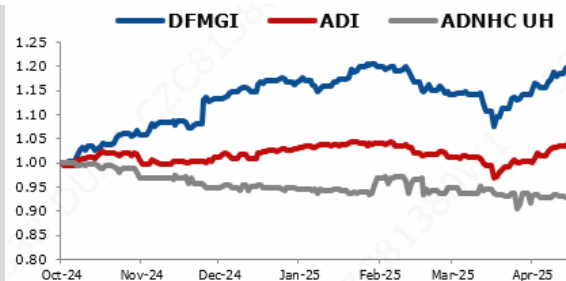


ADNH Catering PLC (ADNHC)

New contract wins and robust retention rates boosted the top-line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.89	AED 1.30	+46%	BUY

- The Company secured 17 new contracts, increasing the overall contracts to 404 as of 31st March 2025.
- ADNHC is making steady progress in its retail growth strategy, with plans to open 25 new HUSK outlets by the end of 1H25, followed by an additional 25 outlets in 2H25.
- The Company's dining solutions unit HIVE currently operates at two locations, with four more under construction, and plans to open an additional 15 sites over the next two years.
- ADNHC announced a special dividend of AED 60 Mn for FY2024, payable in May 2025. It also announced a full-year dividend of AED 180 Mn for 2025.



Stock Information

Market Cap (AED, mm)	2,007.00
Paid Up Capital (mm)	225.00
52 Week High	0.94
52 Week Low	0.84
3M Avg. daily value (AED)	1,113,641

1Q25 Net Profit higher than our estimate

ADNH Catering PLC (ADNHC/the Company) net profit grew 1.3% YOY to AED 39 Mn in 1Q25, lower than our estimate of AED 42 Mn. The increase in net profit was mainly driven by revenue growth and marginal decline in direct cost, partially offset by higher general and administrative expenses and an impairment loss on trade receivables.

1Q25 Result Review (AED, mm)

Total Assets	1,237
Total Liabilities	664
Total Equity	573
EBITDA	60
Net Profit	39

P&L Highlights

ADNHC's revenue grew 1.7% YOY to AED 410 Mn in 1Q25, primarily driven by an increase in catering and support services, partially offset by the gradual exit from the ZadSource business. Revenue from Food segment increased 2.2% YOY to AED 253 Mn and contributed 61.6% of total revenue, mainly driven by growth in new contracts and focusing on retention of existing contracts and margin improvements. The Company's Support services segment revenue rose 1.1% YOY to AED 158 Mn and contributed 38.4% of total revenue during 1Q25. ADNHC Catering's total contract in 1Q25 grew 4.1% QOQ to 404 with a strong contract retention rate of 99% in 1Q25. Moreover, the Company secured 17 new contracts wins in the UAE partially offset by one contract loss during 1Q25. Cost of sales declined marginally from AED 343 Mn in 1Q24 to AED 341 Mn in 1Q25. Thus, gross profit grew 15.0% YOY to AED 69 Mn in 1Q25, with an increase in gross profit margin from 14.9% in 1Q24 to 16.8% in 1Q25. General and administrative expenses increased 29.3% YOY to AED 25 Mn in 1Q25. Impairment loss of trade receivables remained at AED 1 Mn in 1Q25 compared to 1Q24. ADNHC's EBITDA increased 11.1% YOY to AED 60 Mn in 1Q25 leading to improvement in EBITDA margins of 14.6% in 1Q25 compared to 13.3% 1Q24. Profit before tax of ADNHC increased 1.8% YOY to AED 43 Mn in 1Q25. Additionally, the Company paid an income tax charge of AED 4 Mn in 1Q25.

Financial Ratios

Dividend Yield (12m)	3.03
Dividend Pay-out (%)	NA
Price-Earnings Ratio(x)	12.74
Price-to-Book Ratio(x)	3.50
EV/EBITDA (x)	8.52
Book Value (AED)	0.25

Stock Performance

5 Days	-0.56%
1 Months	2.41%
3 Months	1.73%
6 Months	-3.60%
1 Year	NA
Month to Date (MTD%)	-0.56%
Quarter to Date (QTD%)	2.29%
Year to Date (YTD%)	0.50%

Balance sheet highlights

ADNHC's cash and cash equivalents stood at AED 202 Mn in 1Q25. The Company's debt remained constant at AED 50 Mn during 1Q25 compared to 4Q24. ADNHC generated a free cash flow of AED 46 Mn with a cash conversion rate of 78% in 1Q25 compared to 70% in 1Q24. Total assets of ADNHC stood at AED 1,237 Mn in 1Q25 compared to AED 1,245 Mn in 2024. Total liabilities stood at AED 664 Mn and total equity stood at AED 573 Mn during 1Q25.

Target Price and Rating

We maintain BUY rating on ADNHC catering PLC with a target price of AED 1.30. ADNHC reported an increase in profitability driven by robust retention rate, new contracts, wins and healthy margins during 1Q25. The Company secured 17 new contracts, increasing the overall contracts to 404 as of 31st March 2025. In the Food services segment, ADNHC supported 116 clients across 175 active contracts in 1Q25. Meanwhile, the Support services segment catered to over 208 clients through 229 contracts during the same period. The Company also enhanced its retention processes, which contributed to a strong retention rate of 99% in 1Q25, surpassing its guidance of over 95%. ADNHC continues to expand its retail operations through its brands Husk and HIVE. The Company's catering services segment contributed 62% of total revenue in 1Q25 driven by higher growth in Business & Industry sector. ADNHC is making steady progress in its retail growth strategy, with plans to open 25 new HUSK outlets by the end of 1H25, followed by an additional 25 outlets in 2H25. Additionally, through its dining solutions unit HIVE, ADNHC currently operates at two locations, with four more under construction and plans to launch an additional 15 sites over the next two years. ADNHC also made significant recent developments such as the full cash acquisition of Food Nation Catering Services in January 2025. This acquisition is expected to strengthen the Company's presence in the high-growth Education sector. The Company also increased ownership in the Saudi joint venture to 50%. Moreover, the Company anticipates expanding in Saudi Arabia, particularly in Riyadh, mainly attributable to the attractive and fast-growing market for expansion. The Company also benefits from its Capex-light business model, catering to the client's need. 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. ADNHC announced a special dividend of AED 60 Mn for 2024, payable in May 2025. The Company also 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. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation¹

(at CMP)	2023	2024	2025F
EV/EBITDA	NA	8.60	8.47
PE (x)	NA	13.07	13.46
PB (x)	NA	3.67	3.68
DPS	NA	0.027	0.08
Dividend yield (%)	NA	3.0% ²	9.0%

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	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Revenue	403	443	410	452	10.2%	1.7%	-7.4%	1,662	1,747	5.1%
Cost of sales	-343	-367	-341	-384	12.5%	-0.6%	-7.1%	-1,405	-1,481	5.4%
Gross Profit	60	76	69	68	-1.2%	15.0%	-9.1%	257	266	3.6%
G&A exp	-19	-18	-25	-22	-10.4%	29.3%	37.2%	-79	-100	26.8%
Net Finance income	-1	-1	-1	0	-57.6%	NM	-13.1%	-1	-1	4.6%
Other Income	0	0	0	0	NM	NM	NM	0	1	NM
Impairment loss of trade receivables	-1	-9	-1	0	NM	NM	NM	-9	-4	NM
EBITDA	54	66	60	64	7.0%	11.1%	-10.2%	233	237	1.5%
Profit before tax	42	48	43	46	7.7%	1.8%	-11.1%	167	161	-3.7%
Share of profit from joint venture	0	1	0	1	NM	NM	-34.3%	1	3	NM
Income tax expense	-4	-4	-4	-4	2.7%	6.8%	-4.7%	-15	-15	-1.8%
Net Profit	38	44	39	42	8.2%	1.3%	-11.7%	154	149	-2.9%

FABS estimate & Co Data

ADNHC - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	14.9%	17.1%	16.8%	193	-31	15.5%	15.2%	-23
EBITDA	13.3%	15.0%	14.6%	122	-45	14.0%	13.6%	-48
Net profit	9.5%	10.0%	9.5%	-4	-46	9.2%	8.5%	-71

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value ADN 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	1.32	70.0%	0.93
DDM Method	1.26	20.0%	0.25
Average of PE & EV/EBITDA	1.26	10.0%	0.13
Weighted Average Valuation (AED)			1.30
Current market price (AED)			0.89
Upside/Downside (%)			+46%

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 5.1%, a beta of 1.0, and an equity risk premium of 4.1%. 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)	721
Terminal value (AED, Mn)	2,256
FV to Common shareholders (AED, Mn)	2,977
No. of share (Mn)	2,250
Current Market Price (AED)	0.89
Fair Value per share (AED)	1.32

DCF Method

(All Figures in AED, Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	149	160	172	184	195
Depreciation & Amortization	72	80	83	86	90
Capex	-26	-19	-20	-21	-22
Change in Working Capital	79	-9	-8	-6	6
Net Change in Debt	-88	-41	-42	-44	-46
Free Cash Flow to Equity (FCFE)	139	172	185	201	224
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Discounted FCFE	132	149	146	146	148

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 11.3x. In addition, it is valued at a 2025 P/E multiple of 19.5x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
<u>Regional Catering Cos</u>					
CATRION CATERING HOLDING CO	2,646	18.3	15.6	25.9	22.3
ELIOR GROUP	767	5.2	4.8	11.1	7.5
TONGQINGLOU CATERING CO LT-A	761	11.6	8.6	22.2	15.1
COMPASS GROUP PLC	57,580	13.7	12.7	25.7	23.1
ARAMARK	8,915	11.3	10.3	19.5	16.7
SODEXO SA	9,144	7.6	7.1	10.3	9.7
DO & CO AG	1,903	7.0	6.6	19.1	16.4
Average		10.7x	9.4x	19.1x	15.8x
Median		11.3x	8.6x	19.5x	16.4x
Max		12.7x	11.5x	24.0x	19.5x
Min		7.3x	6.8x	15.1x	12.4x

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)	765
Terminal value (AED, Mn)	2,063
FV to Common shareholders (AED, Mn)	2,829
No. of share (Mn)	2,250
Current Market Price (AED)	0.89
Fair Value per share (AED)	1.26

(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	0.94	0.86	0.79	0.72	0.66
Present Value of Dividend	170	163	153	144	136

Source: FAB Securities

Research Rating Methodology:

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

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