UAE Energy Sector

Oil supply overhang likely to tighten margins amid softer prices	Sector Weighting: **MARKET WEIGHT**

ADNOC Distribution remains our preferred choice over ADNOC Drilling, ADNOC Gas, and Dana Gas, supported by strong earnings visibility and diversified growth engine. ADNOC Distribution continued to execute on its network growth strategy, expanding to 977 service stations and 533 convenience stores across the UAE, KSA, and Egypt as of 9M25. This included 85 new stations and 382 convenience stores in the UAE, reflecting sustained growth and ongoing network optimization. Additionally, the Company added 13 new stations, including 12 in the UAE and one in Egypt, and contracted 72 stations in Saudi Arabia under a CAPEX-light DOCO model currently under development. Electrification initiatives remain a key growth vertical. The Company scaled its EV infrastructure to c. 370 charging points, representing c.3.3x YOY growth, with energy sold doubling YOY in 9M25. ADNOC Distribution also launched the Middle East's largest superfast EV charging hub along the E11 corridor and plans to roll out 20 EV hubs by 2027, including 15 by 2026, supporting the UAE's broader clean mobility transition. In November 2025, the Company introduced The Hub by ADNOC, a community-focused retail format with plans to scale to 30 locations by 2030, expected to contribute c. USD 30 Mn in annual EBITDA from 2030. Meanwhile, ADNOC Distribution expanded its VOYAGER lubricants footprint to 50 export markets in 9M25, supported by a franchise agreement with TotalEnergies Egypt, localized production, and plans to reach 3,000 retail points in Egypt by 2026. The Company is also advancing its AI and digital strategy, with over 20 new AI-driven projects currently underway across its value chain. The Company also plans to pay quarterly dividends starting from 1Q26.

ADNOC Drilling made meaningful strategic progress, through fleet expansion, commissioned rigs, robust OFS performance and growing unconventional activity. The Company operated 148 rigs, with owned fleet availability of 97% in 3Q25 and plans to add six island rigs between 2026 and 2028. Additionally, the Company aims to drill c. 300 wells annually by 2027, with substantial growth potential expected through the end of the decade. ADNOC Drilling is also advancing its regional expansion completing an acquisition of a 70.0% stake in SLB's land rig operations in Oman and Kuwait, including eight contracted rigs. Furthermore, the Company is acquiring an 80% stake in MB Petroleum Services to expand its GCC land drilling and OFS footprint, supporting regional growth through a value-driven partnership. ADNOC Gas performance is supported by robust domestic demand and strengthened contractual agreements. However, the Company faced headwinds from declining oil prices, which exerted downward pressure on Naphtha and condensate pricing, alongside weaker LPG prices. Total sales volume (including LNG JV) increased 1.1% YOY to 959 TBTU, with the domestic gas volume rising 4.2% YOY to 635 TBTU in 3Q25. In November, ADNOC Gas signed a 20-year, c. USD 4 Bn natural gas supply agreement with EMSTEEL, securing long-term revenues while supporting the UAE's industrial growth with a stable, lower-carbon energy supply. Meanwhile, Dana profitability declined during 3Q25 on weaker prices and lower Egyptian output, partly offset by strong KRI operations and early KM250 project completion. However, the addition of 250 MMscf/d in processing capacity at the Khor Mor field increases total capacity by 50% and is expected to enhance annual revenues by up to 35%, once operating at full capacity. Recently, the Company also received a USD 50 Mn payment from the Egyptian government, supporting its ongoing drilling programme, which has added c.30 MMscf/d of production and strengthened reserves, with further wells planned in 2026 under improved fiscal terms. Additionally, Dana Gas signed an MoU with Syria's SPC to assess redevelopment of key gas fields, including Abu Rabah, with potential to increase gas production, subject to evaluation and final agreement. Thus, based on the above factors, ADNOC Distribution offers strong growth and diversification potential, positioning it as the preferred choice across the energy sector.

Stock	Target P	CMP	Gain	Rating	P/E[1]	EV/EBITDA[1]	Dividend Yield[1]
ADNOC Distribution	4.70	3.96	18.7%	BUY	15.89	13.99	5.3%
ADNOC Drilling	6.50	5.37	21.0%	BUY	15.85	11.03	4.6%
ADNOC Gas	4.30	3.55	21.1%	BUY	13.82	7.62	5.1%
Dana Gas	1.15	0.905	27.1%	BUY	6.18	5.01	6.3%

Source: FABS Estimate, [1]Data refers to FY2026E

Key Developments in the Energy Sector

Global Growth Slows Amid Risks, UAE Economy Shows Resilience

Global economic growth is expected to moderate from 3.3% in 2024 to 3.2% in 2025 and further to 3.1% in 2026. While this outlook represents an improvement compared with the July WEO Update, it remains 0.2 percentage points below pre–policy shift projections from the October 2024 WEO. The deceleration reflects ongoing headwinds from uncertainty and rising protectionism, despite the tariff shock being less severe than initially announced. Global inflation is projected to fall to 4.2% in 2025 and 3.7% in 2026, though outcomes will vary across regions. Inflation in the US is expected to remain above target, with risks skewed to the upside, while many other parts of the world are likely to experience more subdued price pressures. Risks to the outlook remain skewed to the downside, driven by policy uncertainty, rising protectionism, and potential labor supply shocks, particularly from restrictive immigration policies. Fiscal and financial vulnerabilities, higher borrowing costs, and rollover risks for sovereigns add to concerns, while a sharp correction in technology stocks could disrupt markets if AI-related expectations disappoint. Additional risks include weakened institutional independence, commodity price spikes from climate or geopolitical events, and their impact on vulnerable economies. On the upside, progress in trade negotiations, renewed structural reforms, and faster AI-driven productivity gains could support stronger medium-term growth. The IMF projects UAE real GDP growth of 4.8% in 2025, up from 4.0% in 2024. Non-oil activity remains resilient, with the December 2025 PMI at 52.4, easing from a nine-month high of 54.8 in November 2025. Despite the slight moderation, businesses ended the year 2025 with two of the strongest months of activity growth, as survey data showed sales accelerating well above the August low. Firms were supported by stronger customer spending, increased tourism, wider technology adoption, and favorable government policies.

Oil market outlook under oversupply and demand headwinds

In 2025, oil prices dropped 18.5% YTD, reaching USD 60.9 per barrel. The year began with significant volatility over the period, shaped by shifting macroeconomic expectations, geopolitical developments, and supply–demand dynamics. Early gains were driven by optimism around global monetary easing, colder weather, stronger economic data, and supply tightness linked to OPEC+, Russia, and sanctions, alongside China’s stimulus measures. These increases were periodically capped by rising US inventories, concerns over global trade tensions, and uncertainty surrounding tariff policies, particularly involving the US, China, Canada, and Mexico. Mid-year price movements were heavily influenced by geopolitical escalation in the Middle East, including tensions involving Iran, temporary supply disruption fears, and sanctions on major producers, although these effects were often reversed by ceasefire agreements and expectations of higher OPEC+ output. In the latter months, downward pressure intensified due to persistent oversupply concerns, weaker demand outlooks, especially from China, stronger US dollar conditions, rising inventories, and expectations of increased production into 2026. Overall, despite intermittent rebounds driven by geopolitical risks and sanctions, oil markets trended weaker toward year-end amid expectations of ample supply, fragile demand growth, and ongoing global trade and policy uncertainty. The US Energy Information Administration (EIA) expects global oil inventories to keep building through 2026, as supply growth is projected to outpace demand, creating sustained downward pressure on crude prices. Current forecasts suggest Brent will average around USD 55 per barrel in 1Q26 and stay close to that level for the rest of the year. While prices are expected to soften further, the downside may be partially cushioned by OPEC+'s output management and China's ongoing accumulation of oil inventories, both of which could help limit price declines. At the same time, US intervention in Venezuela, a major oil producer, introduces uncertainty around future supply due to potential policy shifts. Meanwhile ongoing unrest in Iran and US additional tariffs on countries trading with Tehran have constrained oil supply in the market. Overall, the outlook points to gradual weakening in oil prices, though geopolitical tensions, possible supply disruptions, and strategic inventory and production decisions by key market players are likely to provide some support.

Brent crude oil price during 2025 (USD per Barrel)

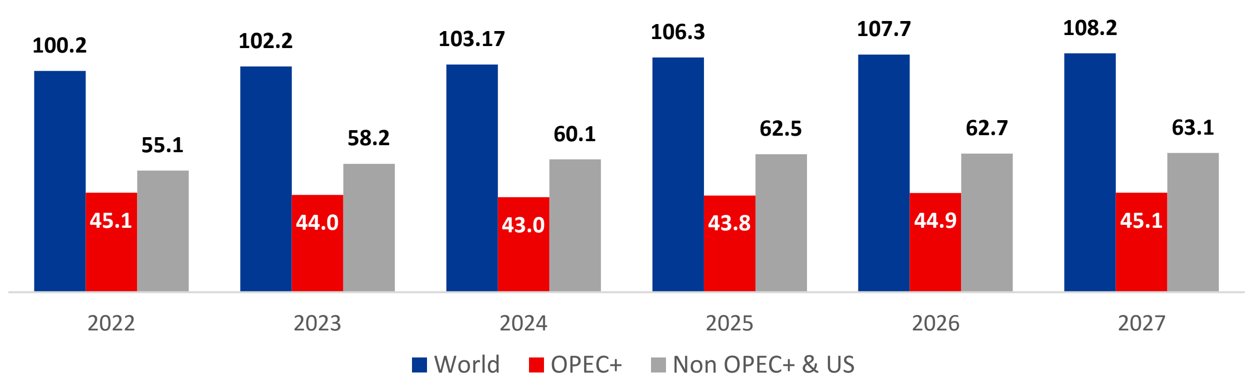
Source: Bloomberg

Crude Oil Supply and Demand

- According to the EIA, global oil markets is expected to remain in surplus through 2026 and 2027, as production growth continues to exceed consumption. Oil inventories increased rapidly in 2H25 due to stronger supply relative to demand, and similar dynamics are projected to continue. Stock builds are projected to average around 2.8 Mn bpd in 2026, broadly consistent with 2025 levels, before easing to roughly 2.1 Mn bpd in 2027. The moderation reflects slowing supply growth, coupled with an acceleration in global oil demand growth to 1.3 Mn bpd in 2027 from 1.1 Mn bpd in 2026.

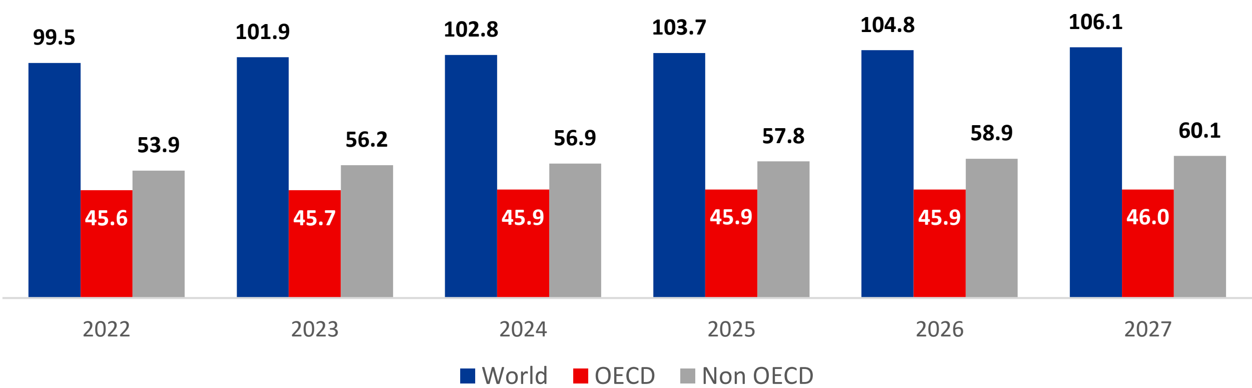
- OPEC+ is expected to produce nearly 0.9 Mn bpd below its stated targets in 2026, this shortfall is largely driven by underproduction in countries such as Russia, due to sanctions, and Mexico, due to declining productivity, with other OPEC members expected to broadly comply with agreed output levels. OPEC+ has reaffirmed plans to maintain flat production in 1Q26 and is unlikely to increase output in 2027 given expectations of continued inventory builds, despite plans to reassess sustainable production capacity later in 2026. Increasing volumes being held in transit or in floating storage are pressuring prices, while onshore inventories have yet to capture the excess supply built up last year. This dynamic is expected to support a contango structure and incentivize additional onshore storage until supply–demand conditions normalize.
- On the demand side, China's continued strategic stockpiling remains a key supportive factor, absorbing surplus barrels and helping limit price declines, although the pace of these builds is expected to slow in 2027. Additionally, Venezuela remains a significant source of uncertainty, with sanctions and export disruptions estimated to have removed around 0.6 Mn bpd from the market, and any easing of these constraints could add further supply and increase downside pressure on oil prices.

Petroleum and other liquid fuels production (Mn BPD)



Source: Energy Information Administration

Petroleum and other liquid fuels consumption (Mn BPD)



Source: Energy Information Administration

Natural gas enters a new growth phase amid LNG expansion and regional demand shifts

Henry Hub natural gas prices fell to USD 2.2/MMBtu in 2024 before rebounding to USD 3.5/MMBtu in 9M25. According to IEA, Henry Hub natural gas prices are expected to average around USD 3.7/MMBtu over the 2025–2030. After a strong rebound in 2024, growth in natural gas demand growth moderated sharply during 9M25. Early data indicate that consumption in major markets (Asia Pacific, Central and South America, Eurasia, Europe and North America) increased by only about 0.5% YOY, with nearly all of this growth coming from Europe and North America, while demand remained weak in Asia and declined across Eurasia. For full-year 2025, global natural gas demand growth remained below 1%, as elevated prices weighed on Asia and Eurasia, despite modest increases in Europe and North America. Despite macroeconomic uncertainties, LNG project FIDs hit record levels in 2025, reflecting strong industry confidence in sustained medium-term demand. Global natural gas consumption is expected to reach a new high in 2026, with growth accelerating to 2%. Under the base-case scenario, global natural gas demand is projected to increase by c. 9% by 2030, driven mainly by Asia and the Middle East, with power generation and industrial activity acting as key demand drivers, while European demand is expected to decline.

Global LNG supply is set to rise nearly 50% by 2030, with liquefaction capacity increasing by US and Qatar, while legacy producers face feed gas constraints. LNG demand, especially in Asia, is expected to grow 11% or 175 billion cubic metres (bcm) by 2030, led by China and India, while Europe remains flat and Latin America will turn from net importer to net exporter amid rising domestic production in Argentina and Brazil. In addition, usage of LNG as a marine fuel is also projected to increase demand due to a growing LNG-fuelled fleet and stricter emissions regulations announced by regulators. Following tight supply and elevated prices in 2024–2025, which limited demand in price-sensitive Asian markets, roughly 300 bcm per year of new LNG export capacity is expected to come online by 2030, improving supply security and affordability. The US is set to become the world’s largest LNG exporter, potentially providing one-third of global LNG supply by the end of the decade. Supply growth is expected to accelerate further in the near term, with LNG output increasing by c. 7% (40 bcm), led by the US, Canada, and Qatar, supporting stronger demand in fast-growing Asian markets, where natural gas consumption is expected to expand nearly 5%, accounting for roughly half of the global demand increase.

Looking ahead, global natural gas demand is expected to accelerate toward 2030, supported by expanding LNG supply from US and Qatar that improves affordability and security, especially in Asia and the Middle East. Europe’s demand declines, but stable prices and strong LNG growth underpin a more balanced global market.

Energy companies drive top-line growth through strategic partnerships and increased production initiatives

Dana Gas

- **15th October 2025:** Dana Gas, together with Crescent Petroleum, initiated market gas deliveries from the KM250 expansion at Iraq's Khor Mor asset, raising overall treatment capacity to 750 MMscf/d. Finished eight months earlier than planned, the USD 1.1 Bn development contributed an additional 250 MMscf/d and required more than 6,000 tonnes of steel along with 6.2 Mn labor hours. The project was supported by a mix of funding avenues, notably a USD 350 Mn bond raised by Pearl Petroleum in 2024.
- **12th November 2025:** Dana Gas executed a MOU with the Syrian Petroleum Company to review the potential revival of gas assets in central Syria, including the Abu Rabah structure. Under the terms, the Company will perform a detailed technical study and put forward a plan designed to enhance gas production levels.
- **11th December 2025:** Dana Gas reported a new gas find at the North El-Basant 1 well in Egypt's Nile Delta, with recoverable volumes estimated at 15-25 Bn cubic feet and projected output above 8 MMscf/d once tied into the national system. This discovery represents the fourth well within its USD 100 Mn initiative to strengthen local gas supply, with drilling of the fifth well, Daffodil, scheduled for January 2026.

ADNOC Distribution

- **8th October 2025:** ADNOC outlined plans to return AED 158 Bn (c. USD 43 Bn) in shareholder distributions across its six publicly listed entities by 2030, almost twice the cumulative dividends issued since its market debut in 2017. In addition, ADNOCDIST, ADNOC Gas, and ADNOC Logistics & Services will begin issuing quarterly payouts alongside ADNOC Drilling, increasing dividend regularity for investors.
- **21st November 2025:** ADNOC Distribution introduced "The Hub by ADNOC," a new highway-focused retail format, with the inaugural site launched in Shawamekh, Abu Dhabi. The Company aims to run six outlets by end of 2025 and scale up to 30 locations by 2030, targeting c. USD 30 Mn in annual EBITDA by that time. The model integrates conventional fuels, EV charging, and vehicle services with lifestyle offerings such as food, wellness, and leisure facilities.

ADNOC Drilling

- **4th November 2025:** ADNOC Drilling is going to acquire an 80% interest in MB Petroleum Services (MBPS) for USD 163 Mn, funded through its existing borrowings. The acquisition covers a fleet of 21 drilling rigs operating across Oman, Bahrain, Saudi and Kuwait. The transaction represents ADNOC Drilling's second acquisition in the region, pending regulatory approvals. The deal is set to accelerate its regional growth strategy by enhancing scale, capabilities, and presence across four major Gulf markets.
- **11th December 2025:** ADNOC Drilling PJSC reported that ADNOC has finalized the transfer of its entire shareholding in the company to XRG P.J.S.C. (XRG), having secured all necessary regulatory consents for the transaction.

ADNOC Gas

- **3rd November 2025:** ADNOC Gas revealed a three-year collaboration with AIQ and Gecko Robotics to roll out artificial intelligence and robotic technologies across its assets. The program is designed to digitalize inspection-to-action processes and improve predictive upkeep, with a goal of achieving around USD 300 Mn in cost efficiencies over a five-year period. The rollout will combine Gecko's Cantilever system with AIQ's advanced algorithms, beginning with joint implementation in the first year and expanding to optimized deployment thereafter.
- **26th November 2025:** ADNOC Gas entered into a long-term, 20-year gas offtake arrangement with EMSTEEL, estimated at c. USD 4 Bn, to supply lower-emissions fuel starting 1 January 2027. With a value range of USD 3.5–4.2 Bn, the agreement ensures consistent energy provision for EMSTEEL's facilities while aligning with the UAE's broader industrial growth objectives. The deal also highlights ADNOC Gas's pivotal role in reinforcing national energy security and industrial development.

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4Q25 Preview: ADNOC Distribution

High Fuel Volumes Coupled with Network Expansion to Boost Net Profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.96	AED 4.70	+19%	BUY

4Q25 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to increase 4.7% YOY to AED 608 Mn in 4Q25, driven by projected rise in revenue and other income coupled with decline in distribution & admin expense, depreciation & amortization and income tax charges, partially offset by the anticipated rise in direct costs, impairment & other expenses and interest expenses, coupled with fall in interest income and non-controlling interest. ADNOCDIST's revenue is expected to increase 3.8% YOY to AED 9,174 Mn in 4Q25, supported by underlying fuel volume growth. The direct costs are projected to rise 2.7% YOY to AED 7,422 Mn in 4Q25. As a result, gross profit is likely to expand 9.0% YOY to AED 1,752 Mn in 4Q25 and gross profit margin is expected to increase 90 bps YOY to 19.1% in 4Q25. The Company's other income is projected to grow 31.0% YOY to AED 46 Mn in 4Q25, whereas distribution & admin expenses are expected to decline 1.2% YOY to AED 850 Mn in 4Q25. Moreover, impairment & other expenses are forecasted to rise from AED 38 Mn in 4Q24 to AED 185 Mn in 4Q25. Hence, operating profit is anticipated to increase 2.6% YOY to AED 763 Mn in 4Q25. However, operating profit margin is anticipated to decline 10 bps YOY to 8.3% in 4Q25. Depreciation & amortisation expenses are projected to decline 18.5% YOY to AED 171 Mn in 4Q25. Thus, EBITDA is expected to decrease 2.1% YOY to AED 934 Mn in 4Q25 and EBITDA margin is projected to fall 61 bps YOY to 10.2% in 4Q25. Interest income is projected to fall 11.3% YOY to AED 24 Mn in 4Q25, while interest expenses are forecasted to rise 10.7% YOY to AED 99 Mn. ADNOCDIST's income tax is expected to decrease 20.2% YOY to AED 72 Mn in 4Q25. Additionally, non-controlling interest is expected to decrease 24.8% YOY to AED 9 Mn in 4Q25.

2025 Forecast

ADNOC Distribution is expected to report a 13.0% increase in net profit to AED 2,734 Mn in 2025. The rise in net profit is mainly attributed to an anticipated increase in revenue and other income coupled with decrease in direct cost, depreciation & amortization expense, and interest expense partially offset by a rise in distribution & administrative expenses, impairment & other expenses and income tax charges coupled with decline in interest income and non-controlling interest. ADNOCDIST's revenue is forecasted to rise marginally to AED 35,611 Mn in 2025. On the other hand, direct costs are expected to decline 1.6% YOY to AED 28,764 Mn in 2025. Thus, gross profit is likely to increase 10.2% YOY to AED 6,847 Mn in 2025, with an anticipated expansion of 169 bps YOY in gross profit margin to 19.2% in 2025. Other income is expected to increase 3.2% YOY to AED 142 Mn in 2025. Distribution & administrative expenses are projected to rise 2.9% YOY to AED 3,287 Mn in 2025, while impairment & other expenses are forecasted to increase from AED 90 Mn in 2024 to AED 267 Mn in 2025. Thus, operating profit is expected to increase 11.9% YOY to AED 3,435 Mn in 2025, with an improvement in operating profit margin from 8.7% in 2024 to 9.6% in 2025. Depreciation & amortisation expenses are anticipated to fall 4.7% YOY to AED 749 Mn in 2025. EBITDA is forecasted to increase 8.5% YOY to AED 4,184 Mn in 2025, with EBITDA margin rising from 10.9% in 2024 to 11.7% in 2025. Interest income is projected to decline sharply from AED 144 Mn in 2024 to AED 78 Mn in 2025, while interest expenses are expected to fall 10.3% YOY to AED 410 Mn in 2025. The Company's income tax charge is forecasted to rise 12.8% YOY to AED 320 Mn in 2025. Non-controlling interest is anticipated to decline 3.6% YOY to AED 50 Mn in 2025.

3Q25 Outturn

ADNOC Distribution's revenue grew 2.7% YOY to AED 9,326 Mn in 3Q25, mainly attributed to higher fuel volumes, partially offset by a decline in selling price, due to lower crude oil prices. The Company's total fuel volumes rose 6.5% YOY to 4.08 Bn liters in 3Q25. The growth is fueled by strong volume growth in the UAE and KSA region. Retail segment fuel volume boosted from 2,619 Mn liters in 3Q24 to 2,833 Mn liters in 3Q25. Revenue from the Retail segment grew 4.4% YOY to AED 6,315 Mn in 3Q25, mainly due to strong growth in fuel and non-fuel segments. The fuel retail segment revenue increased 3.7% YOY to AED 5,871 Mn in 3Q25, due to a rise in volume growth, partially offset by the decline in pump prices. Revenue from the non-fuel retail segment rose 14.1% YOY to AED 445 Mn in 3Q25. Revenue from the Commercial segment declined marginally 0.7% YOY to AED 3,010 Mn in 3Q25, driven by a fall in prices, partially offset by a higher volume growth. Commercial segment fuel volume boosted from 1,211 Mn liters in 3Q24 to 1,245 Mn liters in 3Q25. Direct cost increased marginally 0.4% YOY to AED 7,529 Mn in 3Q25. As a result, the Company's gross profit grew 13.2% YOY to AED 1,796 Mn in 3Q25, driven by higher fuel volumes, expansion in the non-fuel retail segment, increased contribution from international operations, and effective fuel margin management within the corporate business. ADNOCDIST also recorded higher inventory gains of AED 88 Mn in 3Q25 compared to a gain of AED 14 Mn in 3Q24. Thus, the gross margin boosted 179 bps YOY to 19.3% in 3Q25. The Company's other income rose 26.7% YOY to AED 41 Mn in 3Q25. Distribution and administrative expenses declined 1.8% YOY to AED 791 Mn in 3Q25. Impairments and other expenses increased significantly from AED 12 Mn in 3Q24 to AED 35 Mn in 3Q25. Moreover, operating profit expanded 26.1% YOY to AED 1,010 Mn in 3Q25. As a result, the operating profit margin rose from 8.8% in 3Q24 to 10.8% in 3Q25. D&A charges fell 23.2% YOY to AED 160 Mn in 3Q25, primarily due to the revision of the estimated useful lives of property, plant, and equipment, which led to a lower depreciation charge. Furthermore, EBITDA increased 15.9% YOY to AED 1,170 in 3Q25, with an EBITDA margin of 12.5% in 3Q25 compared to 11.1% in 3Q24, mainly due to lower inventory gains in 3Q24. In addition, ADNOCDIST's interest income decreased from AED 36 Mn in 3Q24 to AED 21 Mn in 3Q25. Interest expense rose exponentially from AED 46 Mn in 3Q24 to AED 105 Mn in 3Q25. The Company incurred income tax expense of AED 96 Mn in 3Q25, compared to AED 74 Mn in 3Q24. The share of profit to non-controlling interest holders declined substantially from AED 51 Mn in 3Q24 to AED 20 Mn in 3Q25.

Target price and rating

We maintain our BUY rating on ADNOCDIST with a revised target price of AED 4.70. The Company delivered strong profitability growth in 3Q25, primarily driven by higher-ever fuel volume across the GCC region and growth across the non-fuel segment. The Company's GCC retail fuel volumes rose 9.2% YOY, while GCC commercial fuel volumes increased 2.0% YOY in 3Q25, reflecting robust demand across retail and commercial segments. ADNOCDIST expanded its network to 977 service stations and 533 convenience stores across the UAE, KSA, and Egypt, including 85 new stations and 382 convenience stores in the UAE in 9M25, reflecting continued growth and strategic network optimization. Additionally, the Company added 13 new stations, including 12 in the UAE and one in Egypt, and contracted 72 stations in Saudi Arabia under a CAPEX-light DOCO model currently under development. These stations are further expected to begin operating under the ADNOC Distribution brand, further strengthening the Company's footprint in the fast-growing and dynamic Saudi market. Furthermore, the Company maintained a disciplined rollout, achieving c. 3.3x growth to around 370 EV charging points installed across strategic locations in the UAE, with energy sold doubling YOY in 9M25. ADNOCDIST already surpassed its full-year target of adding 100 EV charging points and now anticipates installing up to 180 by 2025. The Company mostly aims on expanding its EV infrastructure at high-traffic sites, including highways and key urban hubs. ADNOCDIST expanded its VOYAGER lubricants export network to 50 markets in 9M25, indicating the Company's continued focus on penetrating high-growth lubricant markets through strategic collaborations with leading global partners. Additionally, ADNOCDIST entered into a lubricant franchise agreement with TotalEnergies Marketing Egypt and commenced production of low- and mid-tier lubricants in 2024 for both domestic and export markets. The Company also rolled out its Voyager lubricant line across Egypt, expanding into third-party retail channels with a target of reaching 3,000 points of sale by the end of 2026. The Company's non-fuel retail segment outperformed the fuel business, supported by robust growth in convenience stores, property management, and car wash services. This indicates the Company's successful diversification strategy. Non-fuel transactions grew by 10% in 3Q25, driven by improved customer offerings and the introduction of new car wash tunnels. The convenience store conversion rate increased from 25.9% in 3Q24 to 26.0% in 3Q25, reflecting improved customer engagement and cross-selling. To further enhance non-fuel segment, ADNOCDIST is investing in modernizing convenience stores, expanding product offerings, and strengthening digital and mobility services. ADNOCDIST is also advancing its AI and digital strategy, with over 20 new AI-driven projects currently underway across its value chain. In November, the Company has launched 'The Hub by ADNOC', a large, community focused roadside retail concept that combines fuel, EV charging, dining, retail, fitness, and family recreation to drive long-term non-fuel growth. The first Hub has opened in Shawamekh, Abu Dhabi, with six locations planned by end of 2025 and 30 locations by 2030. This is expected to contribute USD 30 Mn in EBITDA every year from 2030. Additionally, the Company strengthens customer loyalty and non-fuel engagement by launching the ADNOC Rewards Credit Card with FAB and Mastercard, offering 15% value back on ADNOC purchases. ADNOC Distribution has also launched the Middle East's largest superfast EV charging hub on the E11 highway. The company plans to roll out 20 EV charging hubs by 2027, including 15 by 2026, to support the UAE's transition to cleaner and more sustainable mobility. Furthermore, the Company focuses on delivering sustainable and profitable growth under its 2024 - 2028 strategy, accelerating expansion both domestically and internationally through efficient capital allocation. The Company also boasts a healthy balance sheet, with a strong total liquidity position of AED 6.0 Bn, supporting both its organic and inorganic growth plans. Moreover, ADNOCDIST paid USD 350 Mn dividend for 1H25 (10.285 fils per share) in October 2025 and targets an annual payout of USD 700 Mn from 2025 to 2030, or 75% of net profit, whichever is higher. Meanwhile, the Company also plans to pay quarterly dividends starting from 1Q26. Thus, based on the above-mentioned factors, we assign a BUY rating on the stock.

ADNOC Distribution - Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	20.35	21.64	17.74	18.74	20.14	17.83
PB (x)	14.19	15.22	14.15	14.04	16.29	15.54
EV/EBITDA	20.10	21.40	17.32	17.22	16.81	15.19
BVPS	0.275	0.256	0.276	0.278	0.239	0.251
EPS	0.192	0.180	0.220	0.208	0.194	0.219
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%

ADNOC Distribution - P&L

AED Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	8,836	9,326	9,174	3.8%	-1.6%	35,454	35,611	0.4%
Direct costs	-7,229	-7,529	-7,422	2.7%	-1.4%	-29,238	-28,764	-1.6%
Gross profit	**1,608**	**1,796**	**1,752**	**9.0%**	**-2.5%**	**6,216**	**6,847**	**10.2%**
Other income	35	41	46	31.0%	13.7%	138	142	3.2%
Distribution & admin. Exp.	-861	-791	-850	-1.2%	7.4%	-3,195	-3,287	2.9%
Impairment & others Exp.	-38	-35	-185	NM	421.9%	-90	-267	195.9%
Operating Profit	**744**	**1,010**	**763**	**2.6%**	**-24.5%**	**3,069**	**3,435**	**11.9%**
Depreciation & amortisation	210	160	171	-18.5%	7.1%	786	749	-4.7%
EBITDA	**954**	**1,170**	**934**	**-2.1%**	**-20.2%**	**3,855**	**4,184**	**8.5%**
Interest income	27	21	24	-11.3%	13.2%	144	78	-45.6%
Interest expenses	-89	-105	-99	10.7%	-6.0%	-457	-410	-10.3%
Profit before tax	**682**	**926**	**689**	**0.9%**	**-25.7%**	**2,756**	**3,104**	**12.6%**
Income tax	-90	-96	-72	-20.2%	-25.4%	-283	-320	12.8%
Net profit for the year	**592**	**830**	**617**	**4.1%**	**-25.7%**	**2,472**	**2,784**	**12.6%**
Non-Controlling interest	12	20	9	-24.8%	-53.9%	52	50	-3.6%
Net profit	**580**	**811**	**608**	**4.7%**	**-25.0%**	**2,420**	**2,734**	**13.0%**

FABS estimate & Co Data

ADNOC Dist - Margins

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	18.2%	19.3%	19.1%	90	-17	17.5%	19.2%	169
EBITDA	10.8%	12.5%	10.2%	-61	-236	10.9%	11.7%	88
Operating Profit	8.4%	10.8%	8.3%	-10	-251	8.7%	9.6%	99
Net Profit	6.6%	8.7%	6.6%	6	-207	6.8%	7.7%	85

FABS estimate & Co Data

4Q25 preview: ADNOC Drilling

Elevated direct and operating cost to impact profit growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.37	AED 6.50	+21%	BUY

4Q25 Estimate

ADNOC Drilling Co. PJSC (ADNOCDRILL/the Company) net profit is expected to decline 6.6% YOY to USD 373 Mn in 4Q25, driven by an increase in direct cost, G&A expenses, finance cost coupled with decline in other income, partially offset by an increase in revenue, share of results of a JV and lower corporate tax. ADNOCDRILL revenue is forecasted to rise 1.5% YOY to USD 1,205 Mn in 4Q25. On the other hand, direct cost is projected to increase 4.7% YOY to USD 709 Mn in 4Q25. As a result, gross profit is likely to fall 2.7% YOY to USD 496 Mn in 4Q25 and gross profit margin is expected to fall by 179 bps YOY to 41.1% in 4Q25. G&A expenses are projected to rise 30.4% YOY to USD 51 Mn in 4Q25. ADNOCDRILL's EBITDA is forecasted to decline 6.5% YOY to USD 557 Mn in 4Q25 and EBITDA margin is anticipated to decrease by 398 bps YOY to 46.2% in 4Q25. Thus, the Company's operating profit is expected to decline 5.5% YOY to USD 445 Mn in 4Q25. Share of results of a JV is anticipated to increase 12.5% YOY to USD 3 Mn in 4Q25. Meanwhile, other income is expected to decline 30.5% YOY to USD 2 Mn in 4Q25. Finance cost is projected to increase 10.5% YOY to USD 36 Mn in 4Q25. Additionally, the Company's corporate tax is expected to decline 6.5% YOY to USD 41 Mn in 4Q25.

2025 Forecast

ADNOCDRILL net profit is projected to rise 9.9% YOY to USD 1,433 Mn in 2025. The increase in net profit is mainly attributed to a rise in revenue, higher share of results from JV and other income coupled with decline in net finance cost, partially offset by growth in direct costs, G&A expenses, and corporate tax. ADNOCDRILL's revenue is anticipated to rise 19.8% YOY to USD 4,831 Mn in 2025, supported by continued expansion in drilling activity. The Company's direct cost is projected to rise 28.8% YOY to USD 3,010 Mn in 2025. Hence, gross profit is likely to increase 7.4% YOY to USD 1,822 Mn in 2025. However, we anticipate gross profit margins to decline 435 bps YOY to 37.7% in 2025, mainly due to an increase in direct costs. G&A expenses are projected to increase 16.6% YOY to USD 181 Mn in 2025. The Company's EBITDA is estimated to rise 8.9% YOY to USD 2,195 Mn in 2025. EBITDA margin is likely to fall from 49.9% in 2024 to 45.4% in 2025. Moreover, operating profit is forecasted to grow 6.4% YOY to USD 1,641 Mn in 2025. Share of results of a JV is expected to rise from USD 8 Mn in 2024 to USD 20 Mn in 2025. Similarly, other income is forecasted to increase from USD 6 Mn in 2024 to USD 28 Mn in 2025. Finance cost is projected to decrease 7.7% YOY to USD 115 Mn in 2025. The Company's corporate tax is expected to increase 10.3% YOY to USD 142 Mn in 2025.

3Q25 Outturn

ADNOCDRILL's revenue grew strongly 22.8% YOY to USD 1,260 Mn in 3Q25, driven by the expansion of operations and the full operational impact of rigs commissioned in stages over the course of last year. Onshore segment revenue grew 5.2% YOY to USD 512 Mn in 3Q25, primarily due to new rigs starting operations and USD 38 Mn contribution from unconventional activity related to land drilling activities. Revenue from the Offshore Jack-up & Island grew 6.6% YOY to USD 365 Mn in 3Q25, driven by the conversion of two rigs from Onshore to Offshore, along with the full contribution to revenue of two new jack-up rigs, which commenced operations at the end of the 2Q25. OFS segmental revenue grew significantly from USD 197 Mn in 3Q24 to USD 383 Mn in 3Q25, primarily driven by USD 120 Mn revenue from the unconventional business alongside increased IDS activity and expanded delivery of discrete services. Direct cost grew 36.7% YOY to USD 825 Mn in 3Q25. Thus, the Company's gross profit grew 2.9% YOY to USD 435 Mn in 3Q25, while gross profit margin fell 668 bps YOY to 34.5% in 3Q25. G&A expenses grew 8.3% YOY to USD 37 Mn in 3Q25. Thus, EBITDA rose 9.7% YOY to USD 560 Mn in 3Q25, owing to robust revenue growth partially offset by a rise in direct costs and G&A expenses. EBITDA margin fell 529 bps YOY to 44.4% in 3Q25. Onshore segment EBITDA rose 5.3% YOY to USD 253 Mn in 3Q25, supported by other income of USD 23 Mn mainly attributable to the sale of an onshore rig, partially offset by higher maintenance and repair expenses. Offshore Jack-up & Island segment's EBITDA rose from USD 230 Mn in 3Q24 to USD 239 Mn in 3Q25, supported by higher revenue. OFS segment EBITDA grew from USD 40 Mn in 3Q24 to USD 67 Mn in 3Q25, driven by increased IDS activity, a rise in contributions from the Enersol and Turnwell joint ventures and stronger revenue from the unconventional business. The Company's net finance costs declined 26.1% YOY to USD 23 Mn in 3Q25. The share of results of a JV marginally increased from USD 2 Mn in 3Q24 to USD 3 Mn in 3Q25. Other income increased from USD 2 Mn in 3Q24 to USD 23 Mn in 3Q25, due to a positive one-off from the sale of an onshore rig. Tax charges grew from USD 28 Mn in 3Q24 to USD 34 Mn in 3Q25.

Target price and rating

We maintain our BUY rating on ADNOCDRILL with a target price of AED 6.50. The Company delivered robust profitability growth in 3Q25, supported by operational expansion, the impact of commissioned rigs, solid performance in the Oilfield Services (OFS) segment, and increased activity in its unconventional business operations. As of 3Q25, the Company operated a total fleet of 148 rigs, including 8 rigs in Oman and Kuwait that are part of the recently announced transaction with SLB. Excluding these 8 rigs, the Company's owned fleet achieved an availability rate of 97% during 3Q25. ADNOCDRILL also secured six additional island rigs that will be added incrementally between 2026 and 2028. The Company's Unconventional program generated USD 502 Mn in revenue for 9M25, with 75 out of 140 planned wells already drilled, reflecting strong operational progress. The Company aims to drill c. 300 wells annually by 2027, with substantial growth potential expected through the end of the decade. However, ADNOCDRILL expects the revenue from the unconventional segment to remain flat at approximately USD 0.6 Bn in 2026, with an increase anticipated after 2027 as ADNOC expands drilling activity. The Company's JV Enersol continued to advance its acquisition strategy, having deployed c. USD 800 Mn since inception across four acquisitions. These investments have supported the adoption of advanced technologies, data analytics, and AI-driven tools across its operations. ADNOCDRILL is also advancing its regional expansion by completing an acquisition of a 70.0% stake in SLB's land rig operations in Oman and Kuwait, including eight contracted rigs. Recently, the Company revised its revenue upward to USD 4.75-4.85 Bn for 2025, up from the previous range, owing to continued momentum in OFS, stronger IDS coverage, and higher unconventional and discrete service activity. The Company is acquiring an 80% stake in MB Petroleum Services to expand its GCC land drilling and OFS footprint, supporting regional growth through a value-driven partnership. Net profit guidance also upgraded to USD 1.40-1.45 Bn, reflecting robust 9M25 performance, improved financing costs post-refinancing, and improved working capital management. Additionally, in 2026, ADNOCDRILL expects EBITDA and net profit to remain broadly in line with 2025, as growth investments are reinvested to scale operations and support regional expansion. The Company also revised its capex (excluding MD&A) guidance from USD 350-550 Mn to USD 450-550 Mn in 2025. In addition, in 2026, ADNOCDRILL expects capex to exceed USD 550 Mn, driven by maintenance, new island rigs, and expansion of IDS coverage. The Company maintains a net debt-to-EBITDA ratio of 0.8x, well below its 2x ceiling, providing significant balance sheet capacity for both growth investments and incremental dividends. Moreover, in line with its dividend policy, the Company paid dividend of USD 66 Mn in November 2025. ADNOCDRILL also announced an enhanced progressive dividend policy, increasing its 2025 dividend floor by 27% YOY to AED 3.7 Bn, compared to the previously guided 10% annual growth target. The Company also committed to a minimum annual dividend growth rate of 5% from 2026 to 2030, translating into a cumulative dividend floor of AED 25 Bn (USD 6.8 Bn) by 2030, reflecting the Company's robust cash flow generation and strong balance sheet. Thus, considering all the above-mentioned factors, we maintain our BUY rating on the stock.

ADNOC Drilling- Relative Valuation

(at CMP)	2021	2022	2023	2024	2025F
PE (x)	38.09	28.69	22.27	17.65	16.05
PB (x)	8.23	7.85	7.05	6.04	5.61
EV/EBITDA	22.97	19.63	16.62	12.39	11.50
BVPS (AED)	0.642	0.673	0.749	0.875	0.941
EPS (AED)	0.139	0.184	0.237	0.299	0.329
DPS (AED)	0.157	0.157	0.165	0.181	0.230[1]
Dividend Yield (%)	3.0%	3.0%	3.1%	3.4%	4.4%

[1]DPS for 2025 includes the special dividend of USD 66 Mn post Majlis.

ADNOC Drilling - P&L

USD Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,187	1,260	1,205	1.5%	-4.4%	4,034	4,831	19.8%
Direct Cost	-677	-825	-709	4.7%	-14.0%	-2,337	-3,010	28.8%
Gross Profit	**510**	**435**	**496**	**-2.7%**	**14.0%**	**1,697**	**1,822**	**7.4%**
G&A expenses	-39	-37	-51	30.4%	40.3%	-155	-181	16.6%
EBITDA	**596**	**560**	**557**	**-6.5%**	**-0.5%**	**2,015**	**2,195**	**8.9%**
EBIT	**470**	**399**	**445**	**-5.5%**	**11.5%**	**1,541**	**1,641**	**6.4%**
Share of results of a JV	3.0	3	3	12.5%	12.5%	8	20	NM
Other Income- Net	2	23	2	-30.5%	-93.5%	6	28	NM
Finance Costs- Net	-32	-23	-36	10.5%	57.7%	-124	-115	-7.7%
Profit before tax	**443**	**402**	**414**	**-6.6%**	**2.8%**	**1,432**	**1,574**	**9.9%**
Corporate tax	-44	-34	-41	-6.5%	20.3%	-129	-142	10.3%
Net profit	**399**	**368**	**373**	**-6.6%**	**1.2%**	**1,304**	**1,433**	**9.9%**

FABS estimate & Co Data

ADNOC Drilling - Margins

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	42.9%	34.5%	41.1%	-179	661	42.1%	37.7%	-435
EBITDA	50.2%	44.4%	46.2%	-398	180	49.9%	45.4%	-451
Net Profit	33.6%	29.2%	30.9%	-271	169	32.3%	29.7%	-266

FABS estimate & Co Data

4Q25 preview: ADNOC Gas

Higher costs offset revenue growth, pressuring profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.55	AED 4.30	+21%	BUY

4Q25 estimate

ADNOC Gas plc (ADNOCGAS/the Company) net profit is expected to decline 18.7% YOY to USD 1,122 Mn in 4Q25, due to higher direct costs, employee benefit expenses, other operating and administrative expense, inventory consumption, depreciation and amortisation, other expenses and income tax, coupled with a decrease in finance income. However, it was partially offset by a rise in revenue, share of profit of equity investee, recharges to equity investees and reduction in finance cost. ADNOCGAS revenue is anticipated to rise 1.7% YOY to USD 4,851 Mn in 4Q25, due to a projected growth in sales volume partially offset by fall in average selling prices. Direct cost is expected to increase 9.0% YOY to USD 2,953 Mn in 4Q25. Thus, gross profit is anticipated to fall 8.0% YOY to USD 1,898 Mn in 4Q25. Due to which the gross margins are estimated to fall 410 bps YOY to 39.1% in 4Q25. Other operating income is forecasted to grow 9.3% YOY to USD 290 Mn in 4Q25. Share of profit of equity-accounted investee is expected to surge 40.9% YOY to USD 173 Mn for 4Q25. Recharges to equity accounted investees is estimated to rise 39.4% YOY to USD 150 Mn in 4Q25. Employee benefit expenses are projected to increase 20.5% YOY to USD 304 Mn in 4Q25. Other operating costs and administrative expenses are anticipated to grow 34.7% YOY to USD 133 Mn in 4Q25. The share of operating costs in an equity accounted investee is expected to drop 8.9% YOY to USD 82 Mn in 4Q25. Inventory Consumption is likely to increase from USD 5 Mn in 4Q24 to USD 22 Mn in 4Q25. Moreover, other expenses are projected to increase from USD 39 Mn in 4Q24 to USD 72 Mn in 4Q25. As a result, we anticipate EBITDA to shrink 8.4% YOY to USD 1,898 Mn in 4Q25, along with margin contraction of 432 bps YOY to 39.1% in 4Q25. Depreciation and amortization are estimated to increase 7.9% YOY to USD 348 Mn in 4Q25. Thus, EBIT is expected to decline 11.4% YOY to USD 1,550 Mn in 4Q25. Finance income is projected to fall 7.2% YOY to USD 29 Mn in 4Q25, while the finance cost is anticipated to decline 28.1% YOY to USD 46 Mn in 4Q25. Income tax expense is forecasted to rise 22.0% YOY to USD 411 Mn in 4Q25.

2025 forecast

ADNOCGAS net profit is expected to grow 2.3% YOY to USD 5,114 Mn in 2025. The increase is likely due to high other operating income, share of profit of equity investee, Recharges to equity investees, coupled with lower direct cost, Share of operating costs in an equity investee and tax expenses. However, it was partially offset by decline in revenue, finance income coupled with increased Employee benefit expenses, Inventory Consumption, other expenses and marginally higher finance costs. ADNOCGAS's revenue is projected to marginally decline 0.2% YOY to USD 19,034 Mn in 2025. Direct cost is anticipated to decline 2.2% YOY to USD 11,129 Mn in 2025. Thus, gross profit is likely to grow 2.9% YOY to USD 7,904 Mn in 2025, with gross profit margin projected to increase 124 bps to 41.5% in 2025. Other operating income is forecasted to grow 3.2% YOY to USD 1,132 Mn in 2025. Share of profit of equity-accounted investee is anticipated to rise marginally 0.8% YOY to USD 523 Mn in 2025. Recharges to equity accounted investees is also expected to grow 3.5% YOY to USD 595 Mn in 2025. Employee benefit expenses are expected to increase 3.9% YOY to USD 1,155 Mn in 2025. Other operating costs and administrative expenses are expected to increase 5.6% YOY to USD 392 Mn in 2025. Share of operating costs in an equity accounted investee is projected to fall 1.1% YOY to USD 265 Mn in 2025. Inventory Consumption is expected to surge from USD 49 Mn in 2024 to USD 74 Mn in 2025. Likewise, other expenses are expected to grow 23.4% YOY to USD 233 Mn in 2025. EBITDA is expected to increase 1.9% YOY to USD 8,034 Mn in 2025, with the EBITDA margin projected to increase from 41.3% in 2024 to 42.2% in 2025. Depreciation and amortization are projected to rise 5.7% YOY to USD 1,286 Mn in 2025. Thus, EBIT is expected to increase 1.2% YOY to USD 6,748 Mn in 2025. Finance income is expected to decline 17.4% YOY to USD 105 Mn in 2025.

Finance cost is anticipated to rise 0.6% YOY to USD 181 Mn in 2025. The Company's income tax expense is expected to decline 3.3% YOY to USD 1,557 Mn in 2025.

3Q25 outturn

ADNOCGAS's net revenue declined marginally 0.3% YOY to USD 4,856 Mn in 3Q25, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 5.6% YOY to USD 5,931 Mn in 3Q25. The decline in revenue is mainly due to an unfavourable pricing environment, partially offset by higher sales volumes. The Company's total sales volume (including ADNOCGAS LNG JV) rose 1.1% YOY to 959 trillion British thermal units (TBTU) in 3Q25, supported by a healthy availability of 96.9% and reliability of 97.8% across its assets in 3Q25. Domestic gas sales volume grew 4.2% YOY to 635 TBTU in 3Q25, driven by the strong domestic demand. Exports and traded liquids volume grew 3.0% YOY to 273 TBTU in 3Q25. Furthermore, the Company's LNG JV's sales volume declined 34.6% YOY to 46 TBTU in 3Q25. The sales volume of sulfur grew to 5 TBTU in 3Q25 compared to 4 TBTU in 3Q24. Direct cost declined 7.3% YOY to USD 2,744 Mn in 3Q25. Thus, gross profit grew 10.7% YOY to USD 2,112 Mn in 3Q25, supported by lower feedstock cost, partially offset by a decline in revenue. Gross margins grew from 39.2% in 3Q24 to 43.5% in 3Q25. Other operating income increased from USD 262 Mn in 3Q24 to USD 281 Mn in 3Q25. Share of profit from equity accounted investee fell from USD 160 Mn in 3Q24 to USD 71 Mn in 3Q25. Employee benefit expenses rose 2.0% YOY to USD 281 Mn in 3Q25. Other operating costs rose 17.4% YOY to USD 111 Mn in 3Q25. Share of operating cost in equity accounted investee increased 13.0% YOY to USD 65 Mn in 3Q25. Inventory consumption increased by 8.5% YOY to USD 19 Mn in 3Q25. Other expenses increased significantly from USD 40 Mn in 3Q24 to USD 62 Mn in 3Q25. Thus, the Company's EBITDA grew 3.5% YOY to USD 2,072 Mn in 3Q25, and EBITDA margin rose 156 bps YOY to 42.7% in 3Q25. Domestic segment EBITDA grew strongly 26.2% YOY to USD 914 Mn in 3Q25, primarily due to higher sales volume and improved commercial terms. Export & traded liquid EBITDA declined 12.3% YOY to USD 974 Mn in 3Q25, owing to a decline in volume. ADNOCGAS's share of LNG EBITDA decreased significantly from USD 333 Mn in 3Q24 to USD 177 Mn in 3Q25. Thus, the Company's operating profit rose 2.7% YOY to USD 1,740 Mn in 3Q25. Finance income declined from USD 39 Mn in 3Q24 to USD 19 Mn in 3Q25. Finance cost declined 14.4% YOY to USD 44 Mn in 3Q25. Total income tax expenses declined 13.8% YOY to USD 378 Mn in 3Q25.

Target price and recommendation

We maintain our BUY rating on ADNOCGAS with an unchanged target price of AED 4.30. ADNOCGAS delivered steady operational performance in 3Q25, supported by robust domestic demand across its product portfolio. However, the Company faced headwinds from declining oil prices, which exerted downward pressure on Naphtha and condensate pricing, alongside weaker LPG prices. ADNOCGAS's total sales volume (including LNG JV) increased 1.1% YOY to 959 TBTU, with the domestic gas volume rising 4.2% YOY to 635 TBTU in 3Q25, driven by the strong domestic sales. In 3Q25, the domestic market remained a key growth engine, driving both higher volumes and improved margins. The increase in domestic sales was primarily supported by contract enhancements and rising demand. ADNOCGAS's operational reliability remained robust at 97.8% across assets during 3Q25, although the Company's shutdown activity is expected to be higher in 4Q25, particularly in the ADNOC LNG JV. The Company revised its 2025 sales volume outlook and now expects Domestic sales volume to range between 2,425–2,435 TBTU, compared to the earlier estimate of 2,410–2,450 TBTU. Exports and traded liquids sales volume have also been revised to 1,035-1,045 TBTU, up from the previous guidance of 990–1,010 TBTU. LNG JV sales volume is anticipated to decline from the earlier range of 230–240 TBTU to 225–235 TBTU in 2025. ADNOCGAS continues to advance its technology-driven efficiency strategy, targeting USD 900 Mn in value creation by 2030 through robotics, autonomous operations, and AI-enabled production optimization, while an AI inspection program is expected to generate an additional USD 300 Mn over the next five years. The Company has allocated USD 20 Bn in CAPEX through 2029 to advance four major projects: IGDE-2, MERAM, RGD, and Ruwais LNG. For 2025, capex is expected to reach about USD 3 Bn, a notable increase from last year as MERAM moves into peak execution. The Bab Gas Cap project is also scheduled for FID in 2026, which may further lift future CAPEX commitments. Moreover, the Company distributed the quarterly dividend for 3Q25, amounting to USD 896 Mn, marking the first payout under ADNOC Gas's revised dividend framework. The Company also reiterated its commitment to a progressive dividend policy, targeting 5% annual growth through 2030, with total expected distributions of USD 24.4 Bn over the period. In November, the Company has signed a 20-year, c. USD 4 Bn natural gas supply agreement with EMSTEEL, securing long-term revenues for ADNOC Gas while supporting the UAE's industrial growth with a stable, lower-carbon energy supply. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNOC Gas- Relative Valuation

(at CMP)	2023	2024	2025F
PE	14.52	14.71	14.38
PB	3.30	3.19	2.88
EV/EBITDA	9.29	8.04	7.98
BVPS (AED)	1.067	1.103	1.223
EPS (AED)	0.242	0.239	0.245
DPS (AED)	0.156	0.163	0.171
Dividend Yield	4.4%	4.6%	4.9%

FABS Estimate & Co Data

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

ADNOC Gas- P&L

USD Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	4,771	4,856	4,851	1.7%	-0.1%	19,065	19,034	-0.2%
Direct Cost	2,709	2,744	2,953	9.0%	7.6%	11,385	11,129	-2.2%
Gross Profit	**2,062**	**2,112**	**1,898**	**-8.0%**	**-10.1%**	**7,680**	**7,904**	**2.9%**
Other Operating income	265	281	290	9.3%	3.3%	1,097	1,132	3.2%
Share of profit of equity-accounted investee	123	71	173	40.9%	NM	519	523	0.8%
Recharges to equity accounted investees	108	146	150	39.4%	2.8%	575	595	3.5%
Employee benefit expenses	-252	-281	-304	20.5%	8.0%	-1,112	-1,155	3.9%
Other operating costs and administrative expenses	-99	-111	-133	34.7%	20.4%	-371	-392	5.6%
Share of operating costs in a equity-accounted investee	-90	-65	-82	-8.9%	26.0%	-268	-265	-1.1%
Inventory Consumption	-5	-19	-22	NM	19.9%	-49	-74	52.0%
Other expenses	-39	-62	-72	82.0%	15.0%	-189	-233	23.4%
EBITDA	**2,073**	**2,072**	**1,898**	**-8.4%**	**-8.4%**	**7,881**	**8,034**	**1.9%**
Depreciation and amortisation	-322	-332	-348	7.9%	4.9%	-1,216	-1,286	5.7%
EBIT	**1,750**	**1,740**	**1,550**	**-11.4%**	**-10.9%**	**6,665**	**6,748**	**1.2%**
Finance Income	31	19	29	-7.2%	48.5%	127	105	-17.4%
Finance Cost	-64	-44	-46	-28.1%	4.8%	-180	-181	0.6%
Profit before tax	**1,718**	**1,716**	**1,533**	**-10.8%**	**-10.7%**	**6,612**	**6,672**	**0.9%**
Income Tax expense	337	378	411	22.0%	8.8%	1,611	1,557	-3.3%
Net profit	**1,381**	**1,338**	**1,122**	**-18.7%**	**-16.1%**	**5,001**	**5,114**	**2.3%**

FABS Estimate & Co Data

ADNOC Gas- Margins

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	43.2%	43.5%	39.1%	-410	-437	40.3%	41.5%	124
EBITDA	43.4%	42.7%	39.1%	-432	-354	41.3%	42.2%	87
Net Profit	28.9%	27.5%	23.1%	-581	-442	26.2%	26.9%	64

FABS estimate and Co data

4Q25 preview: Dana Gas

Lower production in Egypt and subdued realized prices to weigh on profits

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.905	AED 1.15	+27%	BUY

4Q25 estimate

Dana Gas PJSC's ("Dana" or "the Company") net profit is expected to decline 13.5% YOY to USD 34 Mn in 4Q25, mainly due to a sharp contraction in revenue and increased income tax expense, partially offset by a steep decline in royalty charges, lower operating costs, lower G&A expenses, and rise in investment & finance income. Dana's revenue is expected to fall 49.9% YOY to USD 80 Mn in 4Q25 owing to weaker realised prices and soft production volumes in Egypt partially offset by increasing production volumes in KRI. Additionally, in 4Q24 the Company recognized one-time additional revenue under Egypt's newly signed Consolidated Concession Agreement leading to increased revenue. Royalties are forecasted to decline 73.5% YOY to USD 14 Mn in 4Q25. Thus, net revenue is expected to decrease 38.4% YOY to USD 66 Mn in 4Q25. Operating cost is anticipated to decline 8.7% YOY to USD 29 Mn in 4Q25. Overall, the gross profit is expected to decline from USD 75 Mn in 4Q24 to USD 37 Mn in 4Q25, reflecting the substantial contraction in top-line revenue. The gross profit margin is expected to decrease 113 bps YOY to 46.0% in 4Q25. G&A expenses are projected to decrease 14.4% to USD 2 Mn in 4Q25, while impairment of financial assets is not expected to incur in 4Q25 as compared to USD 1 Mn in 4Q24. Investment & finance income is also anticipated to increase 13.0% YOY to USD 3 Mn in 4Q25. Operating profit is expected to decline 9.4% YOY to USD 38 Mn in 4Q25, while the operating profit margin is projected to expand from 26.4% in 4Q24 to 47.7% in 4Q25, primarily due to mix and cost-side movements. The Company's EBITDA is anticipated to fall from USD 88 Mn in 4Q24 to USD 48 Mn in 4Q25, and the EBITDA margin is expected to increase from 55.3% in 4Q24 to 60.4% in 4Q25. Finance costs are expected to increase 10% YOY to USD 1 Mn, and the income tax expense is forecasted to increase from USD 2 Mn in 4Q24 to USD 3 Mn in 4Q25.

2025 forecast

Dana's net profit is expected to decline 9.4% YOY to USD 137 Mn in 2025, primarily due to a reduction in revenue, along with an increase in income tax expense, partially offset by a decline in royalties, marginal reduction in operating costs, decrease in finance costs coupled with an increase in investment & finance income. Dana's revenue is expected to decline 24.8% YOY to USD 335 Mn in 2025. Royalties are projected to fall 51.6% YOY to USD 53 Mn in 2025. As a result, net revenue is expected to decline 16.1% YOY to USD 282 Mn in 2025. Operating costs are forecasted to decline 4.0% YOY to USD 115 Mn in 2025. Consequently, gross profit is expected to decrease 22.8% YOY to USD 167 Mn in 2025 while the gross profit margins are expected to increase from 48.5% in 2024 to 49.8% in 2025. G&A expenses are projected to decrease 2.6% YOY to USD 11 Mn in 2025. Investment & finance income is anticipated to grow 21.7% YOY to USD 13 Mn in 2025. Other expenses are expected to increase marginally to USD 5 Mn in 2025, while impairment of financial assets is anticipated to decline 25.0% YOY to USD 3 Mn in 2025. However, operating profit is expected to decline 9.8% YOY to USD 157 Mn in 2025, with the operating profit margin expected to rise from 39.1% in 2024 to 46.9% in 2025. The Company's EBITDA is projected to decline 22.7% YOY to USD 203 Mn in 2025, with the EBITDA margin expected to increase from 59.1% in 2024 to 60.7% in 2025. Finance costs are projected to decline from USD 11 Mn in 2024 to USD 5 Mn in 2025. Dana's income tax expenses are expected to increase 26.6% YOY to USD 15 Mn in 2025.

3Q25 outturn

Dana recorded a 12.5% YOY decrease in revenue to USD 84 Mn in 3Q25, primarily due to lower Egypt volumes and softer oil prices, partly offset by improved Egypt gas pricing and stable KRI volumes. The Company's average production decreased from 55,300 boepd in 3Q24 to 50,700 boepd in 3Q25. Notably, KRI's average production witnessed a 1.8% YOY decline to 38,700 boepd in 3Q25. Egypt reported a 24.5% YOY decrease to 12,000 boepd in 3Q25, mainly due to a drop in the natural field. Royalty payments declined 31.6% YOY to USD 13 Mn in 3Q25. However, net revenue fell 7.8% YOY to USD 71 Mn in 3Q25, as the benefit from lower royalties was offset by weaker topline performance. Operating costs rose 3.3% YOY to USD 31 Mn in 3Q25, leading to a 14.9% YOY contraction in gross profit to USD 40 Mn in 3Q25. Furthermore, Dana's G&A expenses remained steady at USD 3 Mn in 3Q25, unchanged from 3Q24, while investment and finance income also held flat at USD 3 Mn in 3Q25, compared to 3Q24. Similarly, impairments stood flat at USD 1 Mn in 3Q25 compared to 3Q24. Moreover, Dana's operating profit declined 23.9% YOY to USD 35 Mn in 3Q25. Operating profit margin fell from 47.9% in 3Q24 to 41.7% in 3Q25. The Company's EBITDA declined 15.3% YOY to USD 50 Mn in 3Q25. EBITDA margin also contracted 193 bps YOY to 59.5% in 3Q25. Dana's finance cost declined from USD 3 Mn in 3Q24 to USD 1 Mn in 3Q25. Additionally, income tax expense increased 33.3% YOY to USD 4 Mn in 3Q25.

Target price and recommendation

We revise our rating from ACCUMULATE to BUY on Dana Gas with a revised target price of AED 1.15. The Company's stock price grew 7.2% since our last rating (November 2025). Dana's profitability declined during 3Q25, owing to lower realized hydrocarbon prices and a decline in Egyptian output. However, these headwinds were primarily offset by operational strength in the Kurdistan Region of Iraq (KRI) and the successful early completion of the KM250 expansion project. The addition of 250 MMscf/d in processing capacity at the Khor Mor field increases total capacity by 50% and is expected to enhance annual revenues by up to 35%, once operating at full capacity. Additionally, Dana continues to progress the Chemchemal field development in the KRI under a USD 160 Mn investment plan, which includes drilling three wells and installing an extended well test facility, with early production of up to 75 MMscf/d targeted by 1H27. In Egypt, the Company reported a significant gas discovery at the North El-Basant 1 well in Egypt's Nile Delta, with estimated reserves of 15–25 bcf and expected production of over 8 MMscfd, supporting its USD100 Mn investment programme to boost long-term gas output and reserves. The Company also made steady progress during 3Q25, with three wells drilled and three recompletions adding c. 21 bcf in reserves. The successful Begonia-2 and Salma Delta-6 wells are expected to deliver an incremental output of 10–12 MMscfd before year-end, helping offset natural field declines. Recently, Dana Gas received a USD 50 Mn payment from the Egyptian government, supporting its ongoing drilling programme, which has added c. 30 MMscfd of production and strengthened reserves, with further wells planned in 2026 under improved fiscal terms. These developments, along with improved gas pricing under the Consolidated Concession Agreement, are anticipated to stabilize the Company's production and underpin future growth. Additionally, Dana Gas signed an MoU with Syria's SPC to assess redevelopment of key gas fields, including Abu Rabah, with potential to increase gas production, subject to evaluation and final agreement. The Company's capex also grew to USD 67 Mn in 9M25, compared to USD 43 Mn in 9M24, reflecting the resumption of KM250 spending and the acceleration of drilling activities in Egypt. Hence, based on the above-mentioned factors, we assign our HOLD rating on the stock.

Dana Gas- Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	5.36	9.27	10.54	11.16	12.33
PB	0.79	0.74	0.73	0.71	0.67	0.67
EV/EBITDA	11.94	6.32	5.27	7.03	6.38	8.50
BVPS (AED)	1.125	1.204	1.207	1.245	1.324	1.313
EPS (AED)	NM	0.165	0.095	0.084	0.079	0.072
DPS (AED)	0.055	0.080	0.090	0.000	0.055	0.055
Dividend Yield	6.2%	9.0%	10.2%	NA	6.2%	6.2%

FABS Estimate & Co Data

Dana Gas- P&L

USD Mn	4Q24	3Q25	4Q25F	YOY	QOQ	2024	2025F	Change
Revenue	159	84	80	-49.9%	-5.1%	445	335	-24.8%
Royalties	-52	-13	-14	-73.5%	6.1%	-109	-53	-51.6%
Net Revenue	**107**	**71**	**66**	**-38.4%**	**-7.1%**	**336**	**282**	**-16.1%**
Operating Costs	-32	-31	-29	-8.7%	-5.7%	-120	-115	-4.0%
Gross Profit	**75**	**40**	**37**	**-51.1%**	**-8.2%**	**216**	**167**	**-22.8%**
G&A expenses	-2.0	-3	-1.7	-14.4%	-43.0%	-11	-11	-2.6%
Investment &finance income	3	3	3	13.0%	13.0%	11	13	21.7%
Other Expenses	0	0	0	NM	NM	-5	-5	0.4%
Impairment of fin. assets	-1	-1	0	NM	NM	-4	-3	-25.0%
Operating Profit	**42**	**35**	**38**	**-9.4%**	**8.7%**	**174**	**157**	**-9.8%**
EBITDA	**88**	**50**	**48**	**-45.2%**	**-3.6%**	**263**	**203**	**-22.7%**
Finance costs	-1	-1	-1	10.0%	10.0%	-11	-5	-53.6%
Profit Before Tax	**41**	**34**	**37**	**-9.9%**	**8.6%**	**163**	**152**	**-6.8%**
Income tax expense	-2	-4	-3	59.7%	-20.2%	-12	-15	26.6%
Net profit	**39**	**30**	**34**	**-13.5%**	**12.5%**	**151**	**137**	**-9.4%**

FABS estimate & Co Data

Dana Gas- Margins

	4Q24	3Q25	4Q25F	YOY	QOQ	2024	2025F	Change
Gross Profit	47.2%	47.6%	46.0%	-113	-158	48.5%	49.8%	126
Operating Profit	26.4%	41.7%	47.7%	2,129	604	39.1%	46.9%	781
EBITDA	55.3%	59.5%	60.4%	509	92	59.1%	60.7%	160
Net Profit Margin	24.5%	35.7%	42.3%	1,779	660	33.9%	40.9%	692

FABS estimate and Co data

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