

ADNOC DISTRIBUTION Q4 AND FY 2018 RESULTS PRESENTATION



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INVESTOR AND ANALYST CONFERENCE CALL
14 February 2019

ADNOC Distribution

AGENDA



01 | EXECUTIVE
SUMMARY



02 | STRATEGY
UPDATE



03 | Q4 AND FY
2018 RESULTS



04 | OUTLOOK

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.



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01

EXECUTIVE SUMMARY

SPEAKER: SAEED MUBARAK AL RASHDI
ACTING CHIEF EXECUTIVE OFFICER

ADNOC Distribution

INTRODUCTION

Resilient full year performance delivering on all IPO milestones



Operational and financial performance

- ▶ **Positive underlying EBITDA** performance in FY 2018 despite lower volumes
- ▶ **Strong free cash flow** generation driven by **visible CAPEX and OPEX efficiencies**
- ▶ **Working capital optimization**



Strategic update

- ▶ **Delivery of all targets** announced for 2018
- ▶ **Geographical expansion** in Dubai and KSA
- ▶ **Completion of ADNOC Flex** roll-out across the network



2019 outlook

- ▶ Focus on **volume growth** in UAE and international markets
- ▶ Acceleration in **c-stores revitalization**
- ▶ **Up to USD300m** of CAPEX in 2019 to accelerate **growth and digital initiatives**
- ▶ **Continued focus on cost reduction**



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02

STRATEGY UPDATE

SPEAKER: JOHN CAREY
DEPUTY CHIEF EXECUTIVE OFFICER

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STRATEGY UPDATE

Continued progress of our initiatives



Market context

- Fuel volume down 7.7% YoY and up 0.6% QoQ supported by a 5.9% push in Retail fuel volumes in Q4 2018
- Fuel retail transactions down 4.4% YoY in Q4 2018, up 1.8% YoY in FY 2018 supported by the accelerated expansion of fuel stations network
- Non-fuel retail transactions up 8.3% QoQ in Q4 2018

Implemented strategic initiatives

Fuel Retail

- Roll-out of ADNOC Flex in Abu Dhabi and Northern Emirates
- Entry to Dubai and KSA markets

Non-Fuel Retail

- Convenience store expansion and revitalization
- Géant Express partnership

Cost Efficiency

- OPEX savings exceeding target
- CAPEX reduction
- Active working capital management

KEY STRATEGIC UPDATE

Fuel Retail update

IPO – December 2017	Full year 2018 achievements	...2019 and beyond
ANNOUNCED STRATEGY	KEY MILESTONES ACHIEVED	OUTLOOK
<ul style="list-style-type: none"> • Network expansion with expected openings of 13 new stations in Abu Dhabi, Northern Emirates and Dubai • Roll-out of ADNOC Flex across the network in 2018 • Suggested price for premium refuelling service between AED 5-10 / transaction 	<ul style="list-style-type: none"> • In UAE: 14 new stations added in Abu Dhabi and Northern Emirates, and 3 new sites opened in Dubai with positive results • Beyond UAE: 2 new sites opened in KSA • Successful roll-out of ADNOC Flex across our network • Visible impact of ADNOC Flex initial results <ul style="list-style-type: none"> – 15-20% penetration at AED10 per transaction – Premium rewards to be redeemed in convenience stores 	<ul style="list-style-type: none"> • 25–30 stations across the UAE, with a focus on accelerating growth in Dubai • Additional expansion in KSA with a target of 5–10 new stations in 2019 • Memorandum of Understanding to further expand our network in KSA • Memorandum of Understanding for the local production, marketing and distribution of our lubes products in India

KEY STRATEGIC UPDATE

Non-Fuel Retail update

IPO – December 2017	Full year 2018 achievements	...2019 and beyond
ANNOUNCED STRATEGY	KEY MILESTONES ACHIEVED	OUTLOOK
<ul style="list-style-type: none"> • Opening of 5-7 new convenience stores in 2018 • Convenience store revitalization • Increase basket size 	<ul style="list-style-type: none"> • Opened 15 new convenience stores in UAE, well exceeding our announced strategy • Convenience store revitalization as part of our key strategic focus <ul style="list-style-type: none"> – 13 convenience stores revitalized as ADNOC Géant, including 8 in Q4 2018 – 12 bakeries and cafés branded Oasis Café, including 8 in Q4 2018 – Convenience store sales revenue up 13.3% in Q4 2018 on the back of revitalization stores program • Increase in basket size by 10.8% YoY in Q4 2018 and 16.8% YoY in FY 2018 	<ul style="list-style-type: none"> • Our convenience store network to expand at a faster pace than our fuel retail sites • Continued roll-out of ADNOC Géant Express stores, in addition to new food and coffee offerings • Further implementation of convenience store revitalization program to drive non-fuel retail growth and performance, and to enhance our customers experience

KEY STRATEGIC UPDATE

OPEX and CAPEX efficiencies update

IPO – December 2017	Full year 2018 achievements	...2019 and beyond
ANNOUNCED STRATEGY	KEY MILESTONES ACHIEVED	OUTLOOK
<ul style="list-style-type: none"> • Cash OPEX savings of USD 50m for 2018 • Full year CAPEX of USD 250m, supporting the opening of 10-12 sites 	<ul style="list-style-type: none"> • OPEX savings <ul style="list-style-type: none"> – Total OPEX savings of USD 53m in FY 2018, exceeding our target – Adjusted OPEX on a like-for-like basis down 7.8% YoY in FY 2018 • CAPEX savings <ul style="list-style-type: none"> – 10% CAPEX efficiency improvements in the construction of new service stations – Total CAPEX of USD 210m for FY 2018, including opening of 19 new sites and 15 new convenience stores – CAPEX for 2018 includes accelerated USD 20m portion initially planned for 2019 	<ul style="list-style-type: none"> • Up to USD300m CAPEX planned in 2019 in order to accelerate network expansion in UAE and internationally • Continued CAPEX efficiency in building new stations • Expected additional USD 50m of OPEX savings in 2019



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Q4 AND FY 2018 RESULTS

SPEAKER: PETRI PENTTI
CHIEF FINANCIAL OFFICER

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OVERVIEW OF 2018 PERFORMANCE

Robust financial performance in 2018...

	FY 2017	FY 2018	Change YoY (%)
Financial Performance			
Revenue (USDm)	5,379	6,233	15.9%
Gross profit (USDm)	1,205	1,380	14.5%
EBITDA (USDm)	621	755	21.6%
Net income (USDm)	491	579	18.0%

...despite decrease in fuel volumes...

	FY 2017	FY 2018	Change YoY (%)
Fuel Volumes			
Retail (mL)	6,830	6,600	(3.4%)
Corporate (mL)	2,301	2,239	(2.7%)
Aviation (mL)	811	748	(7.7%)

...leading to strong cash generation...

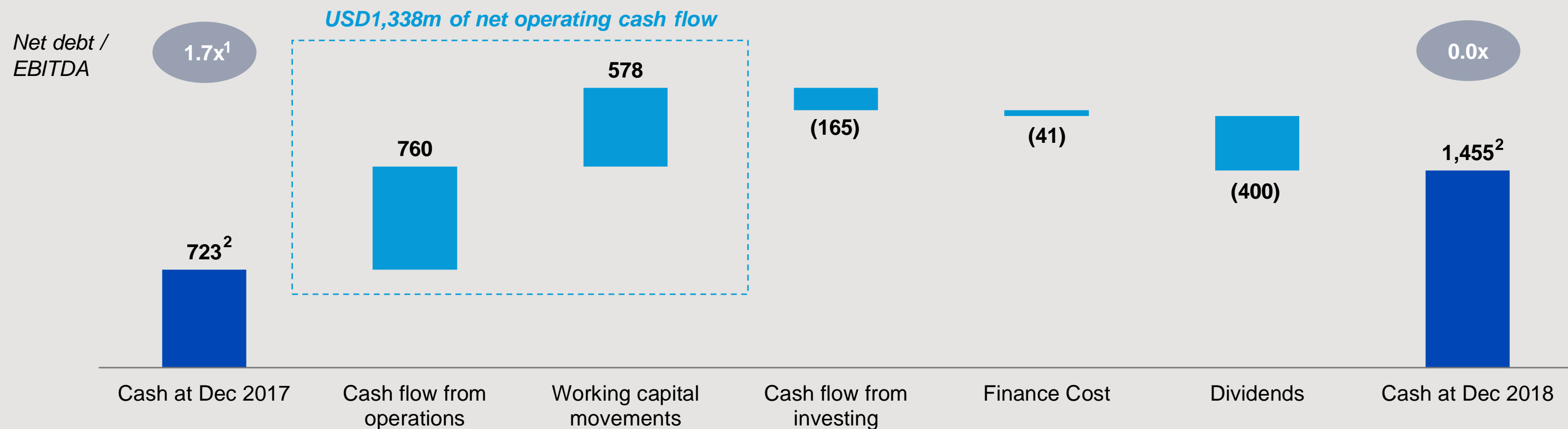
	FY 2017	FY 2018	Change YoY (%)
Cash Generation and Net Debt			
Net operating cash flow (USD)	921	1,338	45.3%
Net debt (USDm)	733	3	(99.6%)

...and positive returns

	FY 2017	FY 2018	Change YoY (%)
Profitability			
ROCE (%)	21.3%	24.2%	--
ROE (%)	63.4%	59.3%	--

STRONG CASH GENERATION IN 2018

Cash flow bridge Dec-2017 vs. Dec-2018 (USDm)



- 2018 net operating cash flow up 45.3% YoY to USD 1,338m driven by strong cash flow from operations and proactive working capital management

FINANCIAL AND OPERATING HIGHLIGHTS



Key financial figures	USDm	Q4 2017	Q4 2018	Change YoY (%)	FY 2017	FY 2018	Change YoY (%)
	Revenue	1,507	1,626	7.9%	5,379	6,233	15.9%
	Gross profit	357	322	-9.6%	1205	1380	14.5%
	Margin	23.7%	19.8%		22.4%	22.1%	
	EBITDA	181	168	-7.1%	621	755	21.6%
	Margin	12.0%	10.3%		11.5%	12.1%	
	Net income	134	121	-9.4%	491	579	18.0%
	Margin	8.9%	7.5%		9.1%	9.3%	

Fuel sales volume ¹	Volume (mL)	Q4 2017	Q4 2018	Change YoY (%)	FY 2017	FY 2018	Change YoY (%)
	Total	2,635	2,432	-7.7%	9,982	9,611	-3.7%
	Retail	1,743	1,685	-3.3%	6,830	6,600	-3.4%
	Corporate	661	548	-17.1%	2,301	2,239	-2.7%
	Aviation	218	199	-8.7%	811	748	-7.7%

GROSS PROFIT BY SEGMENT

USDm	Q4 2017	Q4 2018	Change YoY (%)	FY 2017	FY 2018	Change YoY (%)
Fuel and non-Fuel Retail	221	209	-5.6%	781	900	15.3%
<i>o/w Fuel</i>	203	189	-6.8%	709	821	15.9%
<i>o/w non-Fuel</i>	18	20	8.0%	72	79	9.4%
<i>Margin</i>	21.9%	18.7%		20.9%	21.1%	
Corporate	59	48	-18.5%	210	214	1.7%
<i>Margin</i>	18.0%	14.5%		19.1%	16.6%	
Aviation	57	50	-13.1%	147	197	34.4%
<i>Margin</i>	38.1%	30.4%		31.8%	33.0%	
Other¹	20	16	<i>n.m.</i>	67	69	<i>n.m.</i>
Total	357	322	-9.6%	1,205	1,380	14.5%

- **Resilient Gross Profit Performance.** Despite lower volumes, overall gross profit witnessed a YoY growth of 14.5% driven by:
 - Positive full year performance in fuel retail segment
 - Strong full year performance in aviation segment
 - Positive Q4 2018 performance in non-fuel retail segment underpinned by convenience stores revitalization program, opening of 9 new stores, 8 new Géant Express stores, and 8 new Oasis Café outlets

EBITDA BY SEGMENT

USDm	Q4 2017	Q4 2018	Change YoY (%)	FY 2017	FY 2018	Change YoY (%)
Retail	106	84	-20.8%	341	446	30.8%
Margin	10.5%	7.6%		9.1%	10.4%	
Corporate	39	51	32.6%	163	177	8.2%
Margin	11.8%	15.4%		14.8%	13.7%	
Aviation	30	23	-24.9%	95	93	-2.7%
Margin	20.3%	14.0%		20.6%	15.5%	
Other¹	6	10	<i>n.m.</i>	21	40	<i>n.m.</i>
Total	181	168	-7.1%	621	755	21.6%

- **Strong YoY EBITDA performance driven mainly by Retail segments**
 - Up 30.8% YoY in FY 2018 underpinned by a material increase in EBITDA margin achieved through continued cost efficiencies
- Despite lower volumes and oil price decline, Corporate segment EBITDA increased 32.6% YoY in Q4 2018, partially driven by a one-off receivables impairment recovery



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04

OUTLOOK

SPEAKER: SAEED MUBARAK AL RASHDI
ACTING CHIEF EXECUTIVE OFFICER

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OUTLOOK

Market

- Low single digit volume growth in light of significant announced investments in the region

Fuel Retail

- Expansion of our network both in UAE and internationally
 - 25 – 30 new openings in UAE with a focus on Dubai
 - 5 – 10 new openings in KSA
- Signed MoU in KSA to further expand our stations network
- Signed MoU in India to market and distribute our lubes products

Non-Fuel Retail

- Accelerate expansion of our convenience stores network
- Continue to roll-out ADNOC Géant Express stores and our new bakery and coffee offering
- Continue to implement our convenience store revitalization program to enhance our customers experience

Cost Efficiency

- Further OPEX savings of USD 50m on a like-for-like basis
- Continued CAPEX efficiency in building new stations
- Keep seeking new ways to increase CAPEX efficiencies

Key strategic pillars

| Q&A



Saeed Mubarak Al Rashdi

Acting Chief Executive Officer



John Carey

Deputy Chief Executive Officer



Petri Pentti

Chief Financial Officer

ADNOC DISTRIBUTION BUSINESS MODEL



	Retail		Commercial Business	
	Fuel Retail	Non – Fuel Retail	Corporate	Aviation
Key Products / Services	<ul style="list-style-type: none"> Transportation fuel LPG Lubricants 	<ul style="list-style-type: none"> Convenience stores Car care 	<ul style="list-style-type: none"> Transportation fuel LPG Lubricants 	<ul style="list-style-type: none"> Jet fuel Fuelling, maintenance and other services
Market position	<ul style="list-style-type: none"> Leader in the UAE Sole fuel distributor in Abu Dhabi and Sharjah Started operations in Dubai and KSA <p>378 stations</p>	<ul style="list-style-type: none"> Biggest consumer retailer in the UAE <p>250 stores</p>	<ul style="list-style-type: none"> Leading supplier of commercial fuel in the UAE 	<ul style="list-style-type: none"> Presence in 7 airports across the UAE with exclusive supplier status in all the airports in the Emirate of Abu Dhabi
Selected Market Drivers	<ul style="list-style-type: none"> UAE population and GDP growth UAE car fleet growth 	<ul style="list-style-type: none"> Forecourt growth in the UAE 	<ul style="list-style-type: none"> Corporate LPG demand UAE GDP growth 	<ul style="list-style-type: none"> UAE development as global aviation hub
Gross Profit¹ split by segment				

1. Total Gross Profit excludes Allied Services

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THANK YOU