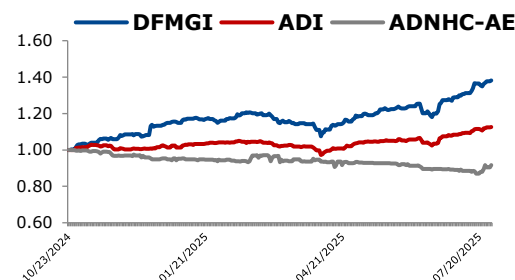


ADNH Catering PLC (ADNHC)

New contract wins and a robust retention rate boosted the top line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.88	AED 1.30	+47.7%	BUY

- Acquired Food Nation on 17 March 2025 and consolidated it from 31 March 2025, contributing AED 13 Mn in revenue during 2Q25.
- Secured 19 new contracts in 2Q25, increasing the overall contracts to 419.
- ADNHC is growing its brand "HUSK", with 32 outlets opened in 1H25 and additional 18 locations planned for 2H25.
- 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 distributed a special dividend of AED 60 Mn in May 2025 and expects to pay a dividend of AED 180 Mn for 2025.



2Q25 Net Profit in line with our estimate

ADNH Catering PLC (ADNHC/the Company) net profit grew 9.4% YOY to AED 35 Mn in 2Q25, in line with our estimate of AED 36 Mn. The increase in net profit was mainly driven by revenue growth arising from new contract wins and a decline in direct costs, partially offset by higher G&A expenses and an impairment loss on trade receivables.

P&L Highlights

ADNHC's revenue grew 4.8% YOY to AED 428 Mn in 2Q25, primarily driven by an increase in catering and support services supported by new contract wins under the Business & Industry, Correctional and Private Healthcare sector, partially offset by the gradual exit from the ZadSource business. Revenue from the Food segment increased 6.8% YOY to AED 268 Mn, contributing 62.6% of total revenue, mainly driven by the addition of new contracts and focusing on the retention of existing contracts and margin improvements. The Company's Support services segment revenue rose 1.6% YOY to AED 160 Mn and contributed 37.4% of total revenue during 2Q25. The revenue growth is attributable to the launch of Task+ brand, partially offset by the decision to scale back ZadSource. ADNHC Catering's total contract in 2Q25 grew 8% YTD to 419, with a strong contract retention rate of 98.3% in 1H25. Cost of sales declined 4.1% YOY to AED 342 Mn in 2Q25. Thus, gross profit grew significantly 64.8% YOY to AED 86 Mn in 2Q25, with an increase in gross profit margin from 12.8% in 2Q24 to 20.2% in 2Q25. General and administrative expenses increased 41.5% YOY to AED 24 Mn in 2Q25. Impairment loss of trade receivables increased substantially to AED 23 Mn in 2Q25 compared to nil in 2Q24. ADNHC's EBITDA increased 4.8% YOY to AED 56 Mn in 2Q25, with the EBITDA margins of 13.0% in 2Q25, supported by the acquisition of Dubai & Sharjah entities and Food Nation. Additionally, income tax charge increased 43.9% YOY to AED 5 Mn in 2Q25.

Stock Information

Market Cap (AED, Mn)	1,955.25
Paid Up Capital (Mn)	2,227.90
52 Week High	0.97
52 Week Low	0.82
3M Avg.daily value (AED)	1,079,882

2Q25 Result Review (AED, Mn)

Total Assets	1,142
Total Liabilities	559
Total Equity	542
EBITDA	56
Net Profit	35

Financial Ratios

Dividend Yield (12m)	3.1
Dividend Pay-out (%)	32.93
Price-Earnings Ratio(x)	14.26
Price-to-Book Ratio (x)	3.51
Book Value (AED)	0.24
Return-on Equity (%)	25.6

Stock Performance

5 Days	2.84%
1 Months	1.16%
3 Months	-2.36%
6 Months	-4.30%
1 Year	NA
Month to Date (MTD%)	1.16%
Quarter to Date (QTD%)	1.16%
Year to Date (YTD%)	-5.03%

Balance sheet highlights

ADNHC's cash and cash equivalents stood at AED 102 Mn in 2Q25 compared to AED 202 Mn in 1Q25. ADNHC generated free cash flow of AED 86 Mn in 2Q25, with a cash conversion rate of 75%, broadly in line with the prior year despite higher investment to secure key contract extensions. The Company fully repaid its debt in 2Q25 compared to AED 50 Mn in the previous quarter. ADNHC's total assets stood at AED 1,142 Mn in 2Q25, down from AED 1,237 Mn in 1Q25. Additionally, total equity declined from AED 573 Mn in 1Q25 to AED 542 Mn in 2Q25.

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 a solid retention rate, new contract wins, and healthy margins during 2Q25. The Company demonstrated solid operational growth, with its client base rising from 283 in 4Q24 to 304 in 2Q25. ADNHC secured 19 new contracts in 2Q25, increasing the overall contracts to 419 as of 2Q25. The Company enhanced its retention processes, which contributed to a strong retention rate of 98.3% YTD in 2Q25, and remains focused on maintaining client retention rates above 95% over the near to medium term. ADNHC is expanding its coffee and grab-and-go brand "HUSK" as part of its growth strategy, with 32 outlets open by 1H25 and 18 more locations planned for 2H25, driving revenue and margin improvement. ADNHC targets annual revenue growth of 5–7% for 2025 and mid-term, excluding the impact of ZadSource business and acquisition of Food Nation, while aiming to maintain an EBITDA margin c. 13.5–14.0% during the same period. Additionally, ADNHC currently operates two locations for its dining solutions unit HIVE, with four more under construction and plans to launch an additional 15 sites over the next two years. The Company acquired Food Nation on 17 March 2025 and consolidated it from 31 March 2025, contributing AED 13 Mn in revenue during 2Q25. Similarly, ADNHC increased its ownership in the Saudi joint venture to 50%, enabling full consolidation of the business upon completion, which is expected in 3Q25. Meanwhile, ADNHC outlined a strategic plan to implement its sales and marketing approach in the Kingdom, targeting SAR 500 Mn in growth over the next five years. In the near term, capex is expected to be c. 1.5% of revenue, slightly above historical levels, reflecting the Company's strategy to deploy more capital to secure attractive long-term contracts. ADNHC distributed a dividend of AED 60 Mn in May 2025. For the full year 2025, the Company intends to distribute AED 180 Mn in dividends, payable 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	NA	8.31	7.75
PE (x)	NA	12.63	11.92
PB (x)	NA	3.55	3.47
DPS	NA	0.027	0.080
EPS	NA	0.068	0.072
BVPS	NA	0.243	0.249
Dividend yield (%)	NA	3.1% ²	9.1%

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	2Q24	1Q25	2Q25	2Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	408	410	428	418	2.3%	4.8%	4.3%	1,662	1,724	3.8%
Cost of sales	-356	-341	-342	-355	-3.7%	-4.1%	0.1%	-1,405	-1,413	0.6%
Gross Profit	52	69	86	64	35.6%	64.8%	25.1%	257	312	21.3%
G&A exp	-17	-25	-24	-25	-3.6%	41.5%	-1.6%	-79	-99	24.8%
Net Finance income	0	-1	0	-1	-46.6%	NM	-46.6%	-1	-1	4.6%
Other Income	0	0	0	0	NM	NM	NM	0	1	NM
Impairment loss of trade receivables	0	-1	-23	-1	NM	NM	NM	-9	-34	NM
EBITDA	53	60	56	56	-1.5%	4.8%	-6.8%	233	250	7.2%
Profit before tax	35	43	39	39	0.2%	12.6%	-8.5%	167	178	6.3%
Share of profit from JV	0	0	0	0	-15.7%	NM	-15.7%	1	1	NM
Income tax expense	-3	-4	-5	-4	31.8%	43.9%	14.7%	-15	-17	11.0%
Net Profit	32	39	35	36	-2.9%	9.4%	-10.9%	154	163	5.9%

FABS estimate & Co Data

ADNHC - Margins

	2Q24	1Q25	2Q25	YOY ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	12.8%	16.8%	20.2%	734	335	15.5%	18.1%	262
EBITDA	13.0%	14.6%	13.0%	1	-155	14.0%	14.5%	47
Net profit	7.8%	9.5%	8.1%	34	-139	9.2%	9.4%	19

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value ADNHC 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	1.44	10.0%	0.14
Weighted Average Valuation (AED)			1.30
Current market price (AED)			0.88
Upside/Downside (%)			+47.7%

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 9.4%. 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 4.3%. 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)	695
Terminal value (AED, Mn)	2,230
FV to Common shareholders (AED, Mn)	2,925
No. of share (Mn)	2,250
Current Market Price (AED)	0.88
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	163	163	175	187	199
Depreciation & Amortization	70	80	83	86	89
Capex	-26	-18	-19	-20	-21
Change in Working Capital	66	5	-8	-6	6
Net Change in Debt	-88	-40	-42	-43	-45
Free Cash Flow to Equity (FCFE)	80	188	188	204	227
Discounting Factor	0.96	0.88	0.80	0.73	0.67
Discounted FCFE	77¹	166	151	149	152

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local catering peers to value ADNHC Catering PLC, and it is valued using the average of EV/EBITDA and PE multiple. It is valued at a 2025 EV/EBITDA multiple of 10.9x. In addition, it is valued at a 2025 P/E multiple of 22.4x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2025F	2026F	2025F	2026F
<u>Regional Catering Cos</u>					
CATRION CATERING HOLDING CO	2,533	18.2	15.6	26.1	21.8
ELIOR GROUP	809	4.8	4.5	10.1	7.7
TONGQINGLOU CATERING CO LT-A	706	10.9	8.4	23.1	14.8
COMPASS GROUP PLC	60,623	14.9	13.7	27.2	24.4
ARAMARK	11,371	12.2	11.1	22.4	19.0
SODEXO SA	9,139	7.4	7.1	9.9	9.8
DO & CO AG	2,560	7.9	8.4	22.0	20.1
Average		10.9x	9.8x	20.1x	16.8x
Median		10.9x	8.4x	22.4x	19.0x
Max		13.5x	12.4x	24.6x	20.9x
Min		7.7x	7.7x	16.1x	12.3x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company announced a 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 9.4%.

Sum of PV (AED, Mn)	777
Terminal value (AED, Mn)	2,013
FV to Common shareholders (AED, Mn)	2,789
No. of share (Mn)	2,250
Current Market Price (AED)	0.88
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	0.96	0.88	0.80	0.73	0.67
Present Value of Dividend	173	166	155	146	137

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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