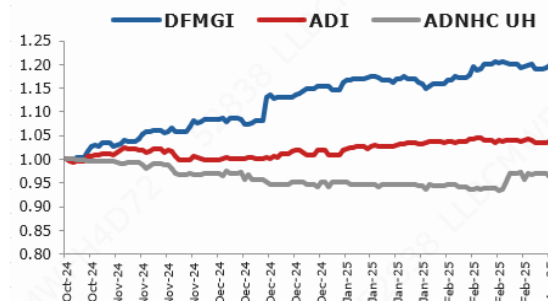


ADNH Catering PLC

New contracts acquisition and strong client retention supported top-line growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.93	AED 1.30	+40%	BUY

- The Company had 283 clients and 388 total contracts as of 4Q24, with a strong contract retention rate of 97% over the 15-month period ending December 31, 2024.
- ADNHC's financial performance remains strong, with revenue expected to grow between 5.0-7.0% in the near and medium term, with an EBITDA margin target of 13.5% in FY2025 and 14.0% in medium term.
- ADNHC expanded its stake in its Saudi joint venture from 30% to 50%, targeting revenue growth of SAR 500 Mn over the next 3-5 years.
- ADNHC has announced a special dividend of AED 60 Mn for FY2024, payable in April 2025, and a full-year dividend of AED 180 Mn for FY2025.



4Q24 Net Profit higher than our estimate

A D N H Catering PLC (ADNHC/the Company) net profit grew 19.9% YOY to AED 44 Mn in 4Q24, higher than our estimate of AED 36 Mn. The increase in net profit was primarily driven by revenue growth supported by higher gross margins partially offset by higher general and administrative expenses and impairment loss on trade receivables.

P&L Highlights

ADNHC's revenue grew 12.0% YOY to AED 443 Mn in 4Q24, driven by new contracts wins in UAE across segments. Revenue from the Food segment increased 17.1% YOY to AED 287 Mn and contributed 64.7% of total revenue, mainly driven by additions of new profitable clients and maintaining strong client retention supported by the expansion of existing contracts. The Company's Support services segment revenue rose 3.7% YOY to AED 156 Mn and contributed 35.3% of total revenue during 4Q24. ADNHC has a strong base of 110 clients in the Food segment with 167 contracts and 195 clients in the Support services segment with 221 contracts as of December 2024. ADNHC Catering's total contracts grew 5.4% YOY to 388 in 4Q24, with a strong contract retention rate of 97%. The cost of Sales rose 8.1% YOY to AED 367 Mn in 4Q24. Gross profit grew 35.2% YOY to AED 76 Mn in 4Q24, with strong margins expansion from 14.2% in 4Q23 to 17.1% in 4Q24. General and administrative expenses increased 19.4% YOY to AED 18 Mn in 4Q24. Impairment loss of trade receivables stood at AED 9 Mn in 4Q24 compared to AED 1 Mn during 4Q23. As a result, EBITDA rose 22.2% YOY to AED 66 Mn in 4Q24, driven by robust organic growth. EBITDA margin expanded from 13.7% in 4Q23 to 15.0% in 4Q24. The profit before tax of ADNHC increased 19.6% YOY to AED 48 Mn in 4Q24. In addition, the Company incurred an income tax charge of AED 4 Mn in 4Q24.

Stock Information

Market Cap (AED, mm)	2,081.25
Paid Up Capital (mm)	225.00
52 Week High	0.97
52 Week Low	0.90
3M Avg. daily value (AED)	1,993,090

4Q24 Result Review (AED, mm)

Total Assets	1,245
Total Liabilities	698
Total Equity	547
EBITDA	66
Net Profit	44

Financial Ratios

Est.Dividend Yield (%)	8.6
Dividend Pay-out (%)	0.00
Est.Price-Earnings Ratio(x)	12.67
Est.Price-to-Book Ratio (x)	1.13
Est.Return on Equity (%)	12.20
Est.Return-on Equity (%)	28.95

Stock Performance

5 Days	0.76%
1 Months	1.87%
3 Months	-0.22%
6 Months	N/A
1 Year	N/A
Month to Date (MTD%)	-0.75%
Quarter to Date (QTD%)	1.09%
Year to Date (YTD%)	1.09%

Balance sheet highlights

ADNHC's cash and cash equivalent stood at AED 190 Mn in 4Q24. The Company borrowing stood at AED 50 Mn during 4Q24. ADNHC generated a free cash flow of AED 178 Mn in FY2024 with a cash conversion rate of 76% driven by the Company's capex light model coupled with strong revenue growth. Total assets of ADNHC stood at AED 1,245 Mn in FY2024 compared to AED 976 Mn in 4Q23. Total liabilities stood at AED 698 Mn and total equity stood at AED 547 Mn during FY2024.

Target Price and Rating

We maintain our BUY rating on ADNHC catering PLC with a target price of AED 1.30. ADNHC continues to pursue horizontal integration and adjacent market expansion, particularly through its coffee brand, Husk. The Company remains focused on strengthening its presence across key sectors in the UAE, including healthcare, defense, and education, supported by strategic acquisitions and contract wins. In January 2025, ADNHC fully acquired Food Nation Catering Services, a company serving 70,000 students across the UAE, thereby reinforcing its market position in the education sector. Additionally, ADNHC expanded its stake in its Saudi joint venture from 30% to 50%, targeting revenue growth of SAR 500 Mn over the next three to five years. The consolidation of this joint venture into ADNHC's financials is expected from 1H25, following completion. ADNHC also aims to expand further in Saudi Arabia, with a particular focus on the private healthcare sector, while leveraging its UAE connections for growth. ADNHC continues to scale up operations in retail through its brands Husk and HIVE, while also capitalizing on successful event catering, including SADIAT Nights and the Formula 1 Abu Dhabi Grand Prix. In line with its strategic direction, the Company has opted for a selective client acquisition approach, as its prior model of acquiring unprofitable operations proved unsustainable for margin growth in the UAE. The Company has also been increasing investments to secure long-term contracts, particularly in the correctional sector, which led to a marginal decline in cash conversion in 2024. New business operations are expected to contribute 8.0–10.0% of total revenue in FY2025. ADNHC operates on a capex-light investment model, customizing operations to client specifications while utilizing client assets at service sites. The Company had 283 clients and 388 total contracts as of 4Q24, with a strong contract retention rate of 97% over the 15-month period ending December 31, 2024. This includes 110 clients and 167 contracts in the food services segment and 195 clients with 221 contracts in the support services segment. ADNHC's financial performance remains strong, with revenue expected to grow between 5.0% and 7.0% in FY2025, driven by strategic acquisitions and expansion into key sectors. EBITDA margins are projected to stand at 13.5% in near term, with a medium-term target of 14.0%. capex is anticipated to decline from 1.5% of revenue in the near term to 1.0% in the medium term, although slightly elevated in the short term to support long-term contract acquisitions. ADNHC aims for a client retention rate of 95.0% in FY2025, slightly lower than the 97.0% recorded in FY2024, as it focuses on a more selective client acquisition strategy to enhance profitability. ADNHC has announced a special dividend of AED 60 Mn for FY2024, payable in April 2025, and a full-year dividend of AED 180 Mn for FY2025. Looking ahead, ADNHC expects to increase its dividend by minimum 5.0% YOY in FY2026, with semiannual payouts. Starting from FY2027, the Company intends to adopt a progressive dividend policy, with distributions based on a target payout ratio linked to profit after tax, to be paid semi-annually. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation¹

(at CMP)	2023	2024	2025F
EV/EBITDA	7.9	9.0	8.5
PE (x)	10.2	13.7	12.3
PB (x)	7.2	3.8	3.7
Dividend yield (%)	11.4%	12.9% ²	8.6%

FABS Estimates & Co Data

¹Note – ADNHC Company was listed on ADX in October 2024. Thus, the financial multiple for the prior FY2023 is unavailable

²Note – Dividend yield for 2024 is including the AED 60Mn special dividends.

ADNHC – P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Revenue	396	407	443	397	11.5%	12.0%	8.8%	1,705	1,662	-2.6%
Cost of sales	-340	-343	-367	-338	8.6%	8.1%	7.2%	-1,430	-1,405	-1.7%
Gross Profit	56	65	76	59	28.5%	35.2%	17.3%	276	257	-6.8%
G&A exp	-15	-22	-18	-19	-6.8%	19.4%	-18.2%	-48	-79	64.8%
Net Finance income	-1	-2	-1	0	293.1%	59.7%	-42.4%	0	-1	658.1%
Other Income	0	0	0	0	-72.7%	NM	NM	0	0	NM
Share of profit from joint venture	0	1	1	0	NM	NM	NM	0	1	NM
Impairment loss of trade receivables	0	0	-9	0	NM	NM	NM	-18	-9	-47.5%
EBITDA	54	56	66	55	19.9%	22.2%	18.6%	265	233	-11.8%
Profit before tax	40	42	48	40	22.0%	19.6%	15.4%	210	169	-19.7%
Income tax expense	-4	-4	-4	-3	29.7%	17.0%	14.7%	-4	-15	312.2%
Net Profit	37	38	44	36	21.3%	19.9%	15.5%	206	154	-25.6%

FABS estimate & Co Data

ADNHC - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Gross profit	14.2%	15.9%	17.1%	-765	1,587	16.2%	15.5%	-71
EBITDA	13.7%	13.8%	15.0%	-1,404	1,376	15.5%	14.0%	-147
Net profit	9.3%	9.4%	10.0%	-1,519	938	12.1%	9.2%	-286

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value ADNH Catering PLC. We have assigned 70% weight to DCF, 20% to DDM, and 10% to the average of P/E & EV/EBITDA.

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	1.30	70.0%	0.91
DDM Method	1.24	20.0%	0.25
Average of PE & EV/EBITDA	1.48	10.0%	0.15
Weighted Average Valuation (AED)			1.30
Current market price (AED)			0.93
Upside/Downside (%)			+40%

1) DCF Method:

ADNH Catering PLC is valued using free cash flow to the equity. We have discounted the cash flow using the weighted average cost of capital of 9.2%. The cost of equity is calculated by using a 10-year government bond yield of 5.3%, a beta of 1.0, and an equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai's Government spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (AED, Mn)	745
Terminal value (AED, Mn)	2,169
FV to Common shareholders (AED, Mn)	2,914
No. of share (Mn)	2,250
Current Market Price (AED)	0.93
Fair Value per share (AED)	1.30

DCF Method

(All Figures in AED, Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	150	160	169	179	189
Depreciation & Amortization	69	78	82	86	89
Capex	-26	-18	-19	-20	-21
Change in Working Capital	84	-8	-8	-5	7
Net Change in Debt	-88	-41	-42	-43	-46
Free Cash Flow to Equity (FCFE)	189	170	182	196	218
Discounting Factor	0.93	0.85	0.78	0.71	0.65
Discounted FCFE	176	145	142	140	142

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value ADNHC Catering PLC, and it is valued using the average of EV/EBITDA and PE multiple. ADNHC is valued based on local catering companies multiple. It is valued at a 2025 EV/EBITDA multiple of 11.0x. In addition, it is valued at a 2025 P/E multiple of 26.6x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Regional Catering Cos					
CATRION CATERING HOLDING CO	2,931	24.1	20.9	33.1	29.4
ELIOR GROUP	684	5.1	4.7	10.1	7.1
TONGQINGLOU CATERING CO LT-A	756	14.2	10.0	42.4	18.3
COMPASS GROUP PLC	59,224	14.2	13.1	26.6	23.9
ARAMARK	9,822	11.0	10.1	19.3	16.4
SODEXO SA	11,271	8.3	7.6	13.0	11.8
DO & CO AG	2,480	9.7	8.8	27.4	21.8
Average		12.4x	10.7x	24.6x	18.4x
Median		11.0x	10.0x	26.6x	18.3x
Max		14.2x	11.6x	30.2x	22.9x
Min		9.0x	8.2x	16.2x	14.1x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company announced full-year dividend of AED 180 Mn for FY2025. Looking ahead, ADNHC expects to increase its dividend by 5.0% YOY in FY2026, with semiannual payouts. Starting from FY2027, the Company intends to adopt a progressive dividend policy, with distributions based on a target payout ratio linked to profit after tax, to be paid semi-annually. The dividend is discounted at the cost of equity of 9.2%.

Sum of PV (AED, Mn)	754
Terminal value (AED, Mn)	2,035
FV to Common shareholders (AED, Mn)	2,789
No. of share (Mn)	2,250
Current Market Price (AED)	0.932
Fair Value per share (AED)	1.24

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
Dividend	180	189	193	199	205
Total Dividend	180	189	193	199	205
Discounting Factor	0.93	0.85	0.78	0.71	0.65
Present Value of Dividend	167	161	150	142	134

Source: FAB Securities

