# ADNOC Distribution: SDSA acquisition adds scale and earnings

**Acquisition adds scale and earnings at an attractive valuation:** The acquisition of Shell Downstream South Africa (SDSA) strengthens ADNOC Distribution's international footprint and earnings base. ADNOC Distribution is acquiring SDSA at 6.0x EV/EBITDA, substantially below ADNOC Distribution's own trading multiple of c.12x. The transaction is expected to increase EBITDA by approximately 13% and net profit by around 6%, while expanding the network to more than 1,600 service stations and more than 900 convenience stores. The acquisition is expected to be earnings accretive in the first full year following completion.

**Potential for EBITDA uplift:** Management identified three value creation levers: fuel retail optimisation, non-fuel retail expansion, and commercial business growth. These initiatives are expected to generate an additional USD 30-40m EBITDA uplift over time. Beyond operational improvements, South Africa's reliance on imported refined products could create additional opportunities for supply chain integration across the wider ADNOC ecosystem, which could support margins, procurement economics, and longer-term earnings growth for ADNOC Distribution.

**Illustrative valuation suggests additional upside:** We maintain our Buy rating on ADNOC Distribution with an unchanged fair value of AED 4.65 per share, implying around 18% upside from the last trading price. We have not incorporated the transaction into our formal forecasts or valuation pending further financial disclosure and integration details from management. However, we estimate that SDSA could contribute approximately AED 0.25 per share to ADNOC Distribution's valuation, taking our implied fair value to AED 4.90 per share. This analysis is purely illustrative.

**Acquisition appears financially attractive:** Overall, we view the SDSA acquisition as a strategically and financially compelling transaction. The business is being acquired at attractive valuation multiples, offers meaningful scale benefits, provides exposure to a mature and resilient fuel market, and creates several avenues for future earnings growth. Combined with ADNOC Distribution's strong balance sheet and proven integration track record, the transaction has the potential to generate meaningful long-term value for shareholders.

ADNOC Distribution
(ADNOCDIS UH)

**MAINTAIN AT BUY**

| Fair Value (AED) | Previous Fair Value (AED) |
|---|---|
| 4.65 | 4.65 |
| **Current Price (AED)** | **Upside/(Downside)** |
| 3.94 | +18% |

as of 17 July 2026

**Market Data**

| | |
|---|---|
| Market cap (AED m) | 49,250 |
| Market cap (USD m) | 13,410 |
| 3M ADTV (AED m) | 34.0 |
| Free float | 23% |
| BBG Ticker | ADNOCDIS UH |

as of 17 July 2026

## Financial summary

| Income statement, AED m | 2025A | 2026E | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|
| Revenue | 35,897 | 41,323 | 39,029 | 39,788 | 41,724 |
| Revenue growth | 1.2% | 15.1% | -5.6% | 1.9% | 4.9% |
| Gross profit | 6,946 | 7,189 | 7,189 | 7,392 | 7,695 |
| Gross margin | 19.3% | 17.4% | 18.4% | 18.6% | 18.4% |
| EBIT | 3,505 | 3,714 | 3,825 | 3,933 | 4,125 |
| Depreciation and amortisation | 776 | 788 | 818 | 848 | 875 |
| EBITDA | 4,282 | 4,502 | 4,644 | 4,781 | 5,000 |
| EBITDA margin | 11.9% | 10.9% | 11.9% | 12.0% | 12.0% |
| Net profit | 2,794 | 3,039 | 3,148 | 3,255 | 3,449 |
| Net margin | 7.8% | 7.4% | 8.1% | 8.2% | 8.3% |
| EPS, AED | 0.22 | 0.24 | 0.25 | 0.26 | 0.28 |
| DPS, AED | 0.21 | 0.21 | 0.21 | 0.21 | 0.22 |

Source: Company filings, ADCB estimates

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20 July 2026
Energy

# ADNOC Distribution — Financial statements and ratios

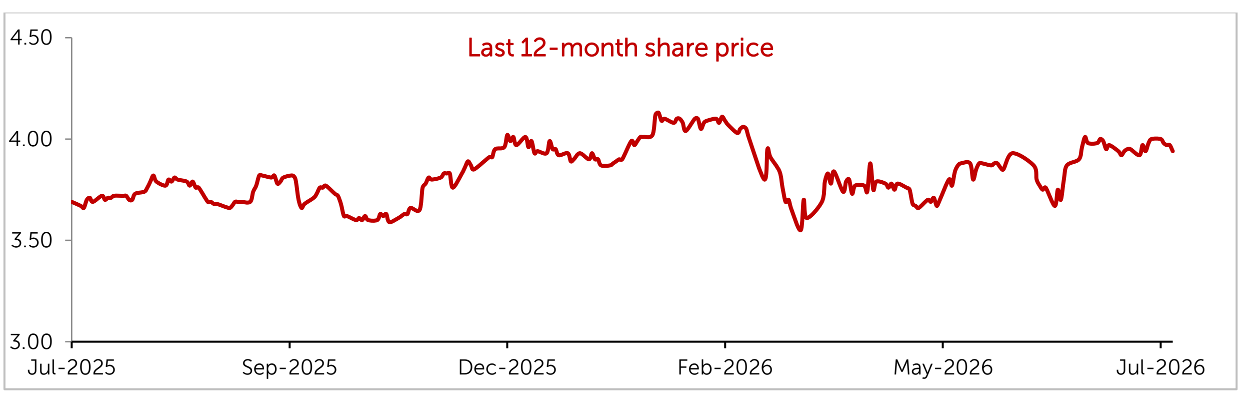
| Year | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Profit & loss summary (AED m)** | | | | |
| Revenue | 35,897 | 41,323 | 39,029 | 39,788 |
| EBITDA | 4,282 | 4,502 | 4,644 | 4,781 |
| D&A | 776 | 788 | 818 | 848 |
| EBIT | 3,505 | 3,714 | 3,825 | 3,933 |
| Net interest | 332 | 290 | 271 | 261 |
| PBT | 3,174 | 3,424 | 3,554 | 3,672 |
| Net profit | 2,794 | 3,039 | 3,148 | 3,255 |
| Adjusted net profit | 2,513 | 3,001 | 3,148 | 3,255 |
| **Balance sheet summary (AED m)** | | | | |
| Tangible assets/PPE | 8,032 | 8,351 | 8,608 | 8,828 |
| Non-current assets | 10,149 | 10,355 | 10,504 | 10,620 |
| Cash | 2,561 | 3,015 | 3,116 | 3,770 |
| Current assets | 7,526 | 8,800 | 8,795 | 9,678 |
| Total assets | 17,675 | 19,155 | 19,298 | 20,298 |
| Current liabilities | 6,965 | 8,491 | 8,149 | 8,589 |
| Total debt | 5,546 | 5,446 | 5,346 | 5,246 |
| Net debt | 2,985 | 2,431 | 2,230 | 1,476 |
| Total liabilities | 14,215 | 15,158 | 14,674 | 14,973 |
| Shareholders' equity | 3,230 | 3,699 | 4,276 | 4,927 |
| **Cash flow summary (AED m)** | | | | |
| Cash from operations | 3,922 | 4,455 | 4,056 | 4,629 |
| Capex | 1,181 | 946 | 922 | 922 |
| Free cash flow[1] | 2,741 | 3,509 | 3,135 | 3,707 |
| Cash from investment | (1,128) | (881) | (846) | (844) |
| Dividends | 2,599 | 2,571 | 2,571 | 2,604 |

| Year | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Growth** | | | | |
| Revenue | 1.2% | 15.1% | -5.6% | 1.9% |
| EBITDA | 11.1% | 5.2% | 3.1% | 3.0% |
| EBIT | 14.2% | 6.0% | 3.0% | 2.8% |
| Net profit | 15.4% | 8.8% | 3.6% | 3.4% |
| Adjusted net profit | 14.3% | 19.4% | 4.9% | 3.4% |
| **Margin** | | | | |
| EBITDA | 11.9% | 10.9% | 11.9% | 12.0% |
| EBIT | 9.8% | 9.0% | 9.8% | 9.9% |
| Net profit | 7.8% | 7.4% | 8.1% | 8.2% |
| Adjusted net profit | 7.0% | 7.3% | 8.1% | 8.2% |
| **Return metrics** | | | | |
| ROIC[2] | 53.1% | 54.6% | 54.5% | 54.8% |
| ROCE[3] | 29.5% | 31.5% | 31.6% | 31.0% |
| ROE | 89.8% | 87.7% | 79.0% | 70.7% |
| ROA | 15.6% | 16.5% | 16.4% | 16.4% |
| **Leverage ratio** | | | | |
| Net debt/EBITDA | 0.7 | 0.5 | 0.5 | 0.3 |
| Interest coverage ratio[4] | 12.9 | 15.5 | 17.1 | 18.3 |
| **Per share data** | | | | |
| EPS, USD | 0.06 | 0.07 | 0.07 | 0.07 |
| EPS, AED | 0.22 | 0.24 | 0.25 | 0.26 |
| DPS, USD | 0.06 | 0.06 | 0.06 | 0.06 |
| DPS, AED | 0.21 | 0.21 | 0.21 | 0.21 |
| Book value, AED | 0.26 | 0.30 | 0.34 | 0.39 |

| Year | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|
| **Valuation ratio** | | | | |
| EV/Sales | 1.5 | 1.3 | 1.3 | 1.3 |
| EV/EBITDA | 12.2 | 11.7 | 11.3 | 11.0 |
| P/E | 17.6 | 16.2 | 15.6 | 15.1 |
| P/B | 15.2 | 13.3 | 11.5 | 10.0 |
| FCF yield | 5.6% | 7.1% | 6.4% | 7.5% |
| Dividend yield | 5.2% | 5.2% | 5.2% | 5.3% |

| Market data | |
|---|---|
| Company name | ADNOC Distribution |
| Bloomberg ticker | ADNOCDIS UH |
| Share price (AED) | 3.94 |
| Fair value (AED) | 4.65 |
| Upside/(Downside) | 18% |
| Rating | Buy |
| Market value (USD m) | 13,410 |

Source: Company data, ADCB estimates
Note: 1. FCF = CFO – Capex; 2. ROIC: EBIT (1 – tax)/ (Debt + Shareholders' equity – cash); 3. ROCE: EBIT (1-tax)/ (Total assets – current liabilities); 4. Interest coverage ratio = EBITDA/net interest.




Source: Bloomberg

# Acquisition of SDSA followed by a planned minority sell down

ADNOC Distribution announced the acquisition of 100% of Shell Downstream South Africa (SDSA) at an enterprise value of approximately USD 1bn. The consideration implies an acquisition multiple of approximately 6.0x EV/EBITDA, corresponding to implied annual EBITDA of approximately USD 167m.

The enterprise value consists of an estimated equity value of USD 600m and c. USD 400m of SDSA debt, including lease liabilities. Excluding leases, SDSA's net debt is estimated at USD 330m to USD 335m, equivalent to the targeted leverage of c. 2.0x EBITDA.

After closing, ADNOC Distribution plans to sell a 28% interest to a local empowerment partner and an Employee Share Ownership Plan, in line with South African regulations. We believe the sell down would reduce ADNOC Distribution's net equity investment to around USD 400m. ADNOC Distribution would retain a 72% controlling interest.

The acquisition would be funded through a combination of debt and partner contributions. Approximately 50% of the transaction funding would be provided at the ADNOC Distribution level, while 40% would refinance existing rand denominated, nonrecourse debt at SDSA. The remaining 10% would be contributed by the local empowerment partner.

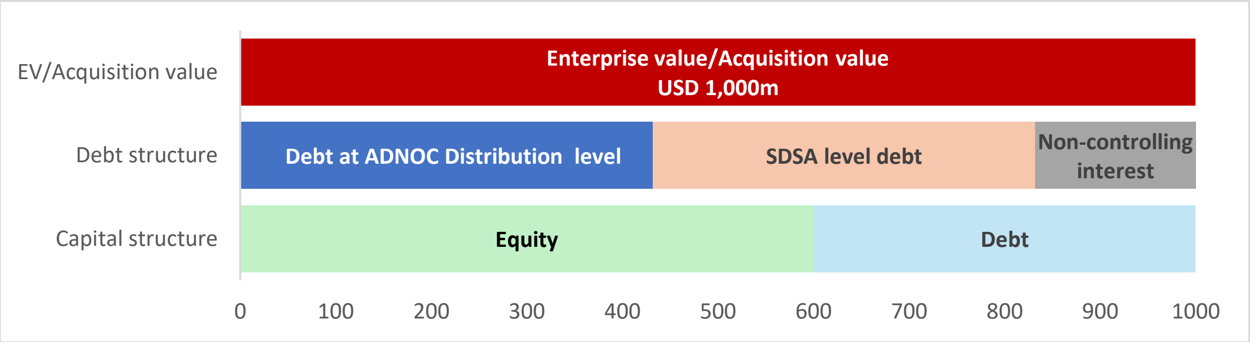
ADNOC Distribution's net equity consideration is c. USD 400m and is expected to be debt-funded. This represents close to 50% of the estimated total debt funding of USD 800m. The local debt also provides a partial natural hedge against movements in the South African rand. The transaction is expected to close in 2027, subject to regulatory approvals.

## Table 1: Acquisition summary

| USD m | |
|---|---|
| Enterprise value | 1,000 |
| Acquisition multiple | 6.0x |
| EBITDA estimate (Implied)[1] | 167 |
| Net debt/EBITDA at SDSA level | 2.0x |
| Net debt[2] | 333 |
| Net debt including leases[3] | 400 |
| Equity value | 600 |
| Total cash consideration for ADNOC Distribution (approx.)[4] | 400 |

Source: Company presentation, ADCB
Note:
1. Implied EBITDA is calculated by dividing the enterprise value of USD 1,000m by the acquisition multiple of 6x;
2. Net debt is estimated by applying the targeted net debt to EBITDA ratio of 2x to the implied EBITDA of approximately USD 167m;
3. Including lease liabilities, which form part of the enterprise value to equity value bridge, but are excluded from the pre-IFRS 16 leverage calculation;
4. Following the planned 28% sell down, ADNOC Distribution is expected to retain a 72% controlling interest in SDSA. Based on the estimated equity value of USD 600m, the sell down would imply proceeds of approximately USD 168m and a retained equity investment of approximately USD 432m. We use approximately USD 400m as an indicative estimate of ADNOC Distribution's net cash consideration, subject to final transaction adjustments.

## Chart 1: Acquisition capital structure

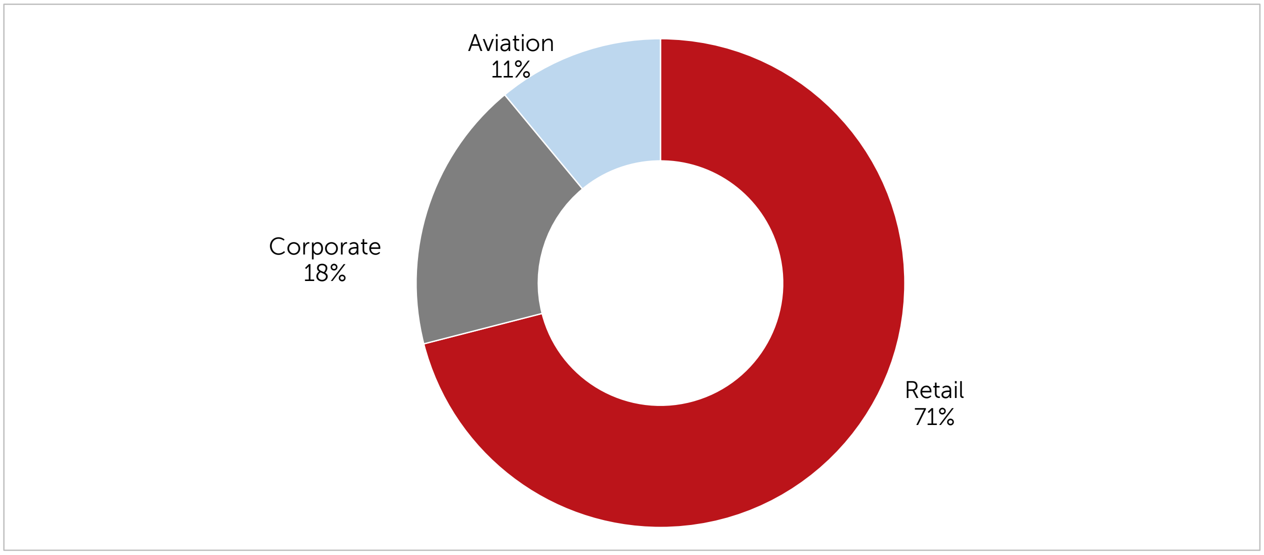



Source: Company presentation, ADCB

## Leading local fuel distributor

SDSA has more than 120 years of operating history and maintains an established presence across retail, corporate, aviation, and fuel supply. The company also operates six terminals with access to third-party terminals, supporting network coverage and supply resilience.

Chart 2: SDSA volume breakdown (2025A)




Source: Company presentation

### Retail: 71% of volume

SDSA is South Africa's third-largest fuel retailer by network size, operating 580 sites and selling more than 2.5bn litres annually. Approximately 75% of the network is concentrated in the country's three main economic hubs: Gauteng, KwaZulu-Natal, and the Western Cape. This concentration provides exposure to established demand centres.

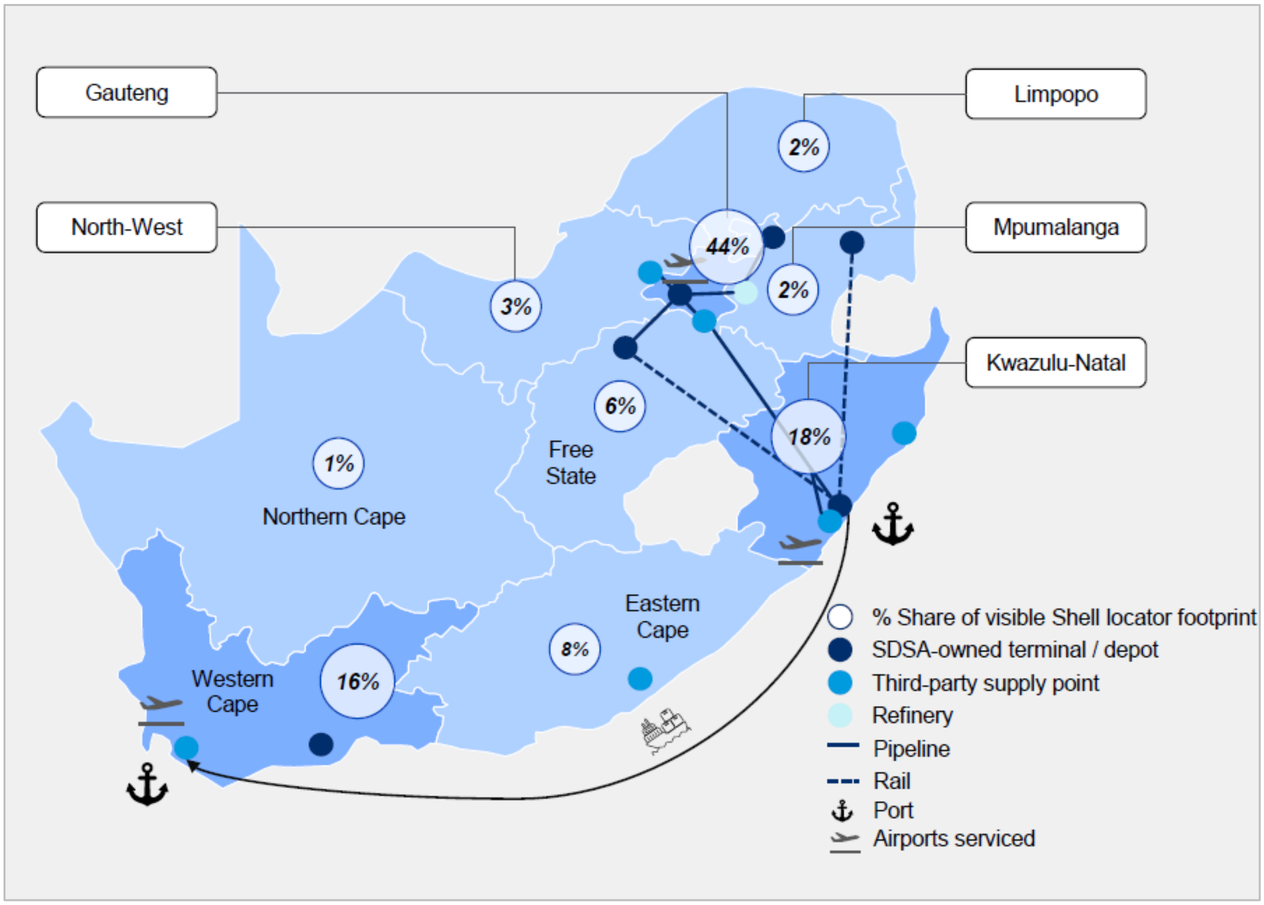
Average throughput is approximately 4.4m litres per site, more than 30% above the sector average. Around 50% of the network is freehold, providing operating flexibility and an underlying property interest. The network comprises 65% company-owned, dealer-operated sites and 35% dealer-owned, dealer-operated sites.

Table 2: CODO versus DODO comparison

| CODO (Company-owned, dealer-operated) | DODO (Dealer-owned, dealer-operated) |
|---|---|
| • Company owns or leases site and owns assets.<br>• Higher control of site performance.<br>• High capital intensity, rewarded through a higher share of retail fuel margin. | • Dealer owns/leases site and usually owns assets.<br>• Lower control of site performance.<br>• Low capital intensity. |

Source: Company presentation, ADCB

Figure 1: SDSA network




Source: Company presentation

### Corporate: 18% of volume

SDSA supplies commercial fuels to customers across key industries. The business is supported by an established supply chain and serves an existing client base, offering more than 30 lubricant products under the Shell brand.

### Aviation: 11% of volume

The company supplies fuel at three international airports and more than 15 major airlines. The aviation business is US dollar denominated, which limits foreign exchange exposure.

## Financial impact: Meaningful earnings growth

The proposed acquisition would expand ADNOC Distribution's network from 1,032 to approximately 1,600+ stations. Its convenience store network would also increase from around 540 outlets to approximately 900+, materially extending the company's retail presence.

SDSA's average fuel throughput is lower than that of ADNOC Distribution's existing network. Throughput is influenced by multiple factors, including station density, location, vehicle ownership, purchasing power, and traffic patterns. The UAE's GDP per capita on a purchasing power parity basis is approximately five times that of South Africa, which, in our view, supports higher vehicle usage and fuel consumption per person.

Within South Africa, approximately 64% of GDP is concentrated in Gauteng, KwaZulu-Natal, and the Western Cape. This concentration of economic activity may reduce average travel distances between major commercial and population centres, partly limiting fuel demand.

Notably, around 75% of SDSA's network is in these provinces, providing exposure to higher vehicle density, commercial activity, freight movement, and commuter traffic. This positioning supports SDSA's average throughput of approximately 4.4 million litres per station, more than 30% above the South African sector average.

Table 3: Network expansion

| Metric | ADNOC Distribution[1] | SDSA[2] | Combined (Pro forma) | Change |
|---|---|---|---|---|
| Stations | 1,032 | 580 | **1,612** | 56.2% |
| Convenience stores | 539 | 364 | **903** | 67.5% |
| Retail fuel volumes (litres, bn) | 11.0[3] | 2.5[5] | **13.5** | 22.4% |
| Volume per station (m) | 12.4[4] | 4.4 | **9.1[6]** | -26.6% |

Source: Company presentation, ADCB
Note: 1. As of 1Q26; 2. As of 2025; 3. 2025A; 4. ADNOC Distribution's average throughput (2025A) per operational station was calculated by excluding non-operational DOCO stations in Saudi Arabia; 5. Retail fuel volume; 6. In calculating pro forma throughput per station, we use approximately 890 operational ADNOC Distribution stations and exclude non-operational DOCO stations in Saudi Arabia from the station count.

### Transaction valuation below the ADNOC Distribution multiple

SDSA is being acquired at 6x EV/EBITDA and 8.8x earnings, compared with ADNOC Distribution's 2025 multiples of 12.2x and 17.6x, respectively. This represents discounts of approximately 51% and 50% on EV/EBITDA and P/E, respectively. The lower acquisition supports the financial rationale for the transaction.

SDSA also offers a free cash flow yield of 15%, compared with 5.6% for ADNOC Distribution. We believe the higher free cash flow yield supports dividend-paying capacity. Management expects the acquisition to increase ADNOC Distribution's net income by approximately 6% in the first full year following completion, which could support faster dividend growth for ADNOC Distribution shareholders.

Overall, the transaction is being conducted at a discount to ADNOC Distribution's trading valuation and is expected to increase earnings and free cash flow. This provides a basis for potential valuation upside and stronger dividend capacity.

Table 4: Multiple and FCF yield

| 2025A | ADNOC Distribution[1] | SDSA |
|---|---|---|
| EV/EBITDA | 12.2 | 6.0 |
| P/E | 17.6 | 8.8[2] |
| FCF yield | 5.6%[3] | 15% |

Source: Company presentation, ADCB
Note: 1. As of 17 July and net debt as of 1Q26; 2. Based on USD 400m ADNOC Distribution equity and USD 45.7m net income (6% of ADNOC Distribution net income); 3. Calculated as CFO – Capex/Market value.

### Material expansion in financials

Management expects the acquisition to increase ADNOC Distribution's EBITDA by approximately 13%, implying an incremental contribution of about USD 152m based on 2025 EBITDA of USD 1,166m. This is broadly consistent with the USD 167m implied by the enterprise value and acquisition multiple. Our estimates point to EBITDA of $150-165m, based on the acquisition valuation multiple and factoring in growth on the existing business.

Net profit is expected to increase by around 6%, implying an incremental contribution of approximately USD 46m. The lower increase in net profit relative to EBITDA reflects the additional interest expense associated with the debt-funded transaction, as well as the exclusion of the share attributable to non-controlling interests. The expected increase in EBITDA and net income is anticipated to be realized in the first full year following completion of the transaction.

Table 5: Material increases in financial performance

| USD m | ADNOC Distribution | SDSA | Pro forma |
|---|---|---|---|
| EBITDA | 1,166 | 152 | 1,318 |
| Net profit | 761 | 46 | 807 |
| Net debt | 805[1] | 800[2] | 1,605 |
| Leverage (Net debt/EBITDA) | 0.7 | – | 1.2 |

Source: Company presentation, ADCB
Note: 1. As of 1Q26, converted to USD (1 USD = 3.6725 AED); 2. Additional debt consolidated at ADNOC Distribution as a result of the SDSA acquisition, comprising both the acquisition cash consideration and SDSA's debt.

Based on an implied P/E multiple of 8.8x, SDSA's estimated earnings yield is approximately 11.4%, above our estimated weighted average cost of debt of 6.9%. This positive spread supports the potential for earnings accretion, although actual accretion will also depend on financing costs, tax, depreciation, purchase price allocation, and noncontrolling interests.

We assume an estimated weighted average cost of debt of 6.9% based on approximately USD 400m (4.9%) of debt at ADNOC Distribution in the UAE and around USD 400m (9.0%) of debt at SDSA in South Africa, where borrowing costs are higher.

The transaction is expected to result in a significant increase in debt, with the group's debt potentially doubling following completion. However, net debt to EBITDA is expected to remain close to 1.2x, compared with 0.7x before the acquisition. In our view, pro forma leverage of approximately 1.2x remains moderate given the size of the acquired business. The additional debt is supported by a larger EBITDA base, greater geographic diversification, and broader operations. The increase in EBITDA, in our view, should support a higher valuation.

## Regulated and strong margins

South Africa's fuel market operates under a structured pricing framework based on import parity. Petrol pump prices are regulated and adjusted monthly, with changes taking effect on the first Wednesday of each month.

The Basic Fuel Price reflects international refined product prices, the ZAR/USD exchange rate, freight, insurance, storage, and inventory financing costs. Changes in these external factors are therefore largely passed through to consumers. Diesel retail prices are not regulated, although diesel pricing and retail economics are broadly comparable to gasoline.

Domestic margins are determined by the Regulatory Accounting System, which ring-fences wholesale, secondary storage, secondary distribution, and service station retail activities. CODO sites capture a larger share of the regulated margin pool but require greater capital and operating expenditure, while DODO sites generate lower margins with limited capital requirements.

### Margins compare favourably with the UAE business

The RAS margin comprises retail, wholesale, secondary storage and distribution, and zone differential components for retail fuel operators. Based on DMRE data and the 5.2% increase in South Africa's regulated retail fuel margin in December 2025, we estimate the total RAS margin at c. US¢ 33/litre for gasoline and US¢ 34/litre for diesel.

We assume that CODO sites retain 35% of the retail margin, while DODO sites retain none. We also assume that both operating models capture the full wholesale and secondary storage and distribution margins, as well as 50% of the zone differential.

The full RAS retail margin compensates the entire service station activity and is not fully available to SDSA. Under the CODO model, SDSA owns the site and retail assets, while the dealer operates the station. SDSA therefore has access to the retail margin but retains only the residual after dealer remuneration and operating costs.

We assume that SDSA captures 50% of the zone differential because this allowance primarily compensates for transport costs rather than representing a pure margin.

These assumptions imply estimated margins of US¢ 17.8/litre for CODO gasoline and US¢ 19.2/litre for CODO diesel. The corresponding DODO margins are US¢ 11.1/litre and US¢ 12.4/litre, respectively. Based on SDSA's 65%/35%

CODO/DODO network mix and an assumed 60%/40% gasoline/diesel volume mix, we estimate a blended margin of c. US¢ 16.0/litre.

US¢ 16.0/litre converts to 58.7 Fils/litre, compared with ADNOC Distribution's UAE margin of c. 45 Fils/litre. Under our assumptions, this indicates potentially attractive unit margins relative to the UAE business, reducing the risk of margin dilution as ADNOC Distribution enters a new geography.

Table 6: Estimated CODO margin captured by SDSA

| Regulatory component, US¢/l | Gasoline | Diesel |
|---|---|---|
| Wholesale margin | 4.7 | 6.1 |
| Secondary storage | 2.4 | 2.4 |
| Secondary distribution | 1.2 | 1.2 |
| Indicative retail margin | 6.7 | 6.7 |
| Zone diff. | 2.7 | 2.7 |
| **Total margin pool** | **17.8** | **19.2** |
| CODO | 17.8 | 19.2 |
| DODO | 11.1 | 12.4 |

Source: Company presentation, ADCB, DMRE; Margins were calculated assuming CODO sites retain 35% of the retail margin, while DODO sites retain none. Under both models, ADNOC Distribution captures 100% of the wholesale, storage, and distribution margins, together with 50% of the zone differential. Based on a total retail margin of US¢19.3/litre, CODO sites retain US¢6.7/litre, while DODO sites retain no retail margin. The zone differential margin amounts to US¢5.3/litre, of which SDSA captures US¢2.7/litre under both operating models.

## FX: Long term depreciation has been moderate, but annual volatility remains material

Over the long term, the South African rand has depreciated against the US dollar, although the pace of depreciation has been moderate on an annualised basis. Since the beginning of 2015, the US dollar has appreciated by approximately 42% against the rand, equivalent to a compound annual rate of approximately 3%. This long-term trend has been accompanied by material year to year volatility.

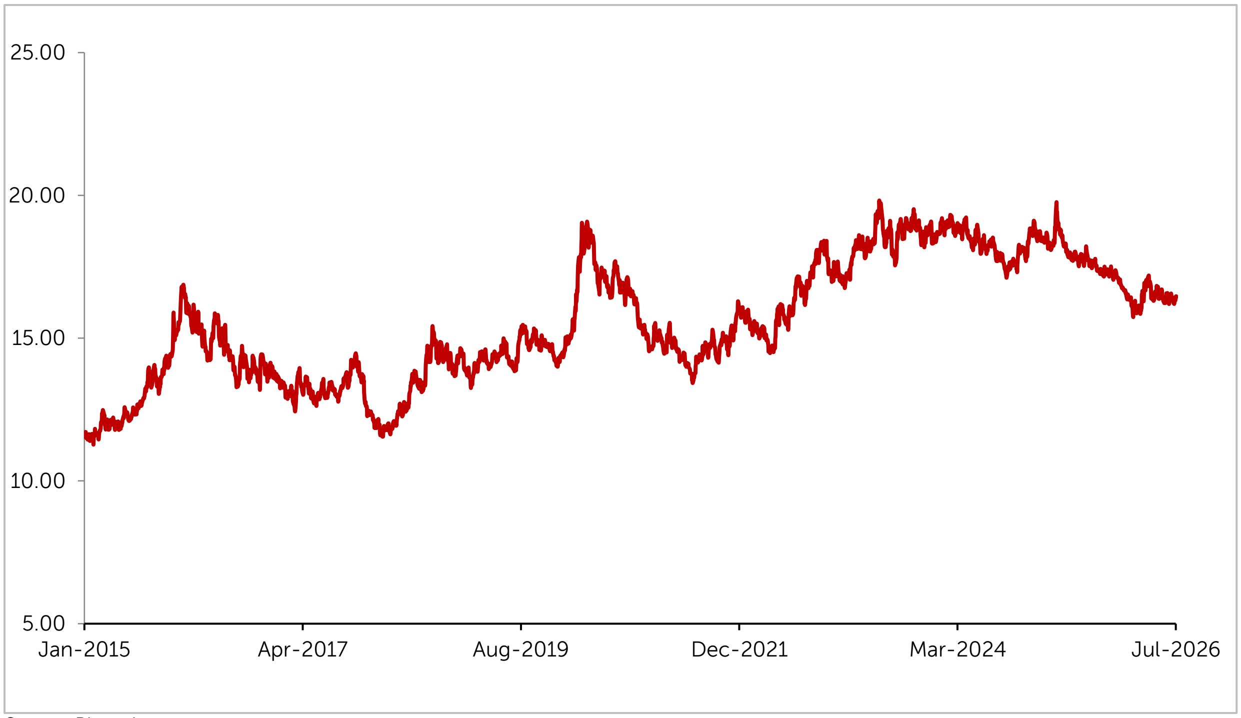
There have, however, been notable periods of short-term volatility. In 2015, the rand depreciated by approximately one-third against the US dollar. This weakness was driven by a broad emerging-market selloff, collapsing commodity prices, slowing Chinese growth, expectations of US Federal Reserve rate hikes, and a sharp deterioration in investor confidence.

More recently, the rand appreciated by approximately 13% against the US dollar in 2025. The recovery was supported by broad US dollar weakness, rising gold and platinum prices, improved fiscal outcomes, contained inflation, and stronger investor confidence following positive institutional developments in South Africa.

These episodes demonstrate that the rand can experience meaningful annual fluctuations in response to global macroeconomic conditions and domestic developments. The consolidation of SDSA will therefore introduce additional foreign exchange translation risk for ADNOC Distribution.

However, exposure should be partly mitigated by the fact that the US dollar has strengthened by modest 3% annually against the rand since the beginning of 2015, rand denominated debt, local operating costs, and the US dollar denominated aviation business. For ADNOC Distribution, we believe this indicates that low foreign exchange risk is associated with the consolidation of SDSA.

Chart 3: USD-ZAR FX movement




Source: Bloomberg

## Potential EBITDA uplift

ADNOC Distribution identified three value creation levers for SDSA:

- Fuel retail growth through targeted site upgrades, customer experience enhancements, and network optimisation.
- Non-fuel retail expansion by leveraging ADNOC Distribution's proven UAE NFR capabilities, loyalty programmes, category management expertise, and digital enablement.
- Growth in the commercial segment through tailored customer offerings, premium fuels, channel optimisation, and supply chain advantages.

Management estimates these initiatives could deliver an incremental EBITDA uplift of USD 30-40m annually by the end of a five-year period, with a gradual ramp-up beginning from year two post-acquisition.

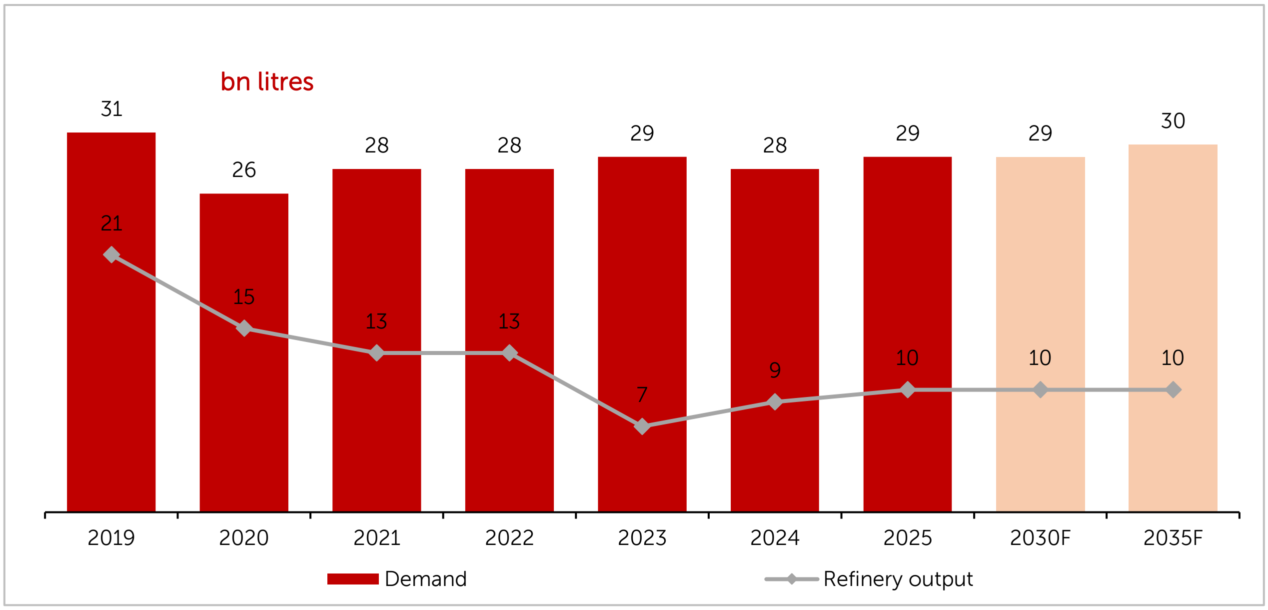
The initiatives are operationally focused and build on ADNOC Distribution's established execution record. Successful delivery of these initiatives and realisation of the anticipated EBITDA uplift would provide meaningful upside to valuation, in our view.

### ADNOC supply chain integration opportunity

South Africa's fuel market is mature, with stable demand of c. 28-30bn litres annually over the next decade and limited exposure to EV disruption in the medium term. Industry economics are driven primarily by fuel retail pricing, margins, and market share rather than underlying volume growth.

South Africa has become structurally dependent on imported refined products following a sharp decline in domestic refining capacity. Half to two-thirds of the country's historical refining capacity is now offline following the closure of major facilities, leaving the country reliant on imports to meet more than 60% of refined product demand.

Chart 4: South African fuel demand and refinery output




Source: Company presentation, S&P Global Energy

Refined product import patterns indicate a strong reliance on GCC suppliers, with the UAE already among the largest exporters of refined petroleum products to South Africa. Against this backdrop, the SDSA acquisition could provide ADNOC Group with a natural downstream channel to increase product placement in one of Africa's largest fuel markets.

In addition, ADNOC Distribution could benefit from long-term sourcing, supply, and trading arrangements with the wider ADNOC Group. Such arrangements could enhance security of supply, improve procurement economics, support commercial fuel growth, and provide an additional source of EBITDA upside beyond the operational synergies already identified by management.

Table 7: South Africa refined products imports breakdown

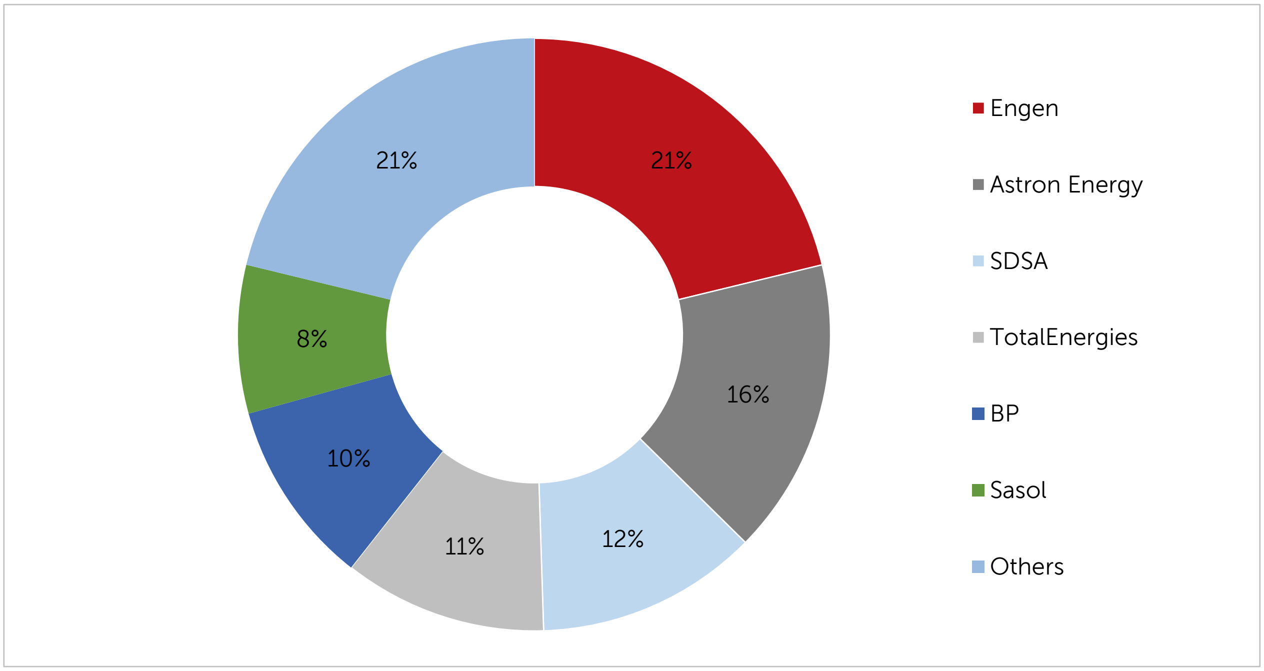
| Country | Value, USD bn | % of total |
|---|---|---|
| Oman | 3.32 | 26.3% |
| India | 2.15 | 17.0% |
| Saudi Arabia | 2.00 | 15.8% |
| UAE | 1.90 | 15.0% |
| Bahrain | 1.07 | 8.5% |
| Others | 2.20 | 17.4% |
| **Total** | **12.64** | |

Source: OEC

## Further M&A potential

South Africa's fuel retail market remains highly contested, with the six largest players controlling c. 80% of the service station network. SDSA is the third-largest fuel retail network in the country. The fragmented market could support longer term consolidation opportunities, although no specific transaction has been announced. We view this as a longer-term strategic opportunity and there is currently no visibility on transaction timing or likelihood.

Chart 5: South African fuel network breakdown




Source: Company presentation

## SDSA acquisition offers additional valuation upside

Our valuation of ADNOC Distribution remains unchanged at this stage. We maintain our Buy rating and fair value estimate of **AED 4.65 per share**, implying 18% upside from the last closing price. Importantly, our forecasts and valuation do not currently incorporate the SDSA acquisition, as we await additional disclosure from management regarding the financial profile, funding structure, integration timeline, and medium-term operating assumptions.

To assist investors in assessing the potential impact of the transaction, we have undertaken a high-level illustrative valuation exercise based on the information disclosed by management. The exercise should not be viewed as a formal forecast revision, but rather as an indication of the potential value creation from the acquisition under simplified assumptions. The analysis also excludes any contribution from the USD 30-40m EBITDA uplift opportunity identified by management through fuel retail optimisation, non-fuel retail expansion, and commercial business growth initiatives.

On the operating side, we have incorporated SDSA's EBITDA contribution into our existing free cash flow framework. We assume no EBITDA growth in USD terms over our forecast period. Any EBITDA uplift from higher regulated fuel margins is assumed to be broadly offset by foreign exchange movements.

On the capex side, we assume base maintenance capex of c. USD 30m annually. To reflect acquisition funding, we have increased net debt and non-controlling interest by approximately USD 1,000m in deriving the equity value.

Based on these assumptions, our illustrative analysis suggests SDSA could contribute c. AED 0.25 per share to ADNOC Distribution's valuation and increase our implied fair value to around AED 4.90 per share. We stress that this analysis is indicative only and does not represent a change to our forecasts or published valuation.

Overall, we view the SDSA acquisition as a strategically compelling transaction that strengthens ADNOC Distribution's regional footprint and has the potential to create meaningful long-term value for shareholders.

## Table 8: SDSA valuation

| USD m | 2027E | 2028E | 2029E | 2030E | Terminal value |
|---|---|---|---|---|---|
| EBITDA | 152 | 152 | 152 | 152 | |
| Capex | 30 | 30 | 30 | 30 | |
| Illustrative cash flow proxy | 122 | 122 | 122 | 122 | |
| In AED m | 447 | 447 | 447 | 447 | 7,137 |
| **Present value, AED m** | **396** | **367** | **340** | **315** | **5,048** |

Source: ADCB estimates, Based on WACC of 7.9% and perpetual growth of 1.5%. For illustrative purposes, cash flow is estimated as EBITDA less capex. The calculation does not separately incorporate cash tax, working capital movements, lease payments, integration costs, or other cash flow items. Present values are calculated using a mid-year discounting convention.

## Table 9: Valuation summary

| AED m | |
|---|---|
| SDSA valuation (ADCB estimates) | 6,467 |
| Debt and non-controlling interest[1] | 3,405 |
| Equity value | 3,062 |
| **AED per share** | **0.25** |

Source: ADCB estimates; Note: 1. Reflects the estimated acquisition funding and value attributable to noncontrolling interests. The combined amount of AED 3,672m, equivalent to USD 1bn, is discounted to its 2026 present value using a discount rate of 7.9%, assuming the transaction completes in 2027.

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