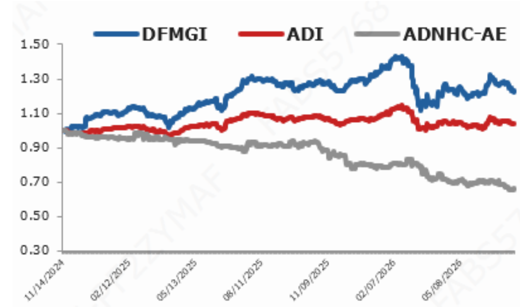
ADNH Catering PLC (ADNHC)

Revenue remained resilient, while geopolitical disruptions pressured margins and earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.63	AED 1.05	+66.7%	BUY

- ADNHC secured 39 new contracts during 1H26, taking the total contract count to 519, while maintaining an industry-leading contract retention rate of 98.9%.
- EBITDA declined 5.1% YOY to AED 53 Mn in 2Q26, with the EBITDA margin contracting 145 bps YOY to 11.6%, reflecting the temporary impact of regional geopolitical tensions.
- The Company proposed an interim dividend of AED 60 Mn for FY2026, subject to shareholders approval.
- Management expects revenue growth to moderate during 2H26 due to slower tender activity and roll-on losses from 2H25, while continuing to target mid-term revenue growth of 5–7%, EBITDA margins of c.14%, annualised new contract wins of 8–10% of revenue, and capex of c.1.0% of revenue.



Stock Information	
Market Cap (AED, Mn)	1,372.63
Paid Up Capital (Mn)	2,238.20
52 Week High	0.89
52 Week Low	0.62
3M Avg. daily value (AED)	1,030,720

2Q26 Result Review (AED, Mn)	
Total Assets	1,292
Total Liabilities	718
Total Equity	573
EBITDA	53
Net Profit	28

Financial Ratios	
Dividend Yield (12m)	8.50
Dividend Pay-out (%)	102.56
Price-Earnings Ratio(x)	9.77
Price-to-Book Ratio (x)	2.94
Book Value (AED)	0.26
Return-on Equity (%)	31.03

Stock Performance	
5 Days	0.32%
1 Months	-7.03%
3 Months	-7.72%
6 Months	-16.96%
1 Year	-25.51%
Month to Date (MTD%)	-4.16%
Quarter to Date (QTD%)	-4.16%
Year to Date (YTD%)	-18.37%

2Q26 Net Profit lower than our estimate

ADNH Catering PLC (ADNHC/the Company) reported a 19.4% YOY decline in net profit attributable to equity shareholders to AED 28 Mn in 2Q26, lower than our estimate of AED 39 Mn. The decline in net profit was driven by higher cost of sales, net finance costs, and a share of non-controlling interests, partially offset by higher revenue, a reversal of impairment on trade receivables of AED 0.2 Mn in 2Q26 compared to a charge of AED 22.6 Mn in 2Q25, and lower income tax charges.

P&L Highlights

ADNHC reported a 6.9% YOY increase in revenue to AED 457 Mn in 2Q26, primarily driven by an increase in revenue from the food services segment, partially offset by a decline in the support services segment. Food services revenue rose 16.8% YOY to AED 313 Mn in 2Q26, driven by new contracts, accounting for 68.4% of total revenue. In contrast, support services revenue declined 9.8% YOY to AED 144 Mn, contributing 31.6% of total revenue during 2Q26. Cost of sales increased at a faster pace, rising 17.1% YOY to AED 400 Mn in 2Q26, which led to a 33.7% YOY decline in gross profit to AED 57 Mn in 2Q26. As a result, gross profit margin decreased from 20.2% in 2Q25 to 12.5% in 2Q26. G&A expenses declined 2.4% YOY to AED 24 Mn in 2Q26. ADNHC's EBITDA declined 5.1% YOY to AED 53 Mn in 2Q26, with EBITDA margin narrowing by 145 bps YOY to 11.6% in 2Q26. The EBITDA decline was largely due to the temporary impact of geopolitical tensions in the region. Net finance expenses increased from AED 0.4 Mn in 2Q25 to AED 1.7 Mn in 2Q26, due to higher finance costs and lower finance income. The Company recorded a reversal of impairment on trade receivables of AED 0.2 Mn in 2Q26, compared to an impairment provision of AED 22.6 Mn in 2Q25. Meanwhile, the share of profit from a joint venture declined from AED 0.3 Mn in 2Q25 to to nil in 2Q26. Income tax expense decreased 36.3% YOY to AED 3 Mn in 2Q26, while profit attributable to non-controlling interests increased from nil in 2Q25 to AED 1 Mn in 2Q26.

Balance sheet highlights

ADNHC's cash and cash equivalents increased to AED 174 Mn in 2Q26, compared to AED 109 Mn in 1Q26. Net cash from operating activities stood at AED 108 Mn in 2Q26, compared to AED 26 Mn in 2Q25, with a cash conversion ratio of 73% in 2Q26. The Company returned to a net cash position of AED 69 Mn in 2Q26, compared to a net debt of AED 24 Mn in 1Q26, further strengthening its liquidity profile and financial flexibility.

Target Price and Rating

We maintain a BUY rating on ADNH Catering PLC with a revised target price of AED 1.05. ADNHC delivered resilient operating performance in 2Q26 despite a challenging operating environment marked by geopolitical tensions, supply chain disruptions, inflationary pressures, and service suspensions across certain client segments. The Company's diversified business model, operational resilience, and effective procurement and supply chain management enabled it to mitigate the impact of market turbulence while maintaining service quality and profitability. Contract retention remained industry-leading at 98.9% as of 1H26, reflecting the Company's strong client relationships and service quality, despite difficult operating conditions. ADNHC secured 39 new contracts during 1H26, representing annualised new business wins of AED 77 Mn and YTD growth of 6.8%, taking the total contract count to 519 as of 1H26. However, the Company highlighted that geopolitical tensions have resulted in slower tender flow, delayed contract awards, and slower mobilisations, particularly affecting the hospitality and education sectors. Cash generation remained robust, with cash and cash equivalents of AED 174 Mn as of 2Q26, while the cash liquidity ratio stood at 0.34 as of 2Q26, with cash conversion sustained at 73%. Looking ahead, the Company remains confident in its long-term growth prospects and expects business performance to recover once the impact of the regional geopolitical crisis subsides. The Company continues to target contract renewal rates above 95%, while maintaining near-term revenue growth of 5–7%, EBITDA margins of c.13.5%, capex at c.1.5% of revenue, and annualised new contract wins equivalent to 8–10% of total revenue. Over the mid-term, management continues to target revenue growth of 5–7%, EBITDA margins of c.14%, capex of c.1.0% of revenue, and contract renewal rates above 95%. The Company also introduced short-term guidance targeting 6–8% annualised new contract wins, 95%+ renewal rates, 4–6% revenue growth, 10–12% EBITDA margins, and capex of c.1.5% of revenue, while expecting revenue growth to moderate during 2H26 due to slower tender activity and roll-on losses from 2H25. Furthermore, the Board has proposed an interim dividend of AED 60 Mn for 2026, to be distributed semi-annually, subject to shareholders' approval. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation[1]

(at CMP)	**2024**	**2025**	**2026F**
PE (x)	9.08	7.89	11.47
PB (x)	2.55	2.26	2.38
EV/EBITDA	5.98	5.24	6.63
BVPS	0.243	0.274	0.260
EPS	0.068	0.079	0.054
DPS	0.027	0.080	0.053
Dividend yield (%)	4.3%	12.7%	8.4%

FABS Estimates & Co Data

[1]Note – ADNHC Company was listed on ADX in October 2024. Thus, the financial multiple for the prior FY2023 is unavailable, [2]Dividend yield for 2024 includes the AED 60 Mn special dividends.

ADNHC – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Revenue	428	464	457	454	0.8%	6.9%	-1.6%	1,743	1,847	5.9%
Cost of sales	-342	-405	-400	-384	4.2%	17.1%	-1.3%	-1,449	-1,609	11.0%
Gross Profit	**86**	**59**	**57**	**70**	**-18.2%**	**-33.7%**	**-3.6%**	**294**	**238**	**-19.1%**
G&A exp	-24	-24	-24	-23	1.3%	-2.4%	-1.5%	-95	-95	-0.6%
Net Finance income	0	0	-2	0	NM	NM	NM	-4	-2	-58.6%
Other Income	0	0	0	0	NM	NM	NM	4	2	-57.5%
Impair. loss of trade receivables.	-23	0	0	-3	NM	NM	63.5%	-21	-11	-48.4%
EBITDA	**56**	**54**	**53**	**76**	**-30.5%**	**-5.1%**	**-1.3%**	**265**	**210**	**-20.6%**
Profit before tax	**39**	**35**	**32**	**44**	**-27.1%**	**-18.1%**	**-8.9%**	**191**	**132**	**-30.8%**
Share of profit from JV	0	0	0	0	NM	NM	NM	1	1	44.2%
Income tax expense	-5	-4	-3	-4	-25.5%	-36.3%	-20.1%	-16	-12	-26.2%
Profit / (loss) after tax and before NCI	**35**	**301**	**29**	**40**	**-28.0%**	**-16.4%**	**-7.5%**	**176**	**122**	**-30.8%**
NCI	0	1	1	1	29.4%	NM	7.1%	1	2	112.5%
Profit to equity holders	**35**	**30**	**28**	**39**	**-29.2%**	**-19.4%**	**-8.0%**	**175**	**119**	**-31.7%**

FABS estimate & Co Data

ADNHC - Margins

	2Q25	1Q26	2Q26	YOY ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	20.2%	12.8%	12.5%	-765	-27	16.9%	12.9%	-399
EBITDA	13.0%	11.5%	11.6%	-145	3	15.2%	11.4%	-381
Net profit	8.1%	6.5%	6.1%	-199	-43	10.0%	6.5%	-356

FABS estimate & Co Data

Key Developments:

- **21 August 2025:** ADNH Catering completed the step-up acquisition of a 50% stake in Compass Arabia Limited, a catering and support services company based in Saudi Arabia, gaining management control. The joint venture's results will be consolidated into ADNH Catering's financial statements starting August 2025. This marks the company's second acquisition in 2025, reinforcing its inorganic growth strategy across the UAE and wider GCC region.

- **19 March 2025:** ADNH Catering has finalized the acquisition of 100% of Food Nation Catering Services after completing all regulatory and legal formalities. The transaction, concluded on 17 March 2025, supports the company's strategic expansion objectives. The acquisition will deepen ADNHC's presence in the education sector serving over 70,000 students. Food Nation employs over 300 professionals and is known for its customized catering solutions.

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value ADNH Catering PLC. We have assigned 70% weight to DCF, 20% to DDM, and 10% to Relative Valuation (RV).

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	1.06	70.0%	0.74
DDM Method	1.08	20.0%	0.22
Average of PE & EV/EBITDA	0.94	10.0%	0.09
Weighted Average Valuation (AED)			**1.05**
Current market price (AED)			0.63
Upside/Downside (%)			+66.7%

1) DCF Method:

ADNH Catering PLC is valued using free cash flow to the equity. We have discounted the cash flow using the cost of equity of 9.5%. The cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 1.0, and an equity risk premium of 4.3%. The government bond yield is calculated by adding Abu Dhabi's government spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	590
Terminal value (AED, Mn)	1,795
FV to Common shareholders (AED, Mn)	**2,385**
No. of shares (Mn)	2,250
Current Market Price (AED)	0.63
Fair Value per share (AED)	**1.06**

DCF Method

(All Figures in AED, Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	122	170	185	200	214
Depreciation & Amortization	75	77	70	65	62
Capex	-19	-20	-21	-22	-23
Change in Working Capital	5	-30	-18	-25	-27
Net Change in Debt	-22	-76	-45	-31	-28
Free Cash Flow to Equity (FCFE)	**161**	**122**	**170**	**187**	**198**
Discounting Factor	*0.96*	*0.88*	*0.80*	*0.73*	*0.67*
Discounted FCFE	**77**[1]	**107**	**136**	**137**	**132**

Source: FAB Securities, [1]*Adjusted* for partial year

2) Relative Valuation:

We have used local catering peers to value ADNH Catering PLC, and it is valued using the average of EV/EBITDA and P/E multiples. It is valued at a 2026 EV/EBITDA multiple of 9.5x. In addition, it is valued at a 2026 P/E multiple of 18.0x.

Company	Market (USD Mn)	EV/EBITDA (x) 2026F	EV/EBITDA (x) 2027F	P/E (x) 2026F	P/E (x) 2027F
Regional Catering Cos					
Catrion Catering Holding Co	1,594	10.7	9.3	17.8	14.1
Elior Group	585	5.0	4.4	12.2	6.4
Tongqinglou Catering Co Lt-A	459	8.1	6.7	19.8	14.6
Compass Group Plc	53,713	12.1	11.2	21.3	19.3
Aramark	14,920	13.6	12.1	25.2	21.1
Sodexo Sa	9,087	9.5	8.9	16.9	15.3
Do & Co Ag	2,564	7.0	7.2	18.0	18.2
Average		**9.4x**	**8.5x**	**18.8x**	**15.6x**
Median		**9.5x**	**8.9x**	**18.0x**	**15.3x**
Max		**11.4x**	**10.2x**	**20.5x**	**18.7x**
Min		**7.5x**	**6.9x**	**17.4x**	**14.4x**

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company distributed a full-year dividend of AED 180 Mn for 2025. ADNHC Board has proposed interim dividend of AED 60 Mn for 2026. Starting from 2027, the Company intends to adopt a progressive dividend policy, with distributions based on a target payout ratio linked to profit after tax, to be paid semi-annually. The dividend is discounted at the cost of equity of 9.5%.

Sum of PV (AED, Mn)	671
Terminal value (AED, Mn)	1,763
FV to Common shareholders (AED, Mn)	**2,434**
No. of shares (Mn)	2,250
Current Market Price (AED)	0.63
Fair Value per share (AED)	**1.08**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
Dividend	120	171	176	185	194
Total Dividend	120	171	176	185	194
Discounting Factor	0.96	0.88	0.80	0.73	0.67
Present Value of Dividend	**115**	**150**	**141**	**135**	**130**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst		
Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@bankfab.com
Sales & Execution		
Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

DISCLAIMER