to the planned shutdowns. The Company's total sales volume (including ADNOCGAS LNG JV) declined 4.7% YOY to 869 TBTU in 4Q24. The Company's domestic gas sales volume declined 3.7% YOY and 6.9% QOQ to 567 trillion British thermal units (TBTU) in 4Q24. Exports and traded liquids volume declined 8.4% YOY and 11.2% QOQ to 235 TBTU in 4Q24. Furthermore, the Company's LNG JV's sales volume grew 5.7% YOY to 63 TBTU in 4Q24. The Company also maintained a healthy availability of 91.7% and reliability of 99.8% across its assets in 4Q24. The Company's direct cost declined 10.0% YOY to USD 2,709 Mn in 4Q24. Thus, gross profit grew 4.5% YOY to USD 2,062 Mn in 4Q24, primarily due to strong revenue growth and lower direct costs. Gross margins grew from 39.6% in 4Q23 to 43.2% in 4Q24. Other operating income declined from USD 295 Mn in 4Q23 to USD 265 Mn in 4Q24. However, the share of profit to equity accounted investee grew significantly from USD 120 Mn in 4Q23 to USD 123 Mn in 4Q24.

### Stock Information

Market Cap (AED, mn)	264,024.89
Paid Up Capital (mn)	19,187.86
52 Week High	3.69
52 Week Low	2.87
3M Avg. daily value (AED)	210,991,900

### 4Q24 Result Review (USD, mn)

Total Assets	30,826
Total Liabilities	6,860
Total Equity	23,965
EBITDA	2,073
Net Profit	1,381

### Financial Ratios

Dividend Yield (12m)	4.62
Dividend Pay-out (%)	250.58
Price-Earnings Ratio(x)	14.37
Price-to-Book Ratio (x)	3.01
Book Value (AED)	0.31
Return-on Equity (%)	21.62

### Stock Performance

5 Days	-3.91%
1 Months	-0.29%
3 Months	-1.43%
6 Months	9.55%
1 Year	9.55%
Month to Date (MTD%)	1.18%
Quarter to Date (QTD%)	-1.99%
Year to Date (YTD%)	-1.99%

Employee benefit expenses declined significantly 13.9% YOY to USD 252 Mn in 4Q24. Other operating costs declined from USD 241 Mn in 4Q23 to USD 99 Mn in 4Q24. Share of operating cost in equity accounted investee grew from USD 66 Mn in 4Q23 to USD 90 Mn in 4Q24. Inventory consumption declined from USD 8 Mn in 4Q23 to USD 5 Mn in 4Q24. Other expenses grew significantly from USD 15 Mn in 4Q23 to USD 39 Mn in 4Q24. The Company's EBITDA grew 1.0% YOY to USD 2,073 Mn in 4Q24, whereas adjusted EBITDA grew 3.2% YOY to USD 2,282 Mn in 4Q24. Domestic segment EBITDA declined marginally from USD 753 Mn in 4Q23 to USD 747 Mn in 4Q24, primarily due to favourable contract prices. Additionally, the Company recognized a one-time gain of USD 188 Mn in 2024, following the successful negotiation of a new 10-year contract with EWEC, which resulted in improved commercial terms. Export & traded liquid EBITDA declined 11.8% YOY to USD 978 Mn in 4Q24 owing to lower volume and unfavourable prices. ADNOCGAS's share of LNG EBITDA grew significantly from USD 296 Mn in 4Q23 to USD 321 Mn in 4Q24, mainly supported by higher volume. Thus, the Company's operating profit grew 0.9% YOY to USD 1,750 Mn in 4Q24. Finance income declined from USD 46 Mn in 4Q23 to USD 31 Mn in 4Q24. Finance cost grew from USD 53 Mn in 4Q23 to USD 64 Mn in 4Q24. Total income tax expenses declined from USD 383 Mn in 4Q23 to USD 337 Mn in 4Q24.

### Balance Sheet Highlights

ADNOCGAS's investment in capex grew from USD 521 Mn in 4Q23 to USD 514 Mn in 4Q24, primarily due to the expansion of growth projects. The Company expects its capex to range from USD 3,000-3,500 Mn for 2025. The Company's net cash flow from operating activities grew from USD 1,388 Mn in 3Q24 to USD 1,745 Mn in 4Q24. ADNOCGAS's free cash flow grew from USD 834 Mn in 4Q23 to USD 1,215 Mn in 4Q24. As of 4Q24, the Company held cash and cash equivalents of USD 4.5 Bn with a gross debt of USD 500 Mn.

### Target Price and Rating

We maintain our BUY rating on ADNOCGAS with an unchanged target price of AED 3.93. The Company reported an increase in profitability driven by lower direct costs, employee benefits, and other operating costs in 4Q24. ADNOCGAS's total sales volume (including LNG JV) declined 4.7% YOY to 869 TBTU in 4Q24, primarily due to the planned shutdowns. Despite this, the Company maintained a healthy level of reliability at 99.8% across its assets in 4Q24. Additionally, the Company expects lower sales volume in 1Q25 primarily due to planned shutdowns to maintain asset integrity and extend asset life. Thus, it expects a sales volume of 2,320-2,390 TBTU for the domestic gas segment, 920-965 for Exports and Traded Liquids, and 220-230 for LNG JV products for 2025. The Company's planned shutdown is expected to impact USD 100 Mn on net income. However, ADNOCGAS aims to minimize downtime during scheduled shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs. Moreover, the Company continues to advance its strategic growth initiatives in alignment with ADNOC's broader objective of expanding production capacity to 5.0 Mn barrels per day by 2027. ADNOCGAS is progressing well on its growth initiatives, including the IGD-E2 project, MERAM, and Ruwais LNG. All three projects are currently in the execution phase, with a total investment exceeding USD 10 Bn. The Company's strategy for advancing the projects is expected to target a c.30% growth in gas and liquids processing capacity by 2029. In addition, the Company's Rich Gas Development (RGD) and Bab Gas Cap are expected to reach FID in 2025 and 2026, respectively. To support its growth initiatives the Company plans to incur a capex of USD 3,000-3,500 Mn in 2025 as the MERAM project reaches its peak activity ahead of planned startup in 2026. The Company's strategic investments and recent developments are expected to support revenue growth going forward. Moreover, in line with its dividend policy, the Company distributed an interim dividend of USD 1.7 Bn for 1H24 and further aims to distribute a final dividend of USD 1.7 Bn for 2H24. Thus, based on our analysis, we maintain our BUY rating on the stock.

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

(at CMP in USD)	2023	2024	2025F
PE	14.03	14.21	15.4
PB	3.19	3.08	2.8
EV/EBITDA	8.81	8.27	8.0
Dividend yield	4.6%	4.8%	5.0%

FABS Estimates & Co Data

<sup>1</sup>ADNOCGAS share started trading in 2023 hence previous-year multiples is not provide.

**Adnoc Gas - P&L**

(USD mn)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	4,983	4,870	4,771	4,397	8.5%	-4.3%	-2.0%	17,905	19,065	6.5%
Direct Cost	3,010	2,962	2,709	2,751	-1.5%	-10.0%	-8.5%	11,000	11,385	3.5%
<b>Gross Profit</b>	<b>1,973</b>	<b>1,908</b>	<b>2,062</b>	<b>1,646</b>	<b>25.2%</b>	<b>4.5%</b>	<b>8.0%</b>	<b>6,905</b>	<b>7,680</b>	<b>11.2%</b>
Other Operating income	295	262	265	273	-2.7%	-10.1%	1.3%	1,105	1,097	-0.8%
Share of profit of eq-acc inv	120	160	123	194	-36.7%	2.4%	-23.4%	402	519	28.8%
Recharges to eq acc inv	287	156	108	160	-32.6%	-62.5%	-30.8%	442	575	30.2%
Employee benefit expenses	-293	-276	-252	-256	-1.7%	-13.9%	-8.5%	-984	-1,112	13.0%
Other operating costs	-241	-94	-99	-68	45.4%	-59.0%	4.9%	-451	-371	-17.7%
Share of operating costs in eq acc inv	-66	-57	-90	-30	201.8%	36.2%	56.2%	-247	-268	8.7%
Inventory Consumption	-8	-17	-5	-13	-62.2%	-41.2%	-72.0%	-67	-49	-26.7%
Other expenses	-15	-40	-39	-21	91.3%	163.2%	-1.3%	-73	-189	NM
<b>EBITDA</b>	<b>2,052</b>	<b>2,002</b>	<b>2,073</b>	<b>1,885</b>	<b>10.0%</b>	<b>1.0%</b>	<b>3.5%</b>	<b>7,034</b>	<b>7,881</b>	<b>12.0%</b>
Depreciation and amortization	-317	-308	-322	-326	-1.0%	1.7%	4.8%	-1,100	-1,216	10.6%
<b>EBIT</b>	<b>1,735</b>	<b>1,694</b>	<b>1,750</b>	<b>1,559</b>	<b>12.3%</b>	<b>0.9%</b>	<b>3.3%</b>	<b>5,934</b>	<b>6,665</b>	<b>12.3%</b>
Finance Income	46	39	31	40	-22.3%	-32.8%	-21.0%	95	127	33.2%
Finance Cost	-53	-51	-64	-113	-43.5%	20.7%	24.7%	-207	-180	-13.0%
<b>Profit before tax</b>	<b>1,728</b>	<b>1,682</b>	<b>1,718</b>	<b>1,486</b>	<b>15.6%</b>	<b>-0.6%</b>	<b>2.1%</b>	<b>5,822</b>	<b>6,612</b>	<b>13.6%</b>
Income Tax expense	383	439	337	524	-35.8%	-12.0%	-23.2%	1,102	1,611	46.1%
<b>Net Income</b>	<b>1,346</b>	<b>1,243</b>	<b>1,381</b>	<b>962</b>	<b>43.6%</b>	<b>2.6%</b>	<b>11.0%</b>	<b>4,720</b>	<b>5,001</b>	<b>6.0%</b>

*FABS estimate & Co Data*
**Adnoc Gas - Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross Profit	39.6%	39.2%	43.2%	363	363	38.6%	40.3%	172
EBITDA	41.2%	41.1%	43.4%	226	226	39.3%	41.3%	206
Net Profit	27.0%	25.5%	28.9%	193	193	26.4%	26.2%	-13

*FABS estimate & Co Data*

## Valuation:

We have used Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Dividend Yield to value ADNOC Gas. We have assigned 70% weight to DCF, 15% to RV, and 15% to Dividend Yield. In addition, we have also valued ADNOC LNG JV using the Discounted Free Cash Flow (DCF) and Relative Valuation (RV) method. We excluded the profit of ADNOC LNG JV while valuing ADNOC GAS as a result it is valued as a standalone business.

Valuation Method	Target	Weight	Weighted Value
DCF Method (ADNOCGAS + ADNOC L&G)	3.68	70.0%	2.58
Relative Valuation (RV) – EV/EBITDA	4.49	15.0%	0.67
Dividend Yield	4.53	15.0%	0.68
<b>Weighted Average Valuation (AED)</b>			<b>3.93</b>
Current market price (AED)			3.43
Upside/Downside (%)			+15%

### 1) ADNOC Gas DCF Method:

Adnoc Gas is valued using free cash flow to Equity. We have discounted the cash flow using a weighted average cost of equity of 8.9%. The cost of equity is calculated using a 10-year government bond yield of 5.3%, a beta of 0.97, and an equity risk premium of 3.7%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	15,484
Terminal value (USD, Mn)	49,959
<b>FV to Common shareholders (USD, Mn)</b>	<b>65,443</b>
No. of share (Mn)	76,751
Current Market Price (AED)	3.43
<b>Fair Value per share (AED)</b>	<b>3.13</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	4,043	4,101	4,162	3,596	3,861	4,097
D&A	1,320	1,409	1,660	1,752	1,801	1,939
(-) Capex	-3,350	-3,300	-3,150	-3,050	-1,648	-550
Change in working capital	-547	-291	-214	-54	-23	59
Net change in debt	1,000	1,000	1,000	500	0	0
<b>Free Cash Flow to Equity (FCFE)</b>	<b>2,466</b>	<b>2,919</b>	<b>3,458</b>	<b>2,743</b>	<b>3,991</b>	<b>5,545</b>
Discounting Factor	0.93	0.85	0.78	0.72	0.66	0.61
<b>Discounted FCFE</b>	<b>2,293</b>	<b>2,492</b>	<b>2,713</b>	<b>1,976</b>	<b>2,640</b>	<b>3,369</b>

Source: FAB Securities

## 2) ADNOC Gas LNG JV DCF Method:

Adnoc Gas LNG JV is valued using free cash flow to Equity. It is discounted using the similar WACC used to discount ADNOCGAS. We have discounted the cash flow using a weighted average cost of equity of 8.9%. The cost of equity is calculated using a 10-year government bond yield of 5.3%, a beta of 0.97, and an equity risk premium of 3.7%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	4,662
Terminal value (USD, Mn)	11,768
<b>FV to Common shareholders (USD, Mn)</b>	<b>16,430</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	818	889	969	1,055	1,110	1,146
D&A	160	164	173	186	214	293
(-) Capex	-466	-472	-325	-215	-164	-172
Change in working capital	-38	-42	-47	-53	-57	-61
Net change in debt	250	300	300	200	100	100
<b>Free Cash Flow to Equity (FCFE)</b>	<b>724</b>	<b>838</b>	<b>1,070</b>	<b>1,173</b>	<b>1,203</b>	<b>1,306</b>
Discounting Factor	0.93	0.85	0.78	0.72	0.66	0.61
<b>Discounted FCFE</b>	<b>673</b>	<b>716</b>	<b>839</b>	<b>845</b>	<b>796</b>	<b>794</b>

Source: FAB Securities

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

We have used regional and global peers to value ADNOC GAS PLC, which is valued using the EV/EBITDA and Dividend Yield multiples. It is valued at a 2025 EV/EBITDA multiple of 10.5x in line with its peers. In the dividend yield, we have used a dividend Yield of 3.8% to value ADNOC GAS.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		Dividend Yield (%)	
		2025F	2026F	2025F	2026F	2025F	2026F
Saudi Basic Industries Corp	52,518	10.6	8.3	40.7	21.4	5.2	5.5
Saudi Arabian Oil Co	1,788,482	7.8	7.9	16.9	16.8	6.6	5.0
Borouge	20,867	10.4	8.7	NA	NA	1.6	1.6
Petronas Gas Bhd	7,810	9.7	9.6	18.4	18.2	4.3	4.4
Kinder Morgan Inc	58,682	11.1	10.7	20.7	19.6	4.4	4.6
Valero Energy Corp	42,657	8.0	6.6	17.8	12.3	3.3	3.4
Marathon Petroleum Corp	48,582	7.7	7.0	18.4	12.6	2.4	2.5
Oneok Inc	57,315	12.9	10.1	19.4	16.3	4.1	4.2
Targa Resources Corp	43,700	12.7	11.6	25.8	21.3	2.0	2.4
Williams Cos Inc	70,020	13.0	12.2	27.4	24.5	3.5	3.7
<b>Average</b>		<b>10.4x</b>	<b>9.3x</b>	<b>22.8x</b>	<b>18.1x</b>	<b>3.7%</b>	<b>3.7%</b>
<b>Median</b>		<b>10.5x</b>	<b>9.1x</b>	<b>19.4x</b>	<b>18.2x</b>	<b>3.8%</b>	<b>4.0%</b>
<b>Max</b>		<b>12.3x</b>	<b>10.5x</b>	<b>25.8x</b>	<b>21.3x</b>	<b>4.4%</b>	<b>4.5%</b>
<b>Min</b>		<b>8.4x</b>	<b>8.0x</b>	<b>18.4x</b>	<b>16.3x</b>	<b>2.6%</b>	<b>2.8%</b>

Source: FAB Securities

