

ADNOC DISTRIBUTION INVESTOR PRESENTATION

Q3 2022 Results

11 November 2022

ADNOC
أدنوك



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ADNOC

ADNOC DISTRIBUTION

AGENDA



ADNOC
DISTRIBUTION



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DISCLAIMER



This communication includes forward-looking statements which relate to, among other things, our plans, objectives, goals, strategies, future operational performance and anticipated developments in markets in which operate and in which we may operate in the future. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond our control and all of which are based on management's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "would", "intends", "estimates", "plans", "targets", or "anticipates" or the negative thereof, or other comparable terminology.

These forward-looking statements and other statements contained in this communication regarding matters that are not historical facts involve predictions and are based on the beliefs of our management, as well as the assumptions made by, and information currently available to, our management. Although we believe that the expectations reflected in such forward looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct.

Given these uncertainties, you are cautioned not to place undue reliance on such forward looking statements. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to: our reliance on ADNOC to supply us with substantially all of the fuel products that we sell; an interruption in the supply of fuels to us by ADNOC; changes in the prices that we pay ADNOC for our fuels and to the prices that we are allowed to charge our retail customers in the UAE; failure to successfully implement our operating initiatives and growth plans, including our mixed-mode service offering, our convenience store optimisation initiatives, our cost savings initiatives, and our growth plans; competition in our markets; decrease in demand for the fuels we sell, including due to general economic conditions, improvements in fuel efficiency and increased consumer preference for alternative fuels; the dangers inherent in the storage and transportation of the products we sell; our reliance on information technology to manage our business; laws and regulations pertaining to environmental protection, operational safety, and product quality; the extent of our related party transactions with ADNOC and our reliance on ADNOC to operate our business; the introduction of VAT and other new taxes in the UAE; failure to successfully implement new policies, practices, systems and controls that we implemented in connection with or following our IPO; any inadequacy of our insurance to cover losses that we may suffer; general economic, financial and political conditions in Abu Dhabi and elsewhere in the UAE; instability and unrest in regions in which we operate; the introduction of new laws and regulations in Abu Dhabi and the UAE; and other risks and uncertainties detailed in our International Offering Memorandum dated 26 November 2017 relating to our initial public offering and the listing of our shares on the Abu Dhabi Securities Exchange, and from time to time in our other investor communications.

Except as expressly required by law, we disclaim any intent or obligation to update or revise these forward-looking statements.

01

EXECUTIVE SUMMARY



ADNOC DISTRIBUTION UNIQUE VALUE PROPOSITION



A focused, **deliverable EBITDA profile** of min. \$1bn by 2023



Ambitious domestic growth expansion programme via fuel and non-fuel initiatives, and crystalizing upside from **international growth**, in a disciplined approach



Accelerated digital strategy to create additional retail value and customer loyalty



Unlock hidden value through OPEX initiatives
(Targeted OpeX savings up to ~\$25m over 2022-2023)



Leading fuel retail player in an attractive UAE market and robust regulatory framework



Demonstrable solid business with stable and predictable fuel margins with limited exposure to oil price volatility



Strong balance sheet with ample liquidity to pursue growth opportunities



Attractive and visible dividend policy¹



Dividend track-record since IPO



Significant share liquidity after Free float increased to 23%. MSCI EM Index and FTSE EM Index inclusion (2021)



ADNOC a **supportive and committed majority shareholder**



Q3 2022 KEY HIGHLIGHTS & OUTLOOK

Growth momentum is expected to sustain over Q4 2022 and beyond, after strong 9M results

Robust financial and operational performance



Fuel volumes growth:

Q3 2022: +2% y-o-y in total fuel volumes.
Corporate volumes up 29% y-o-y

9M 2022: +7% y-o-y in total fuel volumes.
Corporate volumes up 27% y-o-y



Robust Financial performance:

Q3 2022: +18% EBITDA and +45% Net Profit

9M 2022: +26% EBITDA and +39% Net Profit

+7% increase in Non-fuel retail gross profit in Q3 2022 y-o-y, and +9% in 9M 2022, driven by customer-centric initiatives, higher traffic at stations and higher F&B sales



Solid Financial position:

Robust cash generation and strong balance sheet to support growth opportunities and sustain attractive shareholder distribution

Execution on smart growth strategy on-track - Expecting positive growth outlook



Growth in Fuel & Non-fuel businesses:

Achieved c.80% of 2022 target in 9M, by delivering 47 new stations:

- ✓ **UAE:** +21 stations (incl. 6 in Dubai)
- ✓ **International:** +26 stations in KSA

Continued growth, is expected driven by domestic and international expansion (2022 target: 60-80 new stations)

Agreement to acquire a 50% stake in TotalEnergies Marketing Egypt, which will be earnings accretive from year 1 post closing⁽¹⁾



New mobility solutions and clean energy:

Investing in EV chargers to capture new earnings growth opportunities

Committed to deliver attractive shareholder returns



Attractive Dividend:

Dividend policy⁽²⁾:

H1 2022 dividend of \$350m paid in October

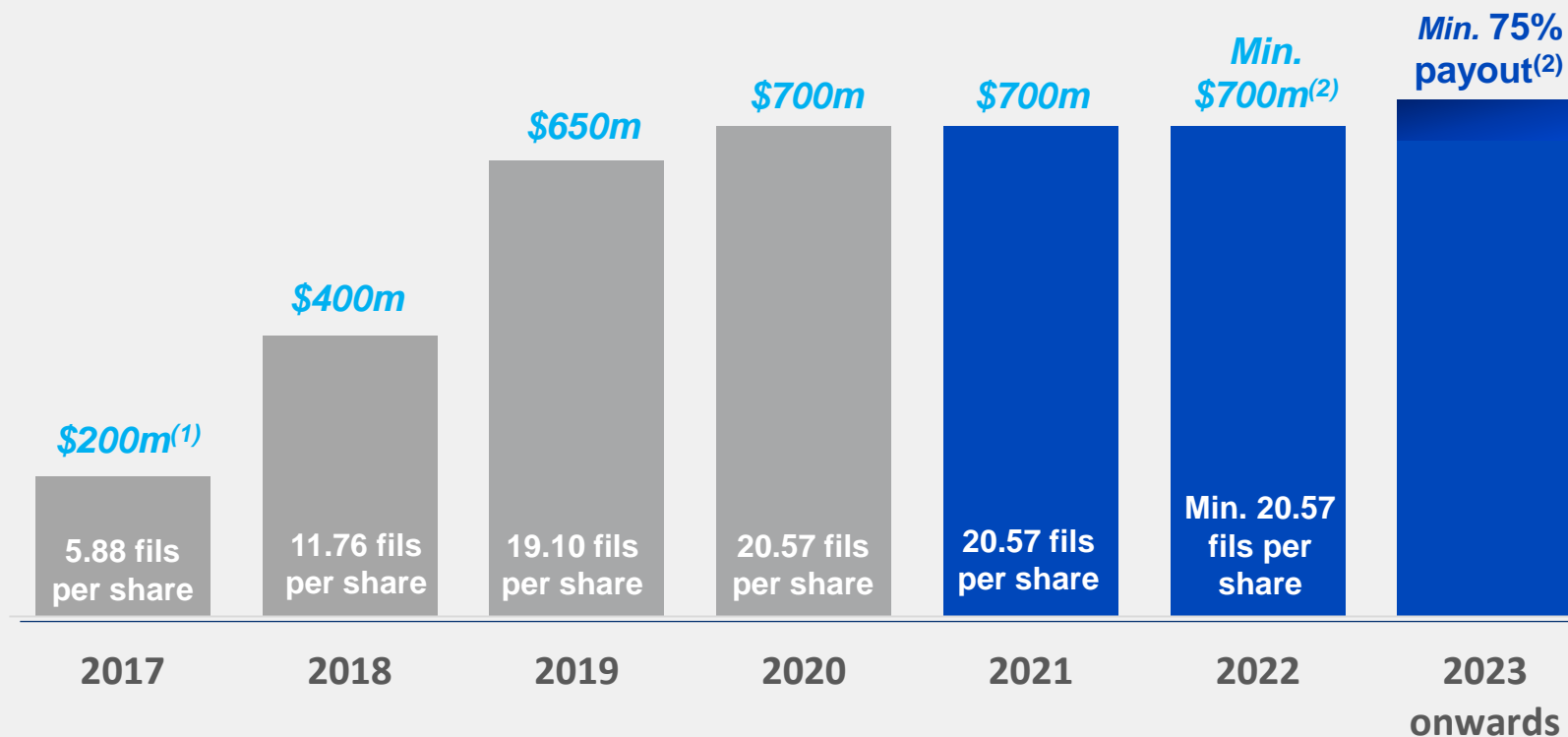
2022: min. \$700 million, offering an annual dividend yield of 4.6%⁽³⁾,

2023 onwards: min. 75% of distributable profits



Since IPO, the company has consistently increased payback to its shareholders through its progressive dividend policy

Supported by strong cash flow generation and balance sheet strength





ADNOC DISTRIBUTION SUSTAINABILITY STRATEGIC FRAMEWORK

Our Sustainability Strategic Framework is based on six pillars



CLIMATE, EMISSIONS & ENERGY

Optimize energy consumption and carbon emissions, adopt green liquid fuels portfolio, develop low carbon alternative fuels/energy portfolio



LOCAL ENVIRONMENT

Adopt restorative approach to protect and preserve local environment: reduce waste, reuse water, recycle plastic and waste and recover non-recyclable waste wherever feasible.



ECONOMIC & SOCIAL CONTRIBUTION

Develop and deliver corporate social responsibility projects in priority areas of Community, Environment and Economy



WORKFORCE DIVERSITY & DEVELOPMENT

Promote diversity, equity & inclusion, employee wellbeing, development and satisfaction



HEALTH, SAFETY & SECURITY

Demonstrate 100% commitment to HSE through effective risk assessment, monitoring and reporting, implementing safety culture and asset integrity plans



BUSINESS SUSTAINABILITY

Future proof business by adopting and implementing best practices for corporate and sustainability governance, ethics and compliance, transparency, IT & digital transformation

For more details about our 2021 ESG performance, you may refer to our 2021 ESG Report at the following [link](#)

02

GROWTH STRATEGY UPDATE



KEY STRATEGIC UPDATE

Fuel Business



- **Q3 2022 fuel volumes up 2% y-o-y**
 - ✓ Retail fuel volumes down 2% y-o-y
 - ✓ Commercial volumes up 11% y-o-y



- **Momentum in network expansion sustained in Q3 2022**

Domestically

- ✓ 9 new stations in UAE (total UAE: 481)
- ✓ 2 new stations in Dubai (total 37)

Internationally

- ✓ Partnership with TotalEnergies to acquire a 50% stake in TotalEnergies Marketing Egypt, which will be earnings accretive from year 1 post closing⁽¹⁾



- **On track to achieve our 2022 expansion targets**
 - ✓ 47 new stations opened in 9M 2022 (c. 80% of 2022 expansion target)



KEY STRATEGIC UPDATE

Efficient Capex deployment to grow and protect market share

TRADITIONAL STATIONS

- ✓ Targets major routes with high site throughputs
- ✓ Provides full range of fuel and non-fuel offerings



ADNOC ON THE GO STATIONS

- ✓ **Easy Build:** faster to build with modular flexibility to plug gaps in network
- ✓ **Low Cost:** approximately one-third of Opex and Capex of a traditional station
- ✓ **Targeted Reach:** practically designed for smaller neighbourhoods



KEY STRATEGIC UPDATE

Non-Fuel Retail business



- **Growth momentum of Non-fuel retail business** sustained in **in Q3 2022**

- ✓ Transactions increased by **17% y-o-y**
- ✓ Non-fuel gross profit up **7% y-o-y**
- ✓ C-store margins improved by **2.7 pps** to **36.4%**



- **7 new convenience stores opened** in UAE and **6 were renovated** in **Q3 2022**



- **Continued execution of non-fuel retail strategy** through various initiatives, such as:

- ✓ Refurbishment of stores, improvement in category management, fresh food and premium coffee products
- ✓ Improvement of customers' offers in lubes and car wash as well as opening of a new vehicle inspection center in Q3 2022



KEY STRATEGIC UPDATE

Convenience store refurbishment

ADNOC OASIS NEW FORMAT



IMPROVED CATEGORY MANAGEMENT



FRESH BAKERY AND COFFEE OFFERING



KEY STRATEGIC UPDATE

Continuous enhancement of customer offerings in non-fuel business

CAR WASH



LUBE CHANGE



VEHICLE INSPECTION






KEY STRATEGIC UPDATE

Enhancing customer experience and loyalty through ADNOC Rewards program and marketing promotions

As of Q3 2022:

Over **1.5** MILLION 
MEMBERS IN ADNOC REWARDS
LOYALTY PROGRAM

Over **50** MILLION 
TRANSACTIONS USING ADNOC
REWARDS, SINCE LAUNCHING
THE POINTS PROGRAM



03

Q3 2022 RESULTS



FINANCIAL PERFORMANCE

Robust financial performance

Key Financial Performance	\$m	Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
	Revenue	2,328	1,470	58.4%	6,514	4,002	62.8%
	Gross Profit	348	314*	10.8%	1,210	978*	23.7%
	Margin	14.9%	21.3%		18.6%	24.4%	
	EBITDA	236	201	17.8%	779	617	26.4%
	Margin	10.2%	13.6%		12.0%	15.4%	
	Underlying EBITDA ¹	218	168	30.0%	672	549	22.3%
	Margin	9.4%	11.4%		10.3%	13.7%	
	Net profit	209	144	44.9%	634	458	38.5%
	Margin	9.0%	9.8%		9.7%	11.4%	

Strong free cash flow generation

Cash Generation and Net Debt	\$m	Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
	Free cash flow ²	79	-196	NA	612	484	26.6%
	Net debt	681	642	6.1%	681	642	6.1%

High returns

Profitability		Q3 2022	Q3 2021		9M 2022	9M 2021	
	ROCE ⁴ (%)		30.9%	29.5%		30.9%	29.5%
ROE ⁵ (%)		95.9%	95.7%		95.9%	95.7%	

Q3 2022

\$236 million
EBITDA



\$218 million
Underlying
EBITDA



\$209 million
Net Profit



* For comparable purposes, prior year periods OPEX were reclassified. Further details of the reclassification are in the appendix of this presentation



OPERATING PERFORMANCE

Robust performance driven by volume growth

Fuel Volumes	Million liters	Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
	Retail (B2C)	1,583	1,614	-1.9%	4,839	4,664	3.8%
Commercial (B2B)	739	665	11.1%	2,364	2,098	12.6%	
of which Corporate	702	545	28.9%	2,193	1,721	27.4%	
of which Aviation	37	120	-69.4%	170	377	-54.8%	
TOTAL	2,322	2,279	1.9%	7,203	6,763	6.5%	

Retail Fuel Operating Metrics		Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
	Service stations – UAE	481	459	4.8%	481	459	4.8%
Service stations - Saudi Arabia ¹	66	2	NM ²	66	2	NM ²	
Fuel transactions (millions)	44.5	41.2	7.9%	132.5	115.8	14.4%	

Retail Non-Fuel Operating Metrics		Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
	Convenience stores - UAE	366	342	7.0%	366	342	7.0%
Non-fuel transactions (millions) ³	9.9	8.4	17.0%	28.8	24.5	17.6%	
Average gross basket size (\$) ⁴	6.8	7.2	-5.4%	6.9	7.3	-5.0%	

Q3 2022

2.32 billion liters
Total Fuel Volume



481

Retail Fuel sites in the UAE



366

Convenience Stores in the UAE





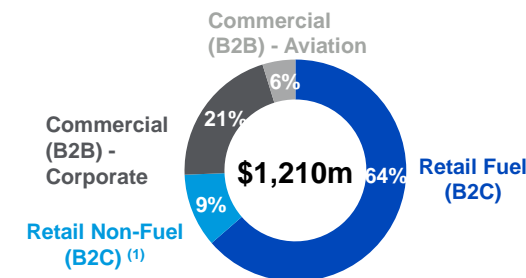
GROSS PROFIT BY SEGMENT

\$m	Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
Retail (B2C)	276	225*	22.8%	900	703*	27.9%
Of which Fuel	232	184*	26.3%	770	584*	31.8%
Of which Non-Fuel ⁽¹⁾	44	42	7.0%	130	120	8.7%
Retail Margin	17.4%	21.3%		20.4%	24.9%	
Commercial (B2B)	71	89*	-19.5%	310	274	13.0%
Of which Corporate	74	61	21.8%	252	194*	29.8%
Of which Aviation	-3	27*	NM	58	80*	-27.6%
Commercial Margin	9.7%	21.8%		14.7%	23.3%	
Total	348	314*	10.8%	1,210	978*	23.7%

* For comparable purposes, prior year periods OPEX were reclassified. Further details of the reclassification are in the appendix of this presentation
 NM: Not meaningful

- **Fuel Retail:** Q3 2022 gross profit driven higher by an increase in volumes and on inventory gains (\$24m)
- **Non-Fuel retail:** Q3 2022 gross profit driven by customer-centric initiatives, higher traffic at stations and higher F&B sales
- **Commercial business:** Q3 2022 gross profit down as a result of lower aviation volumes. In addition, there was a one-off charge relating to reclassification of the Aviation business OPEX to COGS

9M 2022 Gross Profit Split



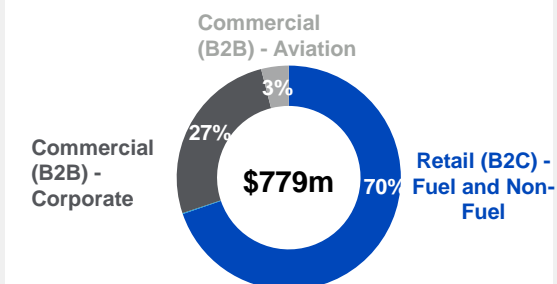
EBITDA BY SEGMENT

\$m	Q3 2022	Q3 2021	YoY (%)	9M 2022	9M 2021	YoY (%)
Retail (B2C)	170	132	28.6%	544	406	34.2%
<i>Retail Margin</i>	10.7%	12.4%		12.4%	14.3%	
Commercial (B2B)	66	69	-3.5%	235	212	10.6%
<i>Of which Corporate</i>	60	48	23.0%	204	155	31.5%
<i>Of which Aviation</i>	7	20	-66.4%	31	56	-45.1%
<i>Commercial Margin</i>	9.0%	17.0%		11.1%	18.1%	
Unallocated ¹	0	0	NM	1	-1	NM
Total reported EBITDA	236	201	17.8%	779	617	26.4%
Underlying EBITDA²	218	168	30.0%	672	549	22.3%

NM: Not meaningful

- **Retail Business:** Q3 2022 EBITDA driven by an increase in volumes and higher inventory gains (\$24m)
- **Commercial business:** Q3 2022 EBITDA is down on lower aviation volumes, which was not fully offset by higher Corporate volumes

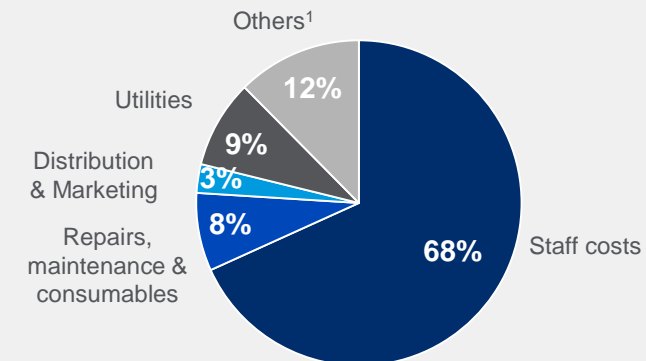
9M 2022 EBITDA Split



OPEX UPDATE

Committed to operational excellence

9M 2022 Cash OPEX Split (\$438m)



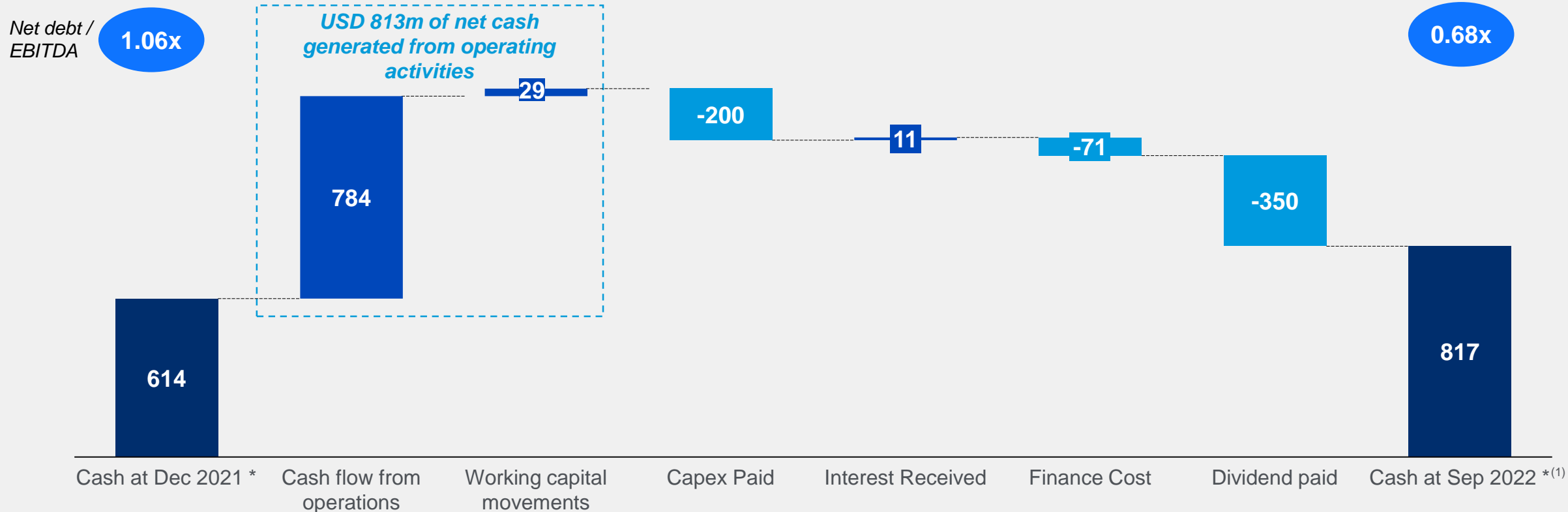
- **9M 2022 cash OPEX (excl. DD&A charge) up 17% YoY to \$438m**, after an 18% increase in the Company's network, and associated costs



- **The Company continues to implement management initiatives** to increase operational efficiency across all business units, prudent cost controls and optimize costs...
- **... and expects to achieve c.\$25m additional like-for-like savings over 2022-2023**, after it has already met its like-for-like OPEX savings target of \$100-150m over 2019-23 by achieving \$103m over 2019-2021



ROBUST CASH POSITION



- Strong operating cash flow (\$784m) and free cash flow (\$612m) in 9M 2022, driven by robust underlying profitability and a positive impact of change in working capital
- **Healthy cash position** (\$817m) and stronger balance sheet (net debt/EBITDA: 0.68x)

04

CLOSING REMARKS

CLOSING REMARKS

Key priorities: Accelerate sustainable growth and shareholder value



Executing on our growth commitments

Solid results supporting **growth momentum in Q4 2022 & beyond**

Executing on our growth commitment to achieve min. \$1bn EBITDA by 2023



Strong Financial position & ample liquidity

Robust balance sheet and cash generation to pursue new growth opportunities in domestic and international markets



Committed to deliver attractive shareholder distribution

Attractive dividend policy, and commitment to deliver attractive shareholder distribution supported by sustainable earnings growth



ADNOC DISTRIBUTION Q3 RESULTS PRESENTATION

11 NOVEMBER 2022

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THANK YOU

ADNOC DISTRIBUTION

05

APPENDIX



Change in Financial presentation

To ensure robust reporting and fair representation of operating expenses, during Q3 2022 ADNOC Distribution reclassified certain OPEX items and changed the accounting estimate of useful life of assets.

The changes are effective from 1st January 2022. However, the full retrospective adjustments for 9M 2022 (c. \$44 million OPEX reclassification to Cost of Goods Sold and \$34 million reduction in depreciation charge) impacted the financials of Q3 2022, and will structurally reduce OPEX and depreciation charge going forward.

The changes include:

1. **Reclassification of certain OPEX items into Cost of Goods Sold (COGS):**
 - **Fuel transport costs** (the cost to transfer fuels from depots to retail stations)
 - **Aviation related OPEX** (costs incurred by ADNOC Distribution and recovered at a margin from ADNOC as per the Aviation Services Agreement which the Company entered with ADNOC at the time of the IPO)

2. **Change in accounting estimate of useful life of assets:**
 - As part of regular review of useful lives of assets mandated by International Financial Reporting Standards (IFRS), lives of certain assets have been extended in line with IAS 16. More details can be found in note 3 of ADNOC Distribution's financial statements for the period ended 30 September 2022

ADNOC DISTRIBUTION IN NUMBERS – 9M 2022



7.2 billion liters

Total Fuel Volumes



366

Convenience Stores in the UAE



\$6.8

Average Gross Basket Size



481

Retail Fuel sites in the UAE



132 million

Fuel Transactions



32

Vehicle Inspection Centres**



66

Retail Fuel sites in Saudi Arabia



29 million

Non-fuel Transactions



0.0

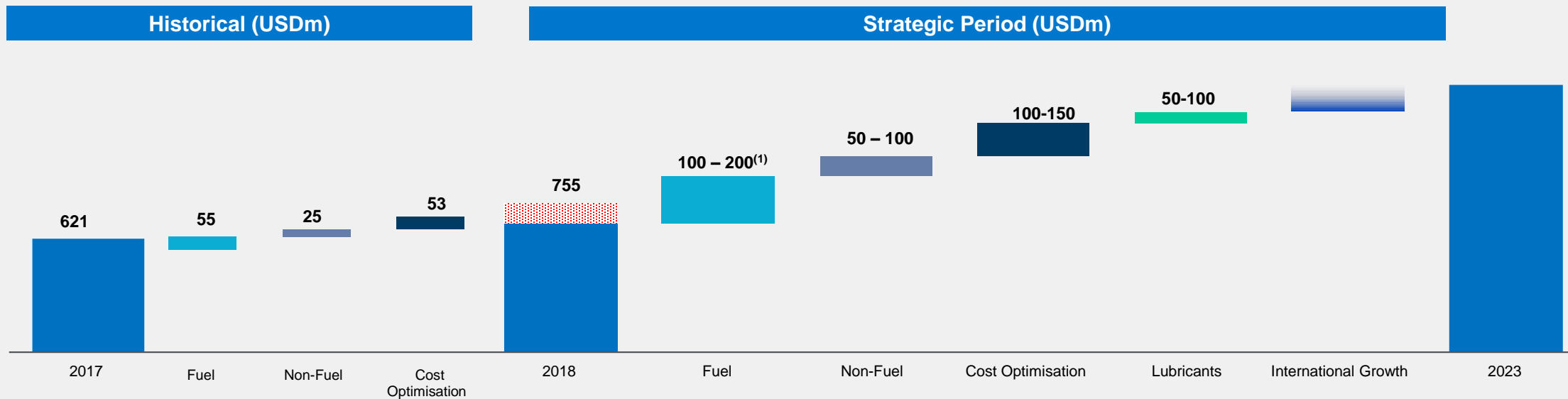
Total Reportable Injury Rate*

*Total Reportable Injury / 1,000,000 man hours

**Includes one permitting center



AMBITION TO EXCEED USD 1 BILLION IN EBITDA BY 2023



Inventory gain impact

Initiatives To Drive Growth in Strategic Period

Domestic		Cost Optimisation	International Growth
Fuel	Non-Fuel		
<ul style="list-style-type: none"> ▪ Volume Growth: low single-digit % growth ▪ Premiumisation: 15%-20% adoption by 2023 ▪ Dubai Expansion: 60-75 sites by 2023 ▪ Commercial Fuel: LPG price optimization, new large gasoline contracts in Dubai, grey market elimination 	<ul style="list-style-type: none"> ▪ Continued developing convenience stores estate targeting c. 400 outlets by 2023 ▪ Targeted conversion of USD75-95/1000L ▪ Expansion in the e-commerce channel 	<ul style="list-style-type: none"> ▪ Staff opex optimisation and focused performance management supported by data analytics ▪ Operational efficiency and maintenance ▪ Back office optimisation 	<ul style="list-style-type: none"> ▪ Expansion in KSA and exploring other areas
			Lubricants
			<ul style="list-style-type: none"> ▪ Indian lubricants JV targeting 2-3% market share

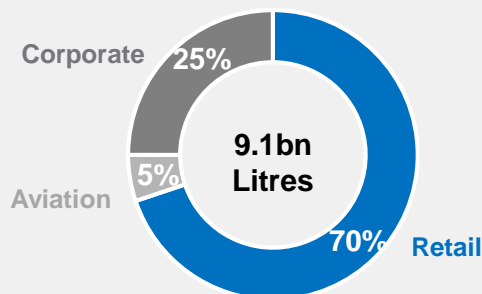


ADNOC DISTRIBUTION BUSINESS OVERVIEW – FY 2021

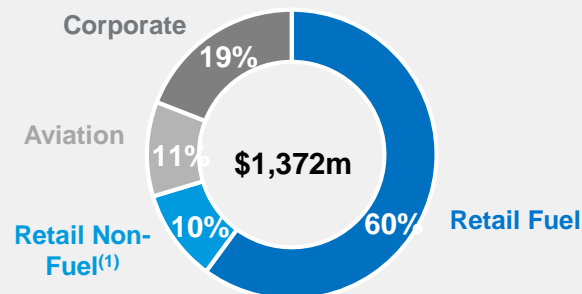


Retail (B2C)						Commercial (B2B)	
Fuel Retail	Non-Fuel Retail					Corporate	Aviation
	Convenience Stores	Lube Change	Car wash	Vehicle inspection	Property Management		

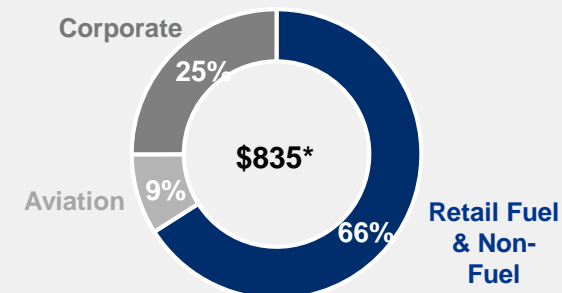
FY2021 Fuel Volume Split



FY2021 Gross Profit Split



FY2021 EBITDA Split





On 29th July 2022, ADNOC Distribution announced an agreement to acquire 50% stake in TotalEnergies Marketing Egypt*

Delivering on our commitment to accelerate international growth

Egypt is an important strategic market for growth



Partnering with TotalEnergies, a leading global multi-energy company with successful track-record in Egypt and long-standing relationship with ADNOC



Vision to **establish ADNOC Distribution as a regional leader** in the fuel distribution sector



TotalEnergies Marketing Egypt is a leading fuel distribution company in Egypt, with high-quality diversified asset portfolio

Agreement to acquire 50% stake in TotalEnergies Marketing Egypt

Overview of the transaction*



240
Retail stations



120
C-stores



274
Lube change



16
Car wash



**Bulk & Aviation
Fuel Business**



**Lubricants
Business**

- ✓ End July 2022, ADNOC Distribution announced a milestone international growth transaction with the agreement to acquire a **50% stake in TotalEnergies Marketing Egypt for c.\$186m**, with an additional earn-out of up to \$17.3m*
- ✓ This move aligns with our vision to establish ADNOC Distribution as **a regional fuel distribution leader** and provides sizeable operations in one of the largest countries in MENA
- ✓ **ADNOC Distribution is accelerating international growth** by partnering with TotalEnergies, a leading global multi-energy company with strong brand and successful track-record in Egypt
- ✓ **TotalEnergies Marketing Egypt offers high-quality diversified asset portfolio** with attractive retail locations, lubricants / aviation businesses and integrated supply chain infrastructure
- ✓ Transaction offers ADNOC Distribution an opportunity to **expand its presence in a profitable lubricants business** and **enter commercial aviation business in Egypt** with a further growth upside
- ✓ ADNOC Distribution and TotalEnergies will drive future growth of TotalEnergies Marketing Egypt by **unlocking value potential** in fuel distribution, lubricants and aviation businesses supported by economic growth and post-COVID recovery
- ✓ Debt-financed acquisition will allow for **better allocation of capital towards growth**. ADNOC Distribution balance sheet and cash flow generation provide ample room to finance future growth and pay attractive dividends
- ✓ **Acquisition is earnings accretive from year 1 post closing**: +c.6% uplift to ADNOC Distribution EBITDA on a fully-consolidated basis. TotalEnergies Marketing Egypt **2021 dividend exceeded \$22m (a yield of c.6%)**
- ✓ **EBITDA acquisition multiple**: c.50% below ADNOC Distribution trading multiple
- ✓ **Management controls**: proportionate Board representation in TotalEnergies Marketing Egypt with Chairman appointed by ADNOC Distribution and right to appoint CFO position



KSA Opportunities

Largest fuel market in GCC offering significant growth potential

- ✓ KSA fuel market is 4x larger than UAE, allowing for significant volume upside for ADNOC Distribution
- ✓ Target to become one of the leading KSA fuel retailers by 2025 through inorganic and organic growth

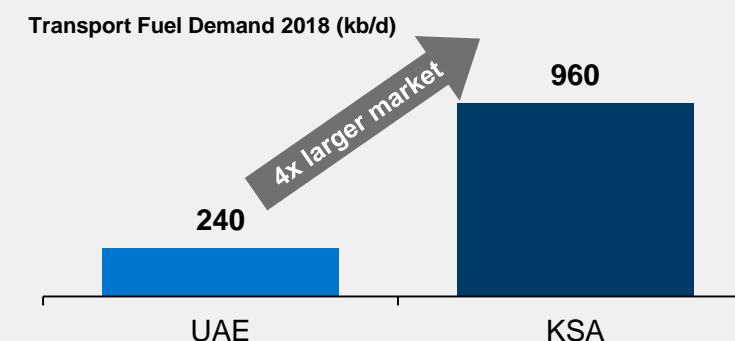
An attractive opportunity to consolidate the fragmented KSA market and acquire competitive market share

- ✓ Tightened regulations creating pressure on small players to invest in improvements or face closure of low quality sites
- ✓ Throughput for branded players higher than market average, potential for further improvement as small players exit the market
- ✓ Margin hike for established players to further accelerate market share gains for large players

Leverage on superior customer experience and integrated fuel and non-fuel offerings to drive further value creation

- ✓ Bring high quality service standards and customer experience to drive higher footfall
- ✓ Optimize non-fuel offerings through in-house expertise of managing convenience stores, car wash, lube changes to drive synergies

Large Fuel Market...



...but highly fragmented

