

# Q1 2023 RESULTS PRESENTATION

INVESTOR & ANALYST CONFERENCE CALL

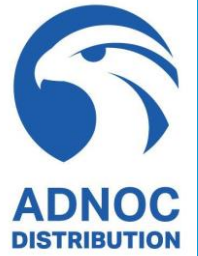
15 May 2023

ADNOC  
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ADNOC DISTRIBUTION

# AGENDA



**01** | EXECUTIVE SUMMARY



**02** | STRATEGY UPDATE



**03** | Q1 2023 RESULTS



**04** | CLOSING REMARKS

# 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



**SPEAKER: ATHMANE BENZERROUG**  
CHIEF STRATEGY, SUSTAINABILITY & TRANSFORMATION OFFICER

# ADNOC DISTRIBUTION UNIQUE VALUE PROPOSITION



## CASHFLOW VISIBILITY & STRONG BALANCE SHEET



**Leading fuel and convenience retail player** in an attractive UAE market supported by economic growth



**Strong and predictable cash flow generation** supported by robust regulatory framework and industry leading margins



**Demonstrable solid business performance** with predictable fuel margins (including 5-year supply contract with ADNOC with backstop guarantee) and limited exposure to oil price volatility



**Record financial performance** in 2022

Strong **operating performance** and growth in **underlying profitability** in Q1 2023

**Balance sheet with ample liquidity** to pursue growth opportunities



## FOCUS ON DELIVERING SMART GROWTH



Management priority: accelerate **sustainable and profitable growth** through **efficient capital allocation**



**Futureproofing the business:** unlock new revenue streams (incl. EV offerings) and pursue sustainability goals



Accelerate **digital strategy** to create additional retail value and customer loyalty



**Unlock hidden value through OPEX initiatives** (targeted OPEX savings in excess of \$25 million in 2023)



## OFFERING ATTRACTIVE AND VISIBLE SHAREHOLDER RETURNS



**Attractive and visible new dividend policy**<sup>1</sup> supported by strong and visible cashflow profile and balance sheet



**Strong shareholder value creation** since IPO



**Significant share liquidity** after Free float increased to 23%

**MSCI EM Index** and **FTSE EM Index** inclusion (2021)



ADNOC is a **supportive and committed majority shareholder**

# FUTURE PROOFING OUR BUSINESS

Growing while transforming with a focus on sustainability



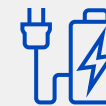
## Decarbonization roadmap and Sustainability Linked Loan



- ✓ Target to achieve a 25% reduction in Scope 1 and 2 emissions intensity by 2030 through:
  - ✓ Energy optimization initiatives
  - ✓ Installing solar panels at service stations
  - ✓ Use of biofuels to power fleet of vehicles
  - ✓ Utilization of 'green concrete' in new stations
- ✓ ADNOC Distribution converted its existing \$1.5 billion term loan into a Sustainability Linked Loan demonstrating its determination to align funding strategy with sustainability roadmap
- ✓ Decarbonization roadmap is a commitment to sustainable growth while creating incremental shareholders value



## E<sub>2</sub>GO JV: Pursuing leadership in mobility retail and unlocking new revenue streams



- ✓ E<sub>2</sub>GO mobility JV with integrated utility giant TAQA will build and operate EV charging infrastructure in public and private sites across Abu Dhabi and the wider UAE
- ✓ E<sub>2</sub>GO will utilize the JV companies' wealth of experience, vast network and innovation capabilities to promote clean mobility solutions and unlock new business revenue streams
- ✓ An estimated 70,000 EV charging points will be required in Abu Dhabi by 2030 for up to \$200 million CAPEX



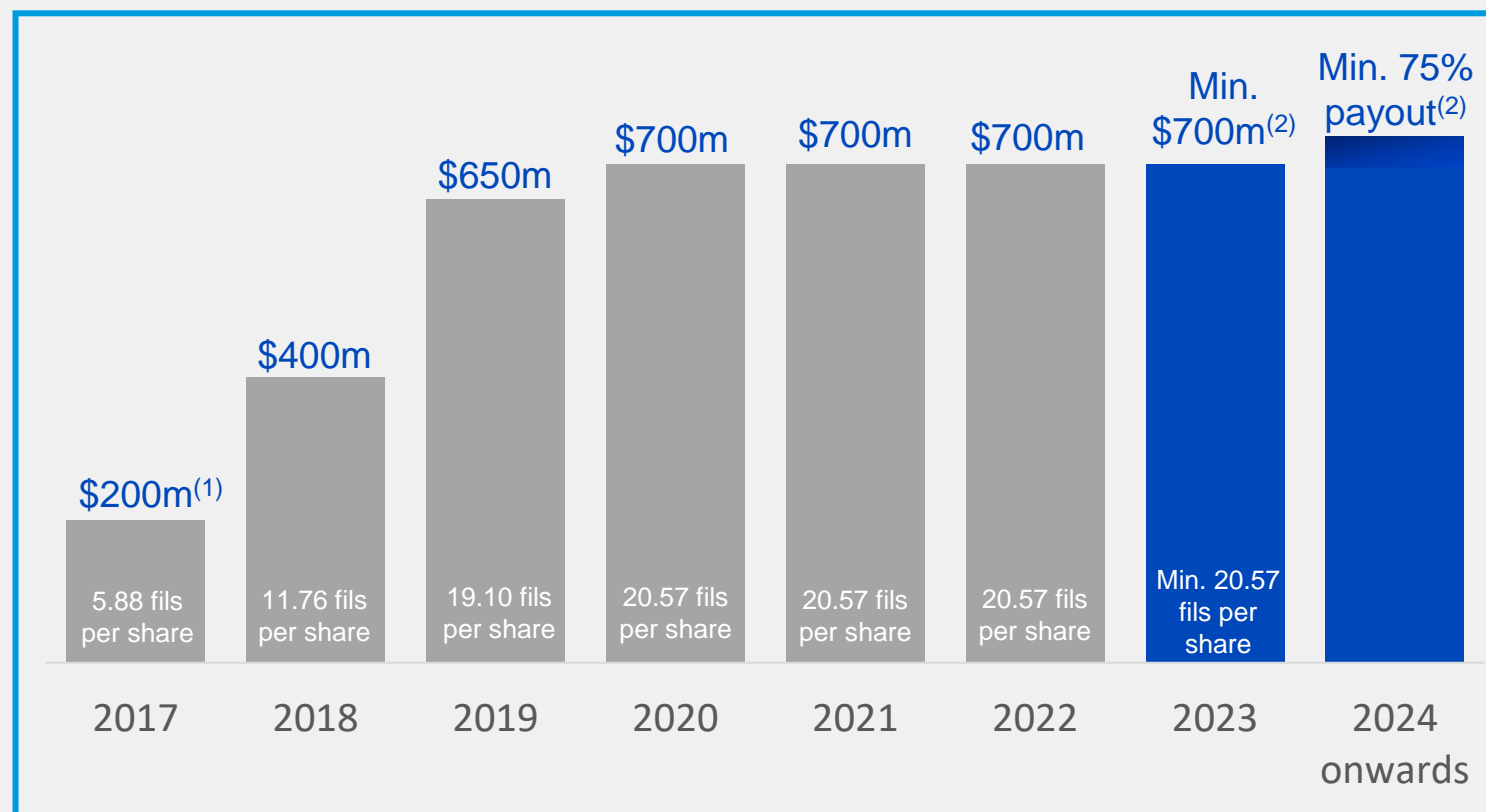
# OFFERING ATTRACTIVE AND VISIBLE SHAREHOLDER RETURNS

H2 2022 dividend of **\$350 million** paid in April 2023

**Attractive new dividend policy** supported by visible cashflow profile and strong balance sheet:

2023 dividend of min. **\$700 million** – offers a dividend yield of 4.8%<sup>(2)</sup>

Distribution of **min. 75% of distributable profits** from 2024 onwards





# Q1 23 KEY ACHIEVEMENTS & 2023 OUTLOOK

Positive volume and underlying earnings, coupled with robust cash generation

## Network expansion, strong volume and non-fuel retail growth



**UAE:** 507 stations at the end of Q1 23 vs. 464 stations at the end of Q1 22

**KSA:** 67 stations at the end of Q1 23 vs. 55 stations at the end of Q1 22

**Egypt:** acquisition of 50% stake in TotalEnergies Marketing Egypt with 240 stations in operation



+28% in total fuel volumes, with retail volumes increasing by 30% Y-o-Y

UAE/KSA volumes: +7.9% in total fuel volumes with retail volumes up 5.5% Y-o-Y



+11% in UAE non-fuel transactions Y-o-Y

UAE C-stores conversion rate 24% (Q1 22: 22%)

## Positive underlying financial performance and robust free cash flow



+7.8% in underlying EBITDA (excl. inventory movements)

+5.5% in net profit excl. inventory movements

+6.7% in fuel retail gross profit excl. inventory movements driven by higher volumes and premiumization

+8.7% in non-fuel retail gross profit driven by higher number of transactions, supported by a series of marketing campaigns and customer-centric initiatives

Free cash flow of \$285 million

Return on Capital Employed of 28.3% (Q1 22: 26.6%)

1.06x Net debt / EBITDA

## Focus on accelerating sustainable growth through efficient capital allocation



ADNOC Distribution expects positive volume growth to sustain in 2023 and network expansion (+25-35 new stations)

Reiterate OPEX savings target in excess of \$25 million in 2023 (Q1 23: \$9 million)

Pursuing growth opportunities:

- ✓ Growth-driven investments with a CAPEX plan of \$250-300 million in 2023 (2022: \$341 million)
- ✓ International expansion through value-accretive transactions



02

# GROWTH STRATEGY UPDATE



**SPEAKER: BADER SAEED AL LAMKI**  
CHIEF EXECUTIVE OFFICER

# KEY STRATEGIC UPDATE

## Fuel business



### Highest Q1 fuel volumes ever recorded in the UAE and KSA after 8% growth year-on-year (2.65bn liters sold)

- ✓ Retail fuel volumes up 5.5% Y-o-Y in Q1 23
- ✓ Commercial volumes up 12.9% Y-o-Y in Q1 23



### Total network increased to 814 stations

- ✓ 6 new stations in the UAE (total UAE: 507, incl. 40 in Dubai)
- ✓ 1 new stations in KSA (total KSA: 67)
- ✓ 240 stations in Egypt (acquisition of 50% of TEME\* completed in Feb. 2023)



### Growth momentum to sustain in 2023

- ✓ Target 25-35 new stations across domestic and international network in 2023
- ✓ Pursue new value-accretive opportunities following successful acquisition of TEME\*





# KEY STRATEGIC UPDATE

## Non-fuel retail business



### NFR segment continues to deliver growth across the board:

- ✓ Non-fuel gross profit up by **8.7%** Y-o-Y in Q1 2023 following 6.2% growth in 2022
- ✓ UAE Non-fuel transactions increased in Q1 2023 by **11%** Y-o-Y following 15% growth in 2022
- ✓ UAE Convenience store conversion rate reached **24%** vs. 22% in Q1 22
- ✓ UAE Average gross basket size increased by **5.2%** to \$7.3 vs. 2022 average of \$7.0



### Non-fuel retail strategy and customer experience

- ✓ Refurbished 193 convenience stores over 2020-2022
- ✓ Continued focus on **customer-centric initiatives**: improvement in category management, fresh food and premium coffee offerings, introducing innovative AI technology
- ✓ Opening of **one new vehicle inspection centre** in Q1 2023



# KEY STRATEGIC UPDATE

Enhancing customer experience and loyalty through innovation and personalized rewarding experience

We are committed to putting the customer at the heart of what we do to help **accelerate the mobility revolution** and **redefine the convenience experience** at service stations

We fuel...

*Energy for life's journey*



## Industry Leading Innovations



**Seamless Fueling** via mobile app and license plate recognition



**Contactless retail experience** (on the go ordering, delivery or collection of retail and F&B across key locations)



**Digitally Connected** with subscriptions and seamless payments



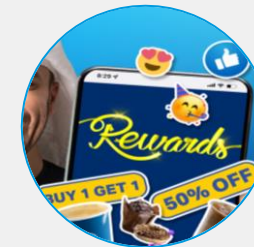
**Smart Infrastructure** leveraging computer vision, IoT sensors and AI



**Fill & Go**



**Station 222**



## Hyper Personalized Rewarding Experiences for over 1.6m members



**Enhanced Loyalty Proposition**



**Personalized Customer Engagement** using real time segmented data and marketing automation



**Simplified Rewards Experience** over 68m transactions using ADNOC Rewards since launching the program



**New Partnerships & Offers**



**ADNOC Rewards**



## Smart Marketing leveraging data & Insights



**Transformed Brand Campaigns**



**Actionable Insights** leveraging Advanced Analytics (ML/AI) to improve media mix, visuals, and messaging, delivering stronger return on investments



**Preferred on the go F&B**  
Building ADNOC Oasis brand as the UAE's #1 on-the-go destination for fresh food and beverages.



**Most Convenient Car Services**



03

# Q1 2023 RESULTS



**SPEAKER: WAYNE BEIFUS**  
CHIEF FINANCIAL OFFICER

# OPERATING PERFORMANCE

## Strong performance driven by volume and number of transactions

Fuel volumes (UAE and KSA)	million liters	Q1 2023	Q1 2022	Y-o-Y (%)
	<b>Retail (B2C)</b>		<b>1,746</b>	<b>1,656</b>
<b>Commercial (B2B)</b>		<b>907</b>	<b>804</b>	<b>12.9%</b>
<i>of which Corporate</i>		863	713	21.0%
<i>of which Aviation</i>		44	90	-51.3%
<b>TOTAL</b>		<b>2,654</b>	<b>2,459</b>	<b>7.9%</b>

Retail fuel operating metrics		Q1 2023	Q1 2022	Y-o-Y (%)
	<b>Service stations – UAE</b>		<b>507</b>	<b>464</b>
<b>Service stations – Saudi Arabia</b>		<b>67</b>	<b>55</b>	<b>21.8%</b>
<b>Service stations – Egypt<sup>1</sup></b>		<b>240</b>		
<b>Fuel transactions – UAE (million)</b>		<b>42.5</b>	<b>42.7</b>	<b>-0.4%</b>

Retail non-fuel operating metrics		Q1 2023	Q1 2022	Y-o-Y (%)
	<b>Convenience stores – UAE</b>		<b>345</b>	<b>350</b>
<b>Non-fuel transactions – UAE (million)<sup>2</sup></b>		<b>10.6</b>	<b>9.6</b>	<b>10.7%</b>
<b>Average gross basket size (\$) <sup>3</sup></b>		<b>7.3</b>	<b>7.2</b>	<b>2.5%</b>

## Q1 2023

**2.65** billion liters  
Total fuel volume  
sold in UAE/KSA



**507**

Retail fuel sites in  
the UAE



**345**

Convenience Stores  
in the UAE



# FINANCIAL PERFORMANCE

## Positive underlying financial performance

Key financial performance	\$m	Q1 2023	Q1 2022	Y-o-Y (%)
	Revenue	2,178	1,834	18.7%
	Gross profit	344	394	-12.8%
	Gross margin, %	15.8%	21.5%	
	EBITDA	211	240	-11.9%
	EBITDA margin, %	9.7%	13.1%	
	Underlying EBITDA <sup>1</sup>	215	199	7.8%
	Underlying EBITDA margin, %	9.9%	10.9%	
	Net profit attributable to equity holders	146	183	-19.9%
	Net profit excluding inventory movements	150	142	5.5%

## Strong free cash flow generation

Cash generation and Net debt	\$m	Q1 2023	Q1 2022	Y-o-Y (%)
	Free cash flow <sup>2</sup>	285	508	-43.9%
	Net debt	981	394	149.3%

## High financial returns

Profitability		Q1 2023	Q1 2022
	ROCE <sup>3</sup> (%)	28.3%	26.6%
ROE <sup>4</sup> (%)	97.0%	87.5%	

## Q1 2023

**\$211** million  
EBITDA



**\$215** million  
Underlying EBITDA



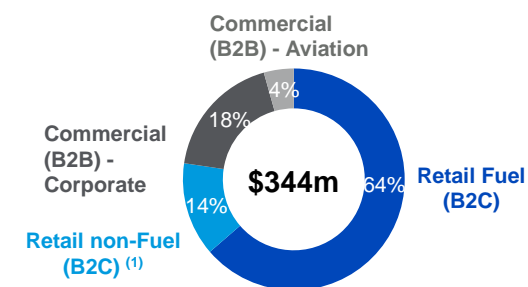
**\$150** million  
Net profit excl. inventory movements



# GROSS PROFIT BY SEGMENT

\$m	Q1 2023	Q1 2022	Y-o-Y (%)
<b>Retail (B2C)</b>	<b>266</b>	<b>283</b>	<b>-6.1%</b>
of which fuel	219	240	-8.7%
of which non-fuel <sup>1</sup>	47	43	8.7%
<i>Retail margin, %</i>	<i>18.6%</i>	<i>22.6%</i>	
<b>Commercial (B2B)</b>	<b>78</b>	<b>111</b>	<b>-29.8%</b>
of which Corporate	63	79	-20.6%
of which Aviation	15	32	-52.6%
<i>Commercial margin, %</i>	<i>10.5%</i>	<i>19.2%</i>	
<b>Total</b>	<b>344</b>	<b>394</b>	<b>-12.8%</b>

Q1 2023 gross profit split



- ✓ **Fuel retail:** Gross profit down due to inventory gains of \$ 35 million in Q1 22 vs. no inventory gains in Q1 23
- ✓ **Non-fuel retail:** Gross profit driven higher by growth in number of transactions, higher conversion and gross basket recovery supported by customer-centric initiatives
- ✓ **Commercial segment:** Gross profit down on lower margins, volume reduction in aviation business, and due to inventory gains of \$6 million in Q1 22 vs. inventory losses of \$4 million in Q1 23

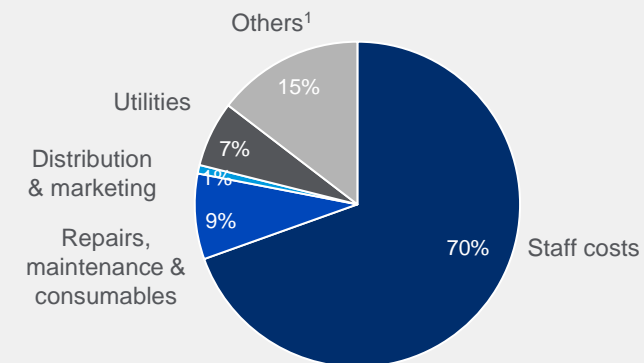
\*TotalEnergies Marketing Egypt consolidated from 1 Feb. 2023. 1. Includes convenience stores, car wash, lube change, property management and vehicle inspection



# OPEX UPDATE

Committed to operational excellence

## Q1 2023 cash OPEX split (\$141m)



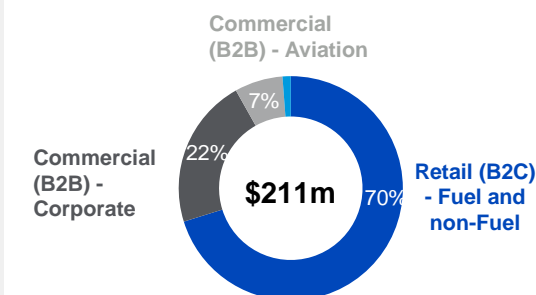
- ✓ ADNOC Distribution continues to execute **management initiatives to increase operational efficiency** across all business units, implement prudent cost controls and optimize costs
- ✓ Q1 23 cash OPEX (excl. DD&A charge) **down 9.0% Y-o-Y** to \$141 million despite a continued expansion of operations and associated costs as well as consolidation of TotalEnergies Marketing Egypt
- ✓ In Q1 2023, we achieved OPEX reduction of **\$9 million**, demonstrating significant progress towards OPEX savings target in excess of **\$25 million** in 2023

# EBITDA BY SEGMENT

\$m	Q1 2023	Q1 2022	Y-o-Y (%)
<b>Retail (B2C)</b>	<b>148</b>	<b>163</b>	<b>-9.0%</b>
<i>Retail margin, %</i>	<i>10.4%</i>	<i>13.0%</i>	
<b>Commercial (B2B)</b>	<b>60</b>	<b>77</b>	<b>-21.3%</b>
of which Corporate	46	63	-27.4%
of which Aviation	15	14	6.8%
<i>Commercial margin, %</i>	<i>8.1%</i>	<i>13.2%</i>	
<b>Unallocated<sup>1</sup></b>	<b>3</b>	<b>0</b>	<b>NM</b>
<b>Total reported EBITDA</b>	<b>211</b>	<b>240</b>	<b>-11.9%</b>
<b>Underlying EBITDA<sup>2</sup></b>	<b>215</b>	<b>199</b>	<b>7.9%</b>

NM: Not meaningful

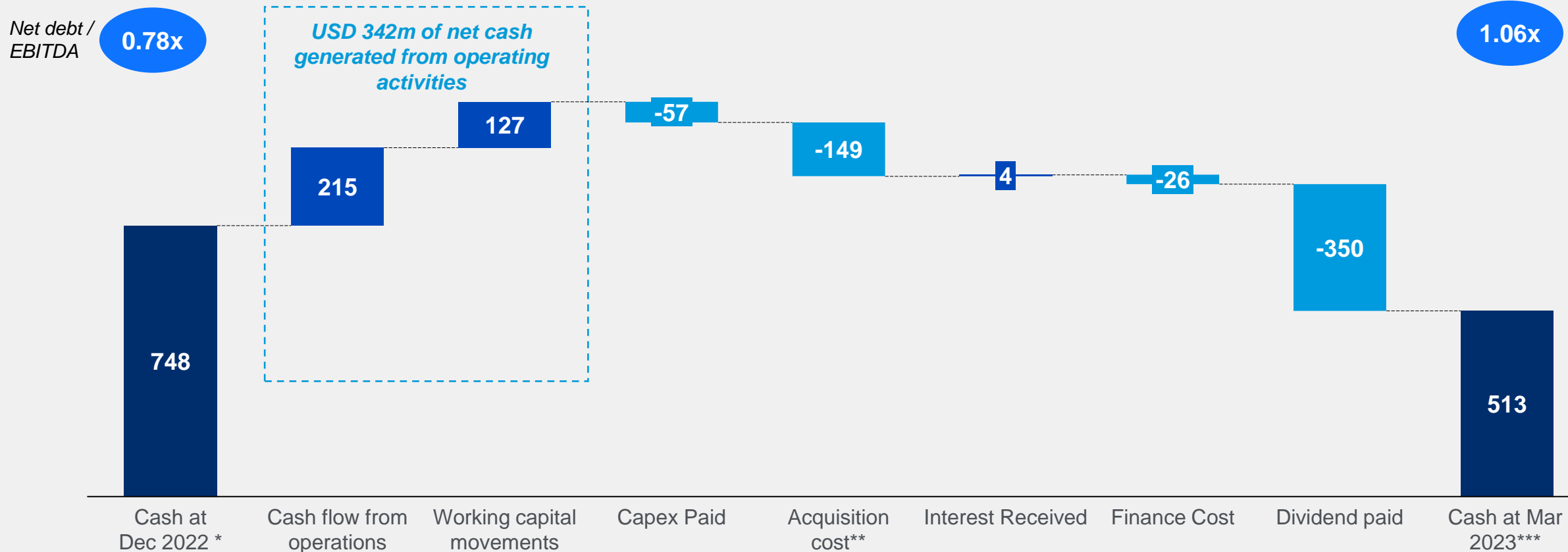
## Q1 2023 EBITDA split



- ✓ Q1 23 EBITDA down on inventory gains in Q1 22 of \$41 million vs. inventory losses of \$4 million in Q1 23
- ✓ Underlying EBITDA growth driven by volume growth, higher contribution from non-fuel retail business and company-wide efficiency initiatives
  - ✓ Retail segment underlying EBITDA up 15.8% Y-o-Y on higher volumes, premiumization and growing contribution of NFR business
  - ✓ Commercial segment underlying EBITDA down 9.5% Y-o-Y on lower margins partially offset by volume growth in Corporate business

\*TotalEnergies Marketing Egypt consolidated from 1 Feb. 2023

1. Unallocated includes other operating income/expenses not allocated to specific segment. 2. Underlying EBITDA is defined as EBITDA excluding inventory movements



- ✓ Operating cash flow (\$342 million) and free cash flow (\$285 million) in Q1 23, driven by positive underlying profitability
- ✓ Healthy cash position (\$513 million) and strong balance sheet (Net debt / EBITDA: 1.06x) offer sufficient room to invest in growth while sustaining an attractive dividend policy



04

# CLOSING REMARKS



**SPEAKER: BADER SAEED AL LAMKI**  
CHIEF EXECUTIVE OFFICER



# CLOSING REMARKS

Key priorities: Accelerate sustainable growth and deliver incremental shareholder value



## Execute on our growth commitments

Positive underlying financial performance in Q1 23 driven by growth in retail segment

Progressing towards delivery of 25-35 new stations in 2023

Focus on operational excellence targeting like-for-like OPEX savings in excess of \$25 million in 2023



## Deliver sustainable growth

- ✓ Invest in profitable growth, domestically and internationally, through efficient capital allocation
- ✓ Reinforcing non-fuel retail offerings to transform ADNOC Distribution stations into a “Destination of choice” for our customers
- ✓ Futureproofing our business, unlocking new revenue streams and pursuing sustainability goals



## Attractive shareholder distribution

New dividend policy to pay min. \$700 million for 2023 offering higher payback visibility for shareholders and min. 75% of distributable profits from 2024<sup>(1)</sup>

Final 2022 dividend of \$350 million distributed in April 2023



**Bader Saeed Al Lamki**  
Chief Executive Officer



**Wayne Beifus**  
Chief Financial Officer



**Athmane Benzerroug**  
Chief Strategy, Sustainability &  
Transformation Officer



# ADNOC DISTRIBUTION Q1 2023 RESULTS PRESENTATION



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# THANK YOU

ADNOC DISTRIBUTION