

## ADNOC Gas PLC

Effective shutdown management and favourable pricing boosted top-line growth

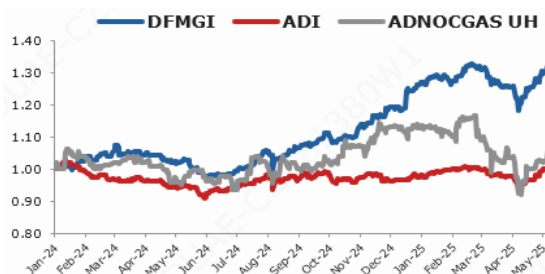
**Current Price**  
AED 3.27

**Target Price**  
AED 3.93

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

**Rating**  
**BUY**

- ADNOCGAS's total sales volume increased 1.3% YOY to 902 TBTU in 1Q25, despite maintenance activity.
- The Company anticipates more shutdowns for the remainder of 2025, including two major ones related to tie-ins for new growth projects.
- Reduced its 2025 CAPEX guidance to c.USD 3 Bn compared to the previous guidance of USD 3.5 Bn.
- Free cash flow grew from USD 1,144 Mn in 1Q24 to USD 1,214 Mn in 1Q25.
- The Company's focus on cost efficiency resulted in USD 41 Mn in operating expense savings, driven by implementing AI and technology solutions.



### 1Q25 Net Profit higher than our estimate

ADNOC Gas plc (ADNOCGAS/the Company) reported a 7.0% YOY increase in net profit to USD 1,270 Mn in 1Q25, exceeding our estimate of USD 1,049 Mn. The strong increase in net profit is primarily attributable to higher revenue and finance income, coupled with lower employee benefit expense and other operating costs, partially offset by a decline in other operating income, share of profit from equity associates and higher finance costs.

### P&L Highlights

ADNOCGAS's net revenue grew 2.4% YOY to USD 4,670 Mn in 1Q25, while the Company's total revenue, including revenue from Re-injection gas, ADNOC LNG JV, intercompany elimination and other income, rose 1.5% YOY to USD 6,099 Mn in 1Q25. The increase in revenue is primarily due to a rise in sales volumes, efficient plant shutdowns, and stable prices. The Company's total sales volume (including ADNOCGAS LNG JV) rose 1.3% YOY to 902 TBTU in 1Q25. The Company's domestic gas sales volume grew 1.2% YOY to 580 trillion British thermal units (TBTU) in 1Q25. Exports and traded liquids volume increased 4.4% YOY to 251 TBTU in 1Q25. Furthermore, the Company's LNG JV's sales volume declined 7.5% YOY to 68 TBTU in 1Q25. The Company also maintained a healthy availability of 97.8% and reliability of 99.7% across its assets in 1Q25. The Company's direct cost increased 0.9% YOY to USD 2,797 Mn in 1Q25. Thus, gross profit grew 4.6% YOY to USD 1,872 Mn in 1Q25, primarily due to a rise in revenue, partially offset by increase in cost of feedstock. Gross margins grew from 39.2% in 1Q24 to 40.1% in 1Q25. Other operating income declined from USD 302 Mn in 1Q24 to USD 297 Mn in 1Q25. Share of profit of equity accounted investee also declined from USD 143 Mn in 1Q24 to USD 129 Mn in 1Q25. Employee benefit expenses declined 11.1% YOY to USD 275 Mn in 1Q25.

### Stock Information

Market Cap (AED, mn)	251,744.66
Paid Up Capital (mn)	19,187.86
52 Week High	3.69
52 Week Low	2.71
3M Avg. daily value (AED)	279,032,400

### 1Q25 Result Review (USD, mn)

Total Assets	32,265
Total Liabilities	8,743
Total Equity	23,522
EBITDA	1,978
Net Profit	1,270

### Financial Ratios

Dividend Yield (12m)	4.98
Dividend Pay-out (%)	250.58
Price-Earnings Ratio(x)	13.48
Price-to-Book Ratio (x)	2.91
Book Value (AED)	0.31
Return-on Equity (%)	22.41

### Stock Performance

5 Days	3.47%
1 Months	14.69%
3 Months	-8.12%
6 Months	-0.30%
1 Year	10.44%
Month to Date (MTD%)	3.47%
Quarter to Date (QTD%)	2.50%
Year to Date (YTD%)	-6.55%

Other operating costs also declined from USD 102 Mn in 1Q24 to USD 68 Mn in 1Q25. Share of operating cost in equity accounted investee grew from USD 58 Mn in 1Q24 to USD 60 Mn in 1Q25. Inventory consumption increased from USD 9 Mn in 1Q24 to USD 17 Mn in 1Q25. Other expenses grew from USD 44 Mn in 1Q24 to USD 47 Mn in 1Q25. Thus, Company's EBITDA grew 4.9% YOY to USD 1,978 Mn in 1Q25, and EBITDA margin grew 102 Bps YOY to 42.4% in 1Q25. Domestic segment EBITDA grew 4.9% YOY to USD 752 Mn in 1Q25, primarily due to higher sales volume and improved commercial terms. Export & traded liquid EBITDA increased 1.2% YOY to USD 1,038 Mn in 1Q25 owing to growth in volume. ADNOC GAS's share of LNG EBITDA grew significantly from USD 307 Mn in 1Q24 to USD 323 Mn in 1Q25, mainly supported by higher margins. Thus, the Company's operating profit grew 5.6% YOY to USD 1,693 Mn in 1Q25. Finance income increased significantly from USD 21 Mn in 1Q24 to USD 40 Mn in 1Q25. Finance cost also grew from USD 20 Mn in 1Q24 to USD 45 Mn in 1Q25. Total income tax expenses remained flat at USD 417 Mn in 1Q25.

### Balance Sheet Highlights

ADNOC GAS's investment in capex grew from USD 387 Mn in 1Q24 to USD 555 Mn in 1Q25, primarily due to the expansion of growth projects such as Meram and IGD-E2. The Company also revised capex guidance from a previous range of USD 3,000–3,500 Mn to USD 3,000 Mn for 2025. The Company's net cash flow from operating activities declined from USD 1,540 Mn in 1Q24 to USD 1,265 Mn in 1Q25. ADNOC GAS's free cash flow grew from USD 1,144 Mn in 1Q24 to USD 1,214 Mn in 1Q25. As of 1Q25, the Company held cash and cash equivalents of USD 5.1 Bn.

### Target Price and Rating

We maintain our BUY rating on ADNOC GAS with a target price of AED 3.93. The Company reported an increase in profitability mainly due to stable sales volumes, efficient plant shutdowns, and strong LNG and LPG pricing during 1Q25. ADNOC GAS's total sales volume (including LNG JV) increased 1.3% YOY to 902 TBTU in 1Q25, primarily due to effective management of the planned shutdown. The Company's domestic gas volume increased 1.2% YOY and 2.3% QOQ to 580 TBTU in 1Q25, mainly driven by the renewal of the high-margin USD 40 bn UIC contract and optimized spot sales. The Company further anticipates the domestic market to remain a major contributor to profitability going forward. The Company also 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 also focused on cost efficiency, which resulted in USD 41 Mn in operating expense savings, driven by implementing AI and technology solutions. ADNOC GAS also maintained a healthy level of reliability at 99.7% across its assets in 1Q25. The Company anticipates more shutdowns for the remainder of 2025, including two major ones related to tie-ins for new growth projects. Thus, it has revised its sales volume from 2,320–2,390 to 2,340–2,370 TBTU for the domestic gas segment. The Company also increased its guidance for export & traded liquid from 920–965 TBTU to 965–975 TBTU and for LNG JV products from 220–230 TBTU to 250–260 TBTU in 2025. The Company's planned shutdown is most likely to affect LNG and ETL. However, ADNOC GAS aims to minimize downtime during scheduled shutdowns, as shorter shutdowns will directly lead to additional revenues and lower maintenance costs. ADNOC GAS continues to advance its strategic growth initiatives with the Final Investment Decision (FID) for the rich gas development project expected by summer 2025 to support its 40% growth target by 2025. ADNOC GAS recently 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. Moreover, in line with its dividend policy, the Company paid a cash dividend of USD 1.7 Bn for 2H24, resulting in a dividend yield of 5.0% in 2024. Thus, based on our analysis, we maintain our BUY rating on the stock.

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

(at CMP in USD)	2022	2023	2024	2025F
PE	NA	13.20	13.37	14.2
PB	NA	3.00	2.90	2.7
EV/EBITDA	NA	8.26	7.79	7.8
DPS	NA	0.16	0.16	0.17
Dividend yield	NA	4.9%	5.0%	5.2%

FABS Estimates & Co Data

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

**Adnoc Gas - P&L**

(USD Mn)	1Q24	4Q24	1Q25	1Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,560	4,771	4,670	4,360	7.1%	2.4%	-2.1%	19,065	19,382	1.7%
Direct Cost	2,771	2,709	2,797	2,645	5.7%	0.9%	3.2%	11,385	11,631	2.2%
<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>	<b>7,680</b>	<b>7,751</b>	<b>0.9%</b>
Other Operating income	302	265	297	258	15.0%	-1.6%	11.9%	1,097	1,152	5.1%
Share of profit of eq-acc inv	143	123	129	125	3.4%	-9.7%	5.6%	519	533	2.7%
Recharges to eq acc inv	173	108	146	92	60.0%	-15.5%	36.0%	575	604	5.0%
Employee benefit expenses	-310	-252	-275	-240	14.7%	-11.1%	9.2%	-1,112	-1,197	7.6%
Other operating costs	-102	-99	-68	-56	20.4%	-33.8%	-31.5%	-371	-400	7.6%
Share of operating costs in eq accinv	-58	-90	-60	-85	-29.5%	4.6%	-32.9%	-268	-288	7.6%
Inventory Consumption	-9	-5	-17	-5	NM	82.9%	NM	-49	-53	7.6%
Other expenses	-44	-39	-47	-37	25.9%	6.8%	19.9%	-189	-203	7.6%
<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>	<b>7,881</b>	<b>7,899</b>	<b>0.2%</b>
Depreciation and amortization	-282	-322	-285	-324	-12.0%	1.1%	-11.5%	-1,216	-1,286	5.7%
<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>	<b>6,665</b>	<b>6,613</b>	<b>-0.8%</b>
Finance Income	21	31	40	30	31.9%	NM	28.3%	127	150	18.0%
Finance Cost	-20	-64	-45	-51	-11.3%	NM	-28.9%	-180	-205	13.6%
<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>	<b>6,612</b>	<b>6,558</b>	<b>-0.8%</b>
Income Tax expense	417	337	417	372	12.2%	0.1%	23.8%	1,611	1,519	-5.7%
<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>	<b>5,001</b>	<b>5,039</b>	<b>0.8%</b>

FABS estimate & Co Data

**Adnoc Gas - Margins**

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	39.2%	43.2%	40.1%	86	-312	40.3%	40.3%	0
EBITDA	41.3%	43.4%	42.4%	102	-109	41.3%	40.9%	-44
Net Profit	26.0%	28.9%	27.2%	116	-175	26.2%	26.6%	36

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 (ADNOC GAS + ADNOC L&G)	3.76	70.0%	2.63
Relative Valuation (RV) – EV/EBITDA	4.47	15.0%	0.67
Dividend Yield	4.19	15.0%	0.63
<b>Weighted Average Valuation (AED)</b>			<b>3.93</b>
Current market price (AED)			3.27
Upside/Downside (%)			+20%

### 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 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.4%, a beta of 0.97, and an equity risk premium of 4.2%. 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)	18,091
Terminal value (USD, Mn)	50,953
<b>FV to Common shareholders (USD, Mn)</b>	<b>69,044</b>
No. of share (Mn)	76,751
Current Market Price (AED)	3.27
<b>Fair Value per share (AED)</b>	<b>3.30</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	4,507	4,589	5,043	4,763	4,920	4,849
D&A	1,286	1,374	1,485	1,567	1,671	1,687
(-) Capex	-3,000	-3,300	-3,150	-3,050	-1,648	-550
Change in working capital	-532	-291	-204	-56	-22	-55
Net change in debt	1,000	1,000	1,000	500	0	0
<b>Free Cash Flow to Equity (FCFE)</b>	<b>2,446</b>	<b>3,371</b>	<b>4,173</b>	<b>3,724</b>	<b>4,921</b>	<b>5,931</b>
Discounting Factor	0.94	0.86	0.79	0.72	0.66	0.61
<b>Discounted FCFE</b>	<b>2,308</b>	<b>2,914</b>	<b>3,303</b>	<b>2,699</b>	<b>3,265</b>	<b>3,603</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 a similar WACC used to discount ADNOC GAS. We have discounted the cash flow using a weighted average cost of equity of 9.2%. The cost of equity is calculated using a 10-year government bond yield of 4.4%, a beta of 0.97, and an equity risk premium of 4.2%. 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)	4,028
Terminal value (USD, Mn)	9,528
<b>FV to Common shareholders (USD, Mn)</b>	<b>13,556</b>

### DCF Method

(All Figures in USD Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Net Income	761	824	870	916	949	981
D&A	193	200	214	229	243	257
(-) Capex	-524	-532	-349	-221	-165	-170
Change in working capital	-43	-48	-52	-55	-57	-60
Net change in debt	250	300	300	200	100	100
<b>Free Cash Flow to Equity (FCFE)</b>	<b>477</b>	<b>744</b>	<b>983</b>	<b>1,068</b>	<b>1,069</b>	<b>1,109</b>
Discounting Factor	0.94	0.86	0.79	0.72	0.66	0.61
<b>Discounted FCFE</b>	<b>450</b>	<b>643</b>	<b>778</b>	<b>774</b>	<b>709</b>	<b>674</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 10.2x in line with its peers. In the dividend yield, we have used a dividend Yield of 4.1% 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	48,076	10.0	8.0	37.0	23.1	5.6	5.9
Saudi Arabian Oil Co	16,05,787	7.4	7.1	15.9	15.1	5.3	5.6
Borouge	21,183	11.1	8.9	21.4	16.8	1.6	1.6
Petronas Gas Bhd	8,061	9.5	9.3	18.2	17.7	4.4	4.5
Kinder Morgan Inc	59,618	11.3	10.8	21.2	19.8	4.4	4.5
Valero Energy Corp	37,250	8.0	6.3	17.5	11.2	3.8	4.0
Marathon Petroleum Corp	44,097	8.2	6.9	20.1	12.2	2.6	2.8
Oneok Inc	51,707	10.3	9.5	15.0	13.2	5.0	5.2
Targa Resources Corp	35,115	10.7	9.7	21.1	17.1	2.5	2.9
Williams Cos Inc	73,241	13.4	12.5	28.5	25.4	3.3	3.5
<b>Average</b>		<b>10.0x</b>	<b>8.9x</b>	<b>21.6x</b>	<b>17.2x</b>	<b>3.9%</b>	<b>4.1%</b>
<b>Median</b>		<b>10.2x</b>	<b>9.1x</b>	<b>20.6x</b>	<b>16.9x</b>	<b>4.1%</b>	<b>4.2%</b>
<b>Max</b>		<b>11.0x</b>	<b>9.7x</b>	<b>21.3x</b>	<b>19.3x</b>	<b>4.9%</b>	<b>5.0%</b>
<b>Min</b>		<b>8.5x</b>	<b>7.3x</b>	<b>17.7x</b>	<b>13.7x</b>	<b>2.8%</b>	<b>3.1%</b>

Source: FAB Securities

## 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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