

## UAE Energy Sector

*Regional conflicts drive supply shocks and market volatility*

Sector Weighting:  
**MARKET WEIGHT**

Recent geopolitical tensions in the Middle East have significantly disrupted global oil markets during 1Q26, leading to increased volatility and a sharp rise in risk premiums. According to the International Energy Agency, oil demand is expected to decline by 80K bpd in 2026, reflecting a downward revision of 730K bpd from previous estimates, with a projected contraction of 1.5 Mn bpd in 2Q26, marking the steepest quarterly decline since the COVID-19 pandemic. The initial decline has been most pronounced in the Middle East and Asia Pacific, particularly affecting naphtha, LPG, and jet fuel consumption, with further demand losses expected as supply shortages and higher prices continue. On the supply side, global oil production declined sharply by 10.1 Mn bpd MOM to 97 Mn bpd in March, reflecting a historically large level of disruption amid ongoing strikes on energy infrastructure in the Middle East and major constraints on tanker transit through the Strait of Hormuz. OPEC+ production dropped by 9.4 Mn bpd MOM to 42.4 Mn bpd in March, while non-OPEC+ supply decreased by 770K bpd MOM to 54.7 Mn bpd, as reduced output from Qatar offset production increases in Brazil and the United States. The disruption remains particularly severe for Asian markets, which are heavily dependent on crude flows through the Strait of Hormuz for refinery intake. While alternative export routes, including the UAE's Habshan-Fujairah pipeline and Saudi Arabia's East-West pipeline, along with incremental supplies from the Atlantic Basin, Eurasia, and Western Canada, provide partial mitigation, their combined capacity remains insufficient to fully offset disrupted seaborne flows. Alternative routes, including shipments from Saudi Arabia's west coast, Fujairah in the UAE, and the Iraq-Türkiye pipeline, have increased to c. 7.2 Mn bpd but continue to only partially compensate for supply losses. Overall, oil export disruptions exceed 13 Mn bpd, with cumulative supply losses estimated at over 360 Mn barrels in March and a further 440 Mn barrels projected for April due to production cutbacks and infrastructure damage.

Refining activity has also been heavily affected, with global crude processing limited by disruptions in feedstock availability and damage to infrastructure. In April, refinery runs across the Middle East and feedstock-constrained Asian regions declined by c. 6 Mn bpd to 77.2 Mn bpd. For 2026, global crude runs are projected to decline by an average of 1 Mn bpd to 82.9 Mn bpd. Despite lower processing levels, refining margins have increased temporarily, with middle distillate crack spreads reaching record highs. Petrochemical producers in Asia have also reduced operating rates due to feedstock shortages, while LPG consumers and aviation activity have also been affected, leading to lower jet fuel demand. Global oil inventories recorded a substantial drawdown of 85 Mn barrels in March, primarily driven by a sharp decline in stocks outside the Middle East Gulf amid severe disruptions to flows through the Strait of Hormuz. At the same time, floating storage in the Middle East increased by 100 Mn barrels, while onshore crude inventories in the region rose by 20 Mn barrels due to limited export outlets. China also increased crude storage by 40 Mn barrels. Spot crude benchmarks and differentials increased significantly, surpassing movements in futures markets, as refiners sought alternative supplies to replace disrupted Middle Eastern cargoes. Global oil demand declined by 800K bpd YOY in March and is estimated to fall by 2.3 Mn bpd in April, with overall demand now expected to contract by 80K bpd in 2026. Several countries have introduced demand-reduction measures or policies to cushion the impact of higher fuel prices.

**ADNOC Distribution** remains our preferred choice over ADNOC Drilling, ADNOC Gas, and Dana Gas, supported by strong earnings visibility, resilient non-fuel growth, and a diversified business model. The Company continued to expand its network, reaching 1,010 service stations and 536 convenience

stores across the UAE, KSA, and Egypt in 2025, reflecting continued footprint expansion and disciplined network optimization across core markets. The Company also accelerated its Saudi expansion through the DOCO model, contracting 99 stations, with over 30 already operational and the remainder expected to come online in the near term, strengthening its presence in a high-growth market. Non-fuel retail remained a key growth driver, with strong transaction growth and higher contribution from convenience stores, car care, and property management, supporting margin expansion. The Company continues to scale its premium retail offering through “The Hub by ADNOC”, with six locations launched and a target of 30 by 2030, enhancing customer engagement and supporting long-term EBITDA growth. Additionally, the Company continues to scale its EV infrastructure, reaching c. 402 charging points, with plans for further expansion, positioning itself to benefit from rising electrification trends. ADNOC Distribution also maintains a strong balance sheet with robust liquidity, supporting continued investment in network expansion, technology, and non-fuel initiatives, while enhancing shareholder returns through an extended dividend policy and transition to quarterly payouts. Moreover, its predominantly domestic operations limit exposure to global supply chain disruptions, providing resilience even amid potential disruptions in key transit routes, while a 5%+ dividend yield offers a stable income floor, supporting quasi-utility characteristics with equity upside.

ADNOC Drilling delivered solid operational performance, supported by continued expansion in unconventional and offshore activity, and growth across Integrated Drilling Services and Oilfield Services. The Company is significantly strengthening its regional footprint through acquisitions, including stakes in SLB’s land drilling JV and MB Petroleum Services, enhancing scale and positioning it as a leading regional player. ADNOC Drilling maintains a strong market position as the largest OFS player in Abu Dhabi, supporting margin resilience. ADNOC Gas continues to strengthen its growth outlook through large-scale expansion projects, including Ruwais LNG and Rich Gas Development, which are expected to significantly enhance processing capacity and support long-term volume growth. The Company significantly strengthened its long-term revenue visibility by securing gas sales agreements worth USD 74 Bn, including large LNG contracts across Asia and Europe. Additionally, ongoing AI and automation initiatives are expected to drive operational efficiencies and unlock significant value over time. Dana Gas, following the successful completion of the KM250 expansion project has increased processing capacity at the Khor Mor field, with production reaching its highest levels since 2018 and further growth expected following infrastructure upgrades in 2H26. The Company continues to advance its next growth phase through the Chemchemical project, supported by new long-term gas sales agreements, which are expected to materially enhance revenues upon full ramp-up. In Egypt, ongoing drilling activity and improved receivables collections support operational stability and cash flow visibility. Thus, based on the above factors, ADNOC Distribution offers diversified growth drivers, strong non-fuel retail performance, an expanding regional footprint, and enhanced visibility on dividends and cash flows, positioning it as the preferred choice across the energy sector.

We have assigned a BUY rating to all the five companies under our coverage and out of those NMDC Energy provides the highest cash dividend yield of 6.3%.

Stock	Target Price	CMP	Gain	Rating	P/E	FY2026E EV/EBITDA	Dividend Yield
ADNOC Distribution	4.70	3.68	+27.7%	BUY	15.37	13.36	5.6%
ADNOC Drilling	6.50	5.20	+25.0%	BUY	15.50	10.96	4.6%
ADNOC Gas	4.30	3.15	+36.5%	BUY	13.16	7.31	5.7%
Dana Gas	1.15	0.93	+24.1%	BUY	9.40	6.34	5.9%
NMDC Energy	3.80	2.81	+35.2%	BUY	8.02	4.02	6.3%

Source: FABS Estimate, <sup>1</sup>Data refers to FY2026E

## Key Developments in the Energy Sector

### UAE economic resilience persists, non-oil activity moderates

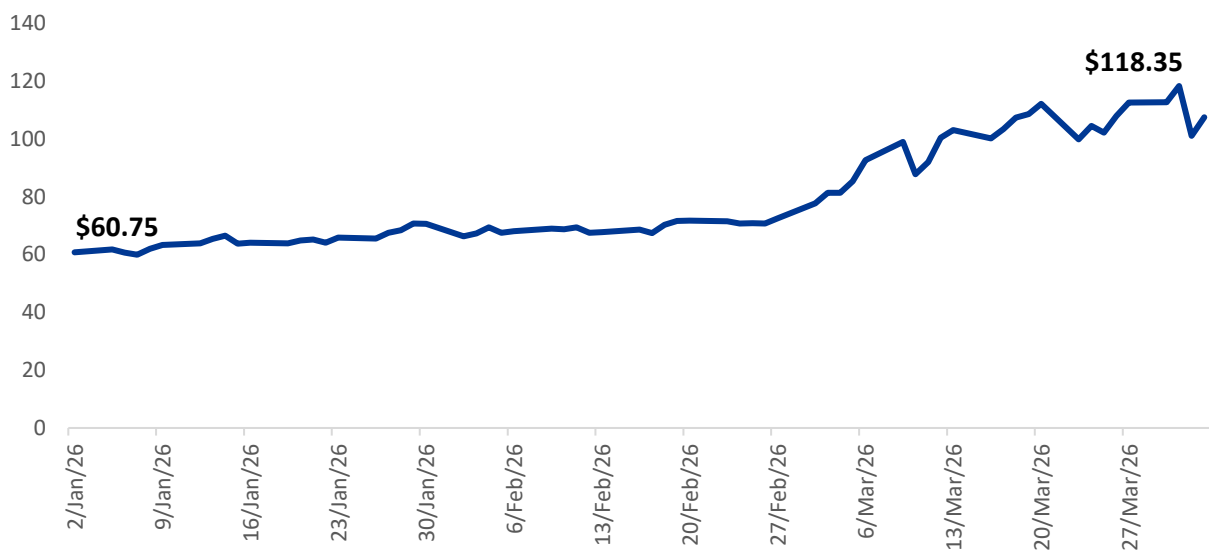
The UAE economy remains broadly resilient, supported by strong fiscal health, a diversified economic base, and long-term development strategies. However, rising geopolitical tensions have begun to weigh on economic activity, with indirect effects observed across trade, tourism, and sentiment channels. Inflation is likely to trend higher due to supply-side disruptions from import disruptions and increased input costs, although partly offset by weaker domestic demand. Despite these near-term challenges, the UAE's continued focus on innovation and investment provides a solid foundation for sustainable growth, with non-oil activity expected to accelerate and support overall GDP growth. The UAE economy expanded 5.1% YOY in 9M25, supported by a strong 6.1% YOY growth in nonhydrocarbon GDP. The non-oil sector's performance was led by manufacturing, construction, financial services, and real estate. Reflecting this momentum, the Central Bank of the UAE (CBAUE) forecasted 5.6% GDP growth for 2025 and expects to remain flat in 2026. The non-oil private sector experienced some moderation in March, reflecting the impact of geopolitical tensions in the region. The UAE PMI declined from 55.0 in February to 52.9 in March, marking the lowest level since June 2021, though remaining above the 50 threshold and signalling ongoing improvement in business conditions. While output growth and order books remained relatively resilient, segments such as tourism, retail, and logistics were more significantly affected, whereas technology and construction segments reported a comparatively moderate impact.

### Oil prices surge sharply amid supply disruptions and tightening market conditions

Crude oil prices increased sharply on a QOQ basis in 1Q26, rising from USD 60.85 per barrel in December 2025 to USD 118.35 per barrel in March 2026, reflecting a significant increase over the quarter. The upward trend was supported by heightened geopolitical tensions, supply disruptions, and elevated market volatility. Prices gained in January on concerns over potential supply disruptions from Iran, Russia, and Venezuela, alongside OPEC+ maintaining production discipline. In February, prices remained relatively stable with moderate gains, as geopolitical tensions between the US and Iran, OPEC+ supply dynamics, and mixed inventory trends influenced market movements. However, March recorded a sharp surge in prices, driven by a significant escalation in geopolitical tensions in West Asia, disruptions in key supply routes including the Strait of Hormuz, lower output from major producers, and heightened concerns over global oil supply. The disruption remains particularly severe for Asian markets, which are heavily dependent on crude flows through the Strait of Hormuz for refinery intake. While alternative export routes, including the UAE's Habshan-Fujairah pipeline and Saudi Arabia's East-West pipeline, along with incremental supplies from the Atlantic Basin, Eurasia, and Western Canada, provide partial mitigation, their combined capacity remains insufficient to fully offset disrupted seaborne flows. Alternative routes, including shipments from Saudi Arabia's west

coast, Fujairah in the UAE, and the Iraq–Türkiye pipeline, have increased to c. 7.2 Mn bpd but continue to only partially compensate for supply losses. Looking ahead, crude oil prices are expected to remain elevated in the near term, supported by a sustained geopolitical risk premium. According to the US Energy Information Administration (EIA), Brent crude is projected to peak at c. USD 115 per barrel in 2Q26, driven by continued uncertainty surrounding supply disruptions, particularly linked to the Middle East conflict. Thereafter, prices are expected to moderate gradually as production disruptions ease, with Brent projected to decline below USD 90 per barrel by 4Q26 and average c. USD 76 per barrel in 2027. The overall price trajectory remains closely tied to the extent and duration of geopolitical tensions, as well as the associated supply outages.

**Brent crude oil price during 1Q26 (USD per Barrel)**



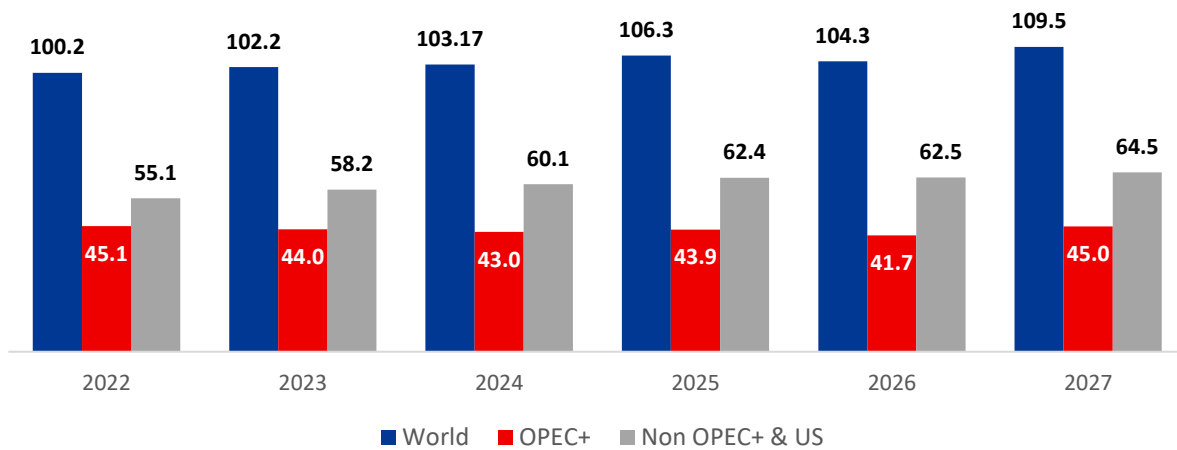
Source: Bloomberg

**Crude Oil Supply and Demand (EIA)**

- According to the EIA, global oil demand growth has been revised downward, with consumption expected to increase by c. 0.6 Mn bpd in 2026, reflecting the impact of supply shortages, higher prices, and government-led measures to curb fuel use. The slowdown is expected to be most pronounced in Asia, given its higher reliance on Middle Eastern crude supplies. Demand is projected to recover in 2027, with growth accelerating to c. 1.6 Mn bpd, bringing total global consumption to c. 106.2 Mn bpd.
- On the supply side, significant disruptions to crude production have been observed, with global production shut-ins estimated at c. 7.5 Mn bpd in March, rising to a peak of c. 9.1 Mn bpd in April amid escalating geopolitical tensions. These disruptions are expected to gradually ease over the coming months as supply flows normalize.
- production shut-ins are expected to decline to 6.7 Mn bpd in May and gradually return to near pre-conflict levels by late 2026.
- The supply disruptions are anticipated to result in a substantial drawdown in global inventories, with stock declines estimated at c. 5.1 Mn bpd during 2Q26, reflecting tighter near-term market conditions.

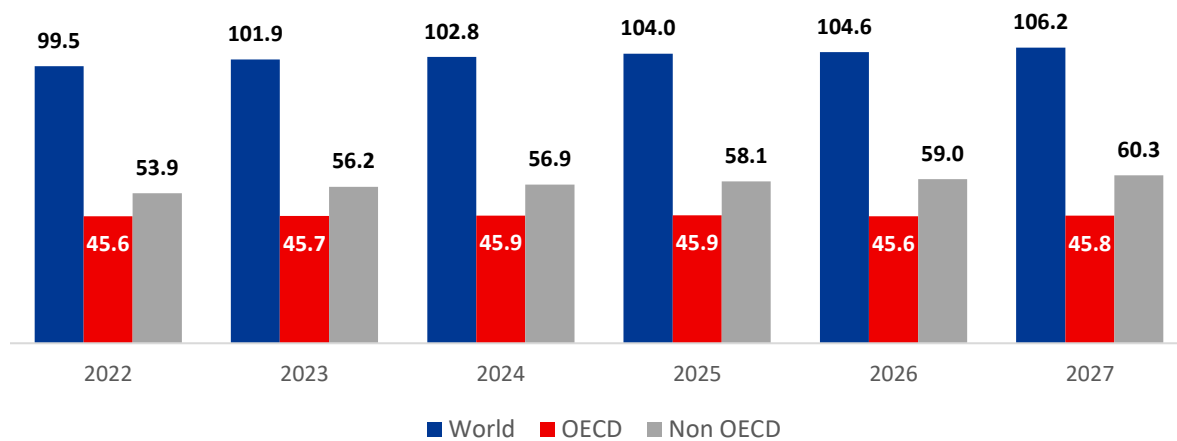
- According to the EIA, global liquid fuels consumption is expected to average c. 104.6 Mn bpd in 2026, while production is forecast at c. 104.3 Mn bpd. In 2027, global consumption is projected to increase to about 106.2 Mn bpd, while production is expected to rise to c. 109.5 Mn bpd.
- Brent crude averaged USD 103 per barrel in March 2026 and is expected to peak at USD 115 per barrel in 2Q26, supported by a continued risk premium amid Middle East supply uncertainties.
- Prices are projected to ease thereafter, falling below USD 90 per barrel by 4Q26 and averaging USD 76 per barrel in 2027, contingent on the duration of the conflict and supply disruptions.
- In March 2026, the International Energy Agency (IEA) announced a record release of 400 Mn barrels of crude oil from strategic reserves across member countries, marking the largest coordinated drawdown in its history to address supply disruptions.

**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 markets move toward recovery amid LNG supply growth and evolving demand dynamics**

According to the International Energy Agency, global natural gas demand growth remained muted in 2025, increasing by less than 1%, as weaker macroeconomic conditions and relatively elevated spot LNG prices in 1H25 weighed on consumption. Growth was primarily driven by Europe and North America, while demand stayed weak in Asia and declined across Eurasia. In OECD Europe, gas consumption rose by c. 3%, supported by higher power sector demand amid reduced wind and hydropower generation, while North America recorded growth of c. 1%, largely due to colder winter conditions. Demand across Africa and the Middle East increased by about 2.5%, partly supported by ongoing oil-to-gas switching in the power sector. EIA expects Henry spot prices to increase from USD 3.53 per MMBtu in 2025 to USD 3.67 MMBtu in 2026 and moderate to USD 3.59 MMBtu in 2027.

Looking ahead, global natural gas consumption is expected to reach a new all-time high in 2026, with demand growth accelerating to nearly 2% to 4,371 bcm, supported by improving supply fundamentals. Global LNG supply is projected to increase by over 7% (more than 40 bcm), primarily driven by the United States, Canada and Qatar, supporting stronger demand growth across regions. Regionally, demand growth in 2026 is expected to be led by Asia Pacific, where consumption is projected to increase by more than 4%, accounting for around half of global demand growth. In North America, demand is expected to remain broadly flat, while Central and South America are projected to see a decline of c. 1%. European gas demand is expected to decrease by c. 2% amid continued expansion of renewables, while Eurasian consumption is forecast to increase by 3.5%, assuming a return to average weather conditions. Combined demand in Africa and the Middle East is projected to grow by c. 3.5%, supported by higher gas use in industry and the power sector.

On the supply side, a significant wave of new LNG capacity is expected to come online over the next few years, led by the United States and Qatar, which are set to play a dominant role in global LNG exports. The expansion in liquefaction capacity is expected to enhance supply availability and improve market flexibility, helping to ease tight market conditions observed in recent years. The global gas market is therefore expected to move toward a more balanced position over the medium term, as rising LNG supply improves availability and supports demand growth, particularly in emerging markets. Global natural gas production is expected to increase 2.7% YOY to 4,378 bcm in 2026. While price volatility may persist in the near term due to geopolitical uncertainties and weather-related disruptions, increasing supply capacity and evolving trade flows are likely to enhance market stability and support the continued role of natural gas in the global energy mix.

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

### **Dana Gas**

- **26th January 2026:** Dana Gas and Crescent Petroleum signed long-term gas sales agreements to supply up to 142 MMscf per day from the Chemchemical field to industrial users in Iraq's Kurdistan Region starting second half of 2027, supporting cleaner energy use and industrial growth.
- **19th January 2026:** Dana Gas reached a production milestone of 70,000 boepd, its highest in seven years, driven by increased output from the Kurdistan Region of Iraq and Egypt. Production is expected to exceed 75,000 boepd following the completion of new pipeline infrastructure in 2026, supporting higher revenues and profitability.
- **5th January 2026:** Dana Gas received a USD 50 Mn payment from Egypt, supporting its ongoing drilling programme under the Consolidation Agreement. The company drilled four wells in 2025 and plans seven more in 2026, adding 30 mmscf per day of production and 36 bcf of reserves, with the programme expected to save Egypt over USD 1 Bn in fuel import costs.

### **ADNOC Distribution**

- **12th January 2026:** ADNOC Distribution launched one of the world's largest superfast EV charging hubs on the E11 highway with 60 charging points and unveiled plans to develop 20 highway EV hubs by 2027, supporting the UAE's transition to sustainable mobility.

### **ADNOC Drilling**

- **1st January 2026:** ADNOC Drilling announced the completion of its acquisition of a 70% stake in SLDC Holdings, a joint venture with SLB covering land drilling rigs in Kuwait and Oman.

### **ADNOC Gas**

- **19th January 2026:** ADNOC Gas signed a USD 2.5–3 Bn, 10-year LNG supply agreement with Hindustan Petroleum Corporation Limited, strengthening its long-term energy partnership with India, now the UAE's largest LNG customer. The deal supports supply of 0.5 mtpa LNG from ADNOC Gas' Das Island facility and reinforces its expanding role in Asia's growing energy markets.

## **Contents**

Key Developments in the Energy Sector.....	3
<i>1Q26 Preview: ADNOC Distribution.....</i>	<i>9</i>
<i>1Q26 preview: ADNOC Drilling .....</i>	<i>12</i>
<i>1Q26 preview: ADNOC Gas.....</i>	<i>15</i>
<i>1Q26 preview: Dana Gas .....</i>	<i>19</i>
<i>1Q26 preview: NMDC Energy .....</i>	<i>22</i>
FAB Securities Contacts .....	25

## 1Q26 Preview: **ADNOC Distribution**

Cost optimization and stable margins expected to support earnings growth

<b>Current Price</b> AED 3.68	<b>Target Price</b> AED 4.70	<b>Upside/Downside (%)</b> +27.7%	<b>Rating</b> BUY
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### 1Q26 Estimate

ADNOC Distribution's (ADNOCDIST/the Company) net profit is expected to increase 10.0% YOY to AED 703 Mn in 1Q26, driven by projected rise in revenue and other income coupled with decline in distribution & admin expense, impairment & other expenses, depreciation & amortization and interest expenses, along with increase in interest income, partially offset by the anticipated rise in direct costs, income tax and non-controlling interest. ADNOCDIST's revenue is expected to increase 2.7% YOY to AED 8,698 Mn in 1Q26. The direct costs are projected to rise 2.8% YOY to AED 7,051 Mn in 1Q26. As a result, gross profit is likely to expand 1.8% YOY to AED 1,648 Mn in 1Q26 with gross profit margins expected to decline 15 bps YOY to 18.9% in 1Q26. The Company's other income is projected to grow 33.6% YOY to AED 35 Mn in 1Q26, whereas distribution & admin expenses are expected to decline 3.6% YOY to AED 783 Mn in 1Q26. Moreover, impairment & other expenses are forecasted to decline 2.8% YOY to AED 26 Mn in 1Q26. Hence, operating profit is anticipated to increase 8.6% YOY to AED 873 Mn in 1Q26. However, operating profit margin is anticipated to decline 55 bps YOY to 10.0% in 1Q26. Depreciation & amortisation expenses are projected to decline 6.8% YOY to AED 192 Mn in 1Q26. Thus, EBITDA is expected to increase 5.4% YOY to AED 1,066 Mn in 1Q26 and EBITDA margin is projected to expand 32 bps YOY to 12.3% in 1Q26. Interest income is expected to increase 3.6% YOY to AED 19 Mn in 1Q26, while interest expenses are forecasted to decline 9.7% YOY to AED 93 Mn. ADNOCDIST's income tax is expected to increase 14.4% YOY to AED 82 Mn in 1Q26. Additionally, non-controlling interest is projected to increase 52.4% YOY to AED 14 Mn in 1Q26.

### 2026 Forecast

ADNOC Distribution is expected to report a 9.2% increase in net profit to AED 3,050 Mn in 2026. The rise in net profit is mainly attributed to an anticipated increase in revenue, other income and interest income coupled with decline in impairment & other expenses, depreciation & amortization expense, and interest expense, partially offset by a rise in direct costs, distribution & administrative expenses and income tax charges coupled with increase in non-controlling interest. ADNOCDIST's revenue is forecasted to increase 3.7% YOY to AED 37,234 Mn in 2026. On the other hand, direct costs are expected to rise 4.0% YOY to AED 30,117 Mn in 2026. Thus, gross profit is likely to increase 2.5% YOY to AED 7,117 Mn, while gross profit margin is expected to decline 24 bps YOY to 19.1% in 2026. Other income is expected to increase 11.0% YOY to AED 186 Mn in 2026. Distribution & administrative expenses are projected to rise 1.9% YOY to AED 3,388 Mn in 2026, while impairment & other expenses are forecasted to decline from AED 284 Mn in 2025 to AED 149 Mn in 2026. Thus, operating profit is expected to increase 7.4% YOY to AED 3,766 Mn in 2026, with an improvement in operating profit margin from 9.8% in 2025 to 10.1% in 2026. Depreciation & amortisation expenses are anticipated to decline 1.0% YOY to AED 768 Mn in 2026. EBITDA is forecasted to increase 5.9% YOY to AED 4,534 Mn in 2026, with EBITDA margin rising from 11.9% in 2025 to 12.2% in 2026. Interest income is anticipated to increase 4.5% YOY to AED 74 Mn in 2026, while interest expenses are expected to decline 8.1% YOY to AED 370 Mn in 2026. The Company's income tax charge is forecasted to increase 10.7% YOY to AED 357 Mn in 2026. Non-controlling interest is anticipated to increase 9.1% YOY to AED 62 Mn in 2026.

### 4Q25 Outturn

ADNOCDIST's revenue grew 7.0% YOY to AED 9,460 Mn in 4Q25, driven by higher growth in volumes and contribution from non-fuel retail. The Company's total fuel volumes rose marginally 0.8% YOY to 4.0 Bn liters in 4Q25. The growth is fueled by volume growth in the UAE and KSA region. Retail

segment fuel volume rose from 2,719 Mn liters in 4Q24 to 2,884 Mn liters in 4Q25. Revenue from the Retail segment grew 12.3% YOY to AED 6,655 Mn in 4Q25, mainly due to strong growth in fuel and non-fuel segments. The fuel retail segment revenue increased 12.1% YOY to AED 6,155 Mn in 4Q25, due to a rise in volume growth and pump prices. Revenue from the non-fuel retail segment rose 15.1% YOY to AED 500 Mn in 4Q25. Revenue from the Commercial segment declined 3.7% YOY to AED 2,805 Mn in 4Q25, driven by decline in volume growth. Commercial segment fuel volume declined 10.7% YOY to 1,123 Mn liters in 4Q25. Direct cost increased 5.3% YOY to AED 7,609 Mn in 4Q25. As a result, the Company's gross profit grew 15.1% YOY to AED 1,851 Mn in 4Q25, driven by higher fuel volumes, expansion in the non-fuel retail segment, and effective fuel margin management. ADNOC DIST also recorded higher inventory gains of AED 101 Mn in 4Q25, compared to an inventory loss of AED 9 Mn in 4Q24. The gains comprised AED 98 Mn in fuel retail and AED 3 Mn in the commercial segment. Thus, the gross profit grew 15.1% YOY to AED 1,851 Mn in 4Q25. Thus, the gross margin boosted 137 bps YOY to 19.6% in 4Q25. The Company's other income rose to AED 71 Mn in 4Q25 from AED 35 Mn in 4Q24. Distribution and administrative expenses increased 3.0% YOY to AED 887 Mn in 4Q25. Impairments and other expenses increased significantly from AED 38 Mn in 4Q24 to AED 202 Mn in 4Q25. Moreover, operating profit expanded 12.0% YOY to AED 833 Mn in 4Q25. As a result, the operating profit margin rose 39 bps YOY to 8.8% in 4Q25. D&A charges fell 5.5% YOY to AED 198 Mn in 4Q25. The Company's EBITDA increased 8.1% YOY to AED 1,031 Mn with an increase in EBITDA margin of 11 bps YOY to 10.9% in 4Q25, mainly due to higher inventory gains. In addition, ADNOC DIST's interest income decreased from AED 27 Mn in 4Q24 to AED 17 Mn in 4Q25. Interest expense rose 2.8% YOY to AED 92 Mn in 4Q25. The Company incurred income tax expense of AED 75 Mn in 4Q25, compared to AED 90 Mn in 4Q24. The share of profit attributable to non-controlling interest holders increased 32.9% YOY to AED 16 Mn in 4Q25.

### **Target price and rating**

We maintain our BUY rating on ADNOC DIST with a target price of AED 4.70. ADNOC DIST's total fuel volume grew 0.8% YOY to 4.0 Bn liters in 4Q25. The Company's GCC retail fuel volumes rose 7.7% YOY, while GCC commercial fuel volumes decreased 13.8% YOY in 4Q25, reflecting lower spot market sales resulting in unfavorable market conditions. ADNOC DIST expanded its footprint to 1,010 service stations and 536 convenience stores across the UAE, KSA, and Egypt in 2025. As of 2025, the Company now operates 384 convenience stores in the UAE, highlighting continued network expansion alongside disciplined optimization of its retail footprint across core markets, which underpins volume growth and supports medium-term earnings visibility. Additionally, ADNOC DIST contracted 99 DOCO sites in KSA during 2025 under a capex-light Dealer Owned-Company Operated (DOCO) model. Currently, over 30 stations are operational, with the remainder expected to come online over the coming months, subject to regulatory approvals. These sites will operate under the ADNOC Distribution brand, further strengthening the Company's footprint and growth optionality in the fast-growing Saudi market. ADNOC DIST also expanded its VOYAGER lubricants export network to 52 markets in 2025, reflecting continued focus on penetrating high-growth lubricant markets through strategic collaborations with global partners and expanding international distribution reach. The Company's aviation fuel business in Egypt recorded over 20% volume growth, supported by strong tourism demand and dollar-denominated revenues, similarly DOCO stations in KSA delivered around a 20% volume uplift versus pre-branding levels at early operational sites. ADNOC DIST's non-fuel retail segment delivered robust growth, driven by higher transaction volumes, enhanced customer proposition, and stronger contributions from convenience stores, car care services, and property management activities. Non-fuel transactions grew 6.8% YOY to 14.3 Mn in 4Q25, driven by improved customer offerings and enhanced service initiatives, including upgrades to automatic car wash infrastructure. Non-fuel retail gross profit grew 14.4% YOY in 2025, outperforming fuel led segments, with the ADNOC Oasis brand contributing over 40% of gross profit, driven by food & beverage strength and an improved product mix. Furthermore, the Company launched six new retail destinations under the "The Hub by ADNOC", reinforcing its strategy to expand destination-led non-fuel retail formats and enhance customer engagement. The Company continues to target 30 Hub locations by 2030 as part of its long-term growth roadmap. ADNOC DIST also maintained a disciplined

rollout of its EV infrastructure, expanding its network to c. 402 charging points in 2025, representing c.1.8x growth versus 2023 across strategic locations in the UAE, supporting higher utilization and rising electrification demand. The Company further remains on track to scale the EV network by 10-15x by 2028 and positions EV charging as a high-margin, high-potential business, benefiting from premium locations and longer customer dwell times. ADNOC DIST maintains a strong balance sheet and liquidity position, with total liquidity of AED 5.4 Bn in 4Q25, providing ample flexibility to support both organic and inorganic growth initiatives. In October 2025, the Company paid a dividend of AED 1.285 Bn (10.285 fils per share) for 1H25 and distributed 10.285 fils per share for 2H25 in April 2026. The Board has also approved extending the dividend policy until 2030 and transitioning to a quarterly dividend payment schedule from 1Q26, enhancing cash flow visibility and shareholder returns. Based on these factors, we maintain our BUY rating on the stock.

**ADNOC Distribution - Relative Valuation**

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	20.81	17.05	18.02	19.37	16.78	15.37
PB (x)	14.64	13.61	13.50	15.67	14.51	12.64
EV/EBITDA	20.63	16.68	16.59	16.20	14.35	13.36
BVPS	0.256	0.276	0.278	0.239	0.258	0.297
EPS	0.180	0.220	0.208	0.194	0.224	0.244
DPS	0.206	0.206	0.206	0.206	0.206	0.206
Dividend Yield (%)	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%

**ADNOC Distribution - P&L**

AED Mn	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	8,473	9,459	8,698	2.7%	-8.0%	35,897	37,234	3.7%
Direct costs	-6,855	-7,609	-7,051	2.8%	-7.3%	-28,951	-30,117	4.0%
<b>Gross profit</b>	<b>1,618</b>	<b>1,851</b>	<b>1,648</b>	<b>1.8%</b>	<b>-11.0%</b>	<b>6,946</b>	<b>7,117</b>	<b>2.5%</b>
Other income	26	71	35	33.6%	-51.3%	168	186	11.0%
Distribution & admin. Exp.	-812	-887	-783	-3.6%	-11.7%	-3,324	-3,388	1.9%
Impairment & others Exp.	-27	-202	-26	-2.8%	-87.1%	-284	-149	-47.6%
<b>Operating Profit</b>	<b>805</b>	<b>833</b>	<b>873</b>	<b>8.6%</b>	<b>4.8%</b>	<b>3,506</b>	<b>3,766</b>	<b>7.4%</b>
Depreciation & amortisation	206	198	192	-6.8%	-3.0%	776	768	-1.0%
<b>EBITDA</b>	<b>1,011</b>	<b>1,031</b>	<b>1,066</b>	<b>5.4%</b>	<b>3.3%</b>	<b>4,282</b>	<b>4,534</b>	<b>5.9%</b>
Interest income	18	17	19	3.6%	9.5%	71	74	4.5%
Interest expenses	-103	-92	-93	-9.7%	0.9%	-403	-370	-8.1%
<b>Profit before tax</b>	<b>720</b>	<b>759</b>	<b>799</b>	<b>11.0%</b>	<b>5.4%</b>	<b>3,174</b>	<b>3,470</b>	<b>9.3%</b>
Income tax	-72	-75	-82	14.4%	10.1%	-323	-357	10.7%
<b>Net profit for the year</b>	<b>648</b>	<b>684</b>	<b>717</b>	<b>10.7%</b>	<b>4.9%</b>	<b>2,851</b>	<b>3,112</b>	<b>9.2%</b>
Non-Controlling interest	9	16	14	52.4%	-10.1%	57	62	9.1%
<b>Net profit</b>	<b>639</b>	<b>668</b>	<b>703</b>	<b>10.0%</b>	<b>5.2%</b>	<b>2,794</b>	<b>3,050</b>	<b>9.2%</b>

FABS estimate & Co Data

**ADNOC Dist - Margins**

	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	19.1%	19.6%	18.9%	-15	-62	19.3%	19.1%	-24
EBITDA	11.9%	10.9%	12.3%	32	135	11.9%	12.2%	25
Operating Profit	9.5%	8.8%	10.0%	55	123	9.8%	10.1%	35
Net Profit	7.5%	7.1%	8.1%	54	102	7.8%	8.2%	41

FABS estimate & Co Data

## 1Q26 preview: **ADNOC Drilling**

Moderate revenue growth amid rising costs to cap earnings expansion

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.20	AED 6.50	+25.0%	BUY

### 1Q26 Estimate

ADNOC Drilling's (ADNOC DRILL/the Company) net profit for the period is expected to decrease marginally 0.1% YOY to USD 341 Mn in 1Q26, supported by projected growth in direct costs, G&A expenses and income tax charges, partially offset by the anticipated rise in revenue, share of results of a JV, and other income coupled with decline in finance cost. The Company's revenue is expected to increase 3.2% YOY to USD 1,207 Mn in 1Q26, reflecting continued activity across its drilling operations. Direct costs are projected to rise 5.5% YOY to USD 763 Mn in 1Q26. As a result, gross profit is expected to decline marginally 0.6% YOY to USD 444 Mn in 1Q26, and gross profit margin is likely to decline 140 bps YOY to 36.8%. G&A expenses are forecasted to increase 9.9% YOY to USD 54 Mn in 1Q26. Meanwhile, other income is expected to increase to USD 4 Mn in 1Q26 from USD 2 Mn in 1Q25. Consequently, operating profit is projected to decline 1.9% YOY to USD 390 Mn in 1Q26. EBITDA is expected to decline marginally 0.6% YOY to USD 530 Mn in 1Q26, and thus, EBITDA margin will fell 167 bps YOY to 43.9%. Net finance costs are forecasted to decline 11.0% YOY to USD 26 Mn in 1Q26, whereas share of results from a JV is expected to increase to USD 6 Mn in 1Q26 from USD 3 Mn in 1Q25. Thus, profit before tax is anticipated to increase marginally 0.2% YOY to USD 374 Mn in 1Q26. However, income tax is expected to rise 3.0% YOY to USD 34 Mn in 1Q26.

### 2026 Forecast

ADNOC Drilling is expected to report a 1.0% increase in net profit to USD 1,464 Mn in 2026. The rise in net profit is mainly attributed to an anticipated increase in revenue and share of results from a JV, partially offset by a rise in direct costs, G&A expenses, net finance costs and income tax charges coupled with a decline in other income. ADNOC Drilling's revenue is forecasted to increase 2.2% YOY to USD 5,011 Mn in 2026. On the other hand, direct costs are expected to rise marginally 0.6% YOY to USD 3,124 Mn in 2026. Thus, gross profit is likely to increase 5.0% YOY to USD 1,886 Mn in 2026, with an anticipated expansion of 100 bps YOY in gross profit margin to 37.7% in 2026. Other income is expected to decline to USD 15 Mn in 2026 from USD 27 Mn in 2025. G&A expenses are projected to rise 31.9% YOY to USD 220 Mn in 2026. Thus, EBIT is expected to increase 2.2% YOY to USD 1,666 Mn in 2026. EBITDA is forecasted to increase 1.9% YOY to USD 2,240 Mn in 2026, while EBITDA margin is projected to decline 13 bps YOY to 44.7% in 2026. Net finance costs are expected to increase 6.7% YOY to USD 104 Mn in 2026, while share of results from a JV is projected to increase to USD 32 Mn in 2026 from USD 29 Mn in 2025. The Company's income tax charge is forecasted to rise 4.1% YOY to USD 145 Mn in 2026.

### 4Q25 Outturn

ADNOC DRILL's revenue grew 7.5% YOY to USD 1,276 Mn in 4Q25, driven by its unconventional operations and the integration of offshore rigs in the second half of the year. Onshore Segment revenue declined 6.4% YOY to USD 519 Mn in 4Q25, as 4Q24 benefited from certain cost reimbursements, while 4Q25 revenue reflected the initial impact of transitioning select onshore rigs following an age review. Revenue from the Offshore Jack-up & Island grew 14.9% YOY to USD 368 Mn in 4Q25, driven by the conversion of two rigs from Onshore to Offshore during 2Q25 and 3Q25, along with the full revenue contribution from two new jack-up rigs commenced at the end of 2Q25. OFS segmental revenue grew 24.7% from USD 313 Mn in 4Q24 to USD 390 Mn in 4Q25, primarily driven by primarily driven by USD 149 Mn revenue from the unconventional business, alongside increased IDS activity and the provision of additional discrete services. Direct cost grew 18.9% YOY to USD 806 Mn in 4Q25. Thus, the Company's gross profit declined 7.6% YOY to USD 471 Mn in

4Q25, while gross profit margin fell 604 bps YOY to 36.9% in 4Q25. G&A expenses declined 5.2% YOY to USD 37 Mn in 4Q25. Thus, EBITDA declined 6.0% YOY to USD 560 Mn in 4Q25, driven by higher maintenance costs and the initial transition of select onshore rigs. EBITDA margin fell 633 bps YOY to 43.9% in 4Q25. Onshore segment EBITDA declined 17.7% YOY to USD 235 Mn in 4Q25. Offshore Jack-up & Island segment's EBITDA rose 6.7% YOY from USD 229 Mn in 4Q24 to USD 244 Mn in 4Q25, supported by higher revenue driven by the conversion of two rigs from Onshore to Offshore, along with the full-quarter contribution from two new jack-up rigs. OFS segment EBITDA declined marginally 0.9% from USD 82 Mn in 4Q24 to USD 81 Mn in 4Q25, driven by the benefited from favorable high-margin revenue phasing in directional drilling and pressure pumping. The Company's net finance costs declined 41.6% YOY to USD 19 Mn in 4Q25. The share of results of JV increased significantly from USD 3 Mn in 4Q24 to USD 12 Mn in 4Q25, driven by profit contributions from the joint ventures. Other income declined from USD 2 Mn in 4Q24 to NIL in 4Q25. Tax charges declined from USD 44 Mn in 4Q24 to USD 38 Mn in 4Q25.

### **Target price and rating**

We maintain our BUY rating on ADNOC DRILL with a target price of AED 6.50. The Company delivered solid operational performance in 4Q25, supported by continued expansion in unconventional and offshore activity, higher asset utilization, and sustained growth across Integrated Drilling and OFS. As of December 2025, the proforma rig fleet stood at 169 rigs, including 21 regional rigs under the MB Petroleum Services (MBPS) transaction signed in November 2025 to acquire an 80% stake subject to regulatory approval. The transaction is expected to materially accelerate ADNOC DRILL's regional expansion strategy by enhancing scale and capabilities, while strengthening its presence across four key Gulf markets. Additionally, the pro forma fleet also includes 8 rigs in Oman and Kuwait acquired through the acquisition of 70% of SLB land drilling JV in early January 2026. Excluding regional rigs, the Company's owned fleet stood at 140 with a strong availability rate of 98% in 2025. ADNOC DRILL also secured six additional island rigs to be deployed progressively between 2026 and 2028. Unconventional revenue rose 62% YOY to USD 190 Mn in 4Q25 spit of which USD 149 Mn was from OFS and USD 41 Mn from Onshore. Following strong execution in 2025, the Company's unconventional activity is expected to moderate in 2026, with the remaining contract value to be phased over 2026–2027. ADNOC DRILL highlighted solid progress on the unconventional program, with c. 90 wells drilled and c. 60 completed under Phase 1, while a few FIDs are expected in 1H26 and the remainder in 2H26. Free cash flow moderated sequentially to USD 38 Mn in 4Q25 compared to USD 477 Mn in 3Q25, primarily due to stronger prior-quarter collections and a USD 91 Mn outflow related to the SLDC Holdings acquisition. Operating working capital remained stable YOY at USD 321 Mn in 4Q25, reflecting disciplined management. Additionally, the Company expects 1Q26 to be the weakest quarter of the year, with projected revenue of USD 1.23 Bn, EBITDA of USD 0.53 Bn, and net income of USD 0.35 Bn, as the period excludes MBPS consolidation (expected mid-year), rig cost transfers, new rig ramp-ups, and IDS expansion. This sets the stage for a stronger earnings trajectory in subsequent quarters, with performance expected to be back-end loaded and weighted toward 3Q26 and 4Q26, driven by MBPS consolidation and incremental IDS activity. The Company is now the largest OFS player in Abu Dhabi, with an estimated 35%-40% market share in Integrated Drilling Services, supporting margin resilience. ADNOC DRILL's full year results were in line with upgraded guidance, with revenue exceeding the guided range and EBITDA and net profit within expectations. In line with the dividend policy, the Board of Directors approved a 4Q25 dividend of USD 250 Mn (c. 5.7 fils per share), expected to be paid in April 2026. The Company has also committed to a minimum cumulative dividend floor of USD 6.8 Bn over 2025-2030, representing 5% YOY growth enhancing multi-year visibility on shareholder returns. ADNOC Drilling announced that its subsidiary, ADH RSC LTD, completed the acquisition of a 70% stake in SLDC Holdings RSC LTD on 01 January 2026. The transaction forms a joint venture with SLB focused on land drilling rig operations in Kuwait and Oman. Thus, considering all the above-mentioned factors, we maintain our BUY rating on the stock.

**ADNOC Drilling- Relative Valuation**

	2021	2022	2023	2024	2025	2026F
(at CMP)						
PE (x)	37.7	28.4	22.0	17.4	15.7	15.5
PB (x)	8.1	7.8	7.0	6.0	5.5	5.0
EV/EBITDA	22.7	19.4	16.4	12.3	11.2	11.0
BVPS (AED)	0.642	0.673	0.749	0.875	0.943	1.041
EPS (AED)	0.139	0.184	0.237	0.299	0.333	0.337
DPS (AED)	0.157	0.157	0.165	0.181	0.230 <sup>1</sup>	0.241
Dividend Yield (%)	3.0%	3.0%	3.2%	3.5%	4.4%	4.6%

<sup>1</sup>DPS for 2025 includes the special dividend of USD 66 Mn post Majlis.

**ADNOC Drilling - P&L**

USD Mn	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,170	1,276	1,207	3.2%	-5.5%	4,903	5,011	2.2%
Direct Cost	-723	-806	-763	5.5%	-5.3%	-3,106	-3,124	0.6%
<b>Gross Profit</b>	<b>447</b>	<b>471</b>	<b>444</b>	<b>-0.6%</b>	<b>-5.7%</b>	<b>1,797</b>	<b>1,886</b>	<b>5.0%</b>
G&A expenses	-49	-37	-54	9.9%	44.1%	-167	-220	31.9%
<b>EBITDA</b>	<b>533</b>	<b>560</b>	<b>530</b>	<b>-0.6%</b>	<b>-5.5%</b>	<b>2,198</b>	<b>2,240</b>	<b>1.9%</b>
<b>EBIT</b>	<b>398</b>	<b>434</b>	<b>390</b>	<b>-1.9%</b>	<b>-10.0%</b>	<b>1,630</b>	<b>1,666</b>	<b>2.2%</b>
Share of results of a JV	3	12	6	NM	-50.0%	29	32	NM
Other Income- Net	2	0	4	92.6%	NM	27	15	NM
Finance Costs- Net	-29	-19	-26	-11.0%	37.6%	-98	-104	6.7%
<b>Profit before tax</b>	<b>374</b>	<b>427</b>	<b>374</b>	<b>0.2%</b>	<b>-12.4%</b>	<b>1,588</b>	<b>1,609</b>	<b>1.3%</b>
Corporate tax	-33	-38	-34	3.0%	-12.4%	-139	-145	4.1%
<b>Net profit</b>	<b>341</b>	<b>389</b>	<b>341</b>	<b>-0.1%</b>	<b>-12.4%</b>	<b>1,449</b>	<b>1,464</b>	<b>1.0%</b>

FABS estimate & Co Data

**ADNOC Drilling - Margins**

	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	38.2%	36.9%	36.8%	-140	-9	36.7%	37.7%	100
EBITDA	45.5%	43.9%	43.9%	-167	-1	44.8%	44.7%	-13
Net Profit	29.1%	30.4%	28.2%	-93	-223	29.5%	29.2%	-34

FABS estimate & Co Data

## 1Q26 preview: **ADNOC Gas**

Lower revenue and higher costs to impact profits

<b>Current Price</b> AED 3.15	<b>Target Price</b> AED 4.30	<b>Upside/Downside (%)</b> +36.5%	<b>Rating</b> BUY
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### 1Q26 estimate

ADNOC Gas plc (ADNOCGAS/the Company) net profit is expected to decline 20.3% YOY to USD 1,012 Mn in 1Q26, due to lower revenue, a decline in other operating income and share of profit of equity-accounted investees, coupled with higher employee benefit expenses, other operating and administrative expenses, share of operating costs in equity-accounted investees, other expenses and higher depreciation and amortisation, along with a decrease in finance income. However, it is partially offset by lower direct costs, reduced inventory consumption, higher recharges to equity-accounted investees, a decline in finance cost, and lower income tax expenses. ADNOCGAS revenue is anticipated to decline 13.0% YOY to USD 4,060 Mn in 1Q26, due to a projected fall in sales volume, partially offset by an expected rise in selling prices. Direct cost is expected to decline 14.7% YOY to USD 2,385 Mn in 1Q26. Thus, gross profit is anticipated to decrease 10.5% YOY to USD 1,676 Mn in 1Q26. However, gross margins are estimated to increase 117 bps YOY to 41.3% in 1Q26. Other operating income is forecasted to decline 18.7% YOY to USD 241 Mn in 1Q26, while share of profit of equity-accounted investee is expected to decrease 20.0% YOY to USD 104 Mn in 1Q26. Recharges to equity accounted investees are estimated to rise 6.0% YOY to USD 155 Mn in 1Q26. Employee benefit expenses are projected to increase 1.5% YOY to USD 279 Mn in 1Q26. Other operating costs and administrative expenses are anticipated to grow 36.0% YOY to USD 92 Mn in 1Q26. The share of operating costs in an equity-accounted investee is expected to increase 4.3% YOY to USD 63 Mn in 1Q26. Inventory Consumption is likely to decline from USD 17 Mn in 1Q25 to USD 11 Mn in 1Q26. Moreover, other expenses are projected to increase from USD 47 Mn in 1Q25 to USD 70 Mn in 1Q26. As a result, EBITDA is anticipated to shrink 16.0% YOY to USD 1,660 Mn in 1Q26, along with margin contraction of 146 bps YOY to 40.9% in 1Q26. Depreciation and amortization are estimated to increase 15.4% YOY to USD 329 Mn in 1Q26. Thus, EBIT is expected to decline 21.3% YOY to USD 1,331 Mn in 1Q26. Finance income is projected to fall 24.2% YOY to USD 30 Mn in 1Q26, while finance cost is anticipated to decline 10.3% YOY to USD 41 Mn in 1Q26. Income tax expense is forecasted to decrease 26.1% YOY to USD 308 Mn in 1Q26.

### 2026 forecast

ADNOC Gas net profit is expected to decline 1.7% YOY to USD 5,080 Mn in 2026. The decline is likely due to higher direct costs, increased employee benefit expenses, higher other operating costs and administrative expenses, a higher share of operating costs in an equity investee, increased inventory consumption, and higher tax expenses, coupled with a decline in the share of profit of equity investee. However, it is partially offset by an anticipated increase in revenue, rise in other operating income, higher recharges to equity investees, increased finance income, coupled with lower finance costs and lower other expenses. ADNOC Gas's revenue is projected to grow 3.6% YOY to USD 19,180 Mn in 2026. Direct cost is anticipated to increase 5.1% YOY to USD 11,169 Mn in 2026. Thus, gross profit is likely to grow 1.6% YOY to USD 8,011 Mn in 2026, with gross profit margin projected to decline 84 bps YOY to 41.8% in 2026. Other operating income is forecasted to increase marginally 0.2% YOY to USD 1,137 Mn in 2026. Share of profit of equity-accounted investee is anticipated to decline 3.3% YOY to USD 414 Mn in 2026. Recharges to equity-accounted investees is also expected to grow 6.0% YOY to USD 633 Mn in 2026. Employee benefit expenses are expected to increase 12.7% YOY to USD 1,245 Mn in 2026. Other operating costs and administrative expenses are expected to increase 7.7% YOY to USD 416 Mn in 2026. Share of operating costs in an equity accounted investee is expected to increase 19.2% YOY to USD 300 Mn in 2026. Inventory consumption is expected to increase 5.4% YOY to USD 56 Mn in 2026. Likewise, other expenses are expected to decline 8.7% YOY to USD 211 Mn in 2026. EBITDA is expected to decline modestly 0.7% YOY to USD 7,967 Mn in 2026.

2026, with the EBITDA margin projected to decline from 43.3% in 2025 to 41.5% in 2026. Depreciation and amortization are projected to rise 1.3% YOY to USD 1,316 Mn in 2026. Thus, EBIT is expected to decline 1.0% YOY to USD 6,651 Mn in 2026. Finance income is expected to increase 14.6% YOY to USD 120 Mn in 2026. Finance cost is anticipated to decline 7.9% YOY to USD 163 Mn in 2026. The Company's income tax expense is expected to increase 3.0% YOY to USD 1,528 Mn in 2026.

#### **4Q25 outturn**

ADNOC Gas's net revenue declined 9.3% YOY to USD 4,326 Mn in 4Q25, while the Company's total revenue, including revenue from reinjection gas, ADNOC LNG JV, intercompany elimination and other income, declined 10% YOY to USD 5,482 Mn in 4Q25. The decline in revenue is mainly due to an unfavorable pricing environment, partially offset by higher sales volumes in domestic gas and export and traded liquids. The Company's total sales volume (including ADNOC GAS LNG JV) rose 4.7% YOY to 910 trillion British thermal units (TBTU) in 4Q25. Domestic gas sales volume grew 4.9% YOY to 595 TBTU in 4Q25, driven by the strong domestic demand. Exports and traded liquids volume grew 10.5% YOY to 260 TBTU in 4Q25. Furthermore, the Company's LNG JV's sales volume declined 18.0% YOY to 52 TBTU in 4Q25 due to planned maintenance shutdowns. The sales volume of sulfur remained flat at 3 TBTU in 4Q25 and 4Q24. Direct cost declined 9.7% YOY to USD 2,446 Mn in 4Q25. Thus, gross profit decreased 8.8% YOY to USD 1,880 Mn in 4Q25, primarily due to lower revenue offsetting lower costs. Gross margins grew marginally by 25 bps YOY to 43.5% in 4Q25. Other operating income increased 10.2% YOY to USD 293 Mn in 4Q25. Share of profit from equity accounted investee fell from USD 123 Mn in 4Q24 to USD 78 Mn in 4Q25. Employee benefit expenses grew marginally 0.3% YOY to USD 253 Mn in 4Q25. Other operating costs rose 28.6% YOY to USD 127 Mn in 4Q25. Share of operating cost in equity accounted investee decreased 23.5% YOY to USD 69 Mn in 4Q25. Inventory consumption decreased from USD 5 Mn in 4Q24 to USD 1 Mn in 4Q25. Other expenses increased significantly from USD 39 Mn in 4Q24 to USD 70 Mn in 4Q25. Thus, the Company's EBITDA decreased 9.1% YOY to USD 1,885 Mn in 4Q25, but EBITDA margin rose marginally 12 bps YOY to 43.6% in 4Q25. Domestic segment adjusted EBITDA grew 6% YOY to USD 795 Mn in 4Q25, primarily due to higher sales volume. Export & traded liquid EBITDA declined 5% YOY to USD 928 Mn in 4Q25, mainly due to an unfavorable price environment. ADNOC GAS's share of LNG EBITDA decreased 35% YOY to USD 207 Mn in 4Q25 due to planned maintenance and lower price environment. Thus, the Company's operating profit decreased 13.0% YOY to USD 1,523 Mn in 4Q25. Finance income declined from USD 31 Mn in 4Q24 to USD 28 Mn in 4Q25. Finance cost declined 35.1% YOY to USD 41 Mn in 4Q25. Total income tax expenses increased marginally by 0.1% YOY to USD 337 Mn in 4Q25.

#### **Target price and recommendation**

We maintain our BUY rating on ADNOC GAS with a target price of AED 4.30. ADNOC GAS operated in a challenging 2025 macro environment, with average oil prices down 18.5% YOY and 9.5% QOQ in 4Q25. However, ADNOC GAS demonstrated the resilience of its business model despite softer commodity prices, supported by steady domestic demand and high operational reliability. The Company's total sales volumes grew 4.7% YOY to 910 TBTU in 4Q25, primarily driven by strong UAE gas demand, which remained resilient despite milder weather conditions. Operational performance remained strong, with asset reliability at 99.5% in 4Q25. The Company continues to strengthen earnings visibility through long-term contracting. In 2025, ADNOC Gas secured two long-term domestic supply agreements with EWEC and EMSTEEL and signed gas sales agreements worth USD 74 Bn, including over USD 60 Bn in long-term LNG contracts across Asia and Europe, significantly expanding its international customer base. The Company's growth visibility is further enhanced by disciplined execution of major expansion projects. Following the commissioning of IGD-E2 in 4Q25, work is progressing as planned on the Estidama gas pipeline, improving access for industrial and utility customers in the Northern Emirates. Ruwais LNG is progressing ahead of schedule, with Train 1 expected online by 2H28 and Train 2 by 1H29, increasing LNG capacity from 6 mtpa to 15 mtpa. In addition, the Company has taken FID on Rich Gas Development (RGD) Phase 1 and IGD Expansion Phase 2, with RGD Phases 2 and 3 expected to reach FID in 1Q26. RGD Phase 3 includes a fifth

fractionation train at Ruwais and a new greenfield gas processing plant, materially expanding processing capacity. Collectively, these projects reinforce ADNOC GAS strategic role in supporting UAE industrial growth and long-term energy security. Operational efficiency initiatives add further upside. ADNOC GAS also delivered USD 15 Mn in value from AI and automation in 2025, including AI-enabled control rooms and drone based inspections, with total value creation expected to reach up to USD 900 Mn by 2030 through autonomous operations and AI-led optimization. Looking ahead, ADNOC GAS plans to invest c. USD 20 Bn through 2029 (excluding RGD Phases 2 and 3), targeting a c.30% increase in gas processing capacity. ADNOC Gas reported a temporary disruption at its Habshan complex, with operations briefly impacted. Gas supply has largely been restored through backup capacity, while the company continues to assess the financial implications and engage with customers. In line with its dividend policy, the Company confirmed its total dividend commitment of USD 24.4 Bn for 2025-2030, with quarterly dividends initiated in 3Q25. The Company targets a total cash dividend of c. USD 3.58 Bn for 2025. Of this, USD 1.79 Bn was paid in 3Q25 as the interim dividend for 1H25, while USD 0.90 Bn was distributed in 4Q25 as the quarterly dividend for 3Q25. The Company has further approved a final dividend of USD 0.90 Bn (4.287 fils per share) for 4Q25. Thus, based on our analysis, we maintain our BUY rating on the stock.

**ADNOC Gas- Relative Valuation**

(at CMP)	2023	2024	2025	2026F
PE	13.20	13.37	12.94	13.16
PB	3.00	2.90	2.71	2.56
EV/EBITDA	8.41	7.27	7.31	7.31
BVPS (AED)	1.067	1.103	1.182	1.250
EPS (AED)	0.242	0.239	0.247	0.243
DPS (AED)	0.156	0.163	0.172	0.180
Dividend Yield	5.0%	5.2%	5.5%	5.7%

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	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	4,670	4,326	4,060	-13.0%	-6.1%	18,509	19,180	3.6%
Direct Cost	2,797	2,446	2,385	-14.7%	-2.5%	10,622	11,169	5.1%
<b>Gross Profit</b>	<b>1,872</b>	<b>1,880</b>	<b>1,676</b>	<b>-10.5%</b>	<b>-10.9%</b>	<b>7,887</b>	<b>8,011</b>	<b>1.6%</b>
Other Operating income	297	293	241	-18.7%	-17.5%	1,134	1,137	0.2%
Share of profit of equity-accounted investee	129	78	104	-20.0%	32.2%	428	414	-3.3%
Recharges to equity accounted investees	146	153	155	6.0%	1.7%	598	633	6.0%
Employee benefit expenses	-275	-253	-279	1.5%	10.5%	-1,105	-1,245	12.7%
Other operating and admin costs	-68	-127	-92	36.0%	-27.5%	-386	-416	7.7%
Share of operating costs in equity-accounted investee	-60	-69	-63	4.3%	-8.5%	-252	-300	19.2%
Inventory Consumption	-17	-1	-11	-33.8%	NM	-53	-56	5.4%
Other expenses	-47	-70	-70	48.2%	0.2%	-231	-211	-8.7%
<b>EBITDA</b>	<b>1,978</b>	<b>1,885</b>	<b>1,660</b>	<b>-16.0%</b>	<b>-11.9%</b>	<b>8,021</b>	<b>7,967</b>	<b>-0.7%</b>
Depreciation and amortisation	-285	-361	-329	15.4%	-8.9%	-1,299	-1,316	1.3%
<b>EBIT</b>	<b>1,693</b>	<b>1,523</b>	<b>1,331</b>	<b>-21.3%</b>	<b>-12.6%</b>	<b>6,721</b>	<b>6,651</b>	<b>-1.0%</b>
Finance Income	40	28	30	-24.2%	5.8%	105	120	14.6%
Finance Cost	-45	-41	-41	-10.3%	-1.8%	-177	-163	-7.9%
<b>Profit before tax</b>	<b>1,687</b>	<b>1,510</b>	<b>1,321</b>	<b>-21.7%</b>	<b>-12.5%</b>	<b>6,649</b>	<b>6,609</b>	<b>-0.6%</b>
Income Tax expense	417	337	308	-26.1%	-8.6%	1,483	1,528	3.0%
<b>Net profit</b>	<b>1,270</b>	<b>1,174</b>	<b>1,012</b>	<b>-20.3%</b>	<b>-13.7%</b>	<b>5,166</b>	<b>5,080</b>	<b>-1.7%</b>

FABS Estimate & Co Data

**ADNOC Gas- Margins**

	<b>1Q25</b>	<b>4Q25</b>	<b>1Q26F</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2025</b>	<b>2026F</b>	<b>Change</b>
Gross Profit	40.1%	43.5%	41.3%	117	-438	42.6%	41.8%	-84
EBITDA	42.4%	43.6%	40.9%	-146	-444	43.3%	41.5%	-179
Net Profit	27.2%	27.1%	24.9%	-226	-480	27.9%	26.5%	-142

*FABS estimate and Co data*

## 1Q26 preview: Dana Gas

KRI Production Suspension Expected to Impact Revenues

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.93	AED 1.15	+24.1%	BUY

### 1Q26 estimate

Dana Gas PJSC's ("Dana" or "the Company") net profit is expected to decline 30.7% YOY to USD 30 Mn in 1Q26, mainly due to an increase in operating costs, general & administrative expenses, lower investment & finance income coupled with higher income tax expenses partially offset by increased revenue. Dana's revenue is expected to increase 3.3% YOY to USD 94 Mn in 1Q26 due to shutdown of Khor Mor gas facility in KRI. Royalties are forecasted to decline 7.2% YOY to USD 15 Mn in 1Q26. Thus, net revenue is expected to increase 5.6% YOY to USD 79 Mn in 1Q26. Operating cost is anticipated to increase 55.8% YOY to USD 42 Mn in 1Q26. Overall, the gross profit is expected to decline from USD 48 Mn in 1Q25 to USD 37 Mn in 1Q26, owing to the increased operating costs as compared to increase in revenue. Gross Profit margins are also anticipated to decrease from 52.7% in 1Q25 to 39.5% in 1Q26. G&A expenses are expected to rise from USD 3 Mn in 1Q25 to USD 4 Mn in 1Q26, while other expenses are forecasted to increase to USD 1 Mn in 1Q26 compared to nil in 1Q25. Investment & finance income is also anticipated to decrease from USD 4 Mn in 1Q25 to USD 3 Mn in 1Q26. Operating profit is expected to decline 26.8% YOY to USD 35 Mn in 1Q26, while the operating profit margin is projected to decline from 52.7% in 1Q25 to 37.4% in 1Q26. The Company's EBITDA is projected to decline 15.1% YOY to USD 49 Mn in 1Q26, and the EBITDA margin is anticipated to decline from 63.7% in 1Q25 to 52.4% in 1Q26. Finance costs are expected to decrease 17.6% YOY to USD 2 Mn in 1Q26, while income tax expense is anticipated to increase to USD 4 Mn in 1Q26, compared to USD 3 Mn in 1Q25.

### 2026 forecast

Dana's net profit is expected to increase 44.2% YOY to USD 187 Mn in 2026, primarily due to an anticipated increase in revenue, lower other and finance expenses, absence of impairment of financial assets, and higher investment & finance income, partially offset by an expected increase in royalties, operating costs, general and administrative expenses, and income tax charges. Dana Gas's revenue is expected to increase 36.9% YOY to USD 476 Mn in 2026. Royalties are anticipated to increase 41.8% YOY to USD 72 Mn in 2026. Resultantly, net revenue is expected to rise 36.0% YOY to USD 404 Mn in 2026. Operating cost is predicted to increase 47.0% YOY to USD 178 Mn in 2026. Thus, gross profit is anticipated to increase 28.5% YOY to USD 226 Mn in 2026 with margins expected to decline 311 bps YOY to 47.5% in 2026. G&A expenses are projected to increase 71.2% YOY to USD 21 Mn in 2026. Whereas, investment & finance income is expected to increase 19.1% YOY to USD 14 Mn in 2026. Other expenses are projected to decline from USD 7 Mn in 2025 to USD 4 Mn in 2026. Impairment of financial assets is expected to be nil in 2026, compared to USD 4 Mn in 2025. Hence, operating profit is expected to increase 41.1% YOY to USD 217 Mn in 2026, with operating profit margins to increase from 44.3% in 2025 to 45.6% in 2026. The Company's EBITDA is projected to increase 26.1% YOY to USD 271 Mn in 2026 with EBITDA margin expected to decrease from 61.8% in 2025 to 56.9% in 2026. Finance costs are expected to decline from USD 8 Mn in 2025 to USD 7 Mn in 2026. Dana's income tax expenses are anticipated to increase 44.8% YOY to USD 23 Mn in 2026.

### 4Q25 outturn

Dana's revenue declined from USD 159 Mn in 4Q24 to USD 93 Mn in 4Q25, primarily due to lower Egypt volumes and softer realized oil prices, partly offset by improved Egypt gas pricing and stable KRI volumes. The Company's average production increased marginally from 55,300 boepd in 4Q24 to 55,900 boepd in 4Q25. Notably, KRI's average production witnessed a 4.5% YOY increase to 42,500 boepd in 4Q25. Egypt reported an 8.2% YOY decline to 13,400 boepd in 4Q25, mainly due

to natural field decline across its Egyptian assets. Royalty payments declined from USD 52 Mn in 4Q24 to USD 12 Mn in 4Q25. However, net revenue fell 24.3% YOY to USD 81 Mn in 4Q25, as the benefit from lower royalties was offset by weaker topline performance. Operating costs rose from USD 32 Mn in 4Q24 to USD 35 Mn in 4Q25, leading to a 38.7% YOY contraction in gross profit to USD 46 Mn in 4Q25. Furthermore, Dana's G&A expenses increased from USD 2 Mn in 4Q24 to USD 3 Mn in 4Q25, while investment and finance income declined 33.3% YOY to USD 2 Mn in 4Q25. Impairment charges declined significantly, with impairments of financial assets remaining flat at USD 1 Mn, while impairments of PPE, inventory, and intangible assets fell to USD 8 Mn in 4Q25 from USD 33 Mn in 4Q24. Moreover, Dana's operating profit declined 16.7% YOY to USD 35 Mn in 4Q25, while operating profit margin expanded from 26.4% in 4Q24 to 37.6% in 4Q25.

### **Target price and recommendation**

We maintain our BUY rating on Dana Gas with a target price of AED 1.15. Dana reported a decline in profitability during 4Q25, primarily due to lower production in Egypt and a softer average Brent price environment. Despite this, FY2025 represented a transformational year for the Company, supported by the successful completion of the KM250 expansion project at the Khor Mor field in October 2025, which increased total gas processing capacity to 750 MMscf/d. Peak output has already exceeded 700 MMscf/d during periods of elevated demand. Dana's production reached c.70 kboe/d in January 2026, marking the highest level since 2018, and is expected to increase to c.75 kboe/d following the commissioning of the Khor Mor common-user pipeline in 2H26, which will enable sustained full-capacity utilisation across gas, condensate and LPG streams. However, the recently announced temporary shutdown at the Khor Mor field amid the prevailing regional security situation is likely to weigh on the Company's full-year production. Furthermore, the Company's KM250 project is expected to contribute up to USD 150 Mn in incremental annual revenue at full ramp-up, strengthening cash flow visibility. All incremental gas from KM250 is currently directed toward domestic power generation, fully covering regional electricity demand, with industrial demand expected to emerge only after Chemchemical comes onstream. Additionally, the Company's next growth phase in the KRI is centred on the Chemchemical field, where Pearl Petroleum has committed a USD 160 Mn investment programme to drill appraisal wells and install early production facilities. In January 2026, the consortium signed long-term Gas Sales Agreements to supply up to 142 MMscf/d to six industrial customers, marking the start of commercialisation and potentially increasing the Company's revenues by c.35% once the project reaches full capacity. In Egypt, continued execution of the drilling and workover programme supported operational resilience, with four wells drilled and three recompletions completed in 2025, adding c. 30 MMscf/d of incremental production and 36 Bcf of reserves. Dana has further planned seven additional wells planned for 2026 which are expected to stabilise output and materially reduce rates. Dana also recorded receipt of USD 50 Mn (AED 183 Mn) from the Egyptian government in December 2025 significantly reduced overdue receivables and reinforced the improved fiscal framework supporting upstream investment. Furthermore, the Company maintained a strong balance sheet with a net cash position of USD 215 Mn (including USD 107 Mn held at the Pearl JV). The Board has approved a cash dividend of 6.5 fils per share for 2025, implying a total payout of AED 454 Mn, reflecting the Company's robust liquidity position and improved cash flow visibility following the commissioning of the KM250 gas expansion project in the KRI, subject to shareholder approval. Collectively, production growth following the KM250 expansion, improved receivables recovery, expanding gas sales and a strengthened balance sheet support a structurally stronger earnings trajectory over 2026–2027. Dana Gas temporarily suspended production at the Khor Mor field in late February 2026 as a precautionary measure amid regional security concerns, in coordination with local authorities. Operations have since resumed in April following a period of intermittent activity, with the company maintaining operational readiness and prioritizing the safety of personnel and assets throughout. Hence, based on the above-mentioned factors, we maintain our BUY rating on the stock.

**Dana Gas- Relative Valuation**

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	5.60	9.69	11.01	11.67	13.55	9.40
PB	0.77	0.77	0.74	0.70	0.69	0.67
EV/EBITDA	6.60	5.50	7.33	6.67	8.39	6.34
BVPS (USD)	1.204	1.207	1.245	1.324	1.337	1.381
EPS (USD)	0.165	0.095	0.084	0.079	0.068	0.098
DPS (AED)	0.080	0.090	NA	0.055	0.065	0.055
Dividend Yield	8.6%	9.7%	NA	5.9%	7.0%	5.9%

FABS Estimate & Co Data

**Dana Gas- P&L**

USD Mn	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
Revenue	91	93	94	3.3%	1.1%	348	476	36.9%
Royalties	-16	-12	-15	-7.2%	23.7%	-51	-72	41.8%
<b>Net Revenue</b>	<b>75</b>	<b>81</b>	<b>79</b>	<b>5.6%</b>	<b>-2.3%</b>	<b>297</b>	<b>404</b>	<b>36.0%</b>
Operating Costs	-27	-35	-42	55.8%	20.2%	-121	-178	47.0%
<b>Gross Profit</b>	<b>48</b>	<b>46</b>	<b>37</b>	<b>-22.7%</b>	<b>-19.3%</b>	<b>176</b>	<b>226</b>	<b>28.5%</b>
G&A expenses	-3	-3	-4	48.9%	48.9%	-12	-21	71.2%
Investment & finance income	4	2	3	-24.8%	50.4%	12	14	19.1%
Other Expenses	0	-2	-1	NM	-62.4%	-7	-4	-45.6%
Impairment of fin. assets	-1	-1	0	NM	NM	-4	0	NM
<b>Operating Profit</b>	<b>48</b>	<b>35</b>	<b>35</b>	<b>-26.8%</b>	<b>0.4%</b>	<b>154</b>	<b>217</b>	<b>41.1%</b>
<b>EBITDA</b>	<b>58</b>	<b>59</b>	<b>49</b>	<b>-15.1%</b>	<b>-16.6%</b>	<b>215</b>	<b>271</b>	<b>26.1%</b>
Finance costs	-2	-4	-2	-17.6%	-58.8%	-8	-7	-17.6%
<b>Profit Before Tax</b>	<b>46</b>	<b>31</b>	<b>33</b>	<b>-27.2%</b>	<b>8.0%</b>	<b>146</b>	<b>211</b>	<b>44.3%</b>
Income tax expense	-3	-4	-4	<b>22.8%</b>	-7.9%	-16	-23	44.8%
<b>Net profit</b>	<b>43</b>	<b>27</b>	<b>30</b>	<b>-30.7%</b>	<b>10.4%</b>	<b>130</b>	<b>187</b>	<b>44.2%</b>

FABS estimate & Co Data

**Dana Gas- Margins**

	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
Gross Profit	52.7%	49.5%	39.5%	NM	-999	50.6%	47.5%	-311
Operating Profit	52.7%	37.6%	37.4%	NM	-26	44.3%	45.6%	135
EBITDA	63.7%	63.4%	52.4%	NM	NM	61.8%	56.9%	-488
Net Profit Margin	47.3%	29.0%	31.7%	NM	267	37.4%	39.4%	200

FABS estimate and Co data

## 1Q26 preview: **NMDC Energy**

Robust Backlog unwinding to support top line

<b>Current Price</b> AED 2.81	<b>Target Price</b> AED 3.80	<b>Upside/Downside (%)</b> +35.2%	<b>Rating</b> BUY
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### 1Q26 Estimate

NMDC Energy's ("NMDC"/ "the Company") net profit is expected to increase 86.9% YOY to AED 404 Mn in 1Q26, driven by projected rise in revenue along with decreased finance costs partially offset by increased direct costs, other operating expenses, General & admin expenses along with decline in finance income and increased income tax expenses. NMDC's revenue is expected to increase 37.2% YOY to AED 5,124 Mn in 1Q26 driven by robust backlog unwinding. The direct costs are projected to rise 32.8% YOY to AED 4,560 Mn in 1Q26. As a result, gross profit is likely to expand from AED 301 Mn in 1Q25 to AED 564 Mn in 1Q26, with gross profit margins expected to increase 341 bps YOY to 11.0% in 1Q26. The Company's other operating expenses is projected to increase 32.5% YOY to AED 77 Mn in 1Q26, whereas general & admin expenses are expected to increase 9.0% YOY to AED 27 Mn in 1Q26. Moreover, the Company is expected to record net other income of AED 3 Mn in 1Q26 compared to net other expenses of AED 5 Mn in 1Q25. Hence, operating profit is anticipated to increase from AED 218 Mn in 1Q25 to AED 462 Mn in 1Q26 with operating profit margin anticipated to increase 249 bps YOY to 9.0% in 1Q26. EBITDA is expected to increase 12.4% YOY to AED 347 Mn in 1Q26 with EBITDA margin projected to expand 339 bps YOY to 6.8% in 1Q26. Finance income is expected to decline 6.9% YOY to AED 24 Mn in 1Q26, while finance costs are forecasted to decline 19.2% YOY to AED 10 Mn. NMDC's income tax is expected to increase from AED 14 Mn in 1Q25 to AED 72 Mn in 1Q26. Additionally, non-controlling interest is projected to remain flat at AED 1 Mn in 1Q26 and 1Q25.

### 2026 Forecast

NMDC Energy's net profit is expected to increase 10.2% YOY to AED 1,764 Mn in 2026, driven by projected rise in revenue along with decreased direct costs and general & admin expenses, partially offset by increased finance costs, other operating expenses, along with decline in finance income and increased income tax expenses. NMDC's revenue is expected to increase 1.0% YOY to AED 18,851 Mn in 2026 driven by robust backlog unwinding. The direct costs are projected to decline 0.3% YOY to AED 16,411 Mn in 2026. As a result, gross profit is likely to expand 11.0% YOY to AED 2,440 Mn in 2026 with gross profit margins expected to increase 117 bps YOY to 12.9% in 2026. The Company's other operating expenses is projected to increase 1.0% YOY to AED 280 Mn in 2026, whereas general & admin expenses are expected to decline 5.0% YOY to AED 152 Mn in 2026. Moreover, the Company is expected to record net other income of AED 12 Mn in 2026 compared to net other expenses of AED 17 Mn in 2025. Hence, operating profit is anticipated to increase 16.6% YOY to AED 2,021 Mn in 2026 with operating profit margin anticipated to increase 143 bps YOY to 10.7% in 2026. EBITDA is expected to increase 14.9% YOY to AED 2,482 Mn in 2026 with EBITDA margin projected to expand 159 bps YOY to 13.2% in 2026. Finance income is expected to decline 10.3% YOY to AED 98 Mn in 2026, while finance costs are forecasted to increase 4.7% YOY to AED 41 Mn. NMDC's income tax is expected to increase from AED 200 Mn in 2025 to AED 312 Mn in 2026. Additionally, non-controlling interest is projected to remain flat at AED 2 Mn in 2026.

### 4Q25 Outturn

NMDC Energy's revenue increased 21.3% YOY to AED 5,650 Mn in 4Q25, on the back of strong backlog execution. Revenue earned from the Local market increased 58.6% YOY to AED 4,127 Mn, but contribution from international markets decreased 25.9% to AED 1,523 Mn in 4Q25, making the UAE the core market. The Company's backlog stood at AED 40.1 Bn in 4Q25, with 80% of backlog coming from the Local (UAE) market and the remaining 20% from international markets. The Company's direct cost increased 16.6% YOY to AED 4,729 Mn in 4Q25 on account of higher revenue.

NMDC Energy's gross profit increased significantly from AED 600 Mn in 4Q24 to AED 921 Mn in 4Q25. As a result, gross profit margin increased 341 bps YOY to 16.3% in 4Q25. This is the highest gross margin it has reported in the last eight quarters. G&A expenses almost doubled from AED 36 Mn in 4Q24 to AED 70 Mn in 4Q25, with the other operating expenses growing 20.1% YOY to AED 95 Mn in 4Q25. Other income declined from AED 35 Mn in 4Q24 to AED 3 Mn in 4Q25. Meanwhile, the Company's EBITDA increased significantly from AED 580 Mn in 4Q24 to AED 895 Mn in 4Q25, reflecting strong project execution and operational excellence. Thus, EBITDA margin increased 339 bps YOY to 15.8% in 4Q25. NMDC Energy's operating profit increased 49.0% YOY to AED 757 Mn in 4Q25, with the operating profit margin increasing 249 bps YOY to 13.4% in 4Q25. The Company's finance costs declined 43.6% YOY to AED 7 Mn in 4Q25, while finance income decreased 37.0% YOY to AED 22 Mn. Furthermore, income tax expenses increased significantly from AED 27 Mn in 4Q24 to AED 120 Mn in 4Q25 due to an increase in the Company's tax rate.

### **Target price and recommendation**

We maintain our BUY rating on NMDC Energy with a revised target price of AED 3.80. NMDC Energy reported higher profitability in 4Q25, driven by strong backlog execution. As of 2025, NMDC Energy's backlog stood at AED 40.1 Bn, with 80% from Local markets and 20% from international markets, while Offshore projects accounted for 63% and Onshore projects for 37% of the total backlog. In 2025, NMDC Energy secured AED 13.9 Bn of new project awards, including an AED 9.7 Bn offshore EPC project in the UAE awarded in March 2025 with expected completion within 57 months from commencing, along with an AED 4.2 Bn subsea gas pipeline EPC project in Taiwan awarded in January 2025, further strengthening revenue visibility. The Company has submitted bids worth c. AED 11 Bn across eight projects, including seven for Saudi Aramco and one for ONGC India and ADNOC's plan to increase production from the Upper Zakum project from 1 Mn barrels to 1.5 Mn barrels. Additionally, projects pending submission represent a sizeable opportunity of c. AED 46 Bn, supporting strong medium-term revenue visibility. This brings the Company's pipeline c. AED 58.6 Bn with an expected win rate of 20%-25%. Strategic partnerships signed during the year enhance execution capabilities and long-term growth prospects. These include MoUs with CITIC Steel to secure high-quality supply, Baker Hughes to localize key products across the MENATI region and Saudi Arabia, and additional collaborations with HHI, Energy Masters Enterprises and Engineers India Limited to jointly pursue offshore and onshore EPC opportunities across regional and international markets. Geographically, the Company expects a gradual diversification of revenues, with the UAE remaining the core market, while contributions from international market increasing over time, driven by new project wins and expansion into new geographies. M&A remains a key strategic pillar, with management targeting acquisitions of up to USD 500 Mn per deal to expand offshore and onshore capabilities across North Africa, Europe and Asia, with financial contribution expected from 2027 onwards, without compromising margins. Additionally, NMDC Energy's planned capex is focused on fleet expansion and yard modernization, including the acquisition of a dual-purpose heavy vessel capable of serving both conventional and renewable energy projects. In parallel, the Company plans to continue investing in advanced yard technologies, further automation and robotics to enhance execution efficiency and capabilities. The Company reiterated confidence in margin sustainability, supported by disciplined project selection, backward integration and synergy benefits from expansion initiatives. Macroeconomically, the medium-term outlook remains strong, underpinned by a USD 33 Bn oil & gas opportunity in the UAE and Saudi Arabia, USD 35 Bn regional onshore opportunities, USD 40 Bn offshore wind potential, and the development of recurring OPEX-based revenues from long-term operating projects. Additionally, NMDC Energy approved to pay a dividend of AED 800 Mn (16 fils per share) in 2025 and aims to maintain a payout ratio of 50% for the next three years, starting from 2025 until 2027, reflecting balance sheet strength. Thus, considering the above factors, we assign a BUY rating on the stock.

**NMDC Energy - Relative Valuation**

(at CMP)	2024	2025	2026F
PE	10.08	8.84	8.02
PB	2.71	2.30	1.99
EV/EBITDA	5.92	4.65	4.02
BVPS (AED)	1.044	1.231	1.424
EPS (AED)	0.281	0.320	0.353
DPS (AED)	0.140	0.160	0.176
Dividend Yield	5.0%	5.7%	6.3%

FABS Estimate & Co Data

\*As NMDC Energy is listed in 2024, multiples for the prior period are not available

**NMDC Energy- P&L**

AED Mn	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
Contract revenue	3,735	5,650	5,124	37.2%	-9.3%	18,662	18,851	1.0%
Direct costs	-3,434	-4,729	-4,560	32.8%	-3.6%	-16,464	-16,411	-0.3%
<b>Gross profit</b>	<b>301</b>	<b>921</b>	<b>564</b>	<b>87.4%</b>	<b>-38.8%</b>	<b>2,198</b>	<b>2,440</b>	<b>11.0%</b>
Other operating expenses	-58	-95	-77	32.5%	-19.4%	-277	-280	1.0%
G&A expenses	-25	-70	-27	9.0%	-61.2%	-160	-152	-5.0%
Other income, net	-5	3	3	NM	-10.0%	-17	12	-170.9%
<b>EBIT</b>	<b>218</b>	<b>757</b>	<b>462</b>	<b>NM</b>	<b>-38.9%</b>	<b>1,733</b>	<b>2,021</b>	<b>16.6%</b>
<b>EBITDA</b>	<b>309</b>	<b>895</b>	<b>347</b>	<b>12.4%</b>	<b>-61.2%</b>	<b>2,160</b>	<b>2,482</b>	<b>14.9%</b>
Finance income	26	22	24	-6.9%	13.0%	109	98	-10.3%
Finance costs	-13	-7	-10	-19.2%	41.6%	-39	-41	4.7%
<b>Profit / (loss) before tax</b>	<b>231</b>	<b>772</b>	<b>477</b>	<b>NM</b>	<b>-38.2%</b>	<b>1,803</b>	<b>2,078</b>	<b>15.3%</b>
Income tax expense	-14	-120	-72	NM	-40.5%	-200	-312	55.5%
<b>Profit for the year</b>	<b>217</b>	<b>651</b>	<b>405</b>	<b>86.7%</b>	<b>-37.8%</b>	<b>1,602</b>	<b>1,766</b>	<b>10.2%</b>
NCI	1	0	1	27.2%	NM	2	2	10.2%
<b>Net Profit after NCI</b>	<b>216</b>	<b>651</b>	<b>404</b>	<b>86.9%</b>	<b>-37.9%</b>	<b>1,601</b>	<b>1,764</b>	<b>10.2%</b>

FABS estimate & Co Data

**NMDC Energy - Margins**

	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
Gross Profit	8.1%	16.3%	11.0%	341	620	11.8%	12.9%	117
Operating Profit	5.8%	13.4%	9.0%	249	582	9.3%	10.7%	143
EBITDA	8.3%	15.8%	6.8%	339	610	11.6%	13.2%	159
Net Profit Margin	5.8%	11.5%	7.9%	73	395	8.6%	9.4%	78

FABS estimate and Co data

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