



Initiation Coverage

A D N H Catering PLC



Key Investment Highlights:

We initiate coverage on A D N H Catering PLC ("ADNHC", "A D N H Catering", or "the Company") with an equity valuation of AED 1.30 per share. A D N H Catering is the UAE's largest food and support services company. The Company is a subsidiary of ADN H (Abu Dhabi National Hotels) known for its expertise in hospitality and food services. It provides corporate and event catering, food solutions for sectors like healthcare, education, defence, and business & industry, along with Support Services such as cleaning, housekeeping, manpower supply, facilities management, and procurement.

Our investment view is supported by:

- *Market Leader with Diverse Portfolio of Clients, Securing Long-Term Contracts*
- *Strategically Positioned Central Production Sites with Procurement Practices*
- *Multiple Growth Avenues to Drive Expansion and Strengthen Market Position*
- *Capex Light Model to Sustain a Strong Balance Sheet and High Cash Conversion*

Market Leader with Diverse Portfolio of Clients, Securing Long-Term Contracts

ADNHC, part of Abu Dhabi National Hotels (ADNH), is a leading UAE food and support services with an impressive c.28% market share in the UAE's food services sector. It serves key sectors like Defence, Correctional, Business & Industry, Education, and Healthcare, offering customized Food Catering and Support Services such as cleaning, facility management, and procurement. The Company has shown exceptional growth and client retention, with its client base expanding from 197 in FY2021 to 278 in 9M24 and contracts growing from 292 to 385 during the same period. ADNHC has maintained an impressive average contract retention rate of 91%+ over the past five years and a 9.4% CAGR in revenue from its top 10 clients over the last ten years. The Company boasts a robust track record in securing high-quality government contracts, highlighting its competitive advantages and strong brand value.

Strategically Positioned Central Production Sites with Efficient Procurement Practices

ADNHC strategically operates central production units (CPU) in Abu Dhabi and Dubai, with Abu Dhabi capable of handling up to 20,000 meals per day at 18% utilization and Dubai capable of handling 17,500 meals daily at 83% utilization, as of 30th June 2024. It employs a clear and strategic procurement process to maintain competitiveness and enhance efficiency. The Company's strategic procurement process includes a seven-step model that ensures competitive pricing and cost-effectiveness, achieving a 4% reduction in contract prices compared to market rates. Additionally, ADNHC expanded its HUSK brand to eight locations in FY2024, with plans to reach 43 locations by FY2025.

Multiple Growth Avenues to Drive Expansion and Strengthen Market Position

ADNHC leverages its growth opportunities through new business acquisitions and high retention rates. The Company is expanding into the private Healthcare and Business & Industry (B&I) sectors, targeting higher-margin Support Services contracts and broadening its base in Dubai. This expansion is part of the Company's strategic plan to diversify its revenue streams and reduce dependency on traditional catering services. It boasts a historical 95%+ contract retention rate and is expected to see a retention rate of c.97% in FY2024. ADNHC's sector-specific strategy is expected to drive significant growth and diversification across multiple high-potential markets. Its growth strategy combines organic expansion with bolt-on acquisitions to diversify beyond traditional catering. Additionally, it targets significant opportunities in the KSA healthcare market, focusing on Riyadh, Eastern KSA, and Jeddah to drive future growth.

Capex Light Model to Sustain a Strong Balance Sheet and High Cash Conversion

ADNHC generates revenue from its two key segments, Food and Support Services. Food Services segment accounts for 59.4% of the total revenue, and Support Services account for the remaining 40.6% of the total revenue as of FY2023. The Company's revenue declined 14.5% YOY to AED 1,705 Mn in FY2023, primarily due to a voluntary shift to de-risk the business and walking away from a commercially unviable contract in FY2023. Moreover, ADNHC maintains a strong and a debt-free position. It operates a capex-light model tailored to the client's requirements. The Company's capex as a percentage of revenue stood below 1% (excluding lease payments) during the previous five years, reflecting lower capex requirements to sustain the business. ADNHC paid a dividend of AED 263 Mn in FY2022 and AED 240 Mn in FY2023, maintaining a robust payout ratio above 100% in both periods.

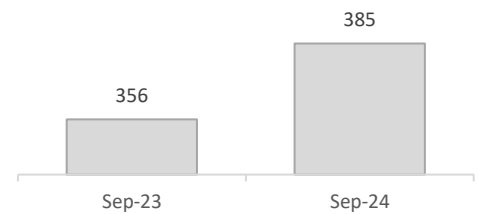
Initiating Coverage

Sector: Food Services

Analyst Name: Ahmad Banihani

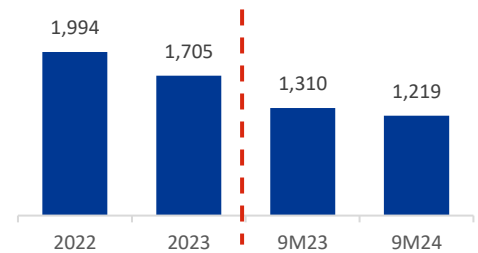
Rating	BUY
Current Market Price (AED)	0.93
Target Price (AED)	1.30
Upside/(Downside)	+40%
Market Cap (AED, Bn)	2.01

Number of Contracts



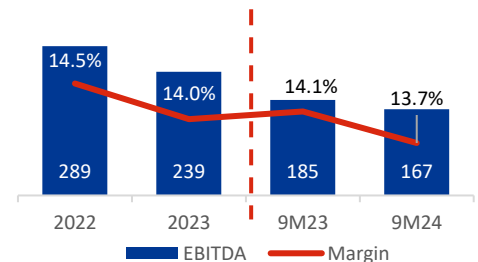
Source: Company Information, as of Sep 2024

Total Revenue (AED, Mn)



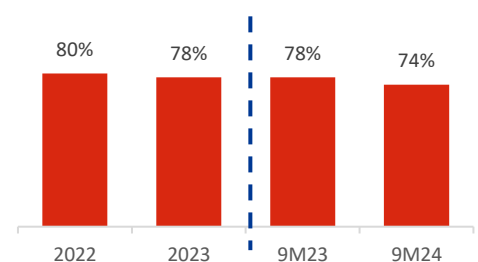
Source: Company Information

Underlying EBITDA¹ (AED, Mn) and Margin (%)



Source: Company Information, ¹Underlying EBITDA exclude provision charge for 2022 and 2023

Cash Conversion¹ (AED, Mn)



Source: Company Information, ¹Cash Conversion defined as (EBITDA – Capex (on owned assets and net of gains from disposals) – Principal portion of Lease Payments) / EBITDA

Table of contents

Introduction to A D N H Catering	4
<i>A D N H Catering is a Market Leader in the UAE Food Services Market</i>	<i>4</i>
<i>Market Leader in Food Services while Support Services Continued to Expand Across Key Sectors</i>	<i>6</i>
<i>Segments Presence Across Key Sectors and Geographies</i>	<i>7</i>
<i>Excellence in Sector-Specific Catering and Support Services</i>	<i>8</i>
<i>Diverse Portfolio of clients with Central Production Facilities and Procurement</i>	<i>12</i>
<i>Procurement Strategy - Tailored approach to meet growing customer needs</i>	<i>13</i>
<i>ADNHC Meets Customer Needs through CPUs and On-Site Kitchens.....</i>	<i>16</i>
<i>Robust Distribution Model for Enhanced Service Delivery.....</i>	<i>17</i>
<i>Robust Financial Performance Driven by Strong Margins Leading to Steady Cash Flow Generation.....</i>	<i>18</i>
Environmental, Social, and Corporate Governance	19
Key Investment Highlights	23
<i>Market Leader with Diverse Portfolio of Clients, Securing High-Quality Long-Term Contracts.....</i>	<i>23</i>
<i>Diversified Client Base with a Long-Standing Relationship.....</i>	<i>24</i>
<i>Strategically Positioned Central Production Sites with Efficient Procurement Practices</i>	<i>25</i>
<i>Well-Positioned Central Production Facilities to Meet High Demand and Support Diverse Sectors</i>	<i>25</i>
<i>Large Addressable Food Catering Market Supported by Robust Macro Tailwinds.....</i>	<i>27</i>
<i>Steady Growth in UAE And KSA to Strengthen ADNHC's Market Presence.....</i>	<i>28</i>
<i>Multiple Growth Avenues to Drive Expansion and Strengthen Market Position.....</i>	<i>30</i>
<i>ADNHC is Poised to Capitalize on Multiple Growth Opportunities.....</i>	<i>30</i>
<i>Strategic Expansion into the KSA Healthcare Sector to Boost Its Market Presence</i>	<i>32</i>
Highly Experienced Management Team	34
SWOT Analysis	36
Industry Overview	37
<i>Outsourcing to Drive Global Food Services Industry.....</i>	<i>37</i>
<i>Inflationary Pressures and Demand for Convenience Promotes Outsourcing</i>	<i>37</i>
<i>Significant Growth Opportunity in KSA's Food Service Industry.....</i>	<i>41</i>
Macroeconomic Environment	43
<i>IMF Provides a Waxing and Waning Outlook on Global Economy.....</i>	<i>43</i>
Valuation Methodology	48
Key Financial Metrics	52
<i>Financial Performance at a Glance.....</i>	<i>52</i>
<i>Growth Dynamics</i>	<i>52</i>
<i>Financials</i>	<i>54</i>
<i>Revenue.....</i>	<i>54</i>
<i>Direct Cost & Operating Expenses</i>	<i>56</i>
<i>EBITDA</i>	<i>57</i>
<i>Net Profit</i>	<i>58</i>
<i>Capital Expenditure</i>	<i>58</i>
<i>Working Capital.....</i>	<i>59</i>
<i>Cash Flow Generation</i>	<i>60</i>
<i>Dividend</i>	<i>60</i>
FAB Securities Contacts	65

Introduction to A D N H Catering

A D N H Catering is a Market Leader in the UAE Food Services Market

A D N H Catering is the UAE's largest provider of food services with c. 28% market share in the UAE Food Services Market

A D N H Catering is the UAE's largest food services company, leveraging decades of experience and expertise in the catering industry. In addition to Food Services, the Company also offers Support Services, including cleaning and manpower supply. The Company is part of ADNHC (Abu Dhabi National Hotels) known for its expertise in hospitality and food services. ADNHC sold its first food service contract in 1979, marking its presence as an early mover in the industry.

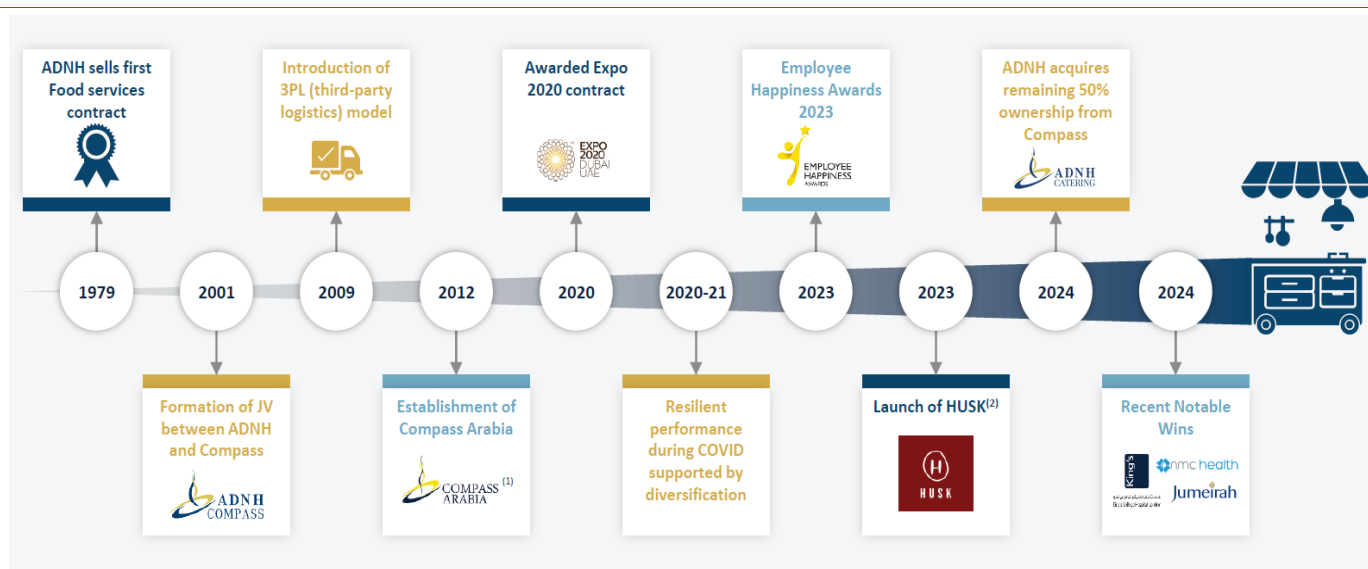
A D N H Catering offers a range of services, including corporate catering, event catering, and food solutions for various sectors such as healthcare, education, defence, business & industry, and others. The Company provides catering and food services through on-site kitchens or centralized hubs, depending upon each client's customised requirements and signed contract. This flexibility allows ADNHC to deliver high-quality service and innovative culinary offerings tailored to diverse client needs. ADNHC is recognized for its high-quality standards, innovative culinary offerings, and commitment to customer satisfaction. It also offers Support Services, including cleaning & housekeeping, manpower supply, integrated facilities management (IFM), and procurement services. The Company provides these bundled services and IFM by partnering with IFM companies.

In 2001, A D N H Catering expanded its capabilities through a strategic joint venture with Compass Group, enhancing its service portfolio. In 2009, it introduced a third-party logistics (3PL) model to streamline food services and logistics. The company further extended its reach into the Saudi Arabian market in 2012 through a joint venture with two other local and international companies.

During the COVID-19 pandemic, A D N H Catering demonstrated resilience and adaptability, managing to maintain strong performance levels through revenue diversification. In 2020, the company was awarded the largest cleaning package for Expo 2020, showcasing its ability to handle large-scale events. Additionally, A D N H Catering launched HUSK, a new coffee and grab-and-go brand, to broaden its offerings and attract a wider consumer base. In 2024, the company strengthened its market position by securing multiple contracts, including agreements with major private sector organizations.

ADNHC offers support services including cleaning & housekeeping, manpower supply, integrated facilities management, and procurement services

Figure 01: ADNHC Track Record



Source: Company Information, ¹KSA-based JV between A D N H Catering and two other international and local companies, ²Coffee and grab & go brand developed by ADNHC

A D N H Catering served a total of 278 clients across 385 contracts as of 9M24

The Food Services contributed 61.9% of total revenue and Support services accounted for the remaining 38.1% of total revenue in 9M24

A D N H Catering achieved a significant milestone with listing on the Abu Dhabi Securities Exchange (ADX), with Abu Dhabi National Hotels Company PJSC participating as a selling shareholder. The Company boasts c.28% market share in the UAE's food services sector and employs approximately 18,000 people as of July 2024, highlighting its significant presence and operational scale. A D N H Catering operates through two primary business segments: Food Services and Support Services. These segments not only diversify its offerings but also provide opportunities for cross-selling, enabling the company to expand its client base and enhance revenue streams.

As of 9M24, A D N H Catering provided Food and Support Services to a total of 278 clients through 385 contracts. The Food Services segment, which encompasses both on-site kitchens and centralized hubs, served 111 clients via 175 contracts across various sectors, including Defence, Correctional, Business & Industry, Healthcare, and Education. Additionally, the Company offers support services such as general cleaning and manpower supply, which served 185 clients through 210 contracts, with 18 clients overlapping between the two segments. The Food Services segment played a vital role in the Company's revenue generation, accounting for 61.9% of the total revenue in 9M24. Meanwhile, the Support Services segment contributed the remaining 38.1%, underscoring each segment's resilience in A D N H Catering's overall business model. The Company's food services operations are notably extensive, preparing more than 11 Mn meals per month throughout FY2023, showcasing its ability to manage large-scale food service demands effectively. Concurrently, the Support Services segment was responsible for cleaning 160 facilities during the same period, further emphasizing its operational capabilities. A D N H Catering operates two Central Production Units (CPU), located in Abu Dhabi and Dubai, with the capacity to prepare 20,000 and 17,500 meals per day, respectively. The HUSK brand operates from eight locations, with plans to expand to 28 locations by the end of FY2024.

Figure 02: A D N H Catering at a Glance (FY2023)



Source: Company Information, Arthur D. Little, ¹Total addressable market as defined by ADNHC, covering target ADNHC food services market segments as of July 2024. ²As of July 2024; inclusive of full-time (18,167), part-time (5), and contracted workers. Employees are hired by ADNHC and perform work for ADNHC pursuant to an intercompany agreement. ³EXPO 2020 Best Service Provider – HSE & Best HSE Manager, Employee Happiness Awards 2023/2024 Best Company to Work For – Large (Gold/Silver) & Best Recruitment Strategy (Gold/Gold). ⁴Cash Conversion defined as (EBITDA – Capex – Lease Payments) / EBITDA. Capex includes Capital expenditure on owned assets and net gains from disposals.

Market Leader in Food Services while Support Services Continued to Expand Across Key Sectors

A D N H Catering prepared c. 139.2 Mn meals in FY2023 from two Central production unit (CPU) and 160 on-site operated kitchens

Food Services

A D N H Catering provides Food Services to diverse sectors such as Defence, Correctional, Business and Industry (including Energy and Remote), Education, and Healthcare. With the support of in-house catering experts, the Company can tailor the menus according to demographic group requirements, sector needs, or client requests.

A D N H Catering's Food Services segment was the major revenue contributor, generating AED 754 Mn in 9M24. Defence and Business & Industry emerged as the largest revenue generator with a 28.8% and 27.6% revenue share, respectively, followed by Correctional at 22.8% in 9M24. Healthcare sector contributed 19.8%, while Education accounted for 1.1% of the total revenue in 9M24. The Company provides food services to prominent clients in the UAE, including various public sector organizations, large hospitality groups, and major private schools.

A D N H Catering prepared c. 139.2 Mn meals in FY2023 from two Central production unit (CPU) and 160 on-site operated kitchens to serve 110 clients through 175 contracts.

Support Services

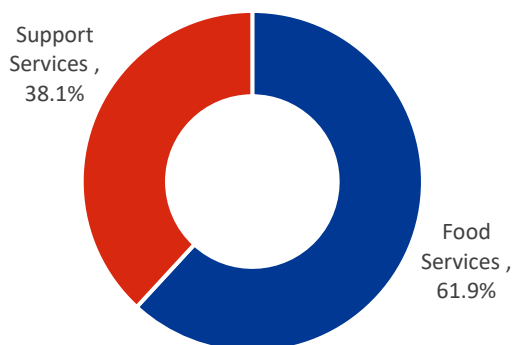
In addition to the Food Services, the Company provides Support Services to diverse sectors. These include cleaning in hospitals and other facilities, reception services at corporate headquarters, facility management services, management of remote camps, and grounds and facilities services at educational institutions. The Company is a licensed operator of the British Institute of Cleaning Services (BICSc).

ADNHC provided support services to 185 clients through 210 contracts as of 9M24

A D N H Catering generated AED 465 Mn in 9M24 by providing support services to 185 clients through 210 contracts.

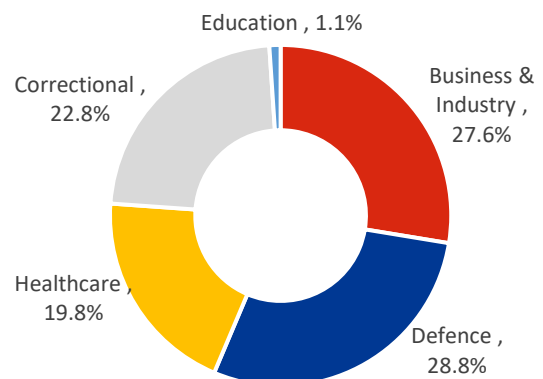
The Company's key clients include major airlines, investment firms, luxury hotels and resorts, global hospitality brands, defence organizations, healthcare groups, and numerous other prominent entities. With nearly 10,600 personnel employed, the Company's Support Services operations highlight its extensive capability and significant market presence.

Figure 03: Segment Contribution to Total Revenue in 9M24



Source: Company Information

Figure 04: Sector Contribution to Food Services Revenue in 9M24



Source: Company Information

Segments Presence Across Key Sectors and Geographies

Achieving Excellence in UAE Catering Services with Strategic Market Share and Diverse Clientele

ADNHC is the leading provider of catering services in the UAE with a c.28% market share

A D N H Catering is the largest supplier of food services with an impressive c.28% market share in the addressable UAE market. According to Arthur D. Little estimates, out of AED 3.7 Bn addressable UAE food catering market, ADNHC's share is AED 1.0 Bn. The Company holds a substantial market position in food catering services to Business & Industry (including Energy & Remote), Healthcare, Defence and Correctional Sectors and also maintains a significant presence in the cleaning services market.

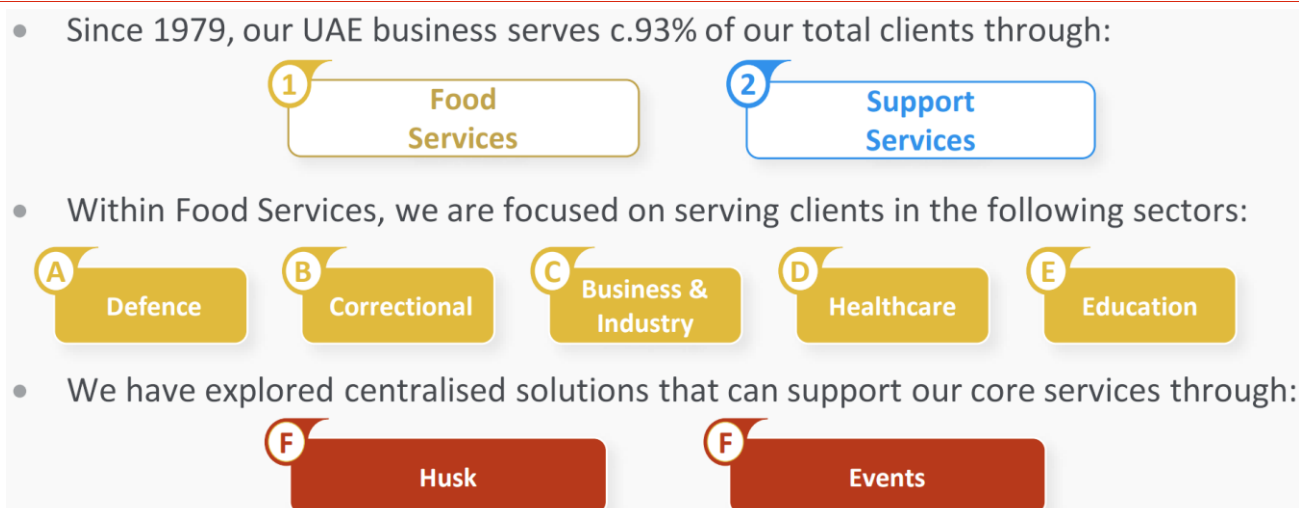
A D N H Catering operates in the UAE with three wholly owned subsidiaries, A D N H Catering Abu Dhabi, A D N H Catering Dubai, and A D N H Catering Sharjah. The Company serves c.93% of its total clients from its UAE-based operations, which generated AED 1.8 Bn in revenue for FY2023. In addition, the Company serves c.7% of its clients from its KSA-based operations. ADNHC has a geographical presence across the UAE, including Abu Dhabi, Dubai, and Sharjah & Northern Emirates. Abu Dhabi is the largest revenue contributor from the UAE, with a 62% share, followed by Dubai at 30%, with Sharjah and Northern Emirates accounting for the remaining 8% in 9M24.

The Company has built a strong brand with a market-leading position in the UAE, leveraging its large-scale operations to ensure robust and sustainable profit margins. A D N H Catering's business is well-diversified across different sectors, allowing it to capitalize on growth opportunities and mitigate risks effectively. The Company serves various prominent blue-chip companies across various sectors. Also, A D N H Catering is noted for its successful track record in securing major government contracts and boasts a solid, debt-free balance sheet and financial stability.

A D N H Catering's portfolio also includes coffee and grab-and-go brand HUSK with eight outlets in the UAE. The Company has experienced significant growth in its client base, with the number of clients increasing at a CAGR of 6.1% from 262 in September 2023 to 278 in September 2023. Additionally, the number of contracts grew at a CAGR of 8.1%, rising from 356 in September 2023 to 385 in September 2024. ADNHC has also provided food and support services to large-scale events in the UAE including EXPO 2020, where it received recognition as the Best Safety Provider and Best Safety Manager for the event.

Abu Dhabi is the largest revenue contributor from the UAE with a 62% share followed by Dubai at 30%, with Sharjah and Northern Emirates accounting for the remaining 8% in 9M24

Figure 05: UAE Business Overview



Source: Company Information

The defence sector requires quick mobilization capability to new sites and need to follow stringent security & safety protocols

ADNHC maintained a 100% client retention rate in the correctional sector in FY2023

Excellence in Sector-Specific Catering and Support Services

A D N H Catering has implemented a sectorization strategy in the UAE to enhance operational and financial performance, delivering tailored catering services across various sectors. Clients benefit from this approach through access to subject matter experts, dedicated leadership, and customized standard operating procedures for each sector. The key sectors include:

Defence: The Company provides food and catering services to large public sector organizations in the defence sector. The defence segment is a competitive market where very fast mobilization is required due to sector-specific needs. The sector clients prioritize ICV (In-country Value) scores and stringent security & safety protocols due to the sensitive nature of the operation. Also, the defence sector promotes nationalization and Emiratisation programs.

ADNHC has benefited from providing services to the defence sector since the Company has to adhere to strict standards and safety protocols. A D N H Catering has also developed capabilities to mobilize new sites quickly. The Company generated AED 217 Mn from services provided to Defence sector organizations in 9M24. This success reflects the Company's ability to meet demanding requirements and provide high-quality services in a complex and competitive environment.

Correctional: The Correctional sector involves providing food services within prisons, police stations, and detention facilities and also to organizations involved in security management, including police forces. A D N H Catering has a long-standing history of providing its services to prominent government entities.

The Company has to operate in a sensitive environment in the Correctional sector and comply with standard safety and security protocols similar to those of the defence sector. The sector also requires the capability to quickly mobilize at short notice and have to maintain adequate inventory for operational contingency. ADNHC must also have Emergency response capability and comply with HSE (Health, Safety, and Environment). The Company has a proven track record of operating in sensitive & complex environments and also provides culinary training for inmates in correctional institutions. The Company generated revenue of AED 172 Mn through the Correction sector in 9M24. The Company maintained a 100% client retention rate in the correctional sector in 2023. The Correctional sector provides ADNHC with high stickiness due to an advanced understanding of operations & customized capex.

Figure 06: Advantages and Results of the Defence Sector

- **Competitive advantages:**
 - ✓ ADNHC brand and high ICV score
 - ✓ Proven track record in service delivery including logistics with unique ability to mobilize new sites at short notice
- **Tangible results:**
 - ✓ Relationship with Ministry of Defence since 1990
 - ✓ Award of National Service business in 2023

Source: Company Information

Figure 07: Advantages and Results of the Correctional Sector

- **Competitive advantages:**
 - ✓ Proven track record in operating under sensitive and complex environments
 - ✓ High stickiness due to advanced understanding of operations & customised capex
- **Tangible results:**
 - ✓ Relationship with Dubai Police since 2005
 - ✓ 100% retention rate across Correctional sector in 2023

Source: Company Information

A D N H Catering offers hybrid options, including cook-on-site or delivery services, to accommodate various budgets

The Company maintained an impressive client retention rate of over 99% in the Business and Industry sector in 2023

Business & Industry: A D N H Catering provides food services to prominent blue-chip brands in the UAE. It offers a range of services, including staff food, corporate dining, hospitality & events, and additional support services to clients.

Catering requirements to business organizations are rapidly changing and are in demand as corporate mandates shift back to office-based work post-pandemic, moving away from the remote work model. Businesses are now incorporating global and cultural perspectives into their menu planning, creating new opportunities for catering services. Gen Z and millennials, in particular, are driving demand for branded solutions and technological integration in catering. Additionally, businesses are increasingly focused on wellness, sustainability, and renewable energy, reflecting a commitment to reducing environmental impact. Luxury hotels are also seeking employees from emerging markets.

In response to these evolving demands, A D N H Catering introduced innovative concepts like HUSK. The company offers competitive pricing and quality, leveraging central production units and providing hybrid options, including cook-on-site or delivery services, to accommodate various budgets. In 9M24, A D N H Catering generated AED 208 Mn in the business and industry sectors.

Healthcare: A D N H Catering provides specialized food catering services to the Healthcare sector, offering customized and nutritious therapeutic menus through a technology-driven patient ordering system. ADNHC services also include hospital cafeteria operations, coffee shop management, staff dining facilities, as well as cleaning and manpower support within hospitals.

The Company provides services to prominent healthcare companies with international chains of operations. With the UAE government promoting medical tourism and speciality care and implementing strict pricing regulations and value-based care to enhance patient experiences, A D N H Catering is well-positioned due to its specialized expertise in healthcare culinary services and operations. The Abu Dhabi government is also focusing on consolidating healthcare services. The Company **plans** to operate 14 HUSK sites in the healthcare sector in FY2024. A D N H Catering generated revenue of AED 149 Mn in 9M24 from services provided to the Healthcare sector.

Figure 08: Advantages and Results of the B&I Sector

- **Competitive advantages:**
 - ✓ In-depth talent and experience in culinary and management with competitive pricing and quality
 - ✓ Food, service and retail innovation focus (e.g., Husk)
- **Tangible results:**
 - ✓ 70+ contracts with c.16% CAGR over the past 3 years
 - ✓ Maintained over 99% retention rate in FY 2023

Source: Company Information

Figure 09: Advantages and Results of the Healthcare Sector

- **Competitive advantages:**
 - ✓ Specialized expertise in Healthcare Culinary & Operations team
 - ✓ Customizable and nutritious therapeutic menus via tech driven patient ordering system
- **Tangible results:**
 - ✓ Extension of key contract with Mediclinic

Source: Company Information

ADNHC offers services to prominent educational institutes including Khalifa University, Zayed University, University of Birmingham Dubai

ADNHC has a staff strength of 10,600 and cleaned an area of 913 Mn meter square

Education: A D N H Catering provides food services to multiple large private schools in the educational sector.

In the education sector, the short academic year of the education institutes presents the challenge of labour flexibility and productivity. Additionally, catering companies must adhere to municipality-mandated nutritional and safety guidelines, as well as undergo rigorous government security background checks for all staff members. The education sector also has a retail requirement for parents to encourage social interactions.

A D N H Catering offers bundled services for a more cost-effective solution to educational institutes and promotes health and wellness programs in collaboration with clients. The Company has introduced nutritional workshops and PTA meetings for value-add purposes.

A D N H Catering generated AED 8 Mn in 9M24 revenue from services provided to the Education sector.

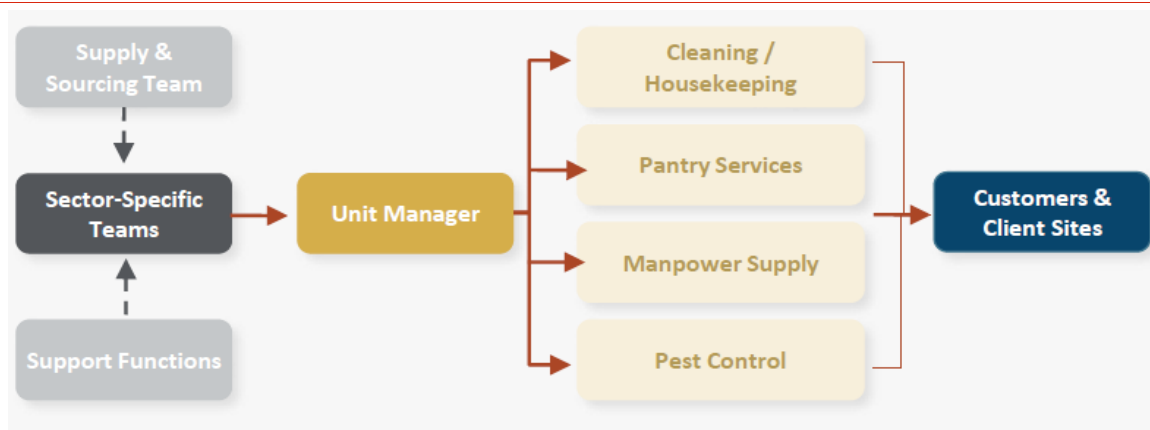
Support Services: A D N H Catering offers Support Services to a range of private and public organizations in the UAE. It offers a comprehensive suite of services, including cleaning services, housekeeping, equipment & pest control services, pantry services, and manpower services.

Unit managers of the Company take support from the sector-specific teams, support function, and supply & sourcing teams to provide different services to customers and client sites. The Company has a staff strength of 10,600 in the UAE Support Segment and cleaned an area of 913 Mn square meters in FY2023, showcasing the Company's operational capabilities.

The Support Services market is highly competitive and price-sensitive with cost pressure, necessitating a focus on automation and technology-driven innovations for sustainability. Companies must also adapt to the evolving business landscape by focusing on eco-friendly, chemical-free, and biodegradable cleaning products. The players who provide integrated services under the segment stand a healthy chance of retaining customers as well as sustaining stiff competition.

ADNHC utilizes data & technology to provide excellent service and boasts loyal, talented, and motivated onsite teams. The Company also has the ability to act as a supplier of choice by partnering with aligned IFM (Integrated facility management) companies. ADNHC generated AED 465 Mn in 9M24 revenue from support services.

Figure 10: Business Model of Support Segment



Source: Company Information

ADNHC operates eight outlets of the HUSK brand, with an additional 43 in the pipeline

HUSK: A D N H Catering launched the coffee and grab-and-go brand HUSK in FY2023 to provide a diverse range of grab-and-go products, including sandwiches, salads, wraps, pastries, and more. The HUSK brand offers a versatile coffee range including specialty blends through partnerships with RAW Coffee Company and Costa Coffee as well as a customized HUSK Blend. The HUSK brand currently operates from eight locations with an additional 43 locations in the pipeline.

HUSK outlets are designed with several key features, including flexible layouts, optimized space, customizable aesthetics, eco-friendly designs, quick setup options, technology-driven services, and seasonal items. Customers can experience digital personalized menus, contactless payments, mobile ordering, WiFi connectivity, and loyalty programs at HUSK outlets.

Events: A D N H Catering also offers services to large-scale events in the UAE. The Company has successfully provided services to Dubai EXPO 2020 and was awarded Best Safety Provider for the event. ADNHC also serves during the Abu Dhabi Formula 1 event in FY2023, where the Company provides services including menu planning, operations, POS, manpower, market & design, HSEQ (Health, Safety, Environment, And Quality), and event delivery. ADNHC operated 150 outlets with 3,000 employees and served 160,000 people during the Formula 1 event in FY2023. The Company also provided services during the Saadiyat Nights, an open-air musical event series held on Saadiyat Island, in strategic partnership with Ethara. ADNHC operated 16 outlets with 140 employees to serve c. 30,000 people during the event.

Figure 11: Layout of HUSK Cafes



Source: Company Information

The Company has a geographical presence all over KSA including Eastern KSA, Western KSA, and Jeddah

KSA accounts for 7% of its total clients since 2012

ADNHC has served c.7% of its clients from its KSA-based JV (in which it owns a 30% stake) since FY2012. The Company offers both, Food and Support Services in the KSA. A D N H Catering is focused on providing services to clients in the Business & Industry (including Energy & Remote) and Healthcare sectors for food services. The Company has a geographical presence across KSA including Eastern KSA, Western KSA, and Jeddah. The Eastern KSA region is the largest contributor to revenue accounting for c. 74% share, followed by Jeddah with 21% share and Western KSA contributed the remaining 5%.

A D N H Catering's KSA JV generated revenue of SAR 140 Mn from operations in the KSA region in FY2023. Total clients in the KSA expanded from 19 in FY2021 to 26 in FY2023 at a CAGR of 17% and the number of contracts also rose from 19 in FY2021 to 21 in FY2023 at a CAGR of 5%.

A D N H Catering also increased its KSA-based workforce from 641 in FY2021 to 960 in FY2023 to meet the increasing demand.

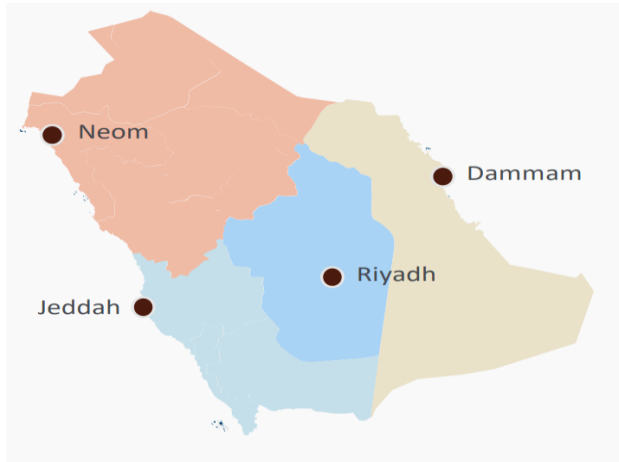
The Company is well-positioned to benefit from high growth and diversification in the KSA market due to strong core capacity and competency in the gas & oil sector. A D N H Catering has already successfully diversified into the KSA's private healthcare market.

Figure 12: Operational Highlights of KSA Business



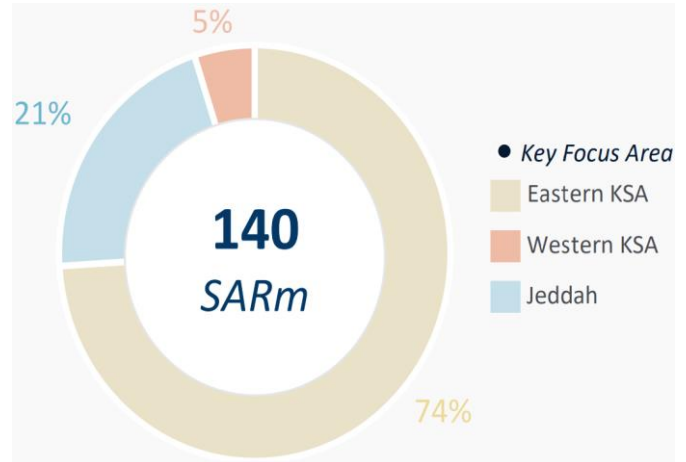
Source: Company Information Notes (1) Financial year ending 30-Sep-2023.

Figure 13: Geographical Presence in KSA



Source: Company Information

Figure 14: Revenue Split in KSA



Source: Company Information

Diverse Portfolio of clients with Central Production Facilities and Procurement

Customer Relationship Management Strategy of ADNHC

ADNHC maintained an impressive average customer retention rate of over 91% in the past five years

A D N H Catering employs a robust customer relationship strategy designed to retain and secure contracts while boosting company sales. Because of its strong strategy, A D N H Catering maintained an impressive average customer retention rate of over 91% in the last five years. The top 10 clients alone contributed 50% of the Company's revenue in FY2023, with many of these clients holding multiple contracts and maintaining relationships with ADNHC between 10 and 25 years. The average years of tenure for the top 10 clients lie in c. 20 years showcasing customer loyalty for A D N H Catering. Revenue from the top 10 clients grew at a CAGR of 9.4% during the last ten years.

The terms of the agreement with client's differ across each contract. The majority of the contracts are for 1 to 5-years and the pricing in the contract could be either inflation or priced-

The top 10 clients of the Company contributed half of the revenue in FY2023 in addition, the top 10 contracts maintained an average relationship of c. 20 years

linked based on the negotiated agreements. A D N H Catering offers flexible contract structures, including a fixed rate or a cost-plus basis. Each contract is carefully crafted to include detailed terms on tenure and operating cost structure, tailored to the specific requirements of the work scope. In addition, the Company has contracts exclusively, meaning it is the only Company providing those services on the entire client site.

A D N H Catering employs a multi-faceted approach to enhance client retention and attract new contracts. The Company starts with a proactive strategy by conducting early risk assessment to understand continuity. A key component of ADNHC's strategy is understanding and addressing client needs to maintain a competitive edge. Regular engagement through quarterly business reviews (QBR) helps to strengthen client relationships and address any issues promptly. Additionally, ADNHC implements pre-emptive activities to anticipate and mitigate potential challenges.

A D N H Catering's sales strategy is designed to be thorough and effective, involving several important steps. First, the Company carefully reviews and updates its list of potential sales opportunities, known as the cleansing of the sales pipeline. Next, it creates detailed plans for different areas to boost sales. The Company aligns and details the territory plan to increase the sales. ADNHC focuses on lead generation and building rapport with potential clients while also identifying and addressing business challenges with tailored solutions. This strategic approach ensures that the Company can offer customized solutions that meet each client's needs.

Figure 15: Representation of Top 10 Clients of ADNHC

	Relationship (Years)	% Revenue (2023)	Number of Contracts	Average Contract Term (Years)
Client 1	c.20	14%	3	3
Client 2	c.20	11%	6	3
Client 3	c.20	5%	7	5
Client 4	c.20	4%	3	3
Client 5	c.15	4%	12	3
Client 6	c.25	3%	4	1
Client 7	c.10	3%	4	5
Client 8	c.20	2%	1	4
Client 9	c.15	2%	6	3
Client 10	c.15	2%	2	3
Total		50%		

Source: Company Information

Procurement Strategy - Tailored approach to meet growing customer needs

The Company sources raw materials from 78 countries and 279 contracted suppliers for 7,064 SKUs

A D N H Catering utilizes a focused procurement strategy designed to maintain the Company's competitiveness in the market. ADNHC aims for sustainable cost reductions through effective analytics and sourcing practices. The Company plans to remain competitive in the market by leveraging large-scale operations and mitigating inflation by selecting the best products from alternative sources. ADNHC also selects suppliers based on shared values.

The Company collaborates with 367 suppliers, using both third-party logistics (3PL) and direct procurement methods to deliver raw materials to its operating units and 160 on-site facilities. A D N H Catering sources raw materials from 78 countries and 279 contracted suppliers for a total of 7,064 stock-keeping units (SKUs). Frozen chicken, chilled lamb, fresh eggs white medium, and chicken leg quarters are top products sourced by the Company based on total annual cost. NRTC, Silver Triangle, Federal Foods, Seara, and Marmum are top suppliers of ADNHC based on the total annual cost. The Company has a strong and resilient sourcing model with a proven track record of limited disruption due to such a diversified supplier base, allowing operational flexibility. ADNHC has an established relationship with suppliers at the source. The

ADNHC's sourcing strategy involves a seven-step sourcing model, advanced procurement technology, menu engineering, and cost-efficiency

purchase orders are placed automatically and relayed to the logistic partner. The logistic partner centralizes collection from all suppliers and distributes resources according to unit orders.

A D N H Catering's sourcing strategy involves a seven-step sourcing model combined with advanced procurement technology, menu engineering, and cost efficiency utilizing logistics, warehousing, and demand planning. The seven-step sourcing model includes category management, local procurement, tail spend management, and approved product lists.

The process starts with identifying the rationale and scope of each sourcing project, followed by a detailed financial data analysis to evaluate spending, internal needs, and the external supply environment. Insights gained from this analysis help tailor the sourcing strategy to address specific business needs. Next, the Company assesses the supply market, solicits proposals, and engages in negotiations with suppliers. Once terms are agreed upon, ADNHC finalizes legally binding contracts and collaborates with stakeholders to ensure timely implementation. The strategy is then executed effectively, with a strong emphasis on managing the contracts. Finally, ADNHC focuses on category growth by maximizing the value of supplier relationships, which helps drive overall growth and efficiency in its procurement processes.

Figure 16: Procurement and Supply Chain Model of ADNHC



Source: Company Information

ADNHC attained a 4% discount on the market contract value due to procurement strategy

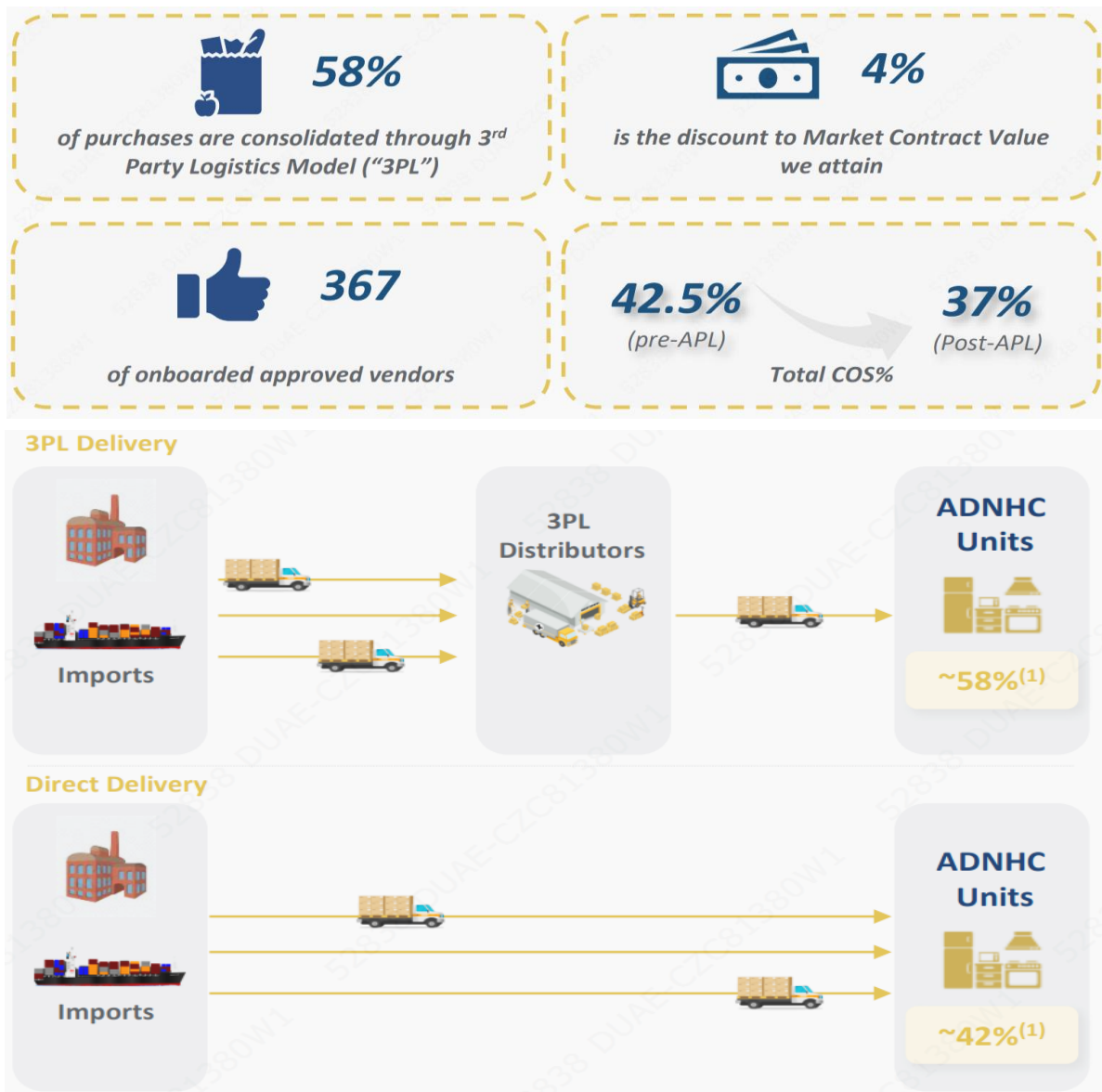
The Company's 58% of purchases are consolidated through a third-party logistics model (3PL). Additionally, due to procurement strategy, A D N H Catering attained a 4% discount on the market contract value. The Company's sourcing model is tailored to adapt to each category's dynamics and considers multiple sources with support from an outsourced logistics and warehousing model. Such a model allows ADNHC to vary its sourcing strategy to maximize commercial opportunities and enable end-to-end category management.

The Company has deployed the APL for procurement and supply chain management which has resulted in the reduction of total cost of sales from 42.5% pre-APL to 37% post-APL, increasing the profitability of the Company. A D N H Catering uses globally recognized procurement solution software that supports consistency of approach and offers an easy guide-through procurement process. Additionally, it allows for greater visibility and knowledge-sharing.

The cost of Sales declined from 42.5% to 37% after the utilization of the APL platform

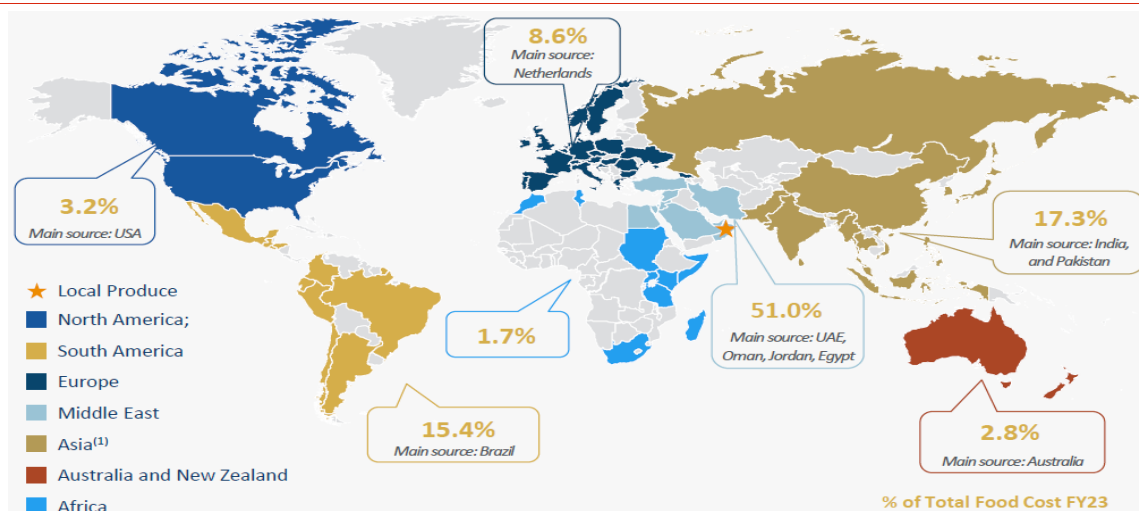
The procurement software empowers teams using analytics and offers important insights to enable decision-making. The Procurement and Operations teams track and monitor product opportunities on a live basis utilizing the procurement software. The opportunity analysis tools of the procurement software allow the operations team to identify where products can be switched to improve financial performance. The Procurement team manages the opportunities through the implementation of the Approved Product List ("APL").

Figure 17: Highlights of Procurement Process and Distribution Model, adding Benefits to the Company



Source: Company Information, (1) Split of costs (FY 2023) between 3PL and Direct Delivery post new APL implementation

Figure 18: Wide Geographic Reach of the Raw Material Suppliers of the Company



Source: Company Information Notes: (1) Excludes Middle East, Australia and New Zealand

ADNHC Meets Customer Needs through CPUs and On-Site Kitchens

A D N H Catering operates two leased facilities in Abu Dhabi and Dubai which serve c. 19,000 meals daily

A D N H Catering's food preparation involves a combination of on-site kitchens and a central production unit (CPU). The Company operates two leased CPU facilities in Abu Dhabi and Dubai, serving approximately 19,000 meals per day. Additionally, ADNHC operates 160 on-site kitchens at client locations.

The Company's food preparation process is integral to its operational efficiency. So, A D N H Catering has designed integrated CPUs to elevate efficiency and increase the speed of delivery. The weekly cycle menus are prepared with a cost control spreadsheet from the CPU and shared with the operations team. The unit reverts to the required portions, and operations sends the order sheet every Friday. The CPU admin consolidates all order sheets from CPUs and shares the final order sheet Central Distribution Center (CDC) for production planning. CDC places orders for required raw materials a day in advance and distributes order sheets to respective departments for preparations. Production units prepare food according to the order sheet and then the dispatch teams verify and send food to operations for distribution.

The Company's **Dubai**-based CPU, located in Bollywood Parks Dubai, was opened in November 2022 with an area of 1,888 SQM. The CPU operates with 104 staff members and a capacity of 17,500 meals per day. The CPU utilizes 17 vehicles to serve 28 high-quality clients including major financial institutions, luxury hospitality brands, global logistics firms, and other prominent organizations. The **Abu Dhabi**-based CPU (in ICAD Industrial City) was opened in March 2022 with an area of 2,152 SQM. The CPU operates with 59 staff members and a capacity of 20,000 meals per day. The CPU utilizes two vehicles to serve six high-quality clients.

Dubai-based CPU has a capacity of 17,500 meals per day and Abu Dhabi-based CPU has a capacity of 20,000 meals per day

The Abu Dhabi-based CPU is well-positioned to take advantage of the growth in the region by ramping up the utilization of spare capacity. The Company has adopted a proactive approach to capture the growing potential demand which includes ramping up the usage of spare capacity of the facility and diversifying & de-risk client base by winning new contracts.

Figure 19: Operational KPIs of Dubai CPU

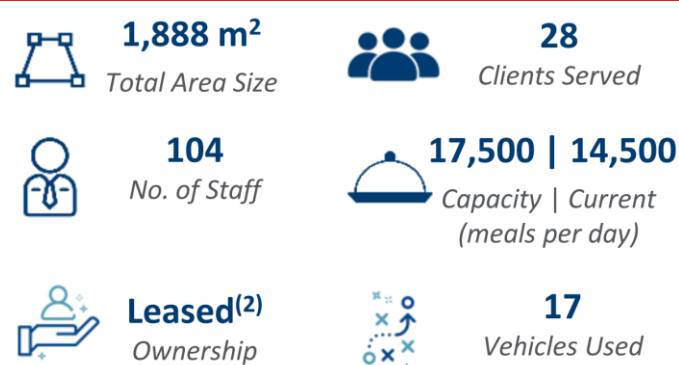
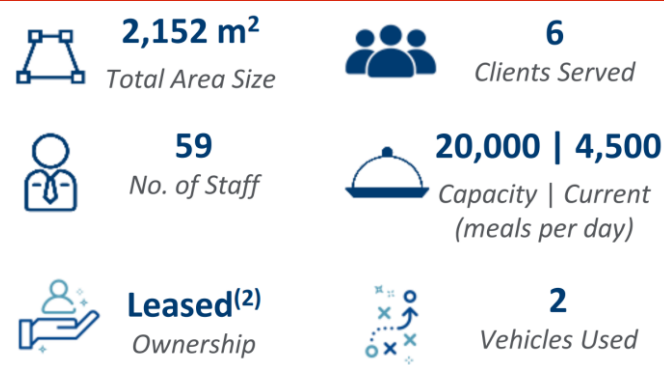


Figure 20: Operational KPIs of Abu Dhabi CPU



Source: Company Information, ²Lease period for 3 years starting November 2022

Source: Company Information, ²Lease period for 4 years starting March 2022

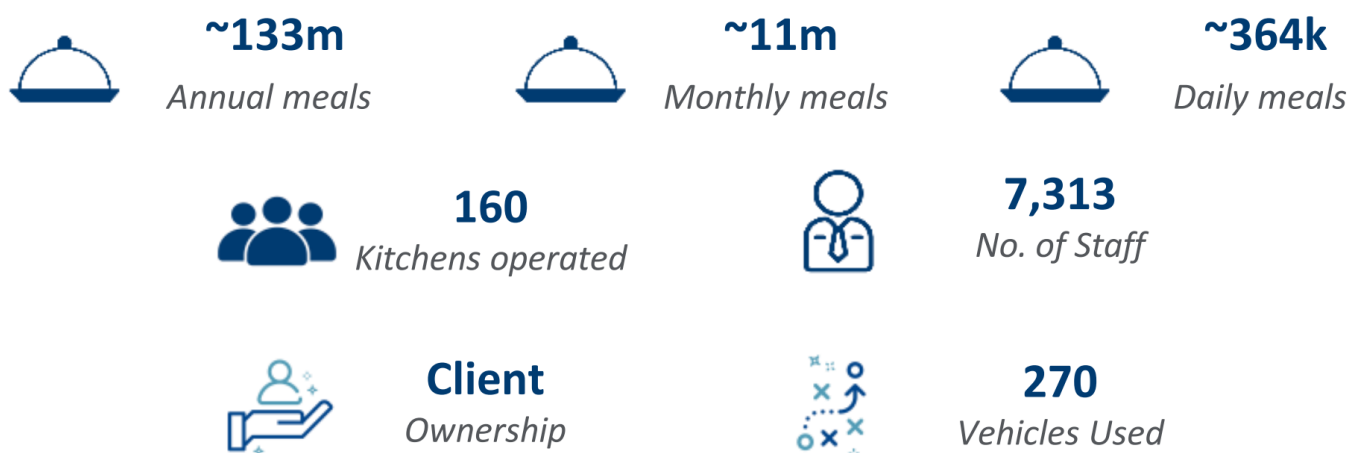
On-site kitchens operate a light capex model since ownership lies with the clients

The company's on-site kitchen facilities are located at client locations to serve high-quality and other selected clients. Such facilities are de-risked since A D N H Catering does not own them and is also well structured to deploy resources at short notice. On-site kitchens, with 160 operational sites, were the primary contributors to the Food Segment revenue in FY2023.

On-site kitchens are key to ADNHC operations, serving a range of large public sector clients. These facilities prepare 133 Mn annual meals, equivalent to 11 Mn meals every month. 7,313 staff members operate the on-site kitchens, which utilize 270 vehicles to serve clients.

A D N H Catering has adopted a proactive approach to meet the growing potential demand. The Company identifies new on-site facilities in Dubai with the ability to serve multiple clients from single kitchens and aims to scale by quickly deploying people at various locations.

Figure 21: Operational KPIs of On-Site Kitchen Facilities



Source: Company Information

Robust Distribution Model for Enhanced Service Delivery

A D N H Catering utilizes third-party logistics (3PL) as a preferred approach for logistics and warehousing

A D N H Catering utilizes third-party logistics (3PL) as a preferred approach for logistics and warehousing, with c.58% of total supplies sourced through the 3PL model as per the split of costs for FY2023. The remaining 42% of logistics are managed directly by Supplier. The Company centralizes the collection of supplies from various suppliers before distributing them to operational units. Purchase orders for raw materials are processed automatically and sent to logistics partners, with units receiving notifications about the success or failure of each order. Delivery schedules are fixed, and inventory is not held at the units.

Due to such a distribution model, the Company receives cost benefits through savings on delivered product costs and reduced administrative time at the unit and head office. It also provides administrative ease since orders are placed with one entity, and fewer invoices are generated without needing to arrange for deliveries. The distribution model of A D N H Catering provides improved controls and reduces the risk of shrinkage and theft. Additionally, it also provides better traceability of the product.

Robust Financial Performance Driven by Strong Margins Leading to Steady Cash Flow Generation

ADNHC operates a capex-light business model with a high cash conversion ratio

A D N H Catering generates revenue from two primary segments, Food Services and Support Services. The Company reported revenue declined 14.5% YOY to AED 1,705 Mn in FY2023 due to multiple reasons, including a voluntary shift to de-risk the business and walking away from a commercially unviable contract in FY2023. A D N H Catering's top line also benefitted from a material one-off contract (Expo 2022) of AED 38 Mn in FY2022. The Company generated 59.4% revenue from Food Segment in FY2023 compared to 62.3% in FY2022. However, the contribution of Support Segment revenue increased to 40.6% in FY2023 from 37.7% in FY2022. Furthermore, the Company's revenue declined 6.9% YOY to AED 1,219 Mn in 9M24. The Food Services segment continued to remain a major contributor by accounting for 61.9% of the total revenue, while Support Service revenue also accounted for the remaining 38.1% in 9M24.

The Company's underlying EBITDA declined 17.3% YOY to AED 239 Mn due to a decline in revenue and the exclusion of a provision release of AED 25 in FY2023. EBITDA of FY2022 excludes the provision charge of AED 12 Mn. ADNHC's actual EBITDA, including provision charge and release, declined from AED 278 Mn in FY2022 to AED 265 Mn in FY2023. The underlying EBITDA margin also declined from 14.5% in FY2022 to 14.0% in FY2023. In addition, the Company's underlying EBITDA declined 9.8% YOY to AED 167 Mn in 9M24, while underlying EBITDA margins also contracted from 14.1% in 9M23 to 13.7% in 9M24.

A D N H Catering operates on a capex-light investment model tailored to client-specific needs, resulting in a high cash conversion rate. Historically, ADNHC maintained a high cash conversion ratio. In FY2023, the cash conversion ratio declined to 78% from 80% in FY2022 due to lower EBITDA. The Company's cash conversion in 9M24 stood at 74%, while in 9M24 it stood at 78% in 9M23.

Figure 22: Segment Revenue (AED, Mn)¹

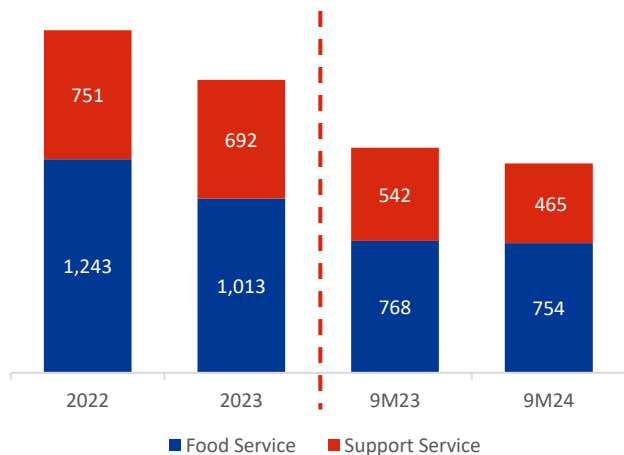
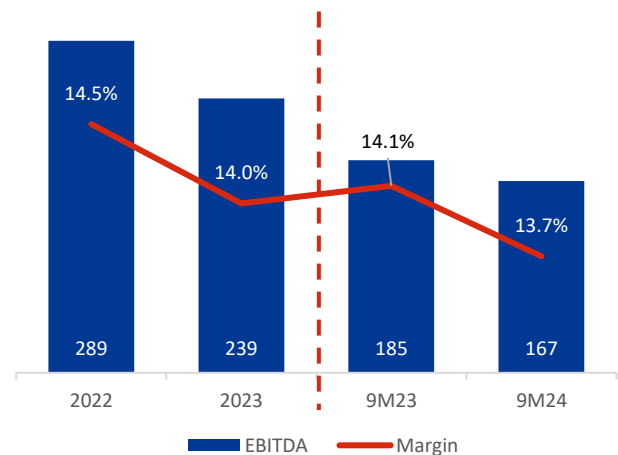


Figure 23: Underlying EBITDA² (AED, Mn) & Margin (%)



Source: Company Information, ¹Change in revenue recognition model from 1 Oct 2023 to act as Agent as opposed to Principal for one of the businesses revenue streams. Restatement of revenues for the 9 months to Sept 2023 would reduce them by ~AED70m, Q3 impact was ~AED27m. ²2022 and 2023 numbers are underlying earnings as they exclude a provision charge/release to better reflect the true performance of the business and is consistent with prior presentations: 2022 actual EBITDA is AED 278m, 2023 EBITDA AED 265m & 9-month 2023 is AED210m. Note (2): Comparison against a global select peer group comprised of Catrion, Compass, Aramark, Sodexo and Elior.

Environmental, Social, and Corporate Governance

ADNHC's ESG framework aligns with the UAE's climate goals. It also reflects a strong commitment to employee health and safety and adheres to local regulations through a comprehensive governance structure

Robust ESG Measures to Support UAE's 'Climate Net Zero' Ambitions

ADNHC's ESG framework aligns with the UAE's climate net zero ambitions. It also reflects a strong commitment to employee health and safety and adheres to local regulations through a comprehensive governance structure. This framework integrates the critical pillars of environmental, social, and governance (ESG) principles.

ADNHC is committed to reaching net zero emissions in its environmental initiatives and focuses on actionable in-reach measures that deliver tangible results. It intends to have community impact, environmental leadership, local partnership & positive procurement for a sustainable future. The Company also plans to take extensive measures to reduce direct and indirect emissions and sustainably source seafood. ADNHC intends to strengthen the supply chain through a responsible sourcing program and reduce food wastage by half throughout its operations. The Company's environment policy is proactively acting ahead of legislation and is already on the way to meeting its sustainability goals.

ADNHC maintains a consistent track record in health and safety by prioritizing Health, Safety, and Environmental (HSE) standards as a crucial investment. It has implemented various measures such as enhanced safety and real-time response to incidents, effective compliance with regulations and standards, safe transport for people, employee well-being and smart safety monitoring and inspections for better HSE standards.

ADNHC boasts a strong track record in corporate governance, supported by comprehensive internal policies and a robust, well-rounded board structure. The strong Governance framework of ADNHC is reflected in its 7 members in the Board of Directors, who all are qualified & experienced members. It maintains strong governance by adhering to high ethical standards and integrity.

Figure 24: ESG Strategy



Source: Company Information

ADNHC's environmental strategy prioritizes efficient energy usage, eliminating single-use plastic, and reducing food wastage

Promoting Sustainable Practices Through Actionable Initiatives

ADNHC's sustainability strategy emphasizes operational efficiency and decarbonization, with a clear focus on achieving net zero emissions. It is committed to this goal through local partnerships and positive procurement practices, driving community impact and demonstrating environmental leadership. Its approach includes developing a long-term strategy for net zero greenhouse gas emissions, strengthening its supply chain with responsible sourcing programs, and reducing food waste by 50% across its operations by FY2030.

- ADNHC has set a list of actionable initiatives to achieve its goal. The Company's actionable initiatives include a comprehensive approach to managing direct and indirect emissions. Direct emissions focus on route optimization, utilizing biodiesel from used cooking oil, and transitioning to an electric fleet. To address indirect emissions, it plans to reduce utility usage via sensors and monitoring, switch to LED lighting, and install solar photovoltaic systems with battery storage. The Company aims to achieve climate net zero across all operations and value chains by FY2050. It began by establishing baseline emissions data in FY2019 and has since committed to sourcing 100% sustainable palm oil by FY2022. ADNHC plans to eliminate single-use plastics in alignment with UAE sustainability goals by FY2026. By FY2030, it targets a 46% reduction in direct emissions and a 28% reduction in indirect emissions and aims to source 50% of its seafood sustainably. Additionally, the Company seeks to reduce food waste by 50%, reflecting a comprehensive commitment to environmental and sustainable practices.
- In terms of supply chains and operations, the strategy aims to increase local sourcing, reduces high-carbon items like beef, and eliminates single-use plastics. It is also taking measures for its active projects such as collaborating with local authorities to establish regulations, partnering with local suppliers, emphasizing plant-focused recipes, implementing carbon recipe labeling, tracking food waste, and introducing biodegradable materials.
- The Company also aims to reduce c.2,000,000 kg of food waste annually by 50% by FY2030. In addition, it is proactively acting ahead of legislation by achieving a 14% YOY reduction in beef emissions in FY2023, with a further goal to reduce the emissions from purchase of food and drinks by an additional 28% by FY2030. ADNHC has implemented significant changes, including replacing 90% of lightbulbs in leased accommodations with energy-efficient LEDs. Additionally, single-use plastic bags and Styrofoam packaging have been eliminated. It has also achieved certification of 100% sustainable palm oil use in FY2024, within just two years after the goal was set. It also prevented 10,034.86 Kg of carbon emissions over the last year by using B5 biodiesel in its 47 buses.

Figure 25: Timeline to achieve Climate Net Zero



Source: Company Information

ADNHC stands out as the only Food Catering and Support Services company in the UAE with an Incident Management Centre, which underpins its safety measures and quick real-time responses

ADNHC upholds a strong governance framework that is fully aligned with local regulations

Strong Governance Framework with Consistent Focus on Workforce HSE

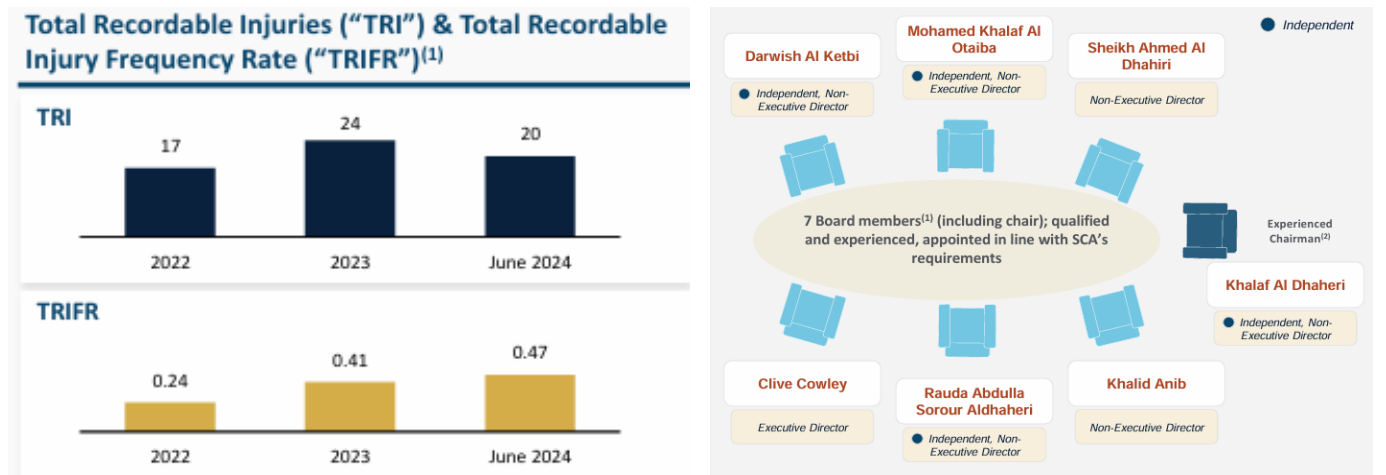
ADNHC is the only Food Catering and Support Service Company in the UAE with an Incident Management Centre. The Company has also integrated a system on ISO standards for commitment to excellence, building trust and to improve performance and operational efficiency. It has introduced an In-vehicle monitoring system supported by various road safety programmes for safety while transporting. Additionally, its proactive approach to occupational health enhances operational efficiency and employee well-being. Its smart safety monitoring and inspections, including digitalized temperature monitoring and audits, further ensure accuracy, compliance, and operational effectiveness. As a result of the Company's strong focus on health and safety, its total recordable injuries declined from 24 in FY2023 to 20 as of June 2024. In addition, the Company's total recordable injury frequency rate has also remained almost stable from 0.41 in FY2023 to 0.47 as of June 2024.

ADNHC also upholds a strong governance framework fully aligned with local regulations. Its board of seven members, including qualified and experienced individuals, are appointed in accordance with the SCA requirements.

- **Board of Directors:** 7 Directors appointed in line with SCA requirements wherein they meet a minimum of 4 times a year to look at strategic oversight of management and business affairs.
- **Board Executive Committee:** This committee consists of experienced members who meet every 4-6 weeks to review matters relating to commercial financial and operational performance. It also reviews information and reports pertaining to the Company and examines executive committee reserved matters and related party transactions.
- **Audit & Risk Committee:** The Company's Audit and Risk Committee includes at least 3 and a maximum 5 non-executive members with finance and accounting knowledge, with at least two independent members (including the Chairman) and at least one member with practical experience or relevant qualifications. Its Audit Risk Committee complies with the SCA requirements. The committee meets once every three months and oversees ADNHC's risk management, legal and compliance matters, corporate governance, and financial and non-financial reporting. Additionally, the committee conducts internal and statutory audits and manages internal controls.
- **Nomination & Compensation & Human Resources Committee:** This committee is tasked with overseeing remuneration arrangements, senior appointments, succession planning, and board evaluations. It convenes at least once a year or as needed to fulfill its responsibilities.

ADNHC's robust governance framework emphasizes its dedication to transparency and accountability. The Company ensures effective strategic oversight and stringent regulatory compliance through a dedicated board, specialized committees, and adherence to ISO standards.

Figure 26: Social and Governance Framework



Source: Company Information, ¹As of 30 June 2024, ²At least 1/3rd of Board members must be independent, must include at least one female member. Majority must be non-exec. ³The Chairman of the Board must not hold any exec. position in ADNHC and may not be a member of either of the compulsory committees (i.e. the Audit or the Nomination & Remuneration)

Key Investment Highlights

Market Leader with Diverse Portfolio of Clients, Securing High-Quality Long-Term Contracts

ADNHC emerges as UAE's leading food and services company with a c. 28% market share in the food service sector

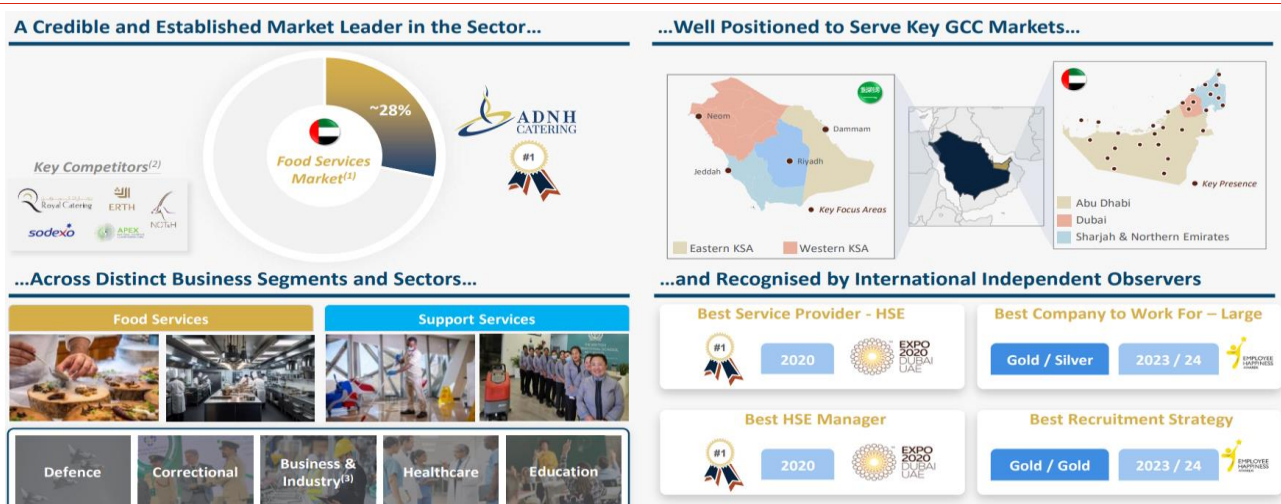
ADNHC is an Established Player with a Diverse Client Base and is Well-Positioned in the Region

A D N H Catering emerges as the UAE's leading food services company, leveraging extensive experience and expertise in the catering industry. The Company is a subsidiary of Abu Dhabi National Hotels (ADNH), known for its hospitality and food services expertise. ADNH initiated its first food service contract in 1979, establishing itself as an early industry leader. As of July 2024, the Company holds an impressive c.28% market share in the UAE's food services sector. It has a geographical presence across the UAE, including Abu Dhabi, Dubai, and Sharjah & Northern Emirates. Abu Dhabi is the largest revenue contributor from the UAE, with a 62% share, followed by Dubai at 30%, with Sharjah and Northern Emirates accounting for the remaining 8% during 9M24. The Company is strategically positioned to cater to the Eastern and Western KSA markets, with a particular focus on Neom, Jeddah, Riyadh, and Dammam. Targeting key markets will allow ADNHC to tap into high-growth regions, driving expansion and maximizing market potential.

ADNHC serves a variety of sectors, including Defence, Correctional, Business & Industry (including Energy & Remote), Education, and Healthcare, with the support of in-house catering specialists who customize the menus to meet the specific needs of different demographic groups, sectors, or client requests. In addition to its food services, ADNHC provides a range of Support Services, including cleaning and housekeeping, manpower supply, integrated facilities management, and procurement services. The Support offerings extend to diverse sectors, such as hospital cleaning, reception services for corporate offices, facility management, remote camp management, and grounds and facilities maintenance at educational institutions. The Company is also a licensed operator of the British Institute of Cleaning Services (BICSc).

ADNHC's commitment to quality and excellence is further highlighted by its prestigious awards and recognitions, establishing it as a top industry player. In FY2020, it was awarded the Best Service Provider and Best Health, Safety, and Environment (HSE) Manager to provide food services during the Dubai Expo 2020 event, highlighting its capability to handle large-scale events. Additionally, it received awards for Best Company to Work For and Best Recruitment Strategy for the fiscal year 2023-24.

Figure 27: Diversified Market Presence across UAE and KSA



Source: Company Information, Arthur D. Little. Note: (1) Total addressable market as defined by ADNHC, covering target ADNHC food services market segments as of July 2024. (2) Not comprehensive and does not necessarily represent the largest competitors. (3) Includes Energy & Remote.

ADNHC demonstrates a robust ability to secure and sustain high-quality contracts, which is underpinned by its growing client base and number of contracts

Diversified Client Base with a Long-Standing Relationship

ADNHC boasts a diverse portfolio of strategic clients, leveraging its distinct competitive edge to secure and sustain long-term, high-quality contracts across a wide range of sectors. The extensive client base highlights the Company's ability to adapt to different industry needs and underscores its strength in building enduring partnerships. ADNHC's clients grew from 262 in September 2023 to 278 in September 2024, while the number of contracts also grew from 356 to 385 during the same period. c.50% of the Company's contracts are executed through ADNHC, leveraging its higher ICV, manpower license, and governmental status. The contracts are conducted on an arms-length basis under the transfer pricing policy and Inter-Company Agreement.

ADNHC provides catering services to various public sector clients in the defence sector. It excels in this competitive sector by adhering to strict security protocols and ICV scores and has a proven ability to mobilize rapidly due to specific requirements. The Company generated AED 217 Mn in the defence sector, reflecting its expertise in handling complex and demanding requirements in 9M24.

In the Correctional sector, the Company serves large public and private sector clients. It operates in sensitive environments with strict safety protocols and emergency response capabilities. It has a strong track record in this sector, generating AED 172 Mn in 9M24.

The Company's Business and Industry sector provides food services to major private and public sector clients. The Company's introduction of innovations like competitive pricing, central production units, and flexible service options enabled it to generate AED 208 Mn in the sector during 9M24. It also achieved a robust client retention rate exceeding 99% in the Business and Industry sectors in FY2023.

In the healthcare sector, it serves prominent public and private sector clients having international operations. It generated AED 149 Mn in 9M24. The Company added one large public sector and one private sector healthcare client as of 9M24. Furthermore, ADNHC delivers food services to leading educational institutions in the UAE. It generated AED 8 Mn in 9M24. The number of contracts steadily grew from five in FY2021 to eight in the Education sector during FY2023. Additionally, ADNHC offers a full range of Support Services, including cleaning and manpower, to major public and private sector clients. With a workforce of 10,600 and operations covering 913 million square meters, the Company generated AED 465 Mn from 185 clients with 210 contracts in the Support Services sector during 9M24.

The Company has a proven track record in the government and private sectors, reflecting its competitive edge and commitment to long-term value

ADNHC has demonstrated stability and reliability through its long-standing client relationships, maintaining an impressive average contract retention rate of 91%+ over the past five years. The high retention rate underscores its ability to build and sustain enduring partnerships. Additionally, it has achieved a 9.4% CAGR growth in revenue from its top 10 clients over the last ten years, reflecting successful expansion and deepening engagement with key clients. The Company's commitment to long-term value is further highlighted by the average tenure of its top 10 contracts, which spans c.20 years, indicating customer loyalty for ADNHC.

The Company boasts a robust track record in securing high-quality government contracts, highlighting its competitive advantages and strong brand value. It demonstrated exceptional client retention through longstanding relationships, including providing services to major public sector clients. In addition to its government success, it is strategically positioned to diversify into the private sector through leveraging its specialized expertise, focus on innovation, and customizable services. The Company's recent achievements further underscore its strength, including multiple contracts win from larger hospitality companies and

achieving a 99% retention rate in the B&I sector in FY2023. Furthermore, the Company secured a multi-year extension of an essential contract with a large private healthcare company and recorded multiple gains in 2024, demonstrating its ability to adapt and thrive in dynamic market conditions.

Strategically Positioned Central Production Sites with Efficient Procurement Practices

ADNHC's strategically located CPU in Abu Dhabi and Dubai enable it to meet rising demand and support national food service needs across the UAE

Well-Positioned Central Production Facilities to Meet High Demand and Support Diverse Sectors

ADNHC strategically operates central production facilities (CPU) in Abu Dhabi and Dubai, each with clear procurement processes to ensure efficient operations. The Abu Dhabi CPU covers 2,152 square meters and can produce up to 20,000 meals per day, currently operating at an 18% utilization rate to serve 4,500 meals per day. It caters to 6 clients with the help of 59 staff members and 2 vehicles. In contrast, the Dubai CPU spans 1,888 square meters and is equipped to handle up to 17,500 meals per day. It supports 28 clients and is staffed by 104 employees, with 17 vehicles. Both facilities are leased for a four-year term starting from March 2022. This strategic positioning and substantial operational capacity enable the Company to meet increasing demand efficiently and support national food service requirements across the UAE.

ADNHC employs a clear and strategic procurement process designed to maintain competitiveness and enhance efficiency. Its tailored approach includes a wide geographic reach, emphasizing regional and local sourcing to stay close to supply sources. The Company's sourcing strategy involves a comprehensive seven-step model combined with advanced procurement technology, menu engineering, and cost efficiency through logistics, warehousing, and demand planning. This model incorporates category management, local procurement, tail spend management, and approved product lists. The process begins with defining the rationale and scope of each sourcing project, followed by a detailed analysis of financial data to assess spending, internal business requirements, and the external supply environment. Insights from this analysis guide the development of a tailored sourcing strategy. The next steps involve evaluating the supply market, requesting proposals, and negotiating with suppliers. Upon reaching agreements, ADNHC finalizes contracts and collaborates with stakeholders for timely execution. The strategy is then implemented with a focus on effective contract management. In the last step, the Company emphasizes category growth by enhancing supplier relationships to drive overall procurement efficiency and growth. Additionally, the Company achieved a notable 4% reduction in contract prices compared to market rates, demonstrating its ability to secure cost-effective solutions while maintaining high standards of procurement excellence.

ADNHC is strategically positioned to capture a significant market share in the Events and Functions industry

ADNHC's centralized solutions are also enhancing performance across various sectors, demonstrated by the successful launch of its HUSK brand in FY2023. Specializing in coffee and grab-and-go services, HUSK currently operates from eight locations. The Company plans to expand the footprint to 28 locations by FY2024 and an additional 15 locations in FY2025. In addition, the Company offers services to large-scale events in the UAE. It serves during the Abu Dhabi Formula 1 event, where it provides services including menu planning, operations, POS, manpower, market and design, HSEQ (Health, Safety, Environment, and Quality), and event delivery. With a new concept under development, ADNHC is positioning itself to capture a sizeable market and enhance its presence in the Events and Functions industry.

Figure 28: Strategically Located Production Facilities with Advanced Procurement Process



Source: Company Information, ¹Central production unit, ²Lease period for 4 years starting March 2022

Capex Light Model to Sustain a Strong Balance Sheet and High Cash Conversion, Positive for Higher Dividend Payout

Revenue and EBITDA are expected to grow at a CAGR of 2.8% and 3.1%, respectively, during FY2024-28

High-Quality Contracts and Lower Capex Requirements Underpin a High Cash-Generation Business

ADNHC generates revenue from its two key segments, Food Services and Support Services. The Food Services segment provides services that are further categorized into subsectors, including the Defence, Correctional, Business and industry, Healthcare, and Education sectors. Support Services provide Cleaning, Manpower, and Other related services. Food Services segment accounted for 59% of the total revenue, and Support Services account for the remaining 41% of the total revenue as of FY2023. The Company's revenue declined 14.5% YOY to AED 1,705 Mn in FY2023, primarily due to a voluntary shift to de-risk the business and walking away from a commercially unviable contract in FY2023. The Company also experienced a one-off gain of AED 62 Mn from the Dubai Expo 2020 event in FY2022. Excluding the net impact of these one-off events, the Company's base revenue declined 2% YOY in FY2023. In addition, the Company's revenue declined 14.5% YOY to AED 1,705 Mn in 9M24. Food Services segment accounted for 61.9% of the total revenue, and Support Services account for the remaining 38.1% of the total revenue in 9M24. We expect the Company's revenue to grow at a CAGR of 2.8% from AED 1,705 Mn in FY2023 to AED 1,959 Mn in FY2028.

ADNHC's Underlying EBITDA declined 17.3% YOY to AED 239 Mn in FY2023. The decline in EBITDA is mainly due to the lower revenue and the exclusion of the provision release of AED 25 Mn in FY2023. Underlying EBITDA margins declined from 14.5% in FY2022 to 14.0% in FY2023. Furthermore, the Company's EBITDA declined 9.8% YOY to AED 167 Mn in 9M24. EBITDA margins also contracted from 14.1% in 9M23 to 13.7% in 9M24. We expect the Company's underlying EBITDA to grow at a CAGR of 3.1% from AED 239 Mn in FY2023 to AED 278 Mn in FY2028.

ADNHC also maintains a strong balance sheet and a debt-free position. It operates as a capex-light model tailored to the client's requirements. The Company's capex as a percentage of revenue stood below 1% (excluding lease payments) during the previous five years, reflecting

ADNHC operates as a capex-light model tailored to the client's requirements

lower capex requirements to sustain the business. The Company also achieved a cash conversion of 78% in FY2023 and 80% in FY2022, attributable to the long-term contracts.

ADNHC paid a dividend of AED 263 Mn in FY2022 and AED 240 Mn in FY2023, maintaining a robust payout ratio above 100% in both periods. The payout ratio stood at 116% in FY2022 and FY2023.

Figure 29: Revenue (AED Mn)

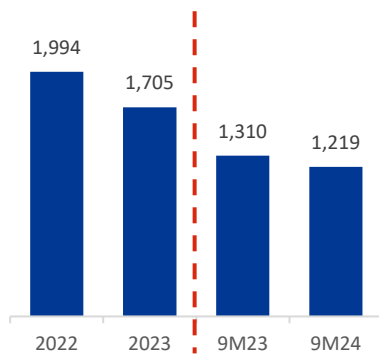


Figure 30: Underlying EBITDA¹ (AED Mn) & Margin (%)

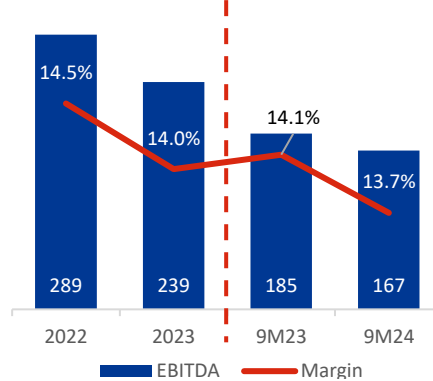
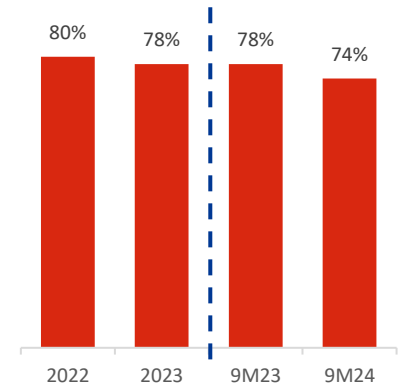


Figure 31: Cash Conversion² (%)



Source: Company Information, ¹2022 and 2023 numbers are underlying earnings as they exclude a provision charge/release to better reflect the true performance of the business and is consistent with prior presentations: 2022 actual EBITDA is AED 278m, 2023 EBITDA AED 265m & 9-month 2023 is AED210m. Note, ²Cash Conversion defined as (EBITDA – Net Capex (Capex on owned assets and net of gains from disposals) – Principal portion of Lease Payments) / EBITDA

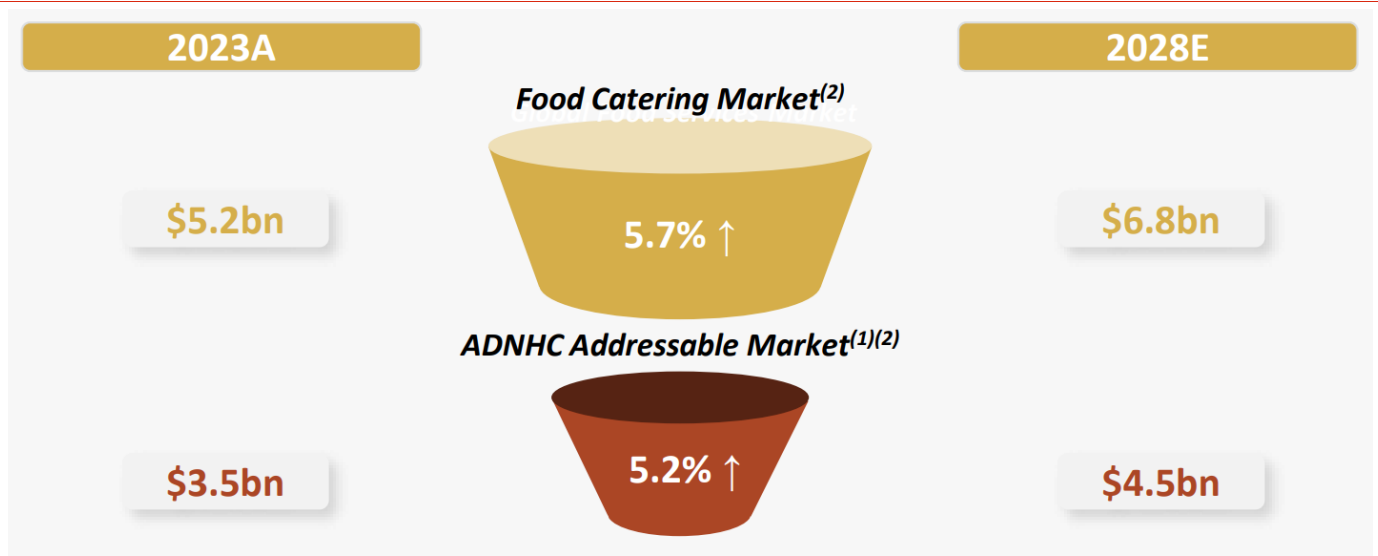
Large Addressable Food Catering Market Supported by Robust Macro Tailwinds

ADNHC is set to capitalize on macroeconomic solid and demographic trends, driving substantial expansion in the regional food catering market

ADNHC is well-positioned to capitalize on significant macroeconomic and demographic trends. According to the IMF (World Economic Outlook, July 2024), the global economy grew 3.3% in FY2023 and is anticipated to expand at 3.2% and 3.3%, respectively, in FY2024 and FY2025. UAE and KSA's economies are expected to demonstrate growth. According to the IMF (Middle East and Central Asia - Regional Economic Outlook, April 2024), the UAE's economy is anticipated to expand by 3.5% and 4.2% in FY2024 and FY2025, while the KSA economy is expected to grow at 2.6% and 6.0%, respectively, during the same period. Furthermore, according to Arthur D Little, the global average population is estimated to grow at a CAGR of 0.8%, and the UAE and KSA populations are anticipated to experience higher growth rates of 1.7% and 2.3%, respectively, further enhancing ADNHC's market potential. Additionally, according to Arthur D Little, the regional food catering market (including UAE and KSA) is forecasted to expand from USD 5.2 Bn in FY2023 to USD 6.8 Bn in FY2028, with ADNHC's addressable market growing from USD 3.5 Bn to USD 4.5 Bn during the same period.

ADNHC is poised to benefit from the expanding target market in the UAE and KSA. The ongoing economic transformation in both countries, characterized by economic diversification, private sector growth, and increasing employment opportunities for nationals, is expected to support the growth of ADNHC Catering. Furthermore, shifting consumer preferences, rising population growth and current service quality inconsistencies give ADNHC a strategic advantage in strengthening its market presence and driving growth.

Figure 32: Projected Growth in Food Catering Market & ADNHC's Addressable Market



Source: Company Information, Arthur D. Little, ¹ Total addressable market as defined by ADNHC, covering target ADNHC food services market segments as of July 2024, ²Includes UAE and KSA markets

Steady Growth in UAE And KSA to Strengthen ADNHC's Market Presence

Regional Food catering market, including UAE and KSA, is expected to grow from USD 5.2 Bn in FY2023 to USD 6.8 Bn in FY2028

The Global Food catering market is projected to experience robust growth, driven by several key transformative trends shaping the industry landscape. According to Arthur D. Little, the regional Food catering market, including UAE and KSA, is expected to grow from USD 5.2 Bn in FY2023 to USD 6.8 Bn in FY2028. In addition, the total addressable market of ADNHC, including UAE and KSA, is expected to grow from USD 3.5 Bn in FY2023 to USD 4.5 Bn in FY2028. The growth is largely attributed to rising inflationary pressures, which compel organizations to seek cost efficiencies through outsourcing. Additionally, the trend towards long-term partnerships emphasizes the need for reliable, high-quality service providers. Organizations are increasingly looking for food service providers that can tailor offerings to meet specific environmental and social sustainability goals. This evolving demand underscores ADNHC's potential to leverage market opportunities and strengthen its position in the food catering sector.

ADNHC's positioning in growing UAE and KSA markets will enhance its market presence and drive expansion through increased demand and long-term contract opportunities

ADNHC's growth prospects are significantly supported by the robust expansion in the UAE's Food catering and Support Services markets. According to Arthur D. Little, the UAE's Food catering market is projected to rise from AED 3.7 Bn in FY2023 to AED 4.6 Bn by FY2028. In addition, the UAE's Support Services sector is expected to grow from AED 11.3 Bn to AED 14.2 Bn during the same period. ADNHC is poised to benefit, driven by overall economic growth, a rising population, and increasing sector-specific demands. Additionally, the rising demand for a larger workforce and increasing needs for catering in key industries, hospitality, and cleaning services will offer a strategic advantage, enabling it to leverage market opportunities and strengthen its presence across both sectors.

ADNHC is also positioned to leverage significant growth in KSA's Food catering and Support Services markets. According to Arthur D. Little, the KSA Food catering market is expected to grow at a CAGR of 5% from SAR 9.3 Bn in FY2023 to SAR 12.0 Bn in FY2028, while the Support and Services market is also expected to grow from SAR 17.9 Bn in FY2023 to SAR 24.5 Bn in FY2028. ADNHC's strong presence in the oil and gas sector, successful diversification into private healthcare, and robust management team position it to capture a larger market share. Moreover, as the demand for Food Catering and Support Services is expected to rise in KSA, ADNHC is positioned to capitalize on the growing opportunities, strengthening its market presence and securing long-term contracts.

Figure 33: UAE Projected Food Catering Addressable Market



Source: Arthur D. Little, ¹Includes Energy & Remote

Figure 34: UAE Projected Support & Service Addressable Market

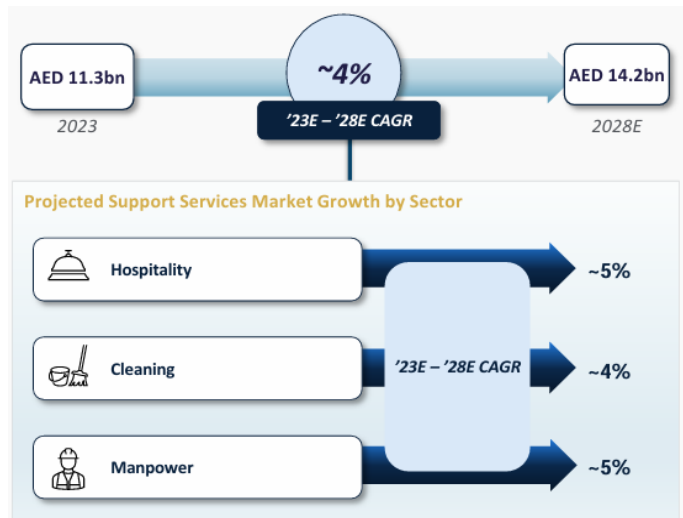
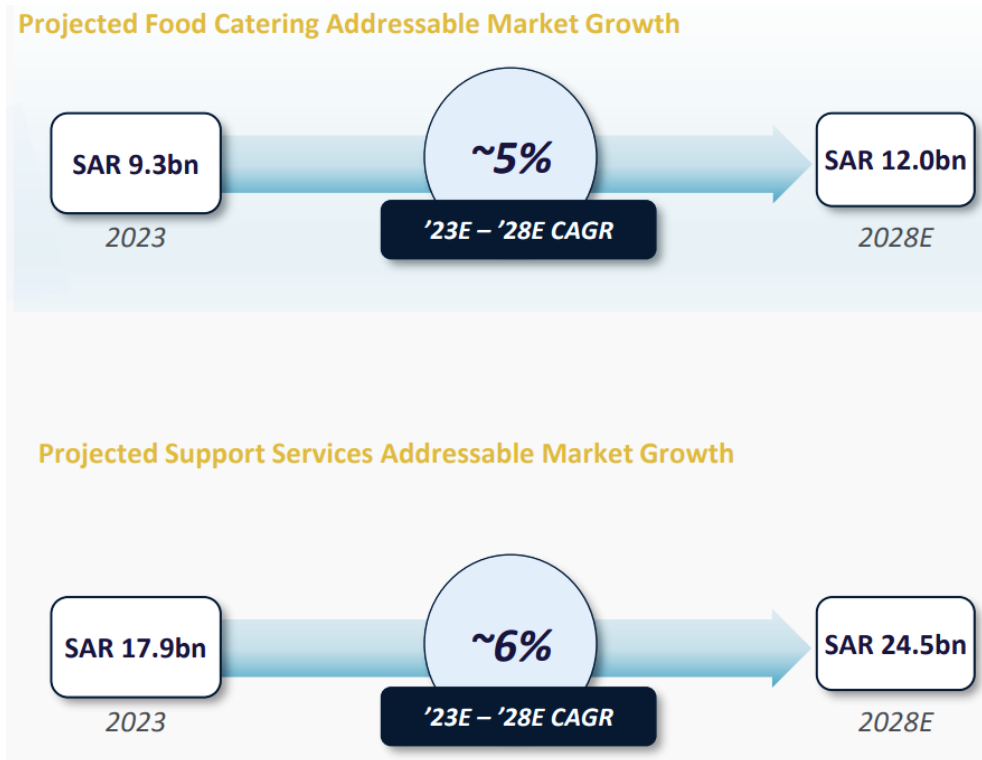


Figure 35: KSA Projected Growth in Food Catering and Support Service Market



Source: Arthur D. Little

Multiple Growth Avenues to Drive Expansion and Strengthen Market Position

ADNHC is Poised to Capitalize on Multiple Growth Opportunities

ADNHC boasts a historical 95% contract retention rate and is expected to see a retention rate of c.97% in FY2024

ADNHC leverages its growth opportunities through new business acquisitions and high retention rates. The Company is expanding into the private Healthcare and Business & Industry (B&I) sectors, targeting higher-margin Support Services contracts and broadening its base in Dubai. It boasts a historical 95% contract retention rate and is expected to see a retention rate of c.97% in FY2024. The Company has implemented a robust client retention strategy through Quarterly Business Discussions (QBDs) and the Customer Care Initiative (CCI) to streamline processes and optimize resource allocation. Internal engagement is reinforced through targeted training and monthly CRM updates, fostering a winning culture. Additionally, labour model optimization and rigorous measurement and analysis contribute to more effective resource utilization and cost control.

ADNHC is committed to enhancing operational efficiency and improving profit margins through strategic initiatives. The culinary engagement strategies are designed to reduce the cost of goods sold (COGS) and labour expenses by integrating culinary, operations, and procurement meetings to streamline processes and optimize resource allocation. The implementation of an approved product list aligns procurement with cost-efficiency goals, securing optimal product selections. ADNHC strongly emphasises investing in its workforce and ensuring high Health and Safety performance standards. The Company is dedicated to employee welfare through its program and also prioritizes training with initiatives such as the Al Akadimia in-house academy and the Caregivers Excellence Program. Additionally, the Company adopts a proactive approach to safety with an incident management center, an integrated system adhering to ISO standards, an in-vehicle monitoring system, and digitalized temperature monitoring (Monica).

Sector-Focused Strategies Anticipated to Drive Growth and Strengthen Market Presence

ADNHC's diversified strategy across Defence, Correctional, Business and Industry, Healthcare, and Education sectors positions it as a leader poised for sustained growth and market expansion

ADNHC's sector-specific strategy is driving significant growth and diversification across multiple high-potential markets. In the **Defence sector**, ADNHC has established itself as a trusted provider with a proven track record in service delivery, emergency response, and HSE compliance. The Company is strategically expanding its presence by targeting additional military sites across the UAE and investing in infrastructure to support event catering and supplementary services like laundry. Recent national service contracts and long-lasting partnerships with public entities reinforce its robust position in this sector.

In the **Correctional sector**, ADNHC demonstrates its capability to operate effectively in sensitive and complex environments. It is enhancing its service portfolio by capitalizing on its proven expertise and unique offerings, such as culinary training programs for inmates. The Company strategically expands mandates through government sites and integrates digital innovations like dashboard data analysis to drive growth. Recent contract wins with larger public sector schools and strong relationships with government clients highlight its competitive advantage and strengthen its market presence.






The **Business and Industry** sector remains a core sector of ADNHC's portfolio, contributing the highest revenue share, with 42.9% in FY2022 and 36.8% in FY2023. The Company distinguishes itself through its reputation for excellence in on-site cooking and competitive pricing, particularly in Abu Dhabi. By focusing on innovation in branding, consumer services, and technology, it is poised to further strengthen its market presence. Recent contracts with high-profile clients, along with strong retention of larger hospitality groups, underscore its ability to deliver exceptional value. Furthermore, expanding into the events and leisure markets, along

with a strong pipeline involving five-star hotels and airline companies, positions it to diversify its revenue streams and drive continued growth.

In the **Healthcare sector**, ADNHC's strategy is focused on driving revenue growth through specialized expertise in healthcare culinary services. It delivers highly customizable, nutritious therapeutic menus by leveraging advanced technologies like the Nutritics Patient Ordering System. The Company is expanding into the private healthcare market and targeting Husk coffee shops for clinic and hospitality applications, unlocking further business opportunities. Its recent contract wins along with strong client retention of prominent healthcare companies like Mediclinic, solidify its healthcare sector leadership. The focus on specialist hospitals offers a pathway to securing higher-value contracts, driving further revenue expansion.

In the **Education sector**, ADNHC differentiates itself through the strategic integration of health and wellness programs, aligning with the growing emphasis on environmental sustainability and student well-being. By targeting private schools and universities, along with expanding into retail operations, it is set to significantly extend its market reach. The utilization of HUSK for diversified service delivery and organic growth further enhances its competitive positioning. The Company's recent high-profile contract wins with large private schools in the education sector and strong client retention underscore its ability to secure and maintain high-value contracts. Additionally, seeking opportunities with international private schools and universities presents substantial revenue growth and market expansion potential.

Figure 36: ADNHC's Segment-Specific Strategies

	 Defense	 Correctional	 Business & Industry	 Healthcare	 Education
Differentiating Factors	<ul style="list-style-type: none"> ✓ Proven track record in service delivery ✓ Strength in emergency response capability & HSE compliance ✓ Supporting Health & Wellbeing initiatives within GHQ 	<ul style="list-style-type: none"> ✓ Proven track record of operating under sensitive & complex environment ✓ Culinary training for inmates in correctional institutions 	<ul style="list-style-type: none"> ✓ Market reputation as best in class for cook on site operations ✓ Competitive pricing & quality in Abu Dhabi 	<ul style="list-style-type: none"> ✓ Specialized expertise in healthcare culinary & operations ✓ Customizable & nutritious therapeutic menus via tech-driven Nutritics Patient Ordering System 	<ul style="list-style-type: none"> ✓ Promotion of Health and Wellness Programs ✓ Sustainability plans as part of clients' environmental responsibility
Opportunities	<ul style="list-style-type: none"> • Additional military sites across the UAE • Acquisition of additional services such as laundry • Investment in event catering infrastructure 	<ul style="list-style-type: none"> • Increase in mandates through MOI sites & event business • Digital innovation including dashboard data analysis 	<ul style="list-style-type: none"> • Focus on branding and consumer services through innovation of offer, commercial and tech • Growth potential in events and leisure 	<ul style="list-style-type: none"> • Expand in Private Healthcare • Continue diversification in Dubai • Target Husk coffee shops for clinics & hospitality 	<ul style="list-style-type: none"> • Target private schools & universities • Growth through retail operations • Utilize HUSK to deliver variety and organic growth

Source: Company Information

Strategic Expansion and High-Profile Engagements to Enhance Market Presence and Growth Potential

ADNHC's expansion of the HUSK brand and engagement in high-profile events like the F1 Abu Dhabi provides a competitive edge

ADNHC is strategically expanding its HUSK brand across the UAE. The Company has opened HUSK at eight locations and plans to increase it to 28 locations by the end of FY2024 and 15 new locations in FY2025. The horizontal integration will enhance ADNHC's market presence is expected to provide a solid foundation for pursuing adjacent contracts. The expansion is anticipated to boost brand awareness and strengthen customer connections. It will also underscore its ability to innovate with features such as digital menus, mobile ordering, contactless payments, and loyalty programs, positioning the Company for sustained growth and competitive advantage.

ADNHC's participation in high-profile events such as the F1 Abu Dhabi strengthens its brand reputation and boosts its go-to-market strategy. The engagement showcases ADNHC's robust logistics capabilities and establishes a solid platform for securing contracts for other major ongoing events. The strategic focus on prominent events underscores its competitive edge and positions it for growth opportunities in the event management sector.

Figure 37: Horizontal Integration and Expansion into New Businesses



Source: Company Information

Strategic Expansion into the KSA Healthcare Sector to Boost Its Market Presence

ADNHC's organic and inorganic strategies to boost market presence and drive revenue growth

ADNHC is pursuing a robust pipeline designed to capitalize on consolidation opportunities through its organic and inorganic growth strategy. Its organic strategy enhances its platform to attract new business and retain key clients, thereby ensuring a steady and sustainable expansion trajectory. Additionally, the Company targets inorganic growth by focusing on strategic verticals and regions to address market white spaces. This includes pursuing bolt-on acquisitions, particularly in sectors beyond its traditional catering domain, to drive further diversification and growth. The Company's growth strategies are expected to significantly strengthen its market position and drive substantial revenue expansion.

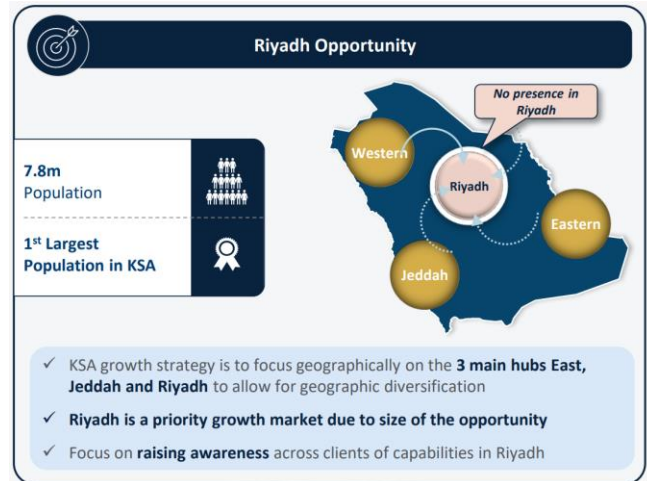
ADNHC holds a 30% stake in the Saudi trading business in partnership with Al-Rushaid (40%) and Compass Group International B.V. (30%). The business operates under the Compass Arabia brand and has historically focused on the oil and gas sector. However, its recent focus has been on diversifying its portfolio by expanding into the private healthcare and Business and Industry (B&I) sectors. ADNHC is also currently in discussions with the other shareholders of Compass Arabia regarding the possibility of increasing its stake beyond the current 30%. Additionally, the Company is strategically expanding its footprint in the healthcare sector in KSA, with a particular emphasis on Riyadh as a pivotal growth market. The size of the KSA Healthcare market is SAR 1,521 Mn. The public sector Healthcare market accounts for 74% of the total

market, while the private sector comprises 26%. Riyadh represents a significant opportunity for the Company's growth due to its size and market potential. In addition, it is also targeting the Eastern KSA and Jeddah, the other two major hubs. The Company is focused on strengthening its presence in Riyadh and increasing awareness of its capabilities in the private healthcare sector. By leveraging its expertise, it is well-positioned to capitalize on this substantial market opportunity, driving significant future growth and expansion.

Figure 38: ADNHC's M&A Pipeline

Select M&A Pipeline			
Prospects	Sector	Contract end date	Status
Target 1	HC, B&I	N/A	Rejected
Target 2	B&I, Energy	Q3 2025	On hold
Target 3	Education	Q4 2024	Indicative Offer
Target 4	B&I	Q1 2025	Exchange of Info

Figure 39: KSA's growth strategy



Source: Company Information

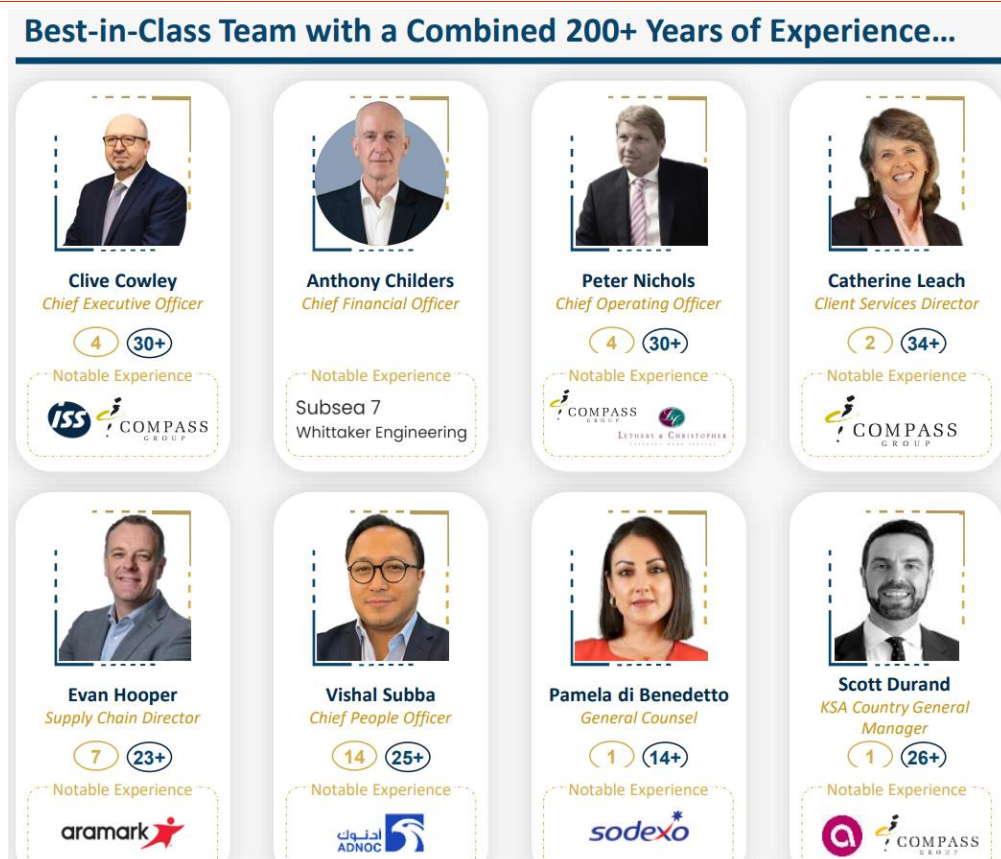
Highly Experienced Management Team

Highly experienced with
combined experience of
200+ years in business

Experienced Management Team with a Long Track Record in the Business

The Management team of ADNHC comprises of Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), Client Services Director, Supply Chain Director, Chief People Officer, General Counsel, and KSA Country General Manager. The management team at ADNHC is highly experienced with significant years of professional experience in the industry.

Figure 40: ADNHC's management team



Source: Company Information

ADNHC - Management

Chief Executive Officer – Clive Cowley

Clive Cowley is the Chief Executive Officer at ADNHC and brings more than 30 years of experience in the Food and Support Services Industry. He earlier worked with Compass for 23 years. He joined ADNHC four years ago. Clive has worked with ISS UK, CK (Hong Kong) Holdings, Rentokil Initial and Gulf Air/Oman Aviation.

Chief Financial Officer – Anthony Childers

Anthony Childers has been appointed as the new CFO of the Company, effective 1 December 2024. Childers is designated to succeed Andrew Marshall as the outgoing Chief Financial Officer of the Company in November 2024. Prior to which, Childers was country manager and finance manager for Subsea 7, Mexico, a role he held from 2015 to 2020, country manager for Whittaker Engineering, a role he held from 2020 to 2022. Childers was awarded a Bachelor's degree in Physical Education and Sports Science from Loughborough University in the UK in



1986 and a Masters in Business Administration from Warwick University in 1988 and is a Chartered Accountant.



Chief Operating Officer – Peter Nichols

Peter Nichols is the Chief Operating Officer at ADNHC. He has a proven track record in the Catering industry and 40 years of experience covering 18 countries. Peter held several senior executive positions; Managing Director for Greece & Southern Africa and Director of Operations in Australia, overseeing major international events and acquisitions. He has been a part of the ADNHC team for the last 3.5 years.



Client Services Director – Catherine Leach

Catherine Leach has over 34 years of experience and is appointed Client Services Director. She has previously worked with Compass and is working with ADNHC for the last 2 years.

Leach was awarded a Bachelor of Sciences with major in Horticulture from the University of Cape Town in 1988.



Supply Chain Director – Evan Hooper

Evan Hooper is the Supply Chain Director at ADNHC. He has 23 years of experience across the Retail and Catering sectors with multiple global brands managing Procurement and Commercial activities. Evan joined ADNHC in January 2017.



Chief People Officer – Vishal Subba

Vishal Subba is the Chief People Officer at ADNHC. He comes with more than 25 years of diverse experience in Hotels (Radisson Group, 3 years), Oil & Gas (ADNOC, 8 years), and Catering & Hospitality (14 years with ADNHC). He has spent the last 22 years serving the UAE market.



General Counsel – Pamela di Benedetto

Pamela di Benedetto has been appointed as General Counsel at ADNHC. She started her career in the Oil & Gas sector managing the African portfolio of ENI S.p.A, one of the world's largest oil companies. Pamela also has experience of 9 years as General Counsel in the Hospitality Industry in the Middle East with leading global companies Sodexo and Compass Group.



KSA Country General Manager – Scott Durand

Scott Durand is the Country General Manager, KSA with 26 years of experience in the Catering, Hospitality, Hotel & Contractual Support Services industry. He served 14 years in the Middle East, including UAE, Egypt, Qatar and KSA, working with Compass, ADNHC and a private UAE support services company.

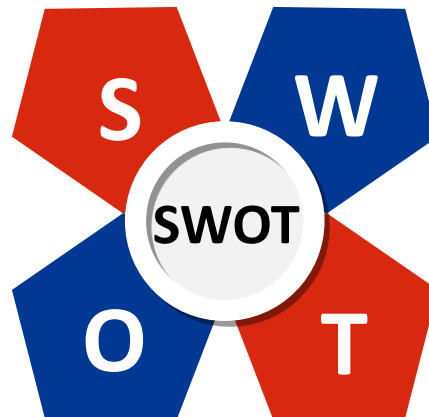
SWOT Analysis

STRENGTHS

- **Market Leadership:** ADNHC is a market leader with a significant presence in the UAE, holding a 27-32% share of the UAE's addressable Food Catering market. The Company has a proven track record with a strong portfolio of high-quality government and private sector contracts.
- **Diversified Business Model:** The Company operates in various sectors, including Defence, Correctional, Healthcare, Education, and Business & Industry, which helps mitigate sector-specific risks. ADNHC offers both Food and Support Services, allowing for cross-selling opportunities and enhancing client relationships.
- **Robust Financial Performance:** ADNHC has strong financials, with a 10.8% EBIT margin and 78% cash conversion rate as of FY2023. The Company's proactive business selection and focus on high-margin contracts contribute to sustainable profitability.
- **Integrated Supply Chain:** The Company has a robust supply chain, including centralized production facilities and a tailored procurement strategy that enhances operational efficiency.
- **Strong Client Relationships:** With a 91% contract retention rate and long-standing relationships with key clients, ADNHC demonstrates its ability to maintain and nurture client partnerships.

WEAKNESSES

- **Geographic Concentration:** The Company's primary operations are concentrated in the UAE, potentially exposing it to regional economic and political risks.
- **Reliance on Key Contracts:** The Company earns 50% of revenue through its top 10 clients in UAE which could pose a risk if any major contracts are lost or not renewed.



OPPORTUNITIES

- **Market Expansion:** There is significant potential for growth in the KSA's Food Catering market, with a total addressable market expected to reach SAR 12 Bn by FY2028. ADNHC is well-positioned to benefit from the increasing trend of outsourcing catering services driven by macroeconomic tailwinds. The Company is also in discussions with Compass Arabia's shareholders regarding the possibility of increasing its stake beyond the current 30%.
- **Inorganic Growth:** Opportunities for acquisitions in complementary sectors, such as Education and Healthcare, can enhance service offerings and market presence.
- **Innovation and Technology:** Implementing innovative catering technologies and expanding concepts like HUSK into Smart markets can drive growth and improve service delivery.
- **Corporate Events:** Investment in infrastructure development is leading to a significant increase in successful bids for event organization in the UAE, which is expected to drive a strong demand for catering services.

THREATS

- **Economic Uncertainty:** Economic fluctuations and inflationary pressures in the GCC region could impact client budgets and spending on catering services.
- **Regulatory Changes:** Changes in regulations related to food safety, labour, and environmental standards could increase compliance costs and operational complexities.
- **Supply Chain Disruptions:** Potential disruptions in the global supply chain, including logistics challenges and fluctuations in commodity prices, could affect operational efficiency and cost management.

Industry Overview

Outsourcing to Drive Global Food Services Industry

Global Catering Services Market is expected to grow at a CAGR of c. 4.0% from USD 200-240 Bn in FY2023 to USD 240-290 Bn in FY2028

Inflationary Pressures and Demand for Convenience Promotes Outsourcing

The Food Services Industry comprises a wide range of businesses like serving, preparing, and distributing food and beverages along with establishing food outlets, restaurants, cafes, catering services, and institutional food services. Changing food preferences, technological advancements, and a constant focus on quality and convenience have transformed the food services industry with time. Increasing health consciousness among consumers led to innovations like vegan, organic, and gluten-free products. In addition, the launch of delivery services, online delivery platforms, and enhancement in payment systems have made the sector more accessible and efficient. Furthermore, globalization has led to the launch of diverse cuisines in new markets which offers various dining options. However, recently; the global food and beverages industry has faced difficulties in recent times due to supply disruptions and commodity price fluctuations owing to ongoing geopolitical crises and climate change.

The Catering Services Market is a versatile component of the broader Food Services industry that offers food and beverage services to conferences, events, weddings, parties, and corporates with tailored menus and quality food services to meet clients' preferences. The catering companies provide diverse offerings with wide range of cuisines and customized offerings as per the client's requirements coupled with comprehensive event planning and coordination. A significant part of the catering market is focused on offering corporate catering services. The industry is continuously evolving with the help of technological advancement and adapting to new trends and changing customer preferences. The Global Catering Services Market is expected to grow at a CAGR of c. 4.0% from USD 200-240 Bn in FY2023 to USD 240-290 Bn in FY2028. The strong and sustainable growth in the Global Food Services market is mainly attributable to an increase in food services outsourcing supported by several megatrends in the industry.

Inflation pressures compelling self-operators for cost efficiency

Rising inflationary pressure due to an increase in prices of raw materials, labour, and utilities is compelling self-operators to outsource food services, reducing the financial burden as food service providers run at a lower cost per unit owing to economies of scale. As a result, businesses can concentrate on their primary operations, boosting efficiency. Additionally, self-operators benefit from the outsourcer's proficiency in menu planning, waste management, and bulk purchasing.

Stable long-term contracts

Strategic partnerships and long-term relations increase stability and promote consistency in quality, service, food, and customer experience. It also ensures convenient pricing terms, leading to better outcomes for both business and food service providers.

Increasing demand for convenience

Rising demand for convenience is overcome by food service outsourcing, which provides easy, quick, and accessible food options. Consumers now expect meals on demand with instant access to services. In addition, businesses prefer food service outsourcing to focus on their core operations. It provides convenient options with multi-cuisine offerings and delivers high-quality food solutions according to consumer preferences.

Rising need for bespoke solutions along with sustainable business practices

Changing lifestyles and consumer preferences have increased demand for bespoke solutions. Consumers are becoming conscious of dietary needs, which has increased demand for specific customized menus with organic and sustainable ingredients. On the other hand, food service providers are experts in waste management reduction, inventory management, packaging, and energy efficiency, which makes it difficult for businesses to follow internal processes. Thus, outsourcing enables sustainable business practices.

Figure 41: Size of Global Catering Services Market



Source: Company Information, Arthur D. Little, 1 The estimates for the Global Food Catering market vary significantly. Arthur D. Little did not size the Global Food Catering market in this study but relied on 3rd party sources for a consensus estimate

UAE's Food Catering Market is Expected to Outperform Global Growth

The addressable Food Catering market in the UAE is estimated to grow at a CAGR of c. 5% from AED 3.7 Bn in FY2023 to AED 4.6 Bn in FY2028

UAE's Food Catering market displays solid resilience on the back of favorable economic outlook amid ongoing geopolitical conflicts. The total market size of UAE's Food Services market is c. AED 55-60 Bn, of which the Food Catering market is valued c. AED 5.8 Bn. Of this, only 60% of the market is addressable and targeted by ADNHC. ADNHC plays a major role in UAE's Food Catering industry, holding a 28% market share within the addressable market. In addition, around 70% to 80% of UAE's addressable Food Catering market is operated by eight domestic and international companies in the UAE out of which seven companies provide food catering services and six companies offer support services. The addressable Food Catering market in the UAE is estimated to grow at a CAGR of c. 5% from AED 3.7 Bn in FY2023 to AED 4.6 Bn in FY2028. ADNHC holds a significant market share in multiple sectors including Business & Industry (B&I), Healthcare, Defence, Correctional, Energy & Remote, and Cleaning. The Healthcare sector in UAE is expected to grow at the fastest rate with a CAGR of c. 6% from FY2023-28 whereas the Defence sector is estimated to grow at a CAGR of c. 4%. Similarly, the Correctional, B&I, and Education sector is anticipated to increase at a CAGR of c. 5% during FY2023-28. Following key factors which will drive the growth in UAE's Food Catering market.

Rising population and economic growth

According to IMF, UAE's population stood at 9.7 Mn in FY2023 and is further expected to reach 10.1 Mn by FY2028. UAE witnessed 28 Mn hotel guests in FY2022 whereas under the UAE Tourism Strategy 2031, the country aims to welcome 40 Mn hotel guests by FY2031 raising the tourism contribution to AED 450 Bn. Additionally, business events also positively contributed to Dubai's economy and tourism industry. The city won 175 bids to host international business events in 1H24 which marks a 24% YOY increase. These events will take place in the upcoming period and will add more than 92,000 delegates. The growing population and tourists in UAE will lift the demand for corporate catering services. UAE is emerging as a global business hub since companies around the world are setting up offices in UAE owing to the supportive

government policies and a positive business environment which is attracting a large inflow of expatriates for job opportunities. As a result, it has led to a growth in population in the country, driving demand for diverse and quality food services. Consequently, increasing tourism activity further boosts demand for corporate events supporting the Catering Food Services market.

Increasing demand for catering in the target industries like B&I and Healthcare

Promising investments in the country to fulfil its Vision 2030 targets are driving the growth in the Healthcare and B&I industry in UAE. Continuous investments led to improved infrastructure facilities that augmented the demand for quality services provided by these industries. The Government is promoting medical tourism and speciality care in the country along with strict pricing regulations that eliminate the risk of overpricing. These government initiatives are increasing the volume of patients in the UAE's healthcare industry. UAE's healthcare sector has grown significantly in the last decade. As per the data from UAESTat, the number of hospitals increased significantly from 85 in 2010 to 165 in 2021, while the number of beds more than doubled from 8,829 in 2010 to 18,363 in 2021. Increasing domestic and international investments in addition to the government's initiative to promote healthcare tourism has significantly transformed UAE's healthcare system. The Government of Abu Dhabi is focused on consolidating healthcare services with investments in the Healthcare sector to develop the infrastructure. The introduction of international technology in the Healthcare sector is attracting the patient population in the country. Resultantly, there is a corresponding rise in demand for catering services that can meet patients' nutritional and dietary requirements. It requires adequate knowledge and resources to provide appropriate and safe meal options.

Growing number of target sector employees choosing catering for meals

Convenient on-site food options, group meal services, quality food services and multi-cuisine options excite employees in target sectors to choose catering services for meals. An increasing number of individuals in the UAE who live alone would opt for cost-effective catering services to meet their needs. Thus, diverse food options provided by catering companies fulfill the demand of many individuals in the country. Catering companies offer a wide range of meal options for employees according to their preferences, encouraging employers to offer employees convenient meals.

Addressable Support Services market in UAE

Support Services are general cleaning and manpower services provided to corporations and businesses, which are designed to maintain a healthy and clean environment in the workplace. Support Services also free up professionals to focus on their core responsibilities, eliminating the need to perform routine tasks that require unskilled labor. Support Services addressable market in UAE is expected to grow at a CAGR of c. 4% from AED 11.3 Bn in FY2023 to AED 14.2 Bn in FY2028. Six out of the top eight companies operating in UAE's Food Catering market also offer Support Services. Moreover, Support Services include cleaning, hard facility management, and soft facility management services are performed. Furthermore, the Hospitality and Manpower sector under support services is expected to grow at a CAGR of c. 5% each from FY2023-28, while the Cleaning sector growth is estimated at a CAGR of c. 4%.

The following trends are expected to support growth in UAE's addressable market for Support Services.

UAE's Support services addressable market is expected to grow at a CAGR of c. 4% from AED 11.3 Bn in FY2023 to AED 14.2 Bn in FY2028

UAE's Solid economic outlook and rising workforce are driving demand for hospitality services

The growth in UAE's Support Services market is fueled by the country's strong economic development, rising population, and GDP growth. A solid economic environment is increasing the country's business activity while the establishment of new companies across multiple sectors is transforming UAE as a global business hub. Robust infrastructure and supportive government policies like tax exemptions in special economic zones are attracting businesses to set up their warehouses, offices, and manufacturing units in the UAE. In addition, as the UAE is transforming into a global business hub; large number of people are moving to UAE for job opportunities. The growing population of UAE due to the increasing number of expats and UAE nationals raises demand for recreational facilities and hospitality services. Strong growth in tourism activity along with a robust real estate sector performance is leading to the construction of new hotels and recreational centers, creating new opportunities for Hospitality Sector due to the requirement for high-quality maintenance, cleaning, and support services. In addition, large-scale events and improving quality of life in the UAE is also driving demand for Support Services.

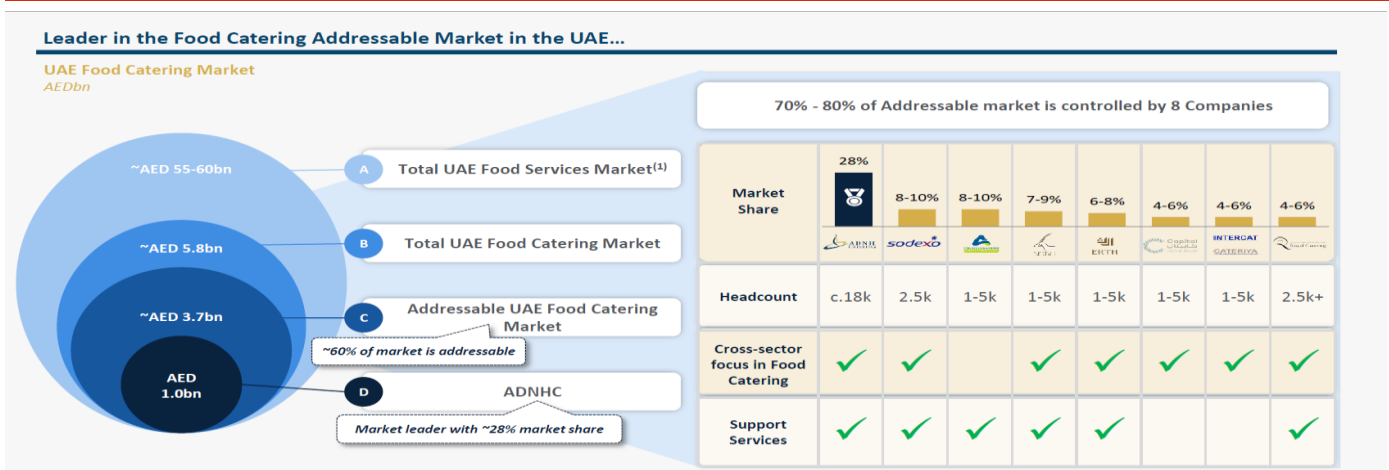
Growth in the number of premises increases cleaning demand

The booming real estate sector in UAE and its solid Vision 2030 initiatives led to significant additions in the commercial and residential sectors. The rising population and strong demand from foreign countries are driving the demand for residential properties in the country. Limited supply and the increasing number of businesses due to supportive government policies are backing the demand for commercial spaces. As a result, expansion of premises across target segments is increasing the need for cleaning and maintenance services for a safe and clean environment.

Large and complex labor market driving growth in the manpower sector

UAE's economy is dependent on multiple sectors and each of them requires unskilled manpower services to support their operations. The rising number of commercial spaces and businesses is leading to an increase in the demand for manpower in the country. Unskilled labourers handle small, day-to-day tasks, allowing professionals to focus on their work which increases overall efficiency. As a result, UAE's large, diversified, and complex labor market creates a substantial demand for manpower services.

Figure 42: ADNHC's Competitive Landscape



Source: Company Information, Arthur D. Little, Notes - (1) The estimates for the UAE Food Services market vary significantly from AED 45 to AED 70 bn depending on methodology and market definition. Arthur D. Little did not size the total Food Services market in this study but relied on 3rdparty sources for a consensus estimate.

KSA's addressable Food Catering market is anticipated to grow at a CAGR of c. 5% from SAR 9.3 Bn in FY2023 to SAR 12.0 Bn in FY2028

Significant Growth Opportunity in KSA's Food Service Industry

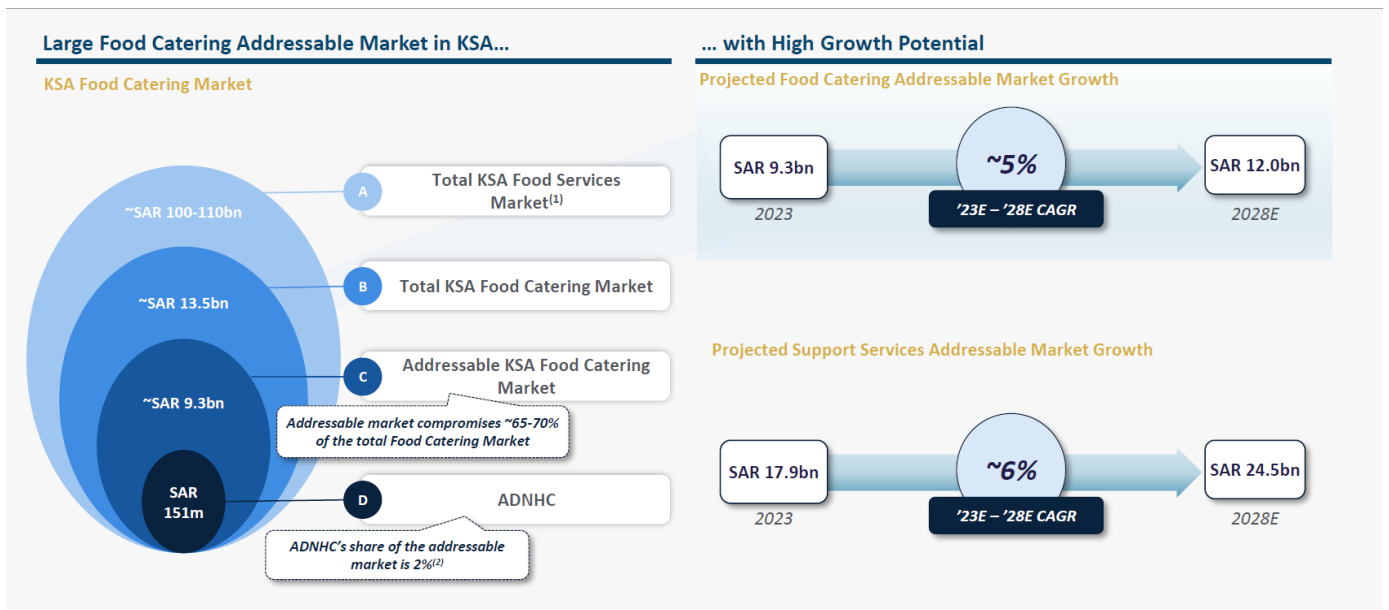
KSA's Food Services market is almost double the size of UAE's market with a total value of c. SAR 100-110 Bn of which the Food Catering market is valued at c. SAR 13.5 Bn. Of this, c. 65-70% of the market is addressable by ADNHC. Besides, the addressable Food Catering market in the KSA is anticipated to grow at a CAGR of c. 5% from SAR 9.3 Bn in FY2023 to SAR 12.0 Bn in FY2024. Likewise, KSA's Support Services addressable market is estimated to grow at a CAGR of c. 6% from SAR 17.9 Bn in FY2023 to SAR 24.5 Bn in FY2028.

KSA's Vision 2030 programme will positively benefit the Food Service industry, owing to its solid plans to develop multiple sectors in the country. KSA is positioned among the world's top 15 largest economies, with the private sector contributing around 40% of the country's GDP. The Kingdom's Vision 2030 programme focuses on boosting private sector contribution from 40% to 65% of GDP with the help of mega projects. Large investments in mega projects will develop the country's infrastructure landscape and benefit the construction industry. Such developments in the country will attract foreign direct investments which are currently at 3.8% of GDP and targeted to reach 5.7% of GDP.

According to the IMF, KSA's population is expected to grow from 32.8 Mn in FY2023 to 36.2 Mn in FY2028. According to Ministry of Health, the number of hospitals in KSA increased from 420 in FY2011 to 499 in FY2023. The number of beds also increased significantly from 58,696 in FY2011 to 80,072 beds in FY2023, indicating a solid infrastructural development in the Healthcare sector.

KSA's strategic economic reforms, strong tourism activity, urbanisation, and expansion of corporate activities are driving its economic growth. The Catering industry is focused on quality, innovation, and customer satisfaction to capitalize on the high growth and diversification of the Saudi economy. The government aims to cover 80% of the population under inclusive health services and 100% of population under the unified digital medical record system as per the Healthcare Sector Transformation Program 2030. Increasing patient volumes will lead to higher demand for catering services in the Healthcare industry which will boost the patient volumes in KSA's Healthcare sector. The government's Human Capability Development Program targets to reach 40% of children enrolment in kindergarten by 2025, creating an opportunity for the catering services providers to offer mid-day meals to children. On the other hand, the government also targets a 40% rise in the Saudization of highly skilled jobs, developing demand for corporate meals. Besides, the government plans to increase the share of SME financing from banks by 11% under the Financial Sector Development Program 2030. Furthermore, KSA also plans to localize 20% of the defence and military industry by 2025 and aims to reach Foreign Direct Investments of more than USD 25 Bn during the same period.

Figure 43: KSA Edtech Market Overview



Source: Company Information, Arthur D. Little, Notes - Notes – (1) The estimates for the KSA Food Services market vary significantly from SAR 90 to SAR 120bn depending on methodology and market definition. Arthur D. Little did not size the total Food Services market in this study but relied on 3rd party sources for a consensus estimate. (2) Computed by dividing ADNHC KSA business revenue (for financial year ending 31-Dec-2023) by addressable market size.

Macroeconomic Environment

IMF Provides a Waxing and Waning Outlook on Global Economy

As per the IMF estimates, the global economy grew 3.3% in FY2023 and is anticipated to grow at 3.2% in FY2024

Global economy demonstrated resilience in 2023, maintaining steady growth amidst significant challenges. However, according to IMF's July 2024 World Economic Outlook (WEO) Update, the global economy stands in a sticky spot. Growth projection remains unchanged compared to April 2024. According to the IMF'S WEO released in July 2024, the global economy grew 3.3% in FY2023 and is anticipated to expand by 3.2% in FY2024 and 3.3% in FY2025. Nevertheless, mixed momentum in the economic activities in the mid-year has decreased differences in economic performances across countries as economies become more stable. Higher service price inflation is slowing down the progress of disinflation, making it difficult for central banks around the world to adjust interest rates. Thus, rising upside risks on inflation is increasing the prospects of higher-for-longer interest rates. To overcome these risks and maintain the momentum, IMF believes that the policymakers should carefully make decisions for achieving price stability and rebuild economic reserves.

IMF provided a waxing and a waning outlook on the global economy in its July 2024 World Economic Outlook report. It expects higher commodity prices with non-fuel prices to increase by 5% in FY2024. Energy commodity prices are estimated to decline 4.6% in FY2024, lower than the previous outlook in April 2024. The decline in energy prices is mainly driven by lower price pressure from the Middle East conflict. Major central banks are expected to cut interest rates in 2H24 while the timing and extent of the cuts will depend upon the ongoing inflation situation.

IMF expects global headline inflation to decline from 6.7% in FY2023 to 5.9% in FY2024

Global inflation is declining at a slower rate as inflation in the services sector remains higher than the average levels despite a stronger decline in prices for goods. Nominal wage growth remains higher than inflation growth in a few countries owing to wage negotiation agreements made earlier in FY2024 and higher inflation levels expected in the short term. Furthermore, the rise in US inflation delayed prospects of interest rate cuts, resulting in higher chances of rate cuts in other advanced economies like the Eurozone and Canada where the inflation is easing in line with expectations. Besides, policymakers in emerging markets remain cautious with the rate cuts due to external risks arising amid differences in interest rates globally and the weakening of currency against the US dollar.

According to the IMF, global headline inflation is expected to decline from 6.7% in FY2023 to 5.9% in FY2024 and 4.4% in FY2025. Inflation in advanced economies is estimated to decline from 4.6% in FY2023 to 2.7% and 2.1% in FY2024 and FY2025 respectively. On the other hand, inflation in emerging markets and developing markets is estimated to fall marginally from 8.3% in FY2023 to 8.2% in FY2024 and to 6.0% in FY2025. However, a slower decline is expected in advanced economies as services prices are likely to stay high coupled with higher commodity prices. Nevertheless, a gradual decline in labor markers along with an expected decline in energy prices should bring headline inflation to target levels by the FY2025 year-end. On the other hand, inflation is anticipated to stay higher in emerging and developing markets compared to advanced economies. Inflation levels for the median emerging market and developing economy are back to pre-pandemic levels due to a decline in energy prices.

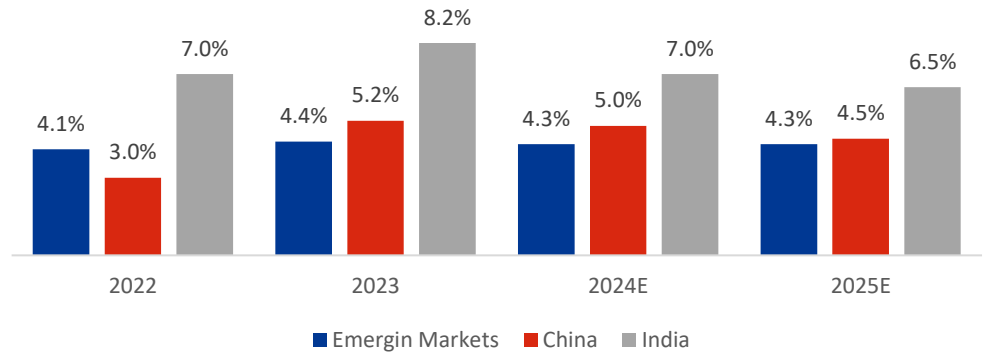
Emerging Market & Developing Economies Growth Revised Upward Owing to Strong Activity in Asia

Growth in emerging markets is forecasted to be 4.3% in FY2024 compared to 4.4% in FY2023

According to IMF (World Economic Outlook, July 2024), the economic growth in emerging markets and developing economies is expected to be 4.3% in FY2024 and FY2025. This is an upward revision by 0.1% for FY2024 & FY2025 compared to its WEO April 2024 estimates. The anticipated rise in activity is mainly attributable to strong activity in Asia, especially in India and China. India's FY2024 growth forecast is revised upwards from 6.8% (WEO April 2024) to 7.0% (WEO July 2024) due to the strong momentum from FY2023 and the improvement of private

consumption, primarily in rural areas. China's FY2024 growth forecast is revised upwards from 4.6% to 5.0% mainly due to a solid rebound in private consumption and robust exports in 1Q24.

Figure 44: Emerging Markets growth - FY2022-25E (%)



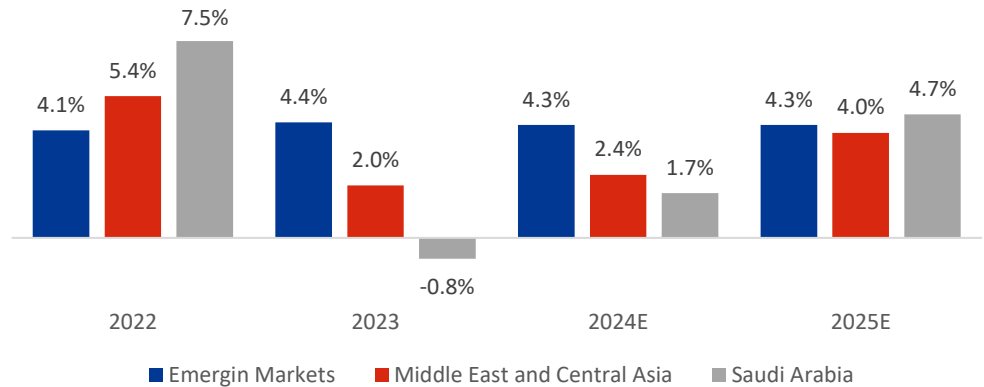
Source: IMF WEO July 2024

Middle East & Central Asia Markets to Grow in FY2024

As per the IMF, GDP growth in Middle East & Central Asia markets is expected to grow from 2.0% in FY2023 to 2.4% in FY2024

Middle East and Central Asia's growth is expected to increase from 2.0% in FY2023 to 2.4% in FY2024, a downward revision by 0.4% as lower oil production due to OPEC+ cuts and regional conflicts continue to weigh on growth prospects. Saudi Arabi's economic activity is expected to grow from negative 0.8% in FY2023 to positive 1.7% in FY2024 marking a downward revision of 0.9% due to the extension of oil production cuts.

Figure 45: Middle East & Central Asia growth - FY2022-25E (%)



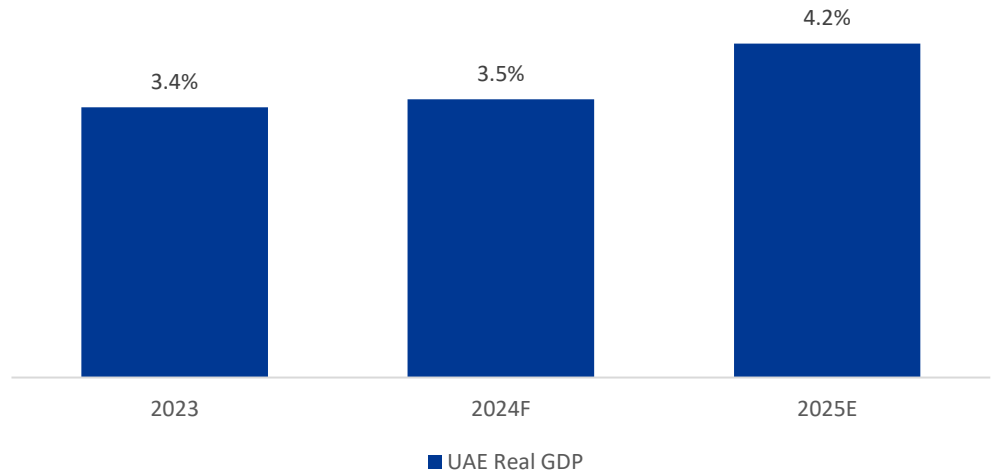
Source: IMF WEO July 2024

The UAE Economy is Projected to Record Stable Growth Supported by Solid Non-oil Activity

UAE's economy is expected to grow 3.5% in FY2024 attributable to growth in the non-oil activity partially offset by a decline in oil activity

The UAE economy distinguishes itself as one of the rapidly advancing economies globally, driven by a robust resurgence in tourism, real estate, and construction sector, partially offset by a decline in oil production aligning with the OPEC+ production agreements. According to the IMF World Economic Outlook April 2024, UAE's economy moderated with 3.4% growth in FY2023 compared to 7.9% growth in FY2022 mainly driven by a decline in oil activity due to the OPEC+ production cuts. However, a strong growth in the non-oil economy drove the overall growth owing to the solid performance of tourism, transport, real estate, financial & insurance, and communication sectors. Furthermore, according to the IMF, UAE's economy is expected to grow 3.5% in FY2024 and 4.2% in FY2025. Strong momentum in the non-oil economy is expected to fuel growth in the Food Services sector owing to increasing demand for outsourcing coupled with the growing need for hospitality and manpower services.

Figure 46: UAE's Real GDP & Non-oil GDP (Annual growth %)



Source: IMF WEO April 2024

OPEC+ might reverse its additional 2.2 Mn bpd voluntary output cut depending upon the market conditions

OPEC+ had agreed to prolong its additional 2.2 Mn barrels per day (bpd) oil output cut from October 2024 to September 2025 in its previous meeting in June 2024. UAE is contributing production cut of 163 thousand bpd, of the 2.2 Mn bpd production cut. The committee also agreed to extend oil output cuts of 3.66 Mn bpd until FY2025 year-end. Besides OPEC+ allowed UAE to marginally increase its output target from 2.9 Mn bpd to 3.0 Mn bpd in FY2025. OPEC+ is currently cutting its production by 5.86 Mn barrels per day (bpd) in a series of steps agreed since FY2022 to support the oil prices amid global demand uncertainty and increasing supply of non-OPEC producers. After the OPEC joint ministerial monitoring meeting held on 1 August 2024, the committee decided to stick to its existing policy with output cuts of 5.86 Mn bpd per day. Additionally, OPEC+ announced that the latest voluntary output cut of 2.2 Mn bpd until September 2024 might be paused or reversed depending upon the market conditions. As per CBUAE, UAE's oil activity witnessed a negative growth of 3.1% during FY2023 owing to the OPEC+ output cuts. However, CBUAE forecasts its oil activity to rebound with a growth of 0.3% in FY2024. The decrease in oil production in 2023 was offset by the production of other hydrocarbon products, such as natural gas liquids (NGL), which are not subject to regulation by the OPEC+ agreements. As per CBUAE, UAE's Gas production increased 14.3% YOY in 1Q24.

Rising Population and Controlled Inflation in UAE to Benefit the Catering Services

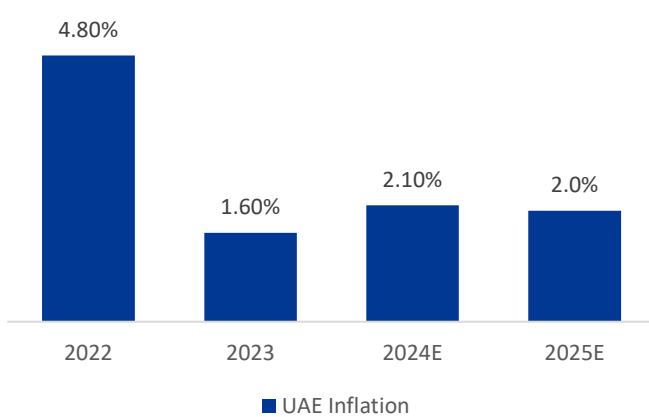
UAE's inflation is estimated at 2.1% in FY2024 and 2.0% in FY2025

According to UAE Stat, UAE's inflation declined from 4.8% in FY2022 to 1.6% in FY2023 mainly due to a decline in transportation and tobacco prices supported by a stable rise in prices of other activities. UAE's currency is pegged to the US dollar, thus, CBUAE closely follows the Fed's interest rates. A decline in inflation is beneficial to the Food Industry as higher commodity prices impact the margins for the industry. Furthermore, the IMF estimates UAE's inflation to stay around 2.1% in FY2024 and 2.0% in FY2025.

UAE's population growth to fuel demand for Catering Services

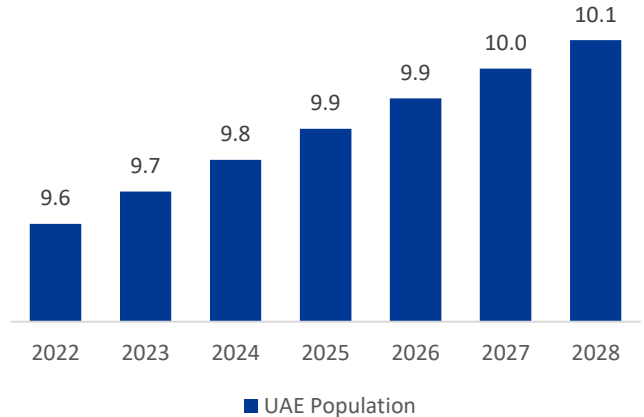
As per IMF, UAE's population stood at 9.7 Mn in FY2023 and is expected to increase to 10.1 Mn in FY2028. UAE is transforming into a global hub for businesses. Renowned companies around the globe are starting their offices and production units in the UAE owing to supportive government policies. As a result, expatriates are moving to UAE to seek job opportunities. A large number of expatriates are individuals who are preferring Catering Services for food. Increasing number of UAE nationals and expatriates is expected to boost the demand for Catering Services in the country.

Figure 47: UAE's Annual Inflation (%)



Source: IMF WEO April 2024

Figure 48: UAE's Population (Mn)



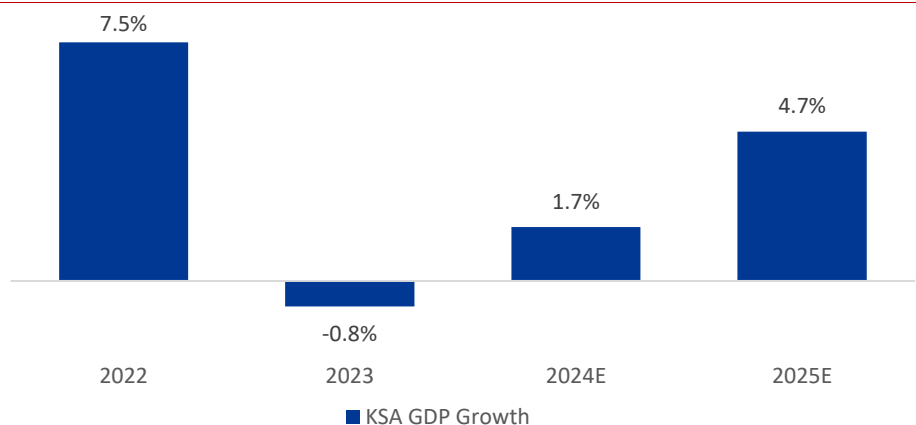
Source: IMF WEO April 2024

Saudi GDP Shrinks Amid OPEC+ Production Cuts

KSA's GDP is expected to grow 1.7% in FY2024 and 4.7% in FY2025 primarily driven by growth in non-oil activity

According to IMF's WEO July 2024, Saudi Arabia's real GDP growth stood negative at 0.8% in FY2023 compared to 7.5% in FY2022. The decline is attributable to a fall in oil activity owing to voluntary oil production cuts agreed with OPEC+. However, Saudi Arabia's efforts to diversify its economy have been crucial in mitigating the challenges in the oil sector, with improvements in the regulatory and business environment leading to a surge in new investment deals. The contraction in Saudi Arabia's real GDP in 2023, primarily due to a significant decline in oil activity, poses challenges for the food and catering business in the short term, as reduced oil revenues may lead to tighter consumer spending and less frequent dining out. Saudi Arabia's real GDP is forecasted to grow 1.7% in FY2024 and 4.7% in FY2025. The continued growth in the non-oil sector and government activities, coupled with the expected economic recovery beginning in 2025, offers a strong opportunity for the Food industry. As non-oil investments increase and preparations for major upcoming events, like the 2027 Asian Cup and 2030 World Expo, gain momentum the food and catering sector can expect a boost in demand. This growth will likely be fueled by increased consumer confidence and spending, driven by the anticipated rise in overall GDP and the Kingdom's ongoing diversification efforts. Major events lined up in KSA like the 2027 Asian Cup, 2029 Asian Winter Games, and 2030 World Expo will increase the demand for food catering services in the country.

Figure 49: GDP Growth (%)



Source: IMF WEO July 2024

Stable Inflation Rate to Ensure Steady Margins in the Food Services Industry

KSA's inflation is projected to remain stable at 2.3% in FY2024 compared to FY2023

As per IMF's WEO April 2024, Saudi Arabia's inflation stood at 2.3% in FY2023 and is expected to remain stable in FY2024 and further decline to 2.0% in FY2025. Inflation is expected to remain stable in FY2024 due to restrictive monetary policy. However, inflation is likely to decline after FY2024 due to the normalization of the supply chain. Additionally, stable inflation rates will reduce fluctuations in commodity prices ensuring stable margins in the Food Services Industry.

SAMA's interest rate increased to 6.0%, with future cuts expected in 2H24

The Saudi Central Bank (SAMA) raised its interest rate to 5.0% in FY2022 from 1.0% in FY2021, following the U.S. Federal Reserve's rate hikes in response to the highest inflation rates in 40 years and the need to stabilize prices while maintaining a strong labor market. SAMA further increased the rate to 6.0% in FY2023 and has maintained it in FY2024. Looking ahead, the Federal Reserve plans to lower rates to address concerns about the impact of high interest rates on the economy. As KSA's currency is pegged with the US dollar, SAMA closely follows Fed's monetary policy.

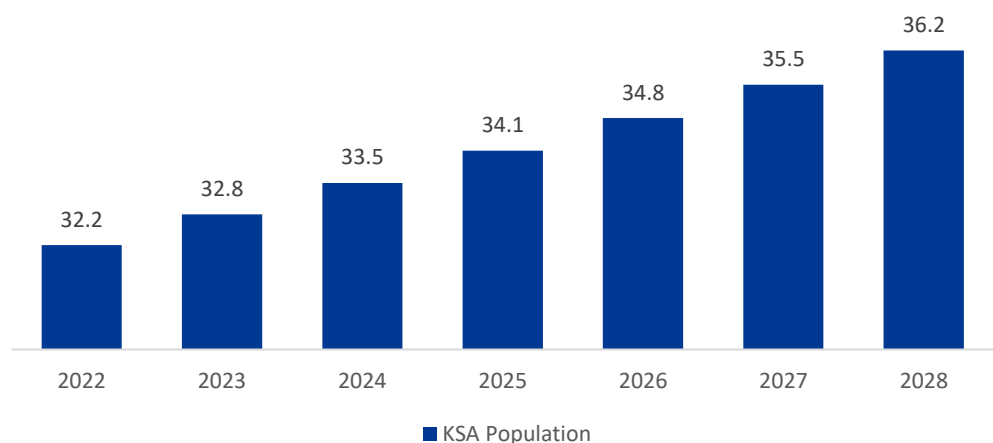
Saudi Population Boom Drives Economic Growth

Saudi Arabia's population is projected to reach 36.2 Mn by 2028

Saudi Arabia is witnessing a consistent and significant increase in its population, a trend that carries profound implications for the nation's economy, infrastructure, and social services. According to IMF's WEO April 2024, Saudi Arabia's population has grown from 30.1 Mn in FY2019 to 32.8 Mn in FY2023. Saudi Arabia's population experienced fluctuations during FY2019-23, notably with a slight dip in FY2021, when the population decreased from 31.6 Mn in FY2020 to 30.8 Mn. This decline is likely attributable to the outbreak of COVID-19, which affected migration patterns. However, the population rebounded to 32.8 Mn in FY2023.

Looking forward, KSA's population is projected to increase from 32.8 Mn in FY2023 to 36.2 Mn in FY2028. The food service industry is likely to experience growth in demand as the population grows. Moreover, this demographic expansion could lead to a larger labor force, supporting the country's economic growth and diversification strategy.

Figure 50: Population of KSA (Mn)



Source: IMF WEO April 2024

Valuation Methodology

Target Fair Value Analysis

We arrive at ADNHC's fair value of AED 1.30 per share using a mix of valuation methods

DCF, DDM, AND RELATIVE VALUATION

We have used a mix of Discounted Cash Flow (DCF), Dividend Discount Method (DDM), and Comparable Company Method (CCM) (Average of EV/EBITDA & PE) valuation methods to arrive at the fair value of ADNHC. A D N H Catering is the UAE's leading food catering and support services provider, with an impressive c. 28% market share in the UAE's food services sector as of July 2024. The Company is a subsidiary of ADNHC (Abu Dhabi National Hotels) known for its expertise in hospitality and food services. ADNHC provides corporate and event catering and food solutions for sectors like healthcare, education, defence, and business & industry, along with Support Services such as cleaning, housekeeping, manpower supply, facilities management, and procurement. A D N H Catering operates on a capex-light investment model tailored to client-specific needs, resulting in a high cash conversion rate. The Company boasts a debt-free balance sheet with healthy cash reserves, presenting opportunities for both organic and inorganic expansion in the future. We have assigned a higher weight to DCF valuation as it strengthens its reliability in capturing future cash flow projections over multiple periods as opposed to other valuation methods. In CCM valuation, an average of EV/EBITDA and P/E multiple is used to value the Company as the P/E multiple allows for easy comparison with similar companies within the industry or sector, and EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. ADNHC is expected to pay a special dividend of AED 60 Mn in FY2024 and AED 180 Mn in FY2025, with 5% annual growth in the subsequent period of FY2026. After that, it will adopt a progressive dividend policy determined based on a target payout ratio linked to profit after tax for the year, to be paid semi-annually. Thus, we consider it valuing using the DDM valuation method. In DDM valuation, the dividend paid to shareholders is used to value the Company.

CONSOLIDATED VALUATION ADNHC

Name of Entity	Valuation (AED, Mn)	Weight (%)	Total Valuation (AED, Mn)
Valuation of the ADNHC based on -			
Discounted Cash Flow	2,966	70.0%	2,076
Dividend Discount Method	2,883	20.0%	577
Relative Valuation (Average of P/E, and EV/EBITDA)	2,835	10.0%	283
Total Valuation (AED, Mn)			2,936
Total Valuation (USD, Mn)			800
Equity Value per Share (AED)			1.30

The performance of ADNHC is analyzed in detail to arrive at fair value estimates. We took a fair estimate across the respective companies' income statements and financial positions to arrive at their valuation. The valuation brought forward a target value of AED 1.30 per share. This valuation does not include the expected growth from inorganic opportunity and we also assume ADNHC will not draw any amount from the rolling credit facility in the forecasted period. The weightage assigned to the DCF, DDM, and Relative valuation methods stood at 70%, 20%, and 10%, respectively.

We arrived at a value of AED 1.32 per share using DCF valuation

1) Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management for the next few financial years starting from FY2024 and the medium-term to arrive at the valuation through DCF methodology. We derived the Company's Terminal Value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.5% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 4.8%, Country risk premium of 4.2%, and Beta of 1.0. After applying all these, we arrived at the cost of equity of 9.0%. We have used a 10-year US Government Yield and further added a 10-year Abu Dhabi Government CDS spread to arrive at an appropriate risk-free rate. ADNHC boasts a debt-free balance sheet, thus the cost of equity is used as the cost of capital. We have used free cash flow to equity to arrive at the valuation using the DCF methodology.

I. DCF Valuation of ADNHC

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
All figures in AED Mn, unless stated						
Net Profit	147	156	163	173	183	194
(+/-) Depreciation & amortization	62	67	73	76	80	83
(+/-) CAPEX	-13	-26	-18	-19	-20	-21
(+/-) Working Capital	-59	56	-8	-7	-5	6
Net Change in Debt (Lease payments)	-37	-43	-43	-42	-43	-45
Free Cash Flow to Equity	100	210	169	181	195	218
Discount factor	0.99	0.91	0.84	0.77	0.70	0.64
Present Value of FCFE	25¹	191	141	138	137	140
Total Present value of FCFE						773
Terminal Value						2,193
Terminal growth rate						2.5%
Weighted average cost of capital						9.0%
Equity Value						2,966

Source: FAB Securities Research, ¹Adjusted for Partial Year

a) Sensitivity of DCF to Key Assumptions

Sensitivity analysis generates the highest valuation of AED 4.1 Bn and the lowest valuation of AED 2.3 Bn

Our DCF valuation is based on a weighted average cost of capital (WACC) of 9.0%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate will provide a valuation range of AED 2.3 Bn to AED 4.1 Bn. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

1. DCF Sensitivity to Terminal Growth Rate and WACC

WACC						
Terminal Growth	2,967	8.0%	8.5%	9.0%	9.5%	10.0%
	1.5%	3,069	2,848	2,657	2,489	2,341
	2.0%	3,270	3,017	2,800	2,613	2,448
	2.5%	3,506	3,214	2,966	2,754	2,569
	3.0%	3,789	3,446	3,159	2,916	2,708
	3.5%	4,134	3,723	3,386	3,105	2,867

2) Relative Valuation

We are using EV/EBITDA and P/E multiple in CCM valuation to value the firm

In the CCM valuation, an Average of EV/EBITDA and P/E multiple is used to value the Company as the P/E multiple allows for easy comparison with similar companies within the industry or sector, and EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. ADNHC is a catering company with characteristics similar to those of other catering providers, Catrion Catering Holding Ltd, Elixir Group, TongQingLou Catering Co. LT-A, Compass Group PLC, Aramark, Sodexo SA, and DO & CO AG. As a result, we have used multiple of these companies to value ADNHC.

II. Relative Valuation of ADNHC

(All Figures in Million AED, unless stated)

Based on EV/EBITDA Multiple

EBITDA (FY2024)	222
Applicable Multiple	10.6x
Premium/(Discount to Median Multiple)	0.0%
Peer Median Valuation	10.6x

Enterprise Value	2,345
Net (Debt)/Cash	123

Equity Value	2,469
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Source: Company Information, FAB Securities Research

(All Figures in Million AED, unless stated)

Based on P/E Multiple

Net Income (FY2024)	147
Applicable Multiple	21.8x
Premium/ (Discount to Median Multiple)	0.0%
Peer Median Valuation	21.8x

Equity Value	3,201
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Source: Company Information, FAB Securities Research

III. Peers Valuation

		EV/Sales (x)		EV/EBITDA (x)		PE (x)	
Company. Name	Market Cap (USD, mn)	2024	2025	2024	2025	2024	2025
<u>Global Catering Companies</u>							
Catrion Catering Holding Co	2,565	4.0x	3.5x	19.0x	16.4x	28.8x	23.7x
Elior Group	918	0.1x	0.1x	6.3x	5.4x	16.3x	9.3x
Tongqinglou Catering Co Lt-A	592	1.5x	1.2x	8.2x	6.7x	13.3x	10.4x
Compass Group Plc	53,415	1.3x	1.2x	14.2x	13.0x	26.2x	23.6x
Aramark	9,650	0.6x	0.5x	12.2x	10.9x	23.4x	18.8x
Sodexo SA	13,152	0.5x	0.5x	10.6x	9.4x	14.9x	13.9x
Do & Co Ag	1,821	0.9x	0.8x	9.9x	8.2x	21.8x	17.8x
Average		1.3x	1.1x	11.5x	10.0x	20.6x	16.8x
Median		0.9x	0.8x	10.6x	9.4x	21.8x	17.8x
Max ¹ (Quartile 3)		1.4x	1.2x	13.2x	12.0x	24.8x	21.2x
Min ² (Quartile 1)		0.5x	0.5x	9.0x	7.4x	15.6x	12.2x

Source: Bloomberg, ¹ Values correspond to Quartile 3, ² Values correspond to Quartile 1

3) Dividend Discount Model Valuation

We arrived at a value of AED 2.9 Bn using the DDM valuation

The Company adopted a policy to pay regular dividends to shareholders in the forecasted period. It also paid dividends from FY2022 to FY2024. We relied upon the guidance provided by the Company management for the next few financial years starting from FY2024 and in the medium-term to arrive at the valuation through DDM methodology. The Company will declare a special dividend of AED 60 Mn for FY2024, to be paid in FY2025. According to the dividend policy, ADNHC is expected to pay AED 180 Mn in dividends for FY2025 and expects FY2026 dividend to grow by at least 5% compared to FY2025. It will pay a semi-annual dividend starting from FY2025. After that, it will adopt a progressive dividend policy determined based on a target payout ratio linked to profit after tax for the year. All forecasted dividend is discounted to present value using the cost of equity. Details related to the cost of equity calculation are provided above. We have also calculated our terminal growth rate assuming the Company business will continue to operate until perpetuity using the terminal growth rate of 2.5%.

IV. DDM Valuation of ADNHC

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
All figures in AED Mn, unless stated						
Total Dividend	60	180	189	193	199	207
Discount factor	0.99	0.91	0.84	0.77	0.70	0.65
Present Value of Dividend	60	164	158	148	139	133
Total Present Value of Dividend						801
Terminal Value						2,081
Terminal growth rate						2.5%
Cost of equity						9.0%
Equity Value						2,883

Source: FAB Securities Research

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

ADNH leads the market with c. 28% market share in UAE's addressable Food Services Sector as of July 2024

ADNHC is a market leader in UAE's Food Services Sector with a stronghold of c. 28% market share in the addressable market. ADNHC sold its first food catering contract in 1979 and then formed a JV between ADNHC and Compass in 2001. ADNHC acquired the 50% stake from Compass in 2024 and named the Company A D N H Catering. ADNHC operates in two segments, Food Services and Support Services. It serves 111 clients in Food Services business and 185 clients in the Support Serves business of which 18 clients are overlapping between both segments. The company operates in the UAE and KSA (operates as a JV with Compass). ADNHC has a significant regional presence with a diversified and sectorized business with its presence in the Defence, Correctional, Healthcare, Business & Industry, and Education sectors. It serves a diverse portfolio of strategic clients with a solid competitive edge in winning long-term, high-quality contracts.

ADNHC's top 10 clients in UAE contributed 50% of the Company's revenue with an average tenure of c. 20 years as of FY2023. ADNHC recorded a solid average contract retention rate of 91% for the last five years. Revenue from the top 10 clients grew at a CAGR of 9.4%. The Company's structure and analytical procurement process are tailored to adapt to each sector's dynamics supported by a strong distribution model. ADNHC operates its food preparation facilities in a combination of Central Production Units and on-site kitchens following an integrated central production unit process which is designed to enhance efficiency and speed of food delivery. The Food preparation facilities are strategically located across the UAE.

Revenue growth is attributed to the growth in the Food Services market owing to the rising demand for outsourcing

ADNHC's revenue is expected to grow at a CAGR of 2.8% from AED 1.7 Bn in FY2023 to AED 2.0 Bn in FY2028. The growth in the Company's revenue will be mainly driven by solid economic expansion across the UAE. Government plans to boost investments and infrastructure in healthcare, tourism, and other non-oil sectors will fuel the growth in the food services market in UAE. UAE is transforming into a global business hub, resulting in international brands starting their offices and production in the UAE. Similarly, the rising number of events across the UAE will also strengthen future growth prospects of the Company. Food Services revenue is expected to grow at a CAGR of 3.8% from AED 1,013 Mn in FY2023 to AED 1,219 Mn in FY2028 mainly driven by a strong growth anticipated in Food Services outsourcing while the Support Services revenue is projected to grow at a CAGR of 1.4% from AED 692 Mn in FY2023 to AED 740 Mn in FY2028.

The Company's direct cost declined 14.5% YOY to AED 1,395 Mn in FY2023. The decline is mainly attributable to a fall in revenue due to client exit and successful utilization of the Approved Product List (APL) platform which is a system-controlled menu of items that ensures the business units are procuring the optimal products to effectively reduce the cost of goods. It is part of the procurement strategy to continuously refine the APL as it relates to vendors and products. Additionally, the Company's selling and admin expenses declined 37.1% YOY to AED 48 Mn in FY2023.

Furthermore, ADNHC's underlying EBITDA declined 17.3% YOY to AED 239 Mn in FY2023. Thus, the underlying EBITDA margin declined from 14.5% in FY2022 to 14.0% in FY2023, maintaining double-digit EBITDA margins compared to the global peer median margin of 7.6% in FY2023 which includes Catrion, Compass, Aramark, Sodexo, and Elixir; multiples adjusted to reflect

post-IFRS metrics. We expect ADNHC's underlying EBITDA to grow at a CAGR of 3.1% from AED 239 Mn in FY2023 to AED 278 Mn in FY2028.

ADNHC incurred a cumulative capex (excluding lease payments) of AED 23 Mn during FY2022 and FY2023. We expect the Company to incur a capex of AED 13 Mn in FY2024 and a cumulative capex of AED 94 Mn from FY2024-28. ADNHC operates with a capex light model designed towards client-specific needs. As ADNHC prepares food for people at work, operations are carried out at the client's premises using the client's assets that limit capex requirements.

The Company's net cash flow from operating activities declined from AED 339 Mn in FY2022 to AED 273 Mn in FY2023 mainly due to a decline in profitability and an investment in net working capital. Net cash flow from investing activities stood negative at AED 7 Mn in FY2023 compared to negative AED 10 Mn in FY2022. Furthermore, cash flow from financing activities stood at negative AED 285 Mn in FY2023 and negative AED 307 Mn in FY2022 due to the dividend payment of AED 263 Mn in FY2022 and AED 240 Mn in FY2023. ADNHC generated a free cash flow of AED 182 Mn in FY2023 with an FCF conversion of 76.2% compared to AED 300 Mn in FY2022 with FCF conversion of 103.7%.

Figure 51: Summary financials (AED, Mn)

	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue	1,994	1,705	1,616	1,696	1,779	1,867	1,959
EBITDA¹	289	239	222	235	249	263	278
EBIT²	241	185	160	169	175	187	198
Net profit	227	206	147	156	163	173	183
<i>EBITDA Margin³</i>	14.5%	14.0%	13.8%	13.9%	14.0%	14.1%	14.2%
<i>EBIT Margin⁴</i>	12.1%	10.8%	9.9%	9.9%	9.9%	10.0%	10.1%
<i>Net Profit Margin</i>	11.4%	12.1%	9.1%	9.2%	9.2%	9.3%	9.3%
<i>Net Debt/EBITDA</i>	-0.83x	-0.93x	-0.87x	-1.06x	-0.93x	-0.84x	-0.79x

Source: Company Information, FAB Securities Research 2024-28, Notes – ¹Underlying EBITDA excludes provision release for FY2022 and FY2023, respectively, ²Underlying EBIT in FY2022 & FY2023 excludes provision charge/release, respectively, ³Underlying EBITDA margin, ⁴Underlying EBIT margin.

Financials

ADNHC generates revenue from two segments i.e. Food Services and Support Services

Revenue

ADNHC generates revenue from two business segments, i.e. Food Services and Support Services. Food Services refers to catering services provided through on-site kitchens and centralized hubs called Central Production Units (CPUs). The Company serves 111 clients through 175 contracts as of 3Q24, while the Food Services segment contributed 62% of total revenue in 9M24. The Food Services segment is operational in the UAE and KSA and serves clients across the Defence, Correctional, Business & Industry (B&I), Healthcare, and Education sectors. On the other hand, the Support Services segment provides general Cleaning and Manpower services. ADNHC serves 185 clients through 210 contracts, contributing 38% of revenue as of 9M24. Of these, 18 clients are overlapping between the two segments. Support Services segment operates across UAE serving clients across the Defence, B&I, Healthcare and Education sectors. However, ADNHC only covers Healthcare and B&I sectors in the KSA market. ADNHC's overall revenue declined 14.5% YOY to AED 1,705 Mn in FY2023 mainly due to the loss of a contract owing to unfavorable commercial terms. The Company is strategizing to move out of unfavorable contracts to improve its margins.

Food Services Segment

Revenue from the Food Services segment fell 18.5% YOY to AED 1,013 Mn in FY2023. Business & Industry sector contributed 36.8% of total Food Services revenue during FY2023. ADNHC's Food Services revenue from B&I sector declined 30.0% YOY to AED 373 Mn in FY2023. Revenue from the Defence sector comprises 24.6% of total Food Services revenue in FY2023. The Defence sector generated AED 249 Mn in revenue during FY2023 recording a 9.8% YOY decline. Healthcare sector witnessed a 24.9% YOY decline in revenue to AED 181 Mn in FY2023, contributing 17.9% of total Food Services revenue. ADNHC's Food Services revenue from the Correctional sector grew 16.9% YOY to AED 201 Mn in FY2023 and contributed 19.8% to the total Food Services revenue. The Education sector contributes 0.9% of total Food Services revenue as of FY2023. The sector generated AED 9 Mn in revenue during FY2023 compared to AED 21 Mn in FY2022.

Food Services Revenue (AED Mn)	2022	2023	2024F	2025F	2026F	2027F	2028F
Business & Industry	533	373	257	270	284	298	313
Defence	276	249	306	319	331	345	358
Healthcare	241	181	195	207	220	233	247
Correctional	172	201	233	245	257	270	283
Education	21	9	14	15	16	17	18
Total	1,243	1,013	1,007	1,056	1,108	1,162	1,219

Source: Company Information, FAB Securities Estimates 2024-28

Support Services segment

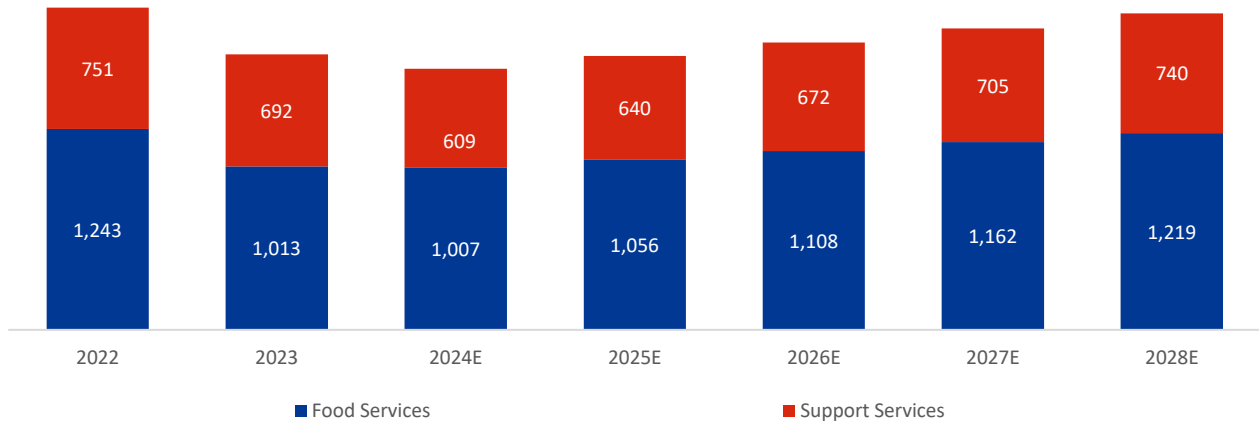
ADNHC's revenue from the Support Services segment declined 7.9% YOY to AED 692 Mn in FY2023. The support Services of A D N H catering include cleaning, manpower, and other services.

We anticipate ADNHC's revenue to grow at a CAGR of 2.8% from AED 1.7 Bn in FY2023 to AED 2.0 Bn in FY2028. The growth in the Company's revenue will be mainly driven by solid economic expansion across the UAE. Government plans to boost investments and infrastructure in Healthcare, Tourism, and other non-oil sectors will fuel the growth in the Food Services market

ADNHC's revenue is anticipated to grow at a CAGR of 2.8% from AED 1.7 Bn in FY2023 to AED 2.0 Bn in FY2028

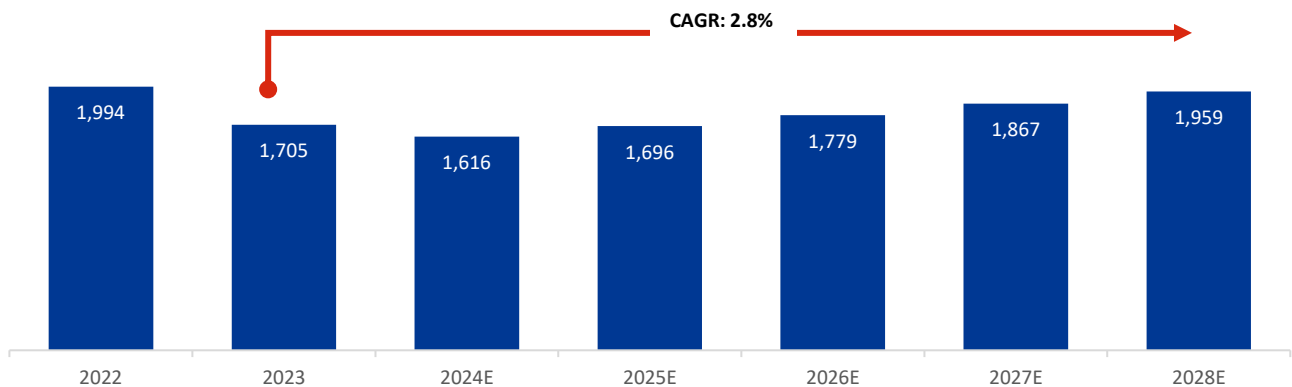
in UAE and KSA. UAE is transforming into a global business hub, resulting in international brands starting their offices and production units in the country. Similarly, the rising number of events across the UAE will strengthen the Company's future growth prospects. Food Services revenue is expected to expand at a CAGR of 3.8% from AED 1,013 Mn in FY2023 to AED 1,219 Mn in FY2028 mainly driven by a strong growth anticipated in Food Services outsourcing due to increasing inflationary pressure, higher reliance on long-term relationships, rising demand for convenience, and higher need for bespoke solutions along with sustainability commitments. Additionally, Support Services revenue is projected to grow at a CAGR of 1.4% from AED 692 Mn in FY2023 to AED 740 Mn in FY2028. The increasing workforce is driving demand for hospitality services, while the expansion of premises is supporting the cleaning demand in the region. Besides, the rising number of businesses is driving demand for manpower services.

Figure 52: Revenue by segment (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Figure 53: Total revenue (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Direct Cost & Operating Expenses

ADNHC's direct cost is made up of Food & Materials Costs, In-Unit Labour Costs, and In-Unit Overheads

The Company's direct cost refers to costs associated with running or executing a contract. Direct cost comprises Food & Materials costs, In-Unit Labour costs, and In-Unit Overheads. The Food & Materials cost primarily includes the cost of raw materials required to prepare food and packaging material for the same. The Company follows a strategic procurement process using a data-driven approach increasing efficiency, while bulk buying results in economies of scale which helps in sourcing raw materials at a cheaper rate. In-unit labour costs refer to the costs associated with the employees working in the CPUs and kitchens involved in the food preparation process. Similarly, In-Unit Overheads include expenses required to run the CPUs and kitchen that is necessary to prepare food. ADNHC's direct cost declined 14.5% YOY to AED 1,395 Mn in FY2023. The decline is mainly attributable to a fall in revenue due to client exit and successful utilization of the Approved Product List (APL) platform which is a system-controlled menu of items that ensures the business units are procuring the optimal products to effectively reduce the cost of goods. It is part of the procurement strategy to continuously refine the APL as it relates to vendors and products. Inflationary pressure impacted the direct cost of Food & Material; however, the Company mitigated the rise in cost with better supply chain management, operational efficiency, and proactive contract management.

ADNHC's SG&A expenses include Above Unit Labour Costs and Above Unit Overheads

Selling and Admin (SG&A) expenses refer to the Company's overhead costs associated with selling and distribution of food and services. It comprises of above unit labour costs and above unit overheads. The above unit labour costs include costs related to manpower that is not directly involved in the production of food. It covers expenses like salaries and wages for executives, administrative staff, sales staff, and management. These expenses are incurred after the preparation of food when it is out of the Central Production Units (CPUs) or served out of the kitchen/production units until it reaches the consumers. It also includes salaries and wages of labour/manpower associated with the Support Services segment. On the other hand, above unit overheads refer to administrative expenses or the general operating expenses that are required to run the business and are not directly linked to production. It includes support functions, head office expenses, and procurement and IT costs. These overhead expenses are necessary for the functioning of the Company. ADNHC's SG&A declined 37.1% YOY to AED 48 Mn in FY2023.

ADNHC's direct cost is estimated to increase at a CAGR of 2.8% from FY2024-28, while SG&A expenses are expected to grow at a CAGR of 15.2%

We anticipate ADNHC's direct cost to increase at a CAGR of 2.8% from AED 1.4 Bn in FY2023 to AED 1.6 Bn in FY2028. Rising geopolitical conflicts might affect the Company's Food & Material costs due to supply chain disruption as the Company relies on sourcing raw materials from various regions around the world. The Company's SG&A expenses are estimated to grow at a CAGR of 15.2% from AED 48 Mn in FY2023 to AED 79 Mn in FY2028. The SG&A expenses are expected to grow in line with the Company's expansion in operations.

Figure 54: Direct Cost (AED, Mn)

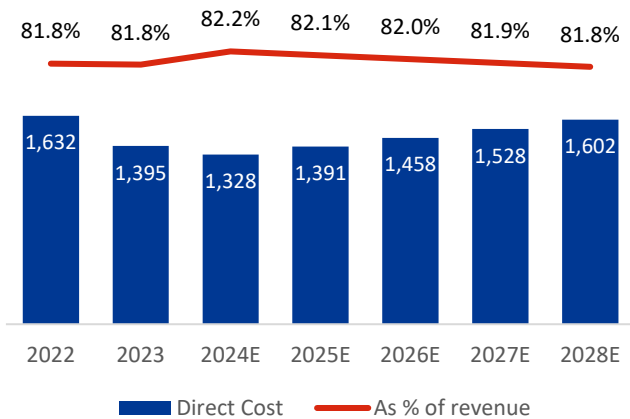
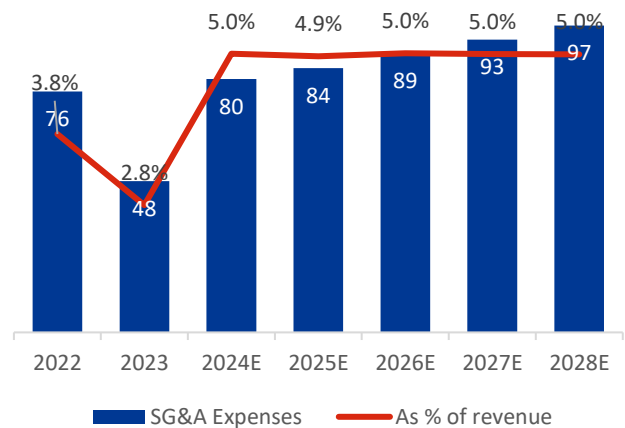


Figure 55: SG&A Expenses (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

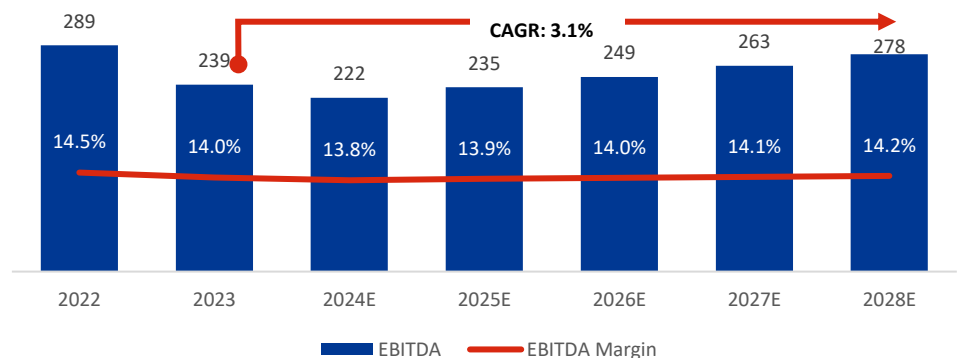
EBITDA

EBITDA margin is anticipated to expand from 14.0% in FY2023 to 14.2% in FY2028

ADNHC's underlying EBITDA declined 17.3% YOY to AED 239 Mn in FY2023. Excluding the provision release, actual EBITDA stood at AED 265 Mn in FY2023. The Company's underlying EBITDA margin declined from 14.5% in FY2022 to 14.0% in FY2023. The Company maintained double-digit EBITDA margins compared to its global peers and witnessed a marginal fall, despite losing a contract primarily due to a relatively larger scale of operations compared to its competitors, advanced data-driven procurement model, high labour retention and productivity, and an efficient overhead structure. Global peer median margin stood at 7.6% in FY2023, including Catrion, Compass, Aramark, Sodexo, and Elior; multiples were adjusted to reflect post-IFRS metrics. Additionally, the Company's underlying EBITDA declined from AED 185 Mn in 9M23 to AED 167 Mn in 9M24. The underlying EBITDA margin stood at 13.7% in 9M24 compared to the EBITDA margin of 14.1% in 9M23.

We expect ADNHC's underlying EBITDA to grow at a CAGR of 3.1% from AED 239 Mn in FY2023 to AED 278 Mn in FY2028. The Company's underlying EBITDA margin is expected to expand from 14.0% in FY2023 to 14.2% in FY2028.

Figure 56: ADNHC's Underlying EBITDA (AED, Mn) and Margin¹



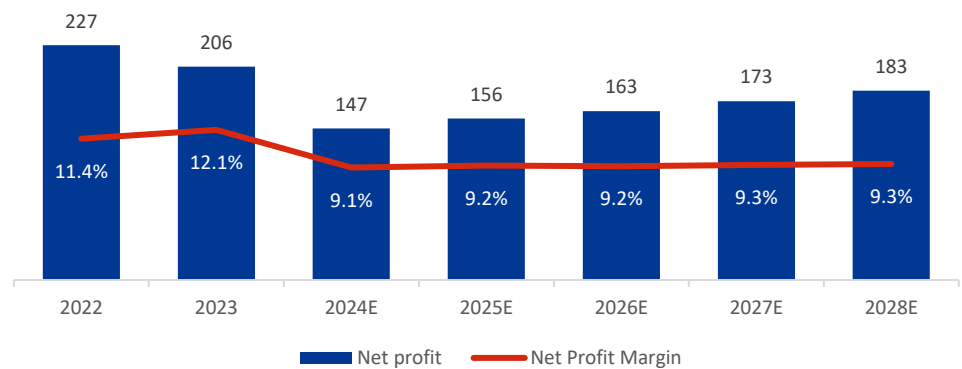
Source: Company Information, FAB Securities research 2024-28, ¹Underlying EBITDA and EBITDA Margin

ADNHC's net profit is expected to decline from AED 206 Mn in FY2023 to AED 183 Mn in FY2028

Net Profit

ADNHC's net profit declined 9.1% YOY to AED 206 Mn in FY2023 as the Company didn't renew a contract due to commercially unfavorable terms proposed by the client and increase in depreciation on right-of-use assets. The Company's net profit margin improved from 11.4% in FY2022 to 12.1% in FY2023. The margin improvement is mainly driven by ADNHC's strategic approach to moving out of the loss-making contracts and improving efficiency through cost management owing to an advanced procurement process. We anticipate ADNHC's net profit to decline 29.0% YOY to AED 147 Mn in FY2024 primarily due to a decline in revenue with the exiting of one of the contracts and the introduction of UAE corporate tax. Furthermore, net profit is expected to fall from AED 206 Mn in FY2023 to AED 183 Mn in FY2028. Net profit margin is expected to fall from 12.1% in FY2023 to 9.3% in FY2028. The decline in the Company's net profit is mainly attributable to the introduction of UAE corporate tax, which would be applicable from FY2024 and a gradual increase in depreciation on right-of-use assets due to the addition of two accommodation leases which is expected to continue in the upcoming period. We assume a tax rate of 9.0% per annum from FY2024-28.

Figure 57: Net Profit (AED, Mn) and Margin



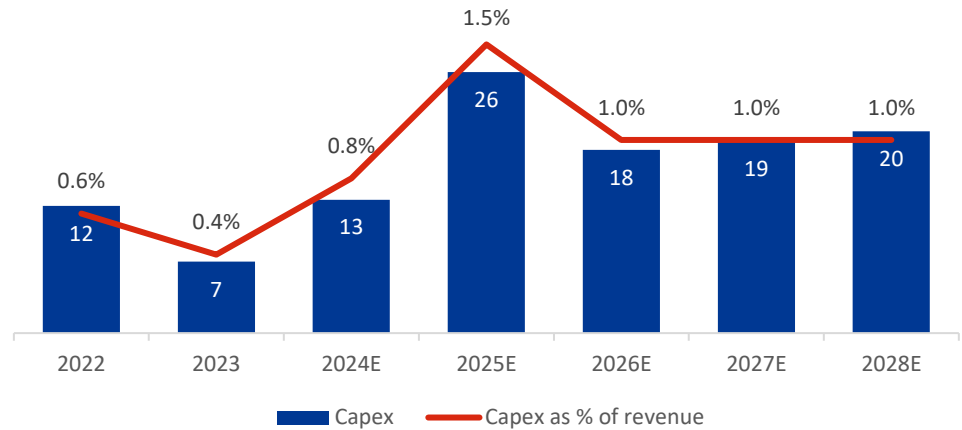
Source: Company Information, FAB Securities research 2024-28

We anticipate ADNHC to incur an average of 1.1% of the total revenue on capex during FY2024-28

Capital Expenditure

ADNHC operates with a capex light model designed towards client-specific needs. ADNHC's food preparation process is carried out at the client's premises using the client's assets that limit capex requirements. However, the Company is willing to invest in client facilities in return of long tenure contracts subject to appropriate obligation of repurchase clauses in case of early termination of the contract. ADNHC incurred a cumulative total capex (excluding lease payments) of AED 19 Mn in FY2022 and FY2023, including investments made on owned assets and net gains from disposal. We expect the Company to incur a capex (excluding lease payments) of AED 13 Mn in FY2024 and a cumulative capex (excluding lease payments) of AED 95 Mn from FY2024-28.

Figure 58: ADNHC Capex¹ (AED, Mn)



Source: Company Information, FAB Securities research 2024-28, ¹Excluding lease payments

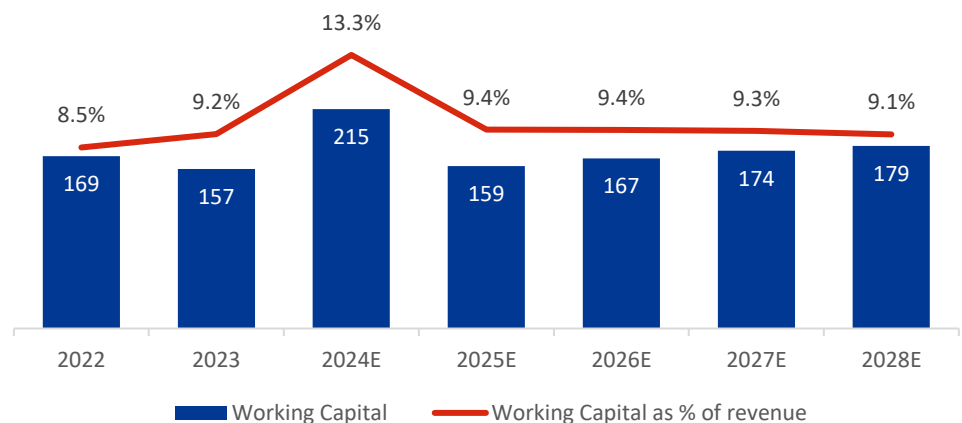
Working Capital

We anticipate ADNHC's cumulative investment in working capital of AED 23 Mn during FY2024-28

ADNHC's working capital comprises of inventories, trade and other receivables, due from related parties, trade and other payables, and due to related parties. The Company's working capital declined from AED 169 Mn in FY2022 to AED 157 Mn in FY2023. The fall in working capital is mainly attributable to decline in trade and other receivables partially offset by decline in trade and other payables. The Company's inventory days stood at 3.4 days in FY2023 compared to 3.5 days in FY2022. Accounts receivables include trade & other receivables, prepayments, and rebate receivables. ADNHC's receivable days stood at 134 days in FY2023, down from 143 days in FY2022. On the other hand, trade and other payables primarily include trade & other payables and accruals. Payable days averaged 124 days in FY2023, down from 136 days in FY2022.

We anticipate receivable days to average 134 days, payable days to average 118 days, and inventory days to average 3.2 days during FY2024-28. We further expect a cumulative investment in net working capital of AED 23 Mn during FY2024-28.

Figure 59: Net Working Capital (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

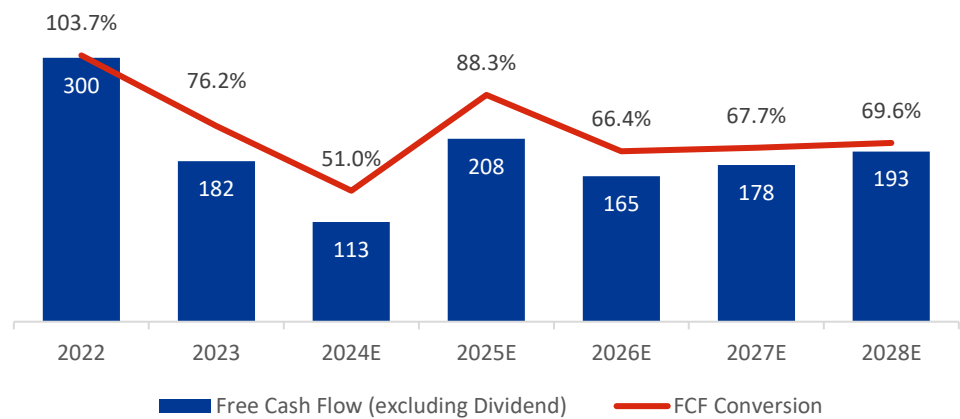
ADNHC is expected to generate a cumulative free cash flow of AED 858 Mn during FY2024-28

Cash Flow Generation

The Company's net cash flow from operating activities declined from AED 339 Mn in FY2022 to AED 273 Mn in FY2023, mainly due to a decline in profitability and investment in working capital. Net cash flow from investing activities stood negative at AED 7 Mn in FY2023 compared to negative AED 10 Mn in FY2022. Furthermore, cash flow from financing activities stood at negative AED 285 Mn in FY2023 and negative AED 307 Mn in FY2022 due to the dividend payment of AED 263 Mn in FY2022 and AED 240 Mn in FY2023.

ADNHC generated AED 182 Mn in free cash flow (excluding dividends) during FY2023 compared to AED 300 Mn in FY2022. Free cash flow (FCF) conversion stood at 76% in FY2023 compared to 104% in FY2022. FCF conversion is defined as FCF divided by underlying EBITDA. The Company's decline in free cash flow during FY2023 is mainly attributable to higher net working capital requirements. We expect ADNHC to generate a cumulative free cash flow of AED 858 Mn during FY2024-28.

Figure 60: Free Cash Flows (AED, Mn)



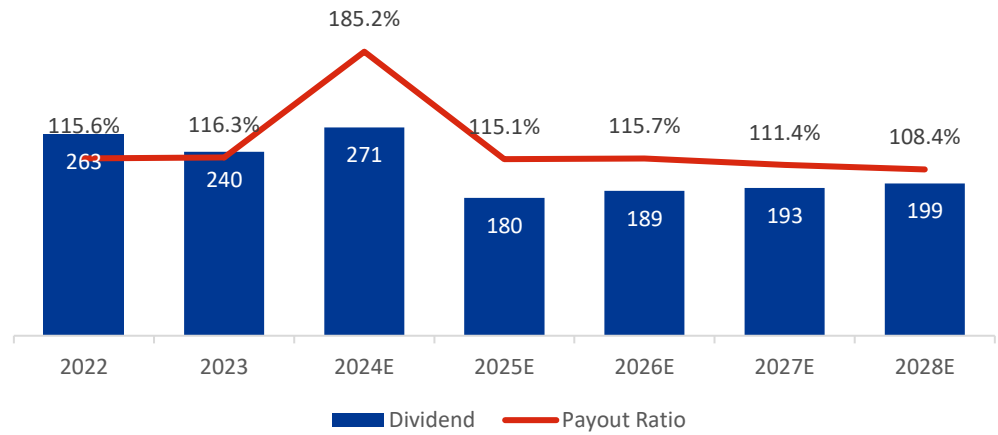
Source: Company Information, FAB Securities research 2024-28

Dividend

ADNHC paid a dividend of AED 263 Mn and AED 240 Mn during FY2022 and FY2023, respectively. The Company further plans to pay a special dividend of AED 60 Mn in FY2024

ADNHC paid a dividend of AED 263 Mn in FY2022 and AED 240 Mn in FY2023. The payout ratio stood at 115.6% and 116.3% in FY2022 and FY2023, respectively. ADNHC paid a dividend of AED 211 Mn in FY2024 to ADNHC (the selling shareholder), of which AED 150 Mn was paid in cash and the remaining AED 62 Mn was converted in the form of capital contribution. According to the Company's dividend policy, it plans to pay a special dividend of AED 60 Mn in FY2024 which will be paid in April 2025. ADNHC plans to pay a dividend of AED 180 Mn in FY2025 which will be paid semi-annually. Later, in FY2026, it expects the dividend to grow at least 5% higher than that paid in FY2025. Furthermore, the Company will adopt a progressive dividend policy which will be determined based on the target payout ratio linked to profit after tax for the year, to be paid semi-annually.

Figure 61: Dividend Declared (AED, Mn) and Payout Ratio (%)



Source: Company Information, FAB Securities research 2024-28

Financial Statements:

Income Statement, (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Food services	1,243	1,013	1,007	1,056	1,108	1,162	1,219
Support services	751	692	609	640	672	705	740
Total revenue	1,994	1,705	1,616	1,696	1,779	1,867	1,959
Cost of revenue	-1,690	-1,430	-1,375	-1,443	-1,515	-1,587	-1,663
Gross Profit	305	276	241	253	264	280	296
Admin expenses	-76	-48	-80	-84	-89	-93	-97
Other income/expenses	1	0	0	0	0	0	0
Impairment loss of trade receivables	0	-18	0	-1	-1	-1	-1
Depreciation on PP&E	12	11	15	17	20	19	19
Depreciation on ROU	36	43	40	40	45	49	52
Amortization of intangible assets	0	0	7	10	9	9	8
EBITDA	278	265	222	235	249	263	278
Underlying EBITDA¹	289	239	222	235	249	263	278
Depreciation on PP&E	-12	-11	-15	-17	-20	-19	-19
Depreciation on ROU	-36	-43	-40	-40	-45	-49	-52
Amortization of intangible assets	0	0	-7	-10	-9	-9	-8
EBIT	229	210	160	169	175	187	198
Underlying EBIT¹	241	185	160	169	175	187	198
Share of Profit from Joint Venture	0	0	1	3	3	3	3
Net finance cost	-2	0	-1	1	2	1	0
Profit before tax	227	210	161	172	180	190	201
Tax	0	-4	-14	-15	-16	-17	-18
Net Profit/(Loss) for the Year	227	206	147	156	163	173	183
EPS	-	-	0.07	0.07	0.07	0.08	0.08

Source: Company Information, FAB Securities research (2024E-28E), ¹2022 and 2023 are underlying EBITDA and EBIT exclude provision charges. The fiscal year is the calendar year from 1st of January to 31st of December.

Key Ratios:

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
YoY % Change							
Revenue	-	-14.5%	-5.2%	4.9%	4.9%	4.9%	4.9%
EBITDA	-	-4.7%	-16.0%	5.9%	5.7%	5.7%	5.7%
EBIT	-	-8.3%	-23.7%	5.1%	4.0%	6.4%	6.3%
Net profit	-	-9.1%	-29.0%	6.7%	4.5%	5.9%	5.8%
% Margin							
Gross margin	15.3%	16.2%	14.9%	14.9%	14.9%	15.0%	15.1%
EBITDA margin ³	14.5%	14.0%	13.8%	13.9%	14.0%	14.1%	14.2%
EBIT margin ³	12.1%	10.8%	9.9%	9.9%	9.9%	10.0%	10.1%
Net profit margin	11.4%	12.1%	9.1%	9.2%	9.2%	9.3%	9.3%
Leverage							
Net Debt/EBITDA	-0.8	-0.9	-0.9	-1.1	-0.9	-0.8	-0.8
Return ratios							
ROE	70.0%	70.9%	25.5%	27.0%	29.2%	32.0%	34.6%
ROA	19.5%	21.1%	11.7%	12.2%	12.7%	13.3%	13.7%
ROCE	45.8%	46.7%	21.4%	22.2%	23.5%	25.3%	27.0%
Free Cash Flow							
Free cash flow ¹ (FCF) (excluding Dividend)	300	182	113	208	165	178	193
FCF conversion ²	103.7%	76.2%	51.0%	88.3%	66.4%	67.7%	69.6%

Source: Company Information, FAB Securities research (2023E-28E),

¹Free cash flow = EBITDA – Capex – Principal lease payments – Change in Net Working Capital – Taxes. Change in Net Working Capital is defined as Trade and other receivables + Inventories Trade and other payables. ²FCF conversion = FCF/EBITDA, ³Underlying EBITDA & EBIT Margin for FY2022 & FY2023.

Balance Sheet (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Assets							
Non-current Assets							
Property, Plant, and Equipment	23	19	22	30	28	28	29
Intangible Assets	0	0	281	272	263	254	246
Right-to-Use Assets	101	96	74	85	94	101	108
Investment in Joint Venture	0	0	11	14	16	19	22
Total non-current assets	124	115	389	401	401	403	405
Current Assets							
Inventories	16	13	12	13	13	14	15
Trade and Other Receivables	775	621	654	612	642	664	696
Due From Related Parties	7	5	1	1	1	1	1
Cash and Cash Equivalents	241	222	193	250	232	221	220
Total Current assets	1,039	862	860	876	889	899	932
Total assets	1,163	976	1,249	1,277	1,290	1,302	1,337
Equities and Liabilities							
Equity							
Share Capital	20	20	225	225	225	225	225
Statutory reserve	10	10	10	10	10	10	10
Capital contribution	-	-	143	143	143	143	143
Other reserve	-	-	0	0	0	0	0
Retained earnings	294	260	195	202	181	163	150
Total equity	325	291	574	580	559	541	529
Liabilities							
Non-current Liabilities							
Provision for employee's	117	110	117	116	116	117	118
Lease liabilities	59	49	42	46	53	61	71
Deferred tax liability	-	-	18	18	18	18	18
Total non-current Liabilities	176	160	177	180	186	195	207
Current Liabilities							
Trade and other payables	611	463	432	445	468	482	509
Due to related parties	18	20	20	21	22	23	24
Lease liabilities	34	39	28	31	35	41	47
Income tax provision	0	4	18	19	20	21	22
Total current liabilities	663	526	498	517	545	566	602
Total Liabilities	839	685	675	696	731	761	809
Total equity and liabilities	1,163	976	1,249	1,277	1,290	1,302	1,337

Source: Company Information, FAB Securities research (2024E-28E)

Cash Flow Statement (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Cash flow from operating activities							
EBITDA	289	239	222	235	249	263	278
Provision reversal	-12	25	0	0	0	0	0
Provisions	23	24	21	22	23	24	25
Employees end of services benefits paid	-28	-28	-13	-23	-23	-23	-23
Change in NWC	67	-6	-59	56	-8	-7	-5
Other	0	18	0	0	0	0	0
Income Tax	0	0	0	-14	-15	-16	-17
Net Cash Inflows from Operating Activities	339	273	171	275	225	240	258
Cash Flows from Investing Activities							
Acquisition of PP&E	-12	-10	-13	-25	-18	-19	-20
Proceeds from sale of PP&E	2	1	0	0	0	0	0
Proceeds from sale of other assets	0	0	0	0	0	0	0
Addition to intangible assets	0	0	0	0	0	0	0
Investment in subsidiaries	0	0	0	0	0	0	0
Interest received	0	3	4	4	5	5	4
Net Cash Outflow from Investing Activities	-10	-7	-9	-22	-13	-14	-15
Cash Flow from Financing Activities							
Dividends	-263	-240	-150	-150	-185	-191	-196
Principal payments related to lease liabilities	-43	-41	-37	-43	-43	-42	-43
Interest payments related to lease liabilities	-2	-3	-4	-3	-3	-4	-4
Finance cost paid	0	0	-1	0	0	0	0
Net Cash Inflow/ Outflow from Financing Activities	-307	-285	-192	-196	-231	-237	-243
Net Increase/(Decrease) in Cash and Cash Equivalents	22	-19	-29	57	-18	-11	-1
Cash and Cash Equivalents at the Beginning of the Year	219	241	222	193	250	232	221
Cash and Cash Equivalents at the End of the Year	241	222	193	250	232	221	220

Source: Company Information, FAB Securities research (2024E-28E)

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