UAE Energy Sector – March 2025

US Tariffs and Geopolitical Uncertainty to Drive Volatility in Energy Markets

Sector Weighting:
MARKET WEIGHT

Following the recent price correction, ADNOC Distribution stands out as our preferred pick over ADNOC Drilling, ADNOC Gas, and Dana Gas, backed by its strong operational execution, diversified revenue streams, and scalable growth strategy. While lower crude oil prices impacted its topline, ADNOC Distribution recorded robust growth in fuel volumes and non-fuel transactions. ADNOC Distribution operated 896 fuel stations as of 4Q24, 551 in the UAE, 100 in Saudi Arabia, and 245 in Egypt—and aims to expand this network to 1,000 stations by 2028, with 40–50 new stations expected in 2025. The non-fuel business continues to be a key growth pillar, with 373 convenience stores in the UAE and a 12.3% YOY increase in non-fuel transactions, reaching 13.4 Mn in 4Q24. ADNOC Distribution is targeting a 50% increase in non-fuel transactions by 2028. ADNOC Distribution has also enhanced its property portfolio, opening 39 new outlets in FY2024 featuring global brands like McDonald's, Starbucks, Dunkin' Donuts, and Al Baik, increasing customer footfall, and plans to scale its franchise operations to 50 locations by 2028. ADNOC Distribution also saw a 20.4% YOY rise in vehicle inspections in 2024, supported by new services and expanded inspection centers. ADNOC Distribution is also advancing in clean energy, with EV charging points increasing more than fourfold to 220 in 4Q24. It aims to grow its EV infrastructure 10–15x by 2028, with 100 new charging stations planned for 2025.

In contrast, ADNOC Drilling focuses on fleet expansion, targeting 151 rigs by 2028, with revenue guidance of USD 4.6–4.8 Bn for 2025. ADNOC Gas faces short-term pressure from planned shutdowns, expecting a USD 100 Mn hit to net income. Meanwhile, Dana Gas continues to face structural and geopolitical headwinds. ADNOC Drilling offers long-term growth through rig expansion, but its capital-intensive model and delayed revenue realization limit short-term appeal. The addition of 13 new rigs in FY2024, including two jack-up rigs, is expected to drive revenue in 1H25, while three island rigs will gradually contribute by FY2027. ADNOC Gas faces temporary volume pressures due to planned shutdowns, impacting earnings despite strong reliability. Although sales volume fell 4.7% YOY in 4Q24, reliability across assets remained high at 99.8%. Dana Gas continues to grapple with geopolitical risks and structural limitations, constraining its ability to scale operations effectively and maintain consistent cash flow. Overall, ADNOC Distribution offers a balanced mix of near-term visibility, recurring revenue, diversification, and consumer-driven growth, positioning it as the preferred pick in the energy sector.

Stock in AED	Target Price	Current Price	Gain	Rating	P/E(x)[1]	EV/EBITDA(x)[1]	Dividend Yield[1]
ADNOC Distribution	4.46	3.24	+37.7%	**BUY**	15.9	13.8	6.3%
ADNOC Drilling	6.25	4.84	+29.1%	**BUY**	15.1	10.8	4.1%
ADNOC Gas	3.93	3.09	+27.2%	**BUY**	13.9	7.7	5.6%
Dana Gas	0.95	0.78	+21.8%	**BUY**	10.6	5.6	7.1%

Source: FABS Estimate, [1]Data refers to FY2025E

Key Developments in the Energy Sector

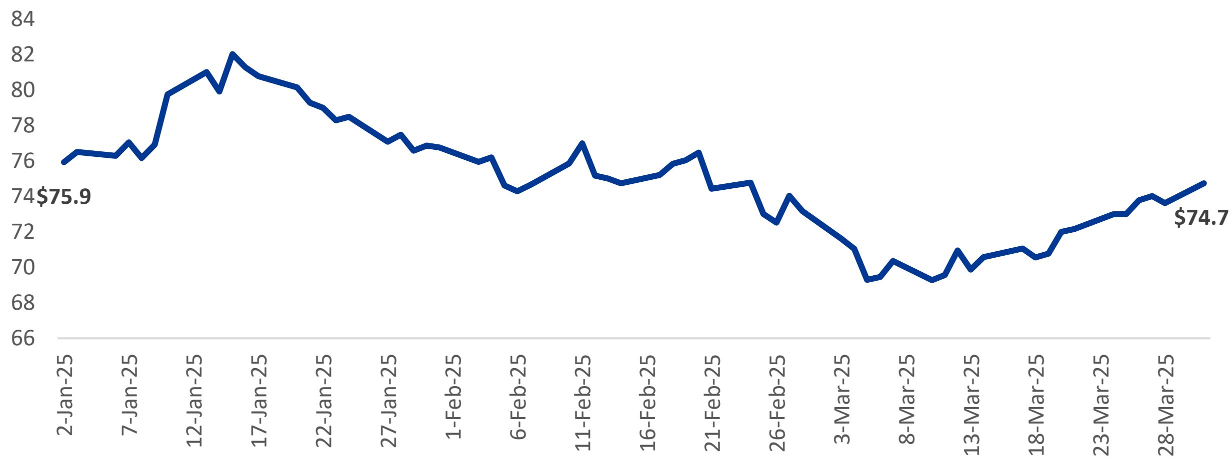
Global tariff war to slow down growth rates

According to the IMF's January 2025 World Economic Outlook, global economic growth is projected at 3.3% for both 2025 and 2026. This modest pace remains below the pre-pandemic average of 3.7%, reflecting a complex global landscape marked by policy uncertainty, geopolitical tensions, and uneven regional performance. Advanced economies such as the United States are expected to demonstrate relatively strong growth, supported by fiscal stimulus measures and resilient consumer demand. In contrast, China's growth, although benefiting from recent policy support, continues to face structural challenges, including demographic constraints and property market vulnerabilities. India stands out among major economies, maintaining its growth leadership through strong domestic demand and ongoing economic reforms. In this broader context, the UAE presents a notably positive growth outlook. The IMF projects the UAE's real GDP to expand by 5.1% in 2025, up from an estimated 4.0% in 2024. This growth is attributed to robust performances in non-oil sectors such as tourism, construction, manufacturing, and financial services. UAE's ongoing efforts to diversify its economy, with non-oil GDP now accounting for over 70% of the total, have been instrumental in this expansion. Despite this positive outlook, recent data suggests a moderation in the pace of non-oil sector expansion. The UAE's non-oil private sector PMI declined slightly from 55.0 in February to 54.0 in March 2025, indicating a slower but still expansionary trend. On the hydrocarbon front, GDP growth is projected to exceed 2.0% in 2025, although revenue from this sector is expected to decline due to global oil price fluctuations and reduced production levels, contingent upon OPEC+ policy decisions.

Brent crude prices fluctuated in 1Q25, ending the quarter at USD 74.74 per barrel

Brent crude oil prices fluctuated in the bandwidth of USD 82 to USD 68 per barrel in 1Q25, ultimately closing at USD 74.7 per barrel on March 31, marking a modest 0.1% QOQ increase. The quarter began with a 2.8% MOM rise in January, driven by optimism over global expansionary monetary policies, expected interest rate cuts by the Fed, supportive policies in China, and colder weather boosting fuel demand. However, prices dropped 4.7% in February, as the US delayed tariffs on Mexico and Canada, increased US crude inventories (signalling weak demand), and increased geopolitical tensions, including US-China tariff concerns, added pressure. The resumption of oil exports from Kurdistan and global economic uncertainty also weighed on prices, though these were partially offset by new US sanctions on Iran and actions in Venezuela. In March, prices initially dipped due to the US pausing military aid to Ukraine, OPEC+ output hike plans, and new US tariffs on major trading partners. Later in the month, prices rebounded on US military actions in the Middle East and China's stimulus, but weakened again after a Russia-Ukraine ceasefire agreement mediated by the US. OPEC+ output cuts and renewed US sanctions on Venezuelan and Iranian oil pushed prices upward toward the end of the month. The average Brent crude price for the quarter stood at USD 75.0 per barrel. Global oil inventories are projected to rise starting mid-2025 due to the unwinding of OPEC+ production cuts, increased output from non-OPEC producers, and a slowdown in global oil demand growth.

Brent Crude Oil Price During 1Q25 (USD per Barrel)

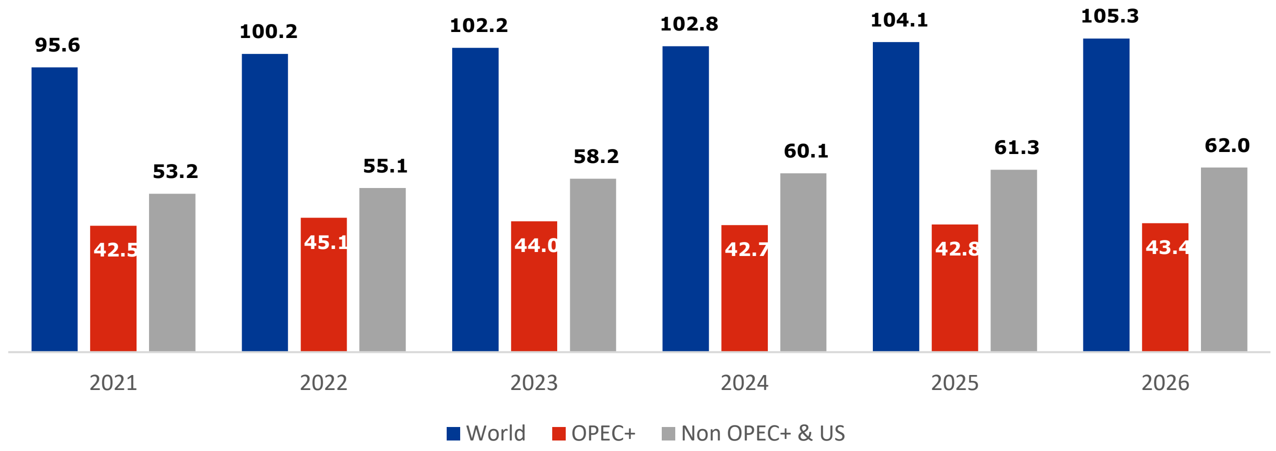


Source: Bloomberg

Crude Oil Supply and Demand

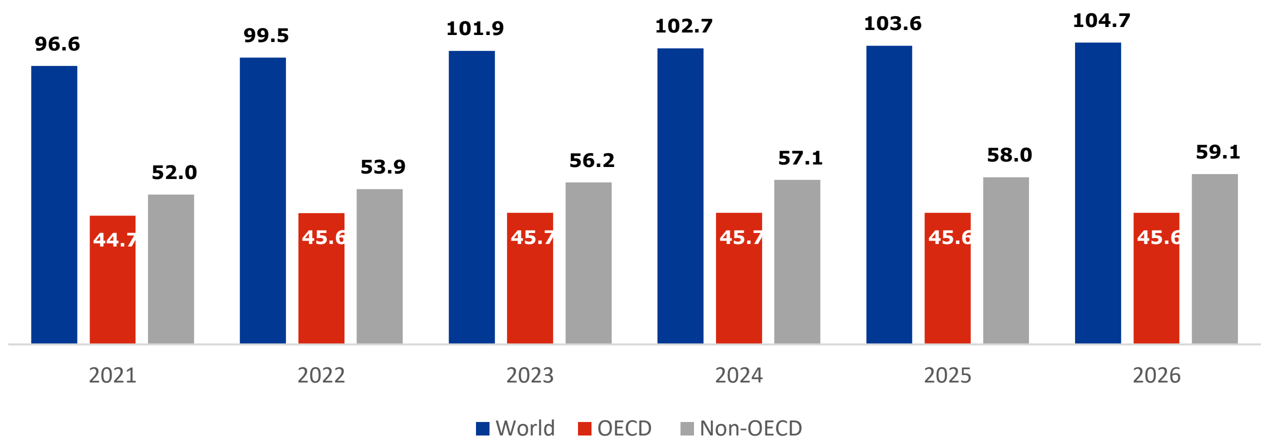
- Global crude oil and liquid fuel supply is expected to rise by 1.35 Mn barrels per day (mbpd) to 104.1 mbpd in 2025, and again by 1.25 mbpd to 105.3 mbpd in 2026, both slightly lower than previous estimates.
- Non-OPEC+ supply including US is projected to increase by 1.20 mbpd to 61.3 mbpd in 2025 and by 0.74 mbpd to 62.0 mbpd in 2026, continuing to drive global supply growth.
- In March 2025, global oil supply stood at 103.7 mbpd compared to 103.1 mbpd in March 2024, largely due to increased production from non-OPEC+ countries, according to the IEA.
- According to EIA, OPEC+ crude oil production dropped by 670K bpd YOY in March 2025 to 42.8 mbpd. OPEC+'s average crude production is expected to be 42.8 mbpd in 2025 and 43.4 mbpd in 2026, indicating relatively stable output.
- Global oil demand is projected to grow by 0.9 mbpd in 2025 to 103.6 mbpd and 1.0 mbpd in 2026 to 104.7 mbpd (EIA estimate, both revised down).
- In March 2025, global petroleum and liquid fuels demand stood at 103.3 mbpd, marking a 1.3% YOY increase.
- Brent crude oil prices are forecasted to average USD 68.0 per bbl in 2025 and USD 61.0 per bbl in 2026, both down significantly due to demand uncertainty and potential additional OPEC+ supply.
- The EIA projects OECD oil inventories to reach 2.79 Bn barrels by the end of 2025 and 2.85 Bn barrels by the end of 2026, up from 2.74 Bn barrels at the end of 2024 and 2.72 Bn barrels at the end of March 2025.

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 Gas Prices Surge in 1Q25 Amid Supply Strain, Cold Weather, and Rising Demand; Further Gains Expected

In 1Q25, global natural gas prices surged across key markets due to a combination factors including strong demand, supply constraints, and weather-related disruptions. In Europe, Title Transfer Facility (TTF) spot prices rose by over 65.0% YOY to an average of USD 14.5/MBtu, the highest since 1Q23. This was driven by a 9.0% increase in demand, reduced piped gas imports from Russia and Norway, and rapidly declining storage levels. TTF regained its premium over Asian LNG prices, trading USD 0.4/MBtu above the Platts JKM benchmark, which led to a 20.0% YOY rise in LNG imports to Europe. Heightened geopolitical tensions contributed to significant short-term price volatility, with TTF month-ahead prices displaying 55.0% volatility—well above the 2010–2019 average of 40.0%. In Asia, Platts JKM prices followed a similar trend, rising by more than 50.0% YOY to over USD 14/MBtu, the highest since 4Q23. Limited LNG supply growth and strong European competition for flexible cargoes pushed Asian prices higher, while oil-indexed LNG ranged between USD 11–13/MBtu, prompting many Asian buyers to rely more on long-term contracts. In the United States, Henry Hub prices nearly doubled YOY, averaging just over USD 4.0/MMBtu—the highest since 4Q22—due to colder winter temperatures, reduced gas production, and low storage levels. On January 17, a polar vortex caused Henry Hub prices to spike near USD 10.0/MMBtu, with regional hubs such as Transco Zone 6-NY reaching USD 43.0 MMBtu and New England averaging USD 14.5 MMBtu during January and February. As of early April 2025, forward curves indicate that TTF gas prices are expected to rise by around 18.0% in 2025, averaging slightly above USD 12.5 MMBtu. This increase is supported by higher gas storage injections during the summer, reduced pipeline imports, and continued strong competition with Asia for flexible LNG cargoes. Similarly, Platts JKM prices in Asia are projected to rise by over 5.0% to an average just above USD 12.5 MMBtu. The narrow spread between TTF and JKM is likely to keep LNG flows directed toward Europe. In the United States, Henry Hub prices are forecast to climb by more than 75.0%, averaging just under USD 4.0 MMBtu, driven by tighter supply and demand fundamentals. As per the report of the International Energy Agency (IEA), Global natural gas demand grew by 1.8% in 2024/25, mainly driven by Europe and North America due to colder weather, while Asia's demand slowed, particularly in China, due to milder winters and high LNG prices. Gas supply remains tight, with global LNG supply growing by only 2% in 2024/25 but expected to increase by 5% in 2025, primarily from North America. Europe's LNG imports are set to rise by 25% in 2025 due to lower Russian gas supplies and higher domestic demand. Gas storage played a crucial role in stabilizing supply during the winter. Global demand growth is forecast to slow to 1.5% in 2025, with Asia's demand growth decelerating significantly.

Strong Project Pipeline and Regional Expansion Support Positive Outlook for Dana, ADNOC Distribution, Drilling, and Gas in 2025 and Forward

Dana Gas

- In December 2024, Dana Gas signed a deal in Egypt to combine its oil and gas areas, which will help it get better financial terms for its projects.
- The company is investing USD 100 Mn to recover 80 Bn cubic feet of gas, which will support Egypt's energy needs and help Dana Gas increase its own production.

ADNOC Distribution

- ADNOC Distribution plans to open 1,000 fuel stations by 2028 and increase its EV charging points by 10 to 15 times as part of its retail growth strategy.
- It's also growing its non-fuel business, with plans to open 50+ Burger King outlets and double the number of restaurant brands by 2028.
- In 2025, the company aims to open 40–50 new stations, mainly in Saudi Arabia, add around 100 EV chargers, and invest USD 250–300 Mn, while also exploring new business deals.

ADNOC Drilling

- ADNOC Drilling is growing its oilfield services by using Enersol's technology-focused acquisitions, moving toward a more tech-driven approach. The Company started a joint venture called Turnwell with SLB and Patterson-UTI, working on a USD 1.7 Bn contract to drill 144 unconventional wells in the UAE.
- The company is also expanding in the region with a rig contract extension in Jordan and new project approvals in Kuwait and Oman.
- ADNOC Drilling also received letter of award for a USD 1.63 Bn contract from ADNOC Offshore for five-year Integrated Drilling Services (IDS). The contract includes services such as directional drilling, drilling fluids, cementing, wireline logging, and tubular running operations.

ADNOC Gas

- Progressing on a robust USD 10+ Bn project pipeline, including key initiatives like RGD and Bab Gas Cap.
- Final Investment Decisions (FIDs) for these flagship projects are expected in 2025 (RGD) and 2026 (Bab Gas Cap).

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1Q25 Preview: ADNOC Distribution

Declining cost and improved margins to fuel bottom line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.24	AED 4.46	+37.7%	BUY

1Q25 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to grow 9.9% YOY to AED 604 Mn in 1Q25, driven by anticipated decline in direct costs and net finance expenses, partially offset by expected rise in distribution & admin expenses, impairment & others expenses, depreciation & amortization expenses, and increase in income tax expenses coupled with NCI (reversal during 1Q24) and projected decline in revenue. ADNOCDIST's revenue is predicted to decline 3.1% YOY to AED 8,478 Mn in 1Q25, due to expected decline in revenue from Commercial segments partially offset by higher contribution from Retail segment. Retail revenue segment is forecasted to rise 1.2% YOY to AED 5,838 Mn in 1Q25, driven by predicted growth in Fuel and Non-Fuel revenue segments. Fuel revenue segment is projected to rise 1.3% YOY to AED 5,470 Mn, whereas Non-Fuel revenue segment is anticipated to increase marginally 0.6% YOY to AED 368 Mn in 1Q25. Similarly, Commercial revenue segment is estimated to decline 11.5% YOY to AED 2,640 Mn in 1Q25, impacted by expected decline in Corporate and Aviation revenue segments. Corporate revenue segments is forecasted to decline 12.6% YOY to AED 2,262 Mn and Aviation revenue is projected to decline 4.3% YOY AED 377 Mn, respectively in 1Q25. On the other hand, direct costs are predicted to decline 4.4% YOY to AED 6,952 Mn in 1Q25. As a result, Gross profit is likely to increase 3.1% YOY to AED 1,526 Mn in 1Q25. The Company's other income is estimated to decline 24% YOY to AED 34 Mn in 1Q25, whereas distribution & admin expenses is predicted to increase 2.6% YOY to AED 793 Mn, and impairment & others expenses to grow 13.1% YOY to AED 19 Mn in 1Q25. Hence, operating profit is expected to grow 1.7% YOY to AED 748 Mn and operating profit margin to rise 42 bps YOY to 8.8% in 1Q25. Depreciation & amortization is anticipated to boost 16.6% YOY to AED 207 Mn in 1Q25. Thus, EBITDA is expected to increase 4.6% YOY to AED 955 Mn and EBITDA margin to grow 83 bps YOY to 11.3% in 1Q25. Interest income is anticipated to fall 46.9% YOY to AED 25 Mn in 1Q25. Interest expenses are forecasted to decline from AED 209 Mn in 1Q24 to AED 103 Mn in 1Q25. ADNOCDIST's income tax is predicted to increase 30.3% YOY to AED 60 Mn in 1Q25. The Company is expected to see non-controlling interest of positive AED 6 Mn in 1Q25 compared to negative AED 22 Mn in 1Q24.

2025 Forecast

ADNOC Distribution is expected a report a 5.8% increase in net profit to AED 2,559 Mn in 2025. The rise in net profit is mainly attributed to anticipated increase in revenue, other income, decrease in interest expenses, income tax expense and non-controlling interest, partially offset by expected rise in direct costs, distribution & admin expenses, impairment & others expenses, depreciation & amortization expenses, and decrease in interest income. ADNOCDIST's revenue is forecasted to boost 5.6% YOY to AED 37,435 Mn in 2025, due to expected increase in revenue in Retail and Commercial segments. Retail revenue segment is forecasted to rise 5.3% YOY to AED 25,072 Mn in 2025, driven by predicted growth in Fuel and Non-Fuel revenue segments. Fuel revenue segment is predicted to increase 5.6% YOY to AED 23,472 Mn, whereas Non-Fuel revenue segment is projected to grow 1.6% YOY to AED 1,600 Mn in 2025. Similarly, Commercial revenue segment is estimated to rise 6.1% YOY to AED 12,363 Mn in 2025, supported by expected growth in Corporate and Aviation revenue segments. Corporate revenue segment is anticipated to increase 6.4% YOY to AED 10,735 Mn in 2025. Aviation revenue segments are predicted to rise 3.7% YOY to AED 1,628 Mn in 2025. On the other hand, direct costs are predicted to rise 5.9% YOY to AED 30,958 Mn in 2025. Thus, gross profit is likely to boost 4.2% YOY to AED 6,476 Mn in 2025. Other income is anticipated to increase 8.5% YOY to AED 150 Mn in 2025. Distribution & admin expenses are predicted to grow

5.5% YOY to AED 3,369 Mn and impairment & others expenses are forecasted to increase 3.7% YOY to AED 94 Mn in 2025. Thus, operating profit is expected to increase 3.1% YOY to AED 3,163 Mn and operating profit margin is projected to decline to 21 bps YOY to 8.5% in 2025. D&A expenses is anticipated to rise 5.3% YOY to AED 828 Mn in 2025. Hence, EBITDA is expected to increase 3.5% YOY to AED 3,991 Mn in 2025. EBITDA margin is predicted to decline 21 bps to 10.7% in 2025. Interest income is projected to decline 22.0% YOY to AED 112 Mn in 2025, whereas, interest expenses is predicted to fall 10.0% YOY to AED 411 Mn in 2025. The Company's income tax is forecasted to fall 9.0% YOY to AED 258 Mn in 2025. Non-controlling Interest is expected to decrease 9.8% YOY to AED 47 Mn in 2025.

4Q24 Outturn

ADNOC Distribution's revenue declined 7.6% YOY to AED 8,836 Mn in 4Q24 due to lower selling prices attributable to a decline in crude oil prices partially offset by an increase in volumes. The company's total fuel volumes rose 7.2% YOY to 4.0 Bn liters in 4Q24 due to solid economic activity, increased mobility, and network expansion. Revenue for the Retail segment fell 5.7% YOY to AED 5,923 Mn in 4Q24 mainly due to lower pump prices. Revenue from the non-fuel retail segment rose 16.8% YOY to AED 435 Mn in 4Q24. Likewise, revenue from the Commercial segment fell 11.2% YOY to AED 2,913 Mn in 4Q24 due to lower prices. Direct cost fell 10.1% YOY to AED 7,229 Mn in 4Q24. As a result, the Company's gross profit grew 5.4% YOY to AED 1,608 Mn in 4Q24. ADNOCDIST also recorded inventory losses of AED 9 Mn in 4Q24 compared to a gain of AED 51 Mn in 4Q23. The gross margin grew 224 bps YOY to 18.2% in 4Q24. The Company's other income declined 8.6% YOY to AED 35 Mn in 4Q24. Distribution and administrative expenses rose 10.2% YOY to AED 861 Mn in 4Q24 mainly attributable to a 4% rise in the Company's network in the KSA & UAE coupled with associated costs as well as consolidation of TotalEnergies Marketing Egypt. Impairment and other expenses increased 14.0% YOY to AED 38 Mn in 4Q24. Moreover, operating profit decline 0.7% YOY to AED 744 Mn in 4Q24. However, the operating profit margin grew 59 bps YOY to 8.4% in 4Q24. D&A charges rose 9.3% YOY to AED 210 Mn in 4Q24. Furthermore, EBITDA rose from AED 941 Mn in 4Q23 to AED 954 Mn in 4Q24 despite the inventory losses in 4Q24 compared to inventory gains in 4Q23. Reported EBITDA excluding inventory movements and one-off items demonstrated 10.8% YOY to AED 986 Mn in 4Q24, supported by higher volumes, rising contribution from the non-fuel retail segment, coupled with international activities. In addition, ADNOCDIST's interest income declined from AED 40 Mn in 4Q23 to AED 27 Mn in 4Q24. Interest expense declined from AED 117 Mn in 4Q23 to AED 89 Mn in 4Q24. The Company incurred income tax expense of AED 90 Mn in 4Q24 compared to a tax credit AED 5 Mn in 4Q23.

Target price and rating

We maintain our BUY rating on ADNOC Distribution with target price of AED 4.46. Although ADNOC Distribution's topline was impacted by the decline in crude oil prices, it recorded solid growth in the fuel volumes and non-fuel transactions. ADNOCDIST's fuel stations count reached 896 in 4Q24 out of which 551 stations are in UAE, 100 in KSA, and 245 in Egypt. It plans to expand the service station network to 1,000 stations by 2028 and is likely to add 40-50 new stations in 2025. On the other hand, the Company operated 373 convenience stores in UAE as of 4Q24 and recorded 12.3% YOY growth in total non-fuel transactions to 13.4 Mn in 4Q24. The Company is targeting a 50% increase in the non-fuel transactions by 2028. The average basket size in UAE fell 1.9% YOY to AED 22.3 in 4Q24 while the convenience store conversion rate increased from 25.5% in 4Q23 to 27.7% in 4Q24. ADNOC Distribution has made significant strides in property management. The company opened 39 properties during FY2024 featuring well-known international and local brands like McDonald's, Dunkin' Donuts, Domino's Pizza, Starbucks, and Al Baik, boosting foot traffic and turning service stations into popular destinations. Additionally, ADNOC Distribution operated 12 Burger King restaurants under a franchise model, resulting in a 2.5x higher yield compared to the conventional rental model. ADNOC Distribution plans to expand its franchising efforts significantly, with a goal of reaching 50 franchise operations by 2028. The company saw a 20.4% YOY increase in the number of vehicles inspected (fresh tests) in 2024. This growth was driven by the expansion of inspection centres, the introduction of new services, and enhanced marketing and promotions. ADNOC Distribution introduced 5 car wash tunnels, offering much higher capacity than traditional car wash facilities. Around 50% of the existing automatic car wash stations were upgraded, focusing on the top-performing Tier-1 car washes. The company's EV charging points stood at 220 as of 4Q24, surpassing the 4Q23 count by more than four times. It plans to expand EV charging infrastructure by 10 to 15 times by 2028 and is likely to add 100 EV charging stations in 2025. The expansion plans are likely to benefit the Company's topline. The Company distributed a dividend of AED 1,286 Mn for 2H24, resulting in a total dividend of AED 2,571 Mn for 2024 equivalent to 20.57 fils per share. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Distribution - Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	17.0	18.0	14.8	15.6	16.8	15.9
PB (x)	11.8	12.7	11.8	11.7	13.6	13.6
EV/EBITDA	16.9	18.1	14.6	14.5	14.0	13.8
Dividend Yield (%)	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%

ADNOC Distribution - P&L

AED Mn	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	8,750	8,836	8,478	-3.1%	-4.1%	35,454	37,435	5.6%
Direct costs	-7,269	-7,229	-6,952	-4.4%	-3.8%	-29,238	-30,958	5.9%
Gross profit	**1,481**	**1,608**	**1,526**	**3.1%**	**-5.1%**	**6,216**	**6,476**	**4.2%**
Other income	45	35	34	-24.0%	-4.0%	138	150	8.5%
Distribution & admin. Exp.	-773	-861	-793	2.6%	-7.9%	-3,195	-3,369	5.5%
Impairment & others Exp.	-17	-38	-19	13.1%	-48.7%	-90	-94	3.7%
Operating Profit	**735**	**744**	**748**	**1.7%**	**0.5%**	**3,069**	**3,163**	**3.1%**
Depreciation & amortisation	177	210	207	16.6%	-1.3%	786	828	5.3%
EBITDA	**913**	**954**	**955**	**4.6%**	**0.1%**	**3,855**	**3,991**	**3.5%**
Interest income	48	27	25	-46.9%	-6.3%	144	112	-22.0%
Interest expenses	-209	-89	-103	-50.8%	15.3%	-457	-411	-10.0%
Profit before tax	**574**	**682**	**670**	**16.8%**	**-1.7%**	**2,756**	**2,864**	**3.9%**
Income tax	-46	-90	-60	30.3%	-32.7%	-283	-258	-9.0%
Net profit for the year	**528**	**592**	**610**	**15.6%**	**3.0%**	**2,472**	**2,606**	**5.4%**
Non-Controlling interest	-22	12	6	NM	-49.2%	52	47	-9.8%
Net profit	**550**	**580**	**604**	**9.9%**	**4.0%**	**2,420**	**2,559**	**5.8%**

FABS estimate & Co Data

ADNOC Dist - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	16.9%	18.2%	18.0%	108	-19	17.5%	17.3%	-23
EBITDA	10.4%	10.8%	11.3%	83	47	10.9%	10.7%	-21
Operating Profit	8.4%	8.4%	8.8%	42	40	8.7%	8.5%	-21
Net Profit	6.3%	6.6%	7.1%	84	55	6.8%	6.8%	1

FABS estimate & Co Data

1Q25 preview: ADNOC Drilling

Revenue growth and cost optimization initiatives to support profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.84	AED 6.25	+29.1%	BUY

1Q25 Estimate

ADNOC Drilling Co. PJSC (ADNOCDRILL/the Company) net profit is expected to grow 25.9% YOY to USD 346 Mn in 1Q25, driven by anticipated growth in revenue, share of results of a JV and other Income, partially offset by forecasted increase in direct cost, G&A expenses, finance cost and corporate tax. ADNOCDRILL revenue is predicted to rise 24.3% YOY to USD 1,101 Mn in 1Q25, due to an increase in revenue across its business segments. Drilling services revenue is predicted to increase 23.3% YOY to USD 1,079 Mn in 1Q25. Facilitation of rigs rental revenue is expected to grow substantially from USD 11 Mn in 1Q24 to USD 22 Mn in 1Q25. On the other hand, direct cost is projected to rise from USD 518 Mn to USD 649 Mn in 1Q25. As a result, gross profit is likely to grow 22.7% YOY to USD 452 Mn in 1Q25. G&A expenses are predicted to grow 1.5% YOY to USD 42 Mn in 1Q25. EBITDA is forecasted to rise 19.3% YOY to USD 521 Mn, whereas EBITDA margin is predicted to decline 196 bps YOY to 47.3% in 1Q25. Operating profit is expected to grow 25.3% YOY to USD 410 Mn in 1Q25. Operating profit margin is likely to increase 31 bps YOY to 37.2% in 1Q25. Share of results of a JV is anticipated to grow substantially from USD 2 Mn in 1Q24 to USD 3 Mn in 1Q25. Other income is expected to rise 42.3% to USD 1 Mn in 1Q25. Finance cost is forecasted to increase 23.9% YOY to USD 34 Mn in 1Q25. Additionally, the Company corporate tax to rise 24.1% YOY to USD 34 Mn in 1Q25.

2025 Forecast

ADNOC Drilling Co. PJSC net profit is forecasted to rise 7.8% YOY to USD 1,406 Mn in 2025. The increase in net profit is mainly attributed to a rise in revenue, share of results of a JV and other income, partially offset by growth in direct cost, G&A expenses, finance cost and corporate tax. ADNOCDRILL's revenue is anticipated to rise 14.1% YOY to USD 4,603 Mn in 2025, attributed to increase in Drilling services revenue, partially offset by decline in Facilitation of rigs rental revenue. Drilling services revenue is projected to boost 15.1% YOY to USD 4,581 Mn in 2025, whereas Facilitation of rigs rental revenue is expected to decrease 38.8% YOY to USD 32 Mn in 2025. The company's direct cost is predicted to rise 18.2% YOY to USD 2,763 Mn in 2025. Hence, gross profit is likely to increase 8.4% YOY to USD 1,839 Mn in 2025. G&A expenses are predicted to increase 18.5% YOY to USD 184 Mn in 2025. The Company's EBITDA is estimated to rise 4.3% YOY to USD 2,101 Mn in 2025. EBIDA margin is likely to fall from 49.9% in 2024 to 45.7% in 2025. Thus, operating profit is forecasted to grow 7.4% YOY to USD 1,655 Mn in 2025. Operating profit Margin is predicted to decline from 38.2% in 2024 to 36.0% in 2025. Share of results of a JV is expected to rise marginally 1.0% to USD 9 Mn in 2025. Similarly, other income is forecasted to boost 8.1% YOY to USD 7 Mn in 2025. Finance cost is projected to increase 1.6% YOY to USD 126 Mn in 2025. The Company's corporate tax is predicted to increase 8.2% YOY to USD 139 Mn in 2025.

4Q24 Outturn

ADNOC Drilling's total revenue grew strongly 41.2% YOY to USD 1,187 Mn in 4Q24 driven by the expansion of operations, activity phasing in the oilfield services (OFS) segment and cost reimbursement in Onshore Segment. Onshore revenue increased 33.2% YOY USD 554 Mn in 4Q24. Revenue from the Offshore Jackup grew 17.3% YOY to USD 264 Mn in 4Q24, driven by higher activity from Jack-ups compared to the previous year. Revenue from the Offshore Island rose from USD 52 Mn in 4Q23 to USD 56 Mn in 4Q24, due to reactivation of an island rig for Hail and Ghasha project. OFS segmental revenue grew significantly from USD 148 Mn in 4Q23 to USD 313 Mn in 4Q24, owing to growth in IDS activities, specifically positive phasing during 4Q24 related to pressure pumping, directional drilling and unconventional business. The direct cost grew 48.6% YOY to USD 677 Mn in 4Q24. Thus, the Company's gross profit grew 32.4% YOY to USD 510 Mn in 4Q24, while gross profit margin fell 286 bps YOY to 42.9% in 4Q24. G&A expenses fell marginally 0.9% YOY to USD 39 Mn in 4Q24 due to cost optimization initiatives. Thus, EBITDA rose 40.6% YOY to USD 596 Mn in 4Q24 owing to robust revenue growth partially offset by a rise in direct costs. EBITDA margin fell 19 bps YOY to 50.2% in 4Q24. Onshore segment EBITDA rose from USD 203 Mn in 4Q23 to USD 285 Mn in 4Q24 due to higher revenue and the realization of cost optimization initiatives, whereas the Offshore Jack-up segment's EBITDA rose from USD 148 Mn in 4Q23 to USD 197 Mn in 4Q24 supported by robust revenue growth and improved operational efficiency. Offshore Island EBITDA declined marginally by 3.0% YOY to USD 32 Mn in 4Q24 due to the reactivation cost of the island rigs assigned to the Hail and Ghasha project. OFS segment EBITDA stood at USD 82 Mn in 4Q24 compared to USD 40 Mn in 4Q23 owing to higher activity and contributions from Enersol and Turnwell JVs. Net finance costs increased significantly from USD 20 Mn in 4Q23 to USD 32 Mn in 4Q24 owing to increased borrowings. The share of results of a JV amounted to USD 3 Mn in 4Q24 compared to nil in 4Q23. ADNOCDRILL recorded a decline in the other income from USD 4 Mn in 4Q23 to USD 2 Mn in 4Q24. The corporate tax expense amounted to USD 44 Mn in 4Q24 owing to the introduction of corporate tax in UAE in FY2024, impacting profitability.

Target price and rating

We revise our rating from ACCUMULATE to BUY on ADNOC Drilling with unchanged target price of AED 6.25. ADNOCDRILL recorded a robust financial performance in 4Q24. The Company's fleet count stood at 142 rigs as of December 2024, including 95 land rigs, 37 offshore jack-ups and 10 island rigs. It added 13 new rigs in FY2024, including two jackup rigs, which are expected to contribute to revenue in 1H25. ADNOCDRILL will acquire three island rigs. The first is expected to arrive by 2H25, with third rig potentially starting in 1H27. ADNOCDRILL plans to have a total of 148 rigs by FY2026 and 151 rigs by FY2028. As a result, the Company is expecting the revenue to range between USD 4.6-4.8 Bn in FY2025, driven by full contribution from rigs added in FY2024, along with continued growth in OFS and unconventional businesses. Moreover, it expects margins to improve owing to the reduction in drilling time. The Company aims to expand its fleet of IDS rigs to 62 rigs in FY2025. Island rigs come with AI and smart capabilities for optimized island drilling operations, likely to benefit ADNOCDRILL. The Company expects EBITDA to range between USD 2.15-2.30 Bn, with an estimated margin of 46-48% for FY2025. Net income is projected to range between USD 1.35-1.45 Bn, with a net margin of 28-30% for FY2025. ADNOCDRILL expects capex of USD 350-550 Mn in FY2025 for maintenance and capex for island rigs. The Company plans to make inorganic growth investments in the Enersol JV up to c. USD 500 Mn. Total capex for FY2025 could exceed USD 1 Bn, depending on M&A activity and investment opportunities. The Company secured a USD 1.7 Bn contract for the unconventional business. The number of wells drilled rose from 175 in 3Q24 to 214 in 4Q24, while the rig availability stood at 96%. The expansion plans, recently secured contract, and sold utilization rate ensure robust revenue visibility. Enersol will acquire a 95% stake in Deep Well Services (DWS) for USD 223 Mn. DWS specializes in advanced energy technologies and services, with strong financial performance and a broad customer base. This acquisition will support ADNOC Drilling's USD 1.7 Bn unconventional wells contract and enhance its technology portfolio, driving growth and operational efficiencies. ADNOCDRILL approved a cash dividend of c. 9.05 fils per share amounting to USD 394 Mn for 2H24. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

ADNOC Drilling- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025F
PE (x)	35.2	26.5	20.6	16.3	15.1
PB (x)	7.6	7.3	6.5	5.6	4.8
EV/EBITDA	21.3	18.2	15.5	11.5	10.8
Dividend Yield (%)	3.2%	3.2%	3.4%	3.7%	4.1%

ADNOC Drilling - P&L

USD Mn	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	886	1,187	1,101	24.3%	-7.2%	4,034	4,603	14.1%
Direct Cost	-518	-677	-649	25.4%	-4.2%	-2,337	-2,763	18.2%
Gross Profit	**368**	**510**	**452**	**22.7%**	**-11.3%**	**1,697**	**1,839**	**8.4%**
G&A expenses	-41	-39	-42	1.5%	6.5%	-155	-184	18.5%
EBITDA	**437**	**596**	**521**	**19.3%**	**-12.6%**	**2,015**	**2,101**	**4.3%**
EBIT	**327**	**470**	**410**	**25.3%**	**-12.8%**	**1,541**	**1,655**	**7.4%**
Share of results of a JV	2	3	3	60.3%	1.0%	8	9	1.0%
Other Income- Net	1	2	1	42.3%	-34.8%	6	7	8.1%
Finance Costs- Net	-28	-32	-34	23.9%	6.1%	-124	-126	1.6%
Profit before tax	**302**	**443**	**380**	**25.7%**	**-14.2%**	**1,432**	**1,545**	**7.9%**
Corporate tax	-28	-44	-34	24.1%	-22.1%	-129	-139	8.2%
Net profit	**275**	**399**	**346**	**25.9%**	**-13.4%**	**1,304**	**1,406**	**7.8%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	41.6%	42.9%	41.0%	-54	-190	42.1%	40.0%	-210
EBITDA	49.3%	50.2%	47.3%	-196	-289	49.9%	45.7%	-429
Net Profit	31.0%	33.6%	31.4%	41	-222	32.3%	30.5%	-178

FABS estimate & Co Data

1Q25 preview: ADNOC Gas

Decrease in sales volume to impact profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.09	AED 3.93	+27.2%	BUY

1Q25 estimate

ADNOC Gas plc (ADNOCGAS/the Company) net profit is expected to decline 11.6% YOY to USD 1,049 Mn in 1Q25, driven by anticipated decrease in revenue, other operating income, share of profit of equity-accounted investee, and recharges to equity accounted investees coupled with increase in share of operating costs in an equity accounted investee, depreciation & amortization and finance costs, partially offset by projected decline in direct costs, employee benefit expenses, other operating costs and administrative expenses, inventory consumption, other expenses, increase in finance income and decrease in income tax expenses. ADNOCGAS's revenue is predicted to fall 4.4% YOY to USD 4,360 Mn in 1Q25, due to expected fall in sales volume, partially offset by marginal forecasted rise in average selling price. Direct cost is anticipated to decline 4.5% YOY to USD 2,645 Mn in 1Q25. As a result, gross profit is likely to decrease 4.2% YOY to USD 1,715 Mn in 1Q25. Other operating income is forecasted to decline 14.5% YOY to USD 258 Mn in 1Q25. Share of profit of equity-accounted investee is anticipated to fall 12.7% YOY to USD 125 Mn in 1Q25. Recharges to equity accounted investees is expected to decrease 47.2% YOY to USD 92 Mn in 1Q25. Employee benefit expenses are predicted to fall 22.5% YOY to USD 240 Mn in 1Q25. Similarly, other operating costs and administrative expenses is projected to decline 45.1% YOY to USD 56 Mn in 1Q25. However, share of operating costs in an equity accounted investee is projected to grow 48.4% YOY to USD 85 Mn in 1Q25. Inventory Consumption is expected to fall from USD 9 Mn in 1Q24 to USD 5 Mn in 1Q25. Likewise, other expenses are predicted to decrease 15.1% YOY to USD 37 Mn in 1Q25. Thus, EBITDA is likely to fall 6.3% YOY to USD 1,766 Mn and EBITDA margin to fall 82 bps YOY to 40.5% in 1Q25. Depreciation and amortization are forested to rise 14.9% YOY to USD 324 Mn in 1Q25. Therefore, operating profit is expected to decrease 10.0% YOY to USD 1,442 Mn in 1Q25. Operating profit margin is likely to fall from 35.1% in 1Q24 to 33.1% in 1Q25. Finance income is forested to boost 44.0% YOY to USD 30 Mn in 1Q25. Finance cost is anticipated to rise significantly from USD 20 Mn in 1Q24 to USD 51 Mn in 1Q25. The Company's income tax expense is predicted to decline 10.7% YOY to USD 372 Mn in 1Q25.

2025 forecast

ADNOC Gas plc is expected to report a 7.5% YOY decline in net profit to USD 4,625 Mn in 2025. The decrease in the net profit is mainly attributed to decrease in revenue, share of profit of equity-accounted investee coupled with rise in employee benefit expenses, other operating costs and administrative expenses, share of operating costs in an equity accounted investee, inventory consumption, other expenses, depreciation & amortisation and Finance Cost, partially offset by projected decline in direct costs, increase in other operating income, recharges to equity accounted investees, finance income and decrease in income tax expenses. ADNOCGAS's revenue is predicted to fall 8.1% YOY to USD 17,523 Mn in 2025, due to expected decline in sales volume and average selling price. Direct cost is anticipated to decrease 8.1% YOY to USD 10,464 Mn in 2025. Thus, gross profit is likely to decline 8.1% YOY to USD 7,059 Mn in 2025. Other operating income is forecasted to grow marginally 0.7% YOY to USD 1,104 Mn in 2025. Share of profit of equity-accounted investee is anticipated to decline 3.5% YOY to USD 500 Mn in 2025. Recharges to equity accounted investees is anticipated to grow 5.0% YOY to USD 604 Mn in 2025. Employee benefit expenses are predicted to increase 6.7% YOY to USD 1,186 Mn in 2025. Similarly, other operating costs and administrative expenses is expected to grow 6.7% YOY to USD 396 Mn in 2025. Share of operating costs in an equity accounted investee and inventory consumption is projected to grow 6.7% each YOY to USD 286 Mn and USD 52 Mn in 2025. Likewise, other expenses are also predicted to increase 6.7% YOY to USD 202 Mn in 2025. Thus, EBITDA is likely to decrease 9.4% YOY to USD 7,144 Mn and EBITDA margin to decrease 57 bps YOY to 40.8% in 2025. Depreciation and amortization are forested to rise 6.5% YOY to USD 1,296 Mn in 2025. Therefore, operating profit is expected to decline 12.3% YOY to USD 5,848 Mn in 2025. Operating profit margin is likely to fall from 35.0% in 2024 to 33.4% in 2025. Finance income is forested to boost 18.0% YOY to USD 150 Mn in 2025. Finance cost is anticipated to rise 13.6% YOY to USD 205 Mn in 2025. The Company's income tax expense is predicted to fall 27.4% YOY to USD 1,169 Mn in 2025.

4Q24 outturn

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 91.8% 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. 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 724 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.

Target price and recommendation

We maintain our BUY rating on ADNOCGAS with a 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 98.6% 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 2,350-2,390 TBTU for the domestic gas segment, 920-965 for Exports and Traded Liquids, and 220-230 for LNG JV products. 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 in September 2024 and further aims to distribute a final dividend of USD 1.7 Bn in 2Q25. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Gas- Relative Valuation

(at CMP)	2023	2024	2025F
PE	12.71	12.87	13.9
PB	2.89	2.79	2.6
EV/EBITDA	7.93	7.50	7.7
Dividend Yield	5.0%	5.3%	5.6%

FABS Estimate & Co Data

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

ADNOC Gas- P&L

(USD mm)	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,560	4,771	4,360	-4.4%	-8.6%	19,065	17,523	-8.1%
Direct Cost	2,771	2,709	2,645	-4.5%	-2.4%	11,385	10,464	-8.1%
Gross Profit	**1,789**	**2,062**	**1,715**	**-4.2%**	**-16.8%**	**7,680**	**7,059**	**-8.1%**
Other Operating income	302	265	258	-14.5%	-2.7%	1,097	1,104	0.7%
Share of profit of equity-accounted investee	143	123	125	-12.7%	2.1%	519	500	-3.5%
Recharges to equity accounted investees	173	108	92	-47.2%	-15.0%	575	604	5.0%
Employee benefit expenses	-310	-252	-240	-22.5%	-4.8%	-1,112	-1,186	6.7%
Other operating costs and administrative expenses	-102	-99	-56	-45.1%	-43.1%	-371	-396	6.7%
Share of operating costs in a equity accounted investee	-58	-90	-85	48.4%	-4.8%	-268	-286	6.7%
Inventory Consumption	-9	-5	-5	-51.3%	-4.8%	-49	-52	6.7%
Other expenses	-44	-39	-37	-15.1%	-4.8%	-189	-202	6.7%
EBITDA	**1,885**	**2,073**	**1,766**	**-6.3%**	**-14.8%**	**7,881**	**7,144**	**-9.4%**
Depreciation and amortisation	-282	-322	-324	14.9%	0.5%	-1,216	-1,296	6.5%
EBIT	**1,603**	**1,750**	**1,442**	**-10.0%**	**-17.6%**	**6,665**	**5,848**	**-12.3%**
Finance Income	21	31	30	44.0%	-2.8%	127	150	18.0%
Finance Cost	-20	-64	-51	156.9%	-19.8%	-180	-205	13.6%
Profit before tax	**1,604**	**1,718**	**1,421**	**-11.4%**	**-17.3%**	**6,612**	**5,794**	**-12.4%**
Income Tax expense	417	337	372	-10.7%	10.4%	1,611	1,169	-27.4%
Net profit	**1,187**	**1,381**	**1,049**	**-11.6%**	**-24.0%**	**5,001**	**4,625**	**-7.5%**

FABS Estimate & Co Data

ADNOC Gas- Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	39.2%	43.2%	39.3%	9	-389	40.3%	40.3%	0
EBITDA	41.3%	43.4%	40.5%	-82	-294	41.3%	40.8%	-57
Net Profit	26.0%	28.9%	24.1%	-197	-488	26.2%	26.4%	16

FABS estimate and Co data

1Q25 preview: Dana Gas

Increase in royalties to impact net profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.78	AED 0.95	+21.8%	BUY

1Q25 estimate

Dana Gas PJSC's ("Dana" or "the Company"), net profit is expected to decline 4.8% YOY to USD 36 Mn in 1Q25, due to an increase in royalties coupled with a decrease in revenue. Dana's revenue is expected to marginally decline by 1.4% YOY to USD 96 Mn in 1Q25, as no significantly movement is anticipated. Revenue from Egypt is forecasted to decline from USD 41 Mn in 1Q24 to USD 39 Mn in 1Q25. Revenue from UAE and KRI is expected to remain stable between 1Q24 and 1Q25, at USD 1 Mn for UAE and USD 55 Mn for KRI. Royalties are forecasted to increase from USD 18 Mn in 1Q24 to USD 21 Mn in 1Q25 that led net revenue likely to decrease 5.5% YOY to USD 75 Mn in 1Q25. Operating Costs is anticipated to fall 7.8% YOY to USD 30 Mn in 1Q25. As a result, gross profit is expected to decline gradually from USD 47 Mn in 1Q24 to USD 45 Mn in 1Q25. G&A expenses along with Investment & finance income are forecasted to remain stable between 1Q24 and 1Q25, at USD 3 Mn. Hence, operating profit is likely to decline from USD 46 Mn in 1Q24 to USD 43 Mn in 1Q25, and operating profit margin from 47.4% in 1Q24 to 45.2% in 1Q25. The Company's EBITDA is predicted to decline from USD 61 Mn in 1Q24 to USD 58 Mn in 1Q25, and EBITDA margin is anticipated to fall 176 bps YOY to 61.0% in 1Q25. Finance cost is estimated to remain constant between 1Q24 and 1Q25, at USD 4 Mn. Similarly, Income tax expense is projected to remain constant between 1Q24 and 1Q25, at USD 4 Mn.

2025 forecast

Dana Gas PJSC's net profit is expected to decline 7.9% YOY to USD 139 Mn in 2025 is due to an increase in operating cost, royalties, coupled with a marginal decline in revenue, partially offset by projected growth in investment & finance income. Dana Gas's revenue is predicted to fall 1.1% YOY to USD 440 Mn in 2025. Revenue from Egypt is forecasted to increase from USD 216 Mn in 2024 to USD 222 Mn in 2025. Revenue from UAE region is forecasted to remain stable between 2024 and 2025 at USD 4 Mn and revenue from KRI is projected to decline from USD 225 Mn in 2024 to USD 214 Mn in 2025. Royalties are anticipated to increase 1.0% YOY to USD 110 Mn in 2025. As a result, net revenue is anticipated to fall 1.7% YOY to USD 330 Mn in 2025. Operating Costs is predicted to increase 4.6% YOY to USD 125 Mn in 2025. Thus, gross profit is likely to decrease 5.2% YOY to USD 205 Mn in 2025. G&A expenses are projected to remain stable between 2024 and 2025 at USD 11 Mn. Whereas, investment & finance income is expected to increase 20.1% YOY to USD 13 Mn in 2025. Other expenses are forecasted to fall 12.0% YOY to USD 4 Mn in 2025. Impairment of financial asset is anticipated to increase 25.0% YOY to USD 5 Mn. Hence, operating profit is predicted to decline 4.1% YOY to USD 167 Mn in 2025. Operating profit margin is anticipated to decrease from 39.1% in 2024 to 37.9% in 2025. The Company's EBITDA is projected to decrease 3.6% YOY to USD 254 Mn in 2025. EBITDA margin is anticipated to fall 148 bps YOY to 57.6% in 2025. Finance costs are expected to grow 27.5% YOY to USD 14 Mn in 2025. Dana's income tax expenses are predicted to rise 14.6% YOY to USD 14 Mn in 2025.

4Q24 outturn

Dana Gas experienced a 63.9% YOY increase in revenue to USD 159 Mn in 4Q24 mainly due to recognition of additional revenue under Egypt's newly signed Consolidated Concession Agreement coupled with increased output in the KRI region. The Company's average production decreased from 55,700 boepd in 4Q23 to 53,500 boepd in 4Q24. Notably, KRI's average production rose 7.8% YOY to 38,900 boepd in 4Q24 while Egypt witnessed a 25.1% YOY decline to 14,600 boepd due to the depletion of the natural field. Realized average prices stood at USD 233 per barrel for condensate and USD 194 per barrel for LPG in 2024 compared to USD 249 barrel and USD 196 per barrel, respectively, in 2023. Royalty payments doubled to USD 52 Mn in 4Q24, compared to USD 26 Mn in 4Q23. The operating costs fell 5.9% YOY to USD 32 Mn in 4Q24. Thus, gross profit increased from USD 37 Mn in 4Q23 to USD 75 Mn, in 4Q24. Furthermore, Dana's G&A expenses and investment & finance income remained unchanged at USD 2 Mn and USD 3 Mn in 4Q24 compared to 4Q23. Moreover, impairments stood flat at USD 1 Mn in 4Q24. The Company recorded a one-off impairment of USD 33 Mn in 4Q24 in Egypt related to past costs of the terminated concessions, which are no longer recoverable under the new agreement. Dana's EBITDA increased from 56 Mn in 4Q23 to USD 89 Mn in 4Q24 with a 176 bps YOY decline in EBITDA margin to 56.0%. Dana's operating profit surged 2.4% YOY to USD 42 Mn in 4Q24.The Company's finance cost declined from USD 5 Mn in 4Q23 to USD 1 Mn in 4Q24. Additionally, income tax expense remained unchanged at USD 2 Mn in 4Q24.

Target price and recommendation

We maintain our BUY rating on Dana Gas with a target price at AED 0.95. Dana's reported robust financial performance in 4Q24 primarily attributed to an increase in production from KRI, partially offset by lower production from Egypt. In December 2024, Dana Gas signed a consolidated concession agreement with the Egyptian government, which combines its existing concessions into one larger agreement. The new concession expands the company's exploration acreage by 297 sq. km and includes better fiscal terms. As part of the agreement, Dana Gas is committing to a USD 100 Mn development and exploration program, which includes drilling 11 wells. The initiative aims to offset natural field declines, boost production, and increase gas recovery by 80 Bn cubic feet (bcf). Additionally, Dana Gas received USD 20 Mn from the Egypt government in December 2024, which will be reinvested to advance the first phase of the consolidation development program. Pearl Petroleum has taken full control for KM250 project expansion, with first gas expected by 2Q26, this expansion will add 250 MMscf/d of processing capacity, significantly boosting the company's cash flows and financial performance. As a result, the Company is anticipating higher capital expenditure in FY2025. Additionally, it will enhance the stable and affordable gas supply, lowering fuel costs, making electricity more accessible to millions in KRI and neighbouring areas and driving economic growth across KRI and Iraq. Furthermore, the Company is actively planning to develop the Chemchemal field, to enhance the Company's output. Dana Partnered with Levidian to pilot LOOP technology, converting methane into graphene and hydrogen, supporting near-zero methane emissions by 2030 while unlocking new revenue streams. The company aims to resume sustainable dividends owing to strengthened financial position and improved collections. Additionally, Dana Gas approved a dividend of 5.5 fils per share for the period of 2024 with an attractive dividend yield of 7.1%. Hence, based on the above-mentioned factors, we maintain a BUY rating.

Dana Gas- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NM	4.7	8.1	9.2	9.7	10.6
PB	0.7	0.6	0.6	0.6	0.6	0.6
EV/EBITDA	10.5	5.5	4.6	6.2	5.6	5.6
Dividend Yield	7.1%	10.4%	11.7%	0.0%	7.1%	7.1%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	97	159	96	-1.4%	-39.8%	445	440	-1.1%
Royalties	-18	-52	-21	16.9%	-59.5%	-109	-110	1.0%
Net Revenue	**79**	**107**	**75**	**-5.5%**	**-30.3%**	**336**	**330**	**-1.7%**
Operating Costs	-32	-32	-30	-7.8%	-7.8%	-120	-125	4.6%
Gross Profit	**47**	**75**	**45**	**-4.0%**	**-39.8%**	**216**	**205**	**-5.2%**
General and administrative expenses	-3	-2	-3	-13.9%	29.2%	-11	-11	0.1%
Investment & finance income	3	3	3	-4.3%	-4.3%	11	13	20.1%
Other Expenses	0	0	-1	NM	NM	-5	-4	-12.0%
Impairment of financial assets	-1	-1	-1	NM	NM	-4	-5	25.0%
Change in fair value of investment property	0	0	0	NM	NM	0	0	NM
Other Income	0	0	0	NM	NM	1	4	NM
Operating Profit	**46**	**42**	**43**	**-6.0%**	**3.0%**	**174**	**167**	**-4.1%**
EBITDA	**61**	**89**	**58**	**-4.4%**	**-34.5%**	**263**	**254**	**-3.6%**
Finance costs	-4	-1	-4	-12.3%	NM	-11	-14	27.5%
Profit Before Tax	**42**	**41**	**40**	**-5.4%**	**-3.1%**	**163**	**153**	**-6.2%**
Income tax expense	-4	-2	-4	-10.6%	NM	-12	-14	14.6%
Profit After Tax	**38**	**39**	**36**	**-4.8%**	**-7.3%**	**151**	**139**	**-7.9%**
NCI	0	0	0	NM	NM	0	0	NM
Net profit	**38**	**39**	**36**	**-4.8%**	**-7.3%**	**151**	**139**	**-7.9%**

FABS estimate & Co Data

Dana Gas- Margins

	1Q24	4Q24	1Q25	YOY	QOQ	2024	2025	Change
Gross Profit	48.5%	47.2%	47.2%	903	-179	48.5%	46.5%	-204
Operating Profit	47.4%	26.4%	45.2%	-1,585	-2,150	39.1%	37.9%	-119
EBITDA	62.9%	56.0%	61.0%	-176	-548	59.1%	57.6%	-148
Net Profit	39.2%	24.5%	37.8%	-1,052	-1,714	33.9%	31.6%	-233

FABS estimate and Co data

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