

## ADNOC Gas PLC

**Current Price**  
AED 3.27

**Target Price**  
AED 3.93

**Upside/Downside (%)**  
+20%

**Rating**  
BUY

### 1Q25 Net Profit higher than our estimate

- Revenue increased 2.4% YOY to USD 4,670 Mn in 1Q25, driven by higher sales volumes, well-managed shutdowns, and favorable LNG and LPG pricing market conditions.
- Total sales volume rose 1.3% YOY to 902 trillion British thermal units (TBTU) in 1Q25. Domestic gas volume grew 1.2% YOY to 580 TBTU in 1Q25. Exports and Traded liquids volume increased 4.4% YOY to 251 TBTU in 1Q25.
- Gross profit grew 4.6% YOY to USD 1,872 Mn in 1Q25, primarily due to a rise in revenue, partially offset by an increase in cost of feedstock. As a result, gross margins expanded 86 bps YOY to 40.1% in 1Q25.
- EBITDA grew 4.9% YOY to USD 1,978 Mn in 1Q25. EBITDA Margin rose from 41.3% in 1Q24 to 42.4% in 1Q25.
- Net profit grew 7.0% YOY to USD 1,270 Mn in 1Q25. The net profit margin rose from 26.0% in 1Q24 to 27.2% in 1Q25.

### Earnings Call Summary

- ADNOCGAS's strong performance in 1Q25 is mainly due to stable sales volumes, efficient plant shutdowns, and strong LNG and LPG pricing.
- ADNOCGAS effectively minimized planned shutdown days, resulting in growth in process volumes. Additionally, the Company supplied gas to a key domestic customer, which was enhanced in 1Q25, leading to an improvement in margins.
- There were several shutdowns in 1Q25 for routine maintenance and to facilitate tie-ins for two major upcoming projects, such as IGD-E2 and Meram, which are now entering the commissioning phase.
- The Company's cost discipline continued, with USD 41 Mn in Opex savings through AI and tech solutions.
- ADNOCGAS capitalized on elevated energy support prices in its export business by forward-selling the majority of its support volumes. Additionally, stable LPG prices relative to broader market movements further supported export performance.
- The Company is progressing on its strategic initiatives, with the Final Investment Decision (FID) for the rich gas development project expected by summer 2025, supporting its target of achieving 40% growth by year-end 2025.
- ADNOCGAS domestic gas volume increased YOY and QOQ to 580 TBTU in 1Q25, driven by the renewal of the high-margin USD 40 bn UIC contract and optimized spot sales.
- The Company anticipates that the domestic market will remain a major contributor to profitability going forward.
- ADNOCGAS anticipates more shutdowns for the remainder of 2025, including two major ones related to tie-ins for new growth projects.
- ADNOCGAS remains committed to ensuring that all its projects deliver mid-teen returns.
- The Company currently manages nearly 100 active projects, including many small-scale initiatives.
- The Company reduced its 2025 CAPEX guidance to approximately USD 3 Bn compared to the previous guidance of USD 3.5 Bn by cancelling several lower-return projects as part of its continuous review process.
- Maintenance CAPEX is expected to remain within the USD 300–400 Mn range annually.
- The Company plans to fund growth capex through its strong balance sheet over the next five years.
- The Company's medium-term capex guidance of USD 15 Bn excludes major upcoming projects like Rich Gas Development (RGD) and Bab Gas expansion.

- ADNOC GAS expects the Net debt/EBITDA ratio to remain within 1.5–2x over the next five years.
- The Company has an established long-term loan facility of up to USD 4 billion, which remains unused to date.
- The Company reaffirmed its target of 40% EBITDA growth by 2029.

#### Adnoc Gas - P&L

(USD Mn)	1Q24	4Q24	1Q25A	1Q25F	VAR	YOY Ch	QOQ Ch
Revenue	4,560	4,771	4,670	4,360	7.1%	2.4%	-2.1%
Direct Cost	2,771	2,709	2,797	2,645	5.7%	0.9%	3.2%
<b>Gross Profit</b>	<b>1,789</b>	<b>2,062</b>	<b>1,872</b>	<b>1,715</b>	<b>9.2%</b>	<b>4.6%</b>	<b>-9.2%</b>
Other Operating income	302	265	297	258	15.0%	-1.6%	11.9%
Share of profit of equity-accounted investee	143	123	129	125	3.4%	-9.7%	5.6%
Recharges to equity accounted investees	173	108	146	92	60.0%	-15.5%	36.0%
Employee benefit expenses	-310	-252	-275	-240	14.7%	-11.1%	9.2%
Other operating costs and administrative exp	-102	-99	-68	-56	20.4%	-33.8%	-31.5%
Share of operating costs in an equity acc inv	-58	-90	-60	-85	-29.5%	4.6%	-32.9%
Inventory Consumption	-9	-5	-17	-5	NM	82.9%	NM
Other expenses	-44	-39	-47	-37	25.9%	6.8%	19.9%
<b>EBITDA</b>	<b>1,885</b>	<b>2,073</b>	<b>1,978</b>	<b>1,766</b>	<b>12.0%</b>	<b>4.9%</b>	<b>-4.6%</b>
Depreciation and amortisation	-282	-322	-285	-324	-12.0%	1.1%	-11.5%
<b>EBIT</b>	<b>1,603</b>	<b>1,750</b>	<b>1,693</b>	<b>1,442</b>	<b>17.4%</b>	<b>5.6%</b>	<b>-3.3%</b>
Finance Income	21	31	40	30	31.9%	NM	28.3%
Finance Cost	-20	-64	-45	-51	-11.3%	NM	-28.9%
<b>Profit before tax</b>	<b>1,604</b>	<b>1,718</b>	<b>1,687</b>	<b>1,421</b>	<b>18.7%</b>	<b>5.2%</b>	<b>-1.8%</b>
Income Tax expense	417	337	417	372	12.2%	0.1%	23.8%
<b>Net Income</b>	<b>1,187</b>	<b>1,381</b>	<b>1,270</b>	<b>1,049</b>	<b>21.0%</b>	<b>7.0%</b>	<b>-8.0%</b>

FABS estimate & Co Data

## 2025 CAPITAL MARKET GUIDANCE



Financial		2025 original guidance	Q1 2025 actual	2025 updated guidance
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EBITDA Margin %	~35%	35.4%	~35%
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Sales volume <sup>1</sup>	(in TBTU)	2025 original guidance	Q1 2025 actual	2025 updated guidance
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Domestic Gas Products	2,320 - 2,390	580	2,340 - 2,370
Exports & Traded Liquids	920 - 965	251	965 - 975
LNG JV Products	220 - 230	68	250 - 260

Planned shutdowns in 2025 mostly affect LNG, ETL

Net Profit Unit Margins	(in \$/mmBTU)	2025 original guidance	Q1 2025 actual	2025 updated guidance
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Domestic Gas Products	1.01 - 1.05	1.09	1.04 - 1.06
Exports & Traded Liquids	1.50 - 1.60	1.70	1.35 - 1.50
LNG JV Products	1.65 - 1.75	2.09	1.60 - 1.70
Sulphur (\$ Millions)	130 - 150	44	200 - 220

ETL, LNG margins consistent with 60-70\$/bbl oil price range

Investments	(\$ Million)	2025 original guidance	Q1 2025 actual	2025 updated guidance
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CAPEX	3,000-3,500	555	~3,000
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Optimized CAPEX budget reflects capital discipline, however no impact to growth projects

## 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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