

## ADNH Catering PLC (ADNHC)

**Current Price**  
AED 0.89

**Target Price**  
AED 1.30

**Upside/Downside (%)**  
+46%

**Rating**  
**BUY**

### 1Q25 Net profit marginally lower than our estimate

- Revenue increased 1.7% YOY to AED 410 Mn in 1Q25, primarily driven by new contract and growth in catering and support services, partially offset by phased withdrawal from ZadSource business.
- ADNH Catering's total contracts grew 4.1% to 404 in 1Q25 compared to December 2024, with a strong contract retention rate of 99%. ADNHC secured 17 new contracts in 1Q25 in the UAE, partially offset by 1 contract loss.
- Cost of Sales decreased marginally by 0.6% YOY to AED 341 Mn in 1Q25.
- Gross profit grew 15.0% YOY to AED 69 Mn in 1Q25, with strong growth in gross margins from 14.9% in 1Q24 to 16.8% in 1Q25.
- General and administrative expenses increased 29.3% YOY to AED 25 Mn in 1Q25.
- Operating profit increased 7.0% YOY to AED 44 Mn in 1Q25 with an operating profit margin of 10.7% in 1Q25 compared to 10.2% in 1Q24.
- EBITDA rose 11.1% YOY to AED 60 Mn in 1Q25, while EBITDA margin decreased from 15.6% in 1Q24 to 14.6% in 1Q25.
- ADNH Catering recorded a net profit of AED 39 Mn in 1Q25, an increase of 1.3% YOY during 1Q25.

### Earnings Call Summary

- ADNHC recorded increased profitability driven by robust retention rate, new contracts, wins and healthy margins during 1Q25.
- During 1Q25, the Company's food services segment accounted for 62% of total revenue, supported by 116 clients and 175 active contracts, while the support services segment generated 38% of revenue, serving over 208 clients through 229 contracts.
- The Company is set to expand their business in UAE by opening 50 outlets by end the year, currently 25 are under operation and 25 are set to open.
- The Company aims to expand 50 outlets by 2025, of which 25 outlets are expected to be operational by 1H25 and the remaining 25 by 2H25.
- The Company is strategically focusing on expanding in Dubai and the Northern Emirates regions.
- ADNHC's brand Hive, a dining solution, currently has two operational and 19 more under construction or planned over the next two years.
- In the near term, the Company expects the capex to be 1.5% of revenue owing to investment in Husk and Hive, while over the mid-term, it expects the capex to be 1% of total revenue.
- The Company anticipates expanding in Saudi Arabia, particularly in Riyadh, mainly attributable to attractive and fast-growing market for expansion.
- The Company expects to pay a dividend of AED 180 Mn for 2025, which will be distributed by two payments in October 2025 and April 2026.
- ADNHC anticipates a 5% dividend increase in 2026 and intends to maintain a progressive dividend policy from 2027 onwards.
- The Company's revenue guidance remained unchanged, with new business expected to contribute 8.0–10.0% of revenue in 2025.
- ADNHC aims for a 95.0% client retention rate in 2025.
- The Company maintains its revenue growth guidance at 5.0–7.0% for 2025, with EBITDA margins expected to remain stable at 13.5% in the near term and over the medium term, the Company targets an improvement in margins to 14.0%.

#### ADNH Catering PLC

(AED Mn)	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	403	443	410	452	10.2%	1.7%	-7.4%
Cost of sales	-343	-367	-341	-384	12.5%	-0.6%	-7.1%
<b>Gross Profit</b>	<b>60</b>	<b>76</b>	<b>69</b>	<b>68</b>	<b>-1.2%</b>	<b>15.0%</b>	<b>-9.1%</b>
G&A exp	-19	-18	-25	-22	-10.4%	29.3%	37.2%
<b>EBITDA</b>	<b>54</b>	<b>66</b>	<b>60</b>	<b>64</b>	<b>7.0%</b>	<b>11.1%</b>	<b>-10.2%</b>
<b>Profit before tax</b>	<b>42</b>	<b>48</b>	<b>43</b>	<b>46</b>	<b>7.7%</b>	<b>1.8%</b>	<b>-11.1%</b>
Income tax expense	-4	-4	-4	-4	2.7%	6.8%	-4.7%
<b>Net profit attributable to equity</b>	<b>38</b>	<b>44</b>	<b>39</b>	<b>42</b>	<b>8.2%</b>	<b>1.3%</b>	<b>-11.7%</b>

FABS estimate & Co Data

## Research Rating Methodology:

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

## FAB Securities Contacts:

### Research Analyst

Ahmad Banihani                      +971-2-6161629                      [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Abu Dhabi Head Office

Trading Desk                      +971-2-6161700/1                      Online Trading Link

+971-2-6161777

Institutional Desk                      +971-4-4245765

## DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.