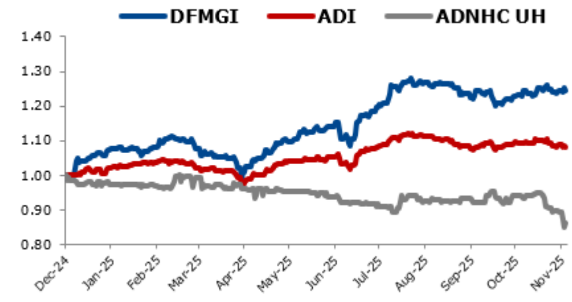
ADNH Catering PLC (ADNHC)

Steady growth and a one-off acquisition gain boosted profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.795	AED 1.30	+64%	BUY

- Increased ownership in Compass Arabia Company to 50% in August 2025, which added 25 new contracts to the portfolio.
- Secured 80 new contracts in 9M25, increasing the overall contracts to 458.
- ADNHC aims an 8% to 10% of total revenue from new contract wins in the near to mid-term.
- ADNHC intends to pursue a targeted small-scale acquisition in the future to complement its existing business, strengthen local capabilities, and enhance the operational infrastructure.
- ADNHC will distribute 90 Mn in November 2025 and expects to pay a dividend of AED 180 Mn for 2025.



Stock Information	
Market Cap (AED, mm)	1,788.75
Paid Up Capital (mm)	225.00
52 Week High	0.92
52 Week Low	0.79
3M Avg. daily value (AED)	1,291,236

3Q25 Result Review (AED, Mn)	
Total Assets	1,307
Total Liabilities	673
Total Equity	634
EBITDA	74
Net Profit	50

Financial Ratios	
Dividend Yield (12m)	8.34
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	3.01
Book Value (AED)	0.27
Return-on Equity (%)	N/A

Stock Performance	
5 Days	-5.02%
1 Months	-9.25%
3 Months	-8.62%
6 Months	-10.67%
1 Year	-12.90%
Month to Date (MTD%)	-5.92%
Quarter to Date (QTD%)	-7.77%
Year to Date (YTD%)	-10.42%

3Q25 Net Profit higher than our estimate

ADNH Catering PLC (ADNHC/the Company) net profit attributable to equity shareholders grew 30.8% YOY to AED 50 Mn in 3Q25, higher than our estimate of AED 45 Mn. The increase in net profit was primarily driven by steady revenue growth and acquisition-related gain of AED 17 Mn, partially offset by higher direct costs and G&A expenses.

P&L Highlights

ADNHC's revenue grew 4.8% YOY to AED 427 Mn in 3Q25, primarily driven by an increase in revenue from Food and Support services, coupled with growth from the consolidation of revenue from Food Nation and Compass Arabia, mitigated by the exit of ZadSource business. Revenue from the Food Services increased 6.1% YOY to AED 271 Mn, constituting 63.6% of total revenue, mainly driven by acquisitions, the addition of new contracts and focusing on the retention of existing contracts. The Company's Support services segment revenue rose 2.7% YOY to AED 155 Mn and contributed 36.4% of total revenue during 3Q25. ADNHC Catering's total contract grew 20.2% on a YTD basis to 458, with a strong contract retention rate of 98.3% in 3Q25. Cost of sales also increased 6.5% YOY to AED 365 Mn in 3Q25. The growth in cost of sales is higher than revenue due to change in business mix. Thus, gross profit declined marginally 4.4% YOY to AED 62 Mn in 3Q25, with a decrease in gross profit margin from 15.9% in 3Q24 to 14.5% in 3Q25. G&A expenses increased 8.1% YOY to AED 24 Mn in 3Q25. ADNHC's EBITDA increased 32.3% YOY to AED 74 Mn in 3Q25, with the EBITDA margin increasing from 13.8% in 3Q24 to 17.4% in 3Q25 due to increase in acquisition related gain of AED 17 Mn. Adjusted EBITDA excluding bargain purchase gain from the acquisition of Compass Arabia rose marginally from AED 56 Mn in

3Q24 to AED 57 Mn in 3Q25. Net finance expense declined from AED 1.5 Mn in 3Q24 to AED 2.0 Mn in 3Q25 due to lower finance income income and higher finance cost. Additionally, income tax charge decreased 8.2% YOY to AED 3 Mn in 3Q25. Profit attributable to non-controlling interest holders amounted to AED 0.2 Mn in 3Q25 compared to nil in 3Q24 on account of consolidation of Compass Arabia financials starting from 31 August 2025.

Balance sheet highlights

ADNHC's cash and cash equivalents stood at AED 112 Mn in 3Q25 compared to AED 102 Mn in 2Q25. ADNHC generated free cash flow of AED 147 Mn in 9M25, with a cash conversion ratio of 78%. The Company withdrew AED 25 Mn in 3Q25 from the revolving credit facility compared to nil debt in 2Q25. Cash conversion ratio rose from 28 days in 9M24 to 48 days in 9M25 due to higher receivable and lower payable days.

Target Price and Rating

We maintain a BUY rating on ADNH Catering PLC with a target price of AED 1.30. ADNHC reported an increase in profitability, driven by a one-time gain on previously held equity interests and a bargain purchase gain from the acquisition of Compass Arabia, new contract wins, acquisitions, and steady growth during 3Q25.The Company's business model benefits from several factors including support by appealing long-term contracts, a capex light investment model and operations typically conducted on client sites using their own assets. ADNHC secured 55 new contracts in the UAE on a YTD basis in 2025, which was partially offset by the loss of 12 contracts. A targeted sales strategy and market analytics contributed to this high win rate. Furthermore, the acquisition of Compass Arabia added 25 new contracts to the Company's portfolio. This brings the total number of new contracts awarded to 80 in 9M25, compared to 34 in 9M24. Additionally, there has been an increase in investment to support the rebranding of HUSK and Hive, along with strategies focused on client retention. This was offset by the exit of ZadSource operations, as the business was not achieving its target growth and margins. Moreover, ADNHC continues to review select acquisitions that would contribute to growth and scale objectives or provide support in gaining market share in key sectors. During 2024, the Company acquired a 30% shareholding in Compass Arabia Company (CAC) from Abu Dhabi National Hotels Company. Following this, it recently signed a sale and purchase agreement to increase its stake in CAC from 30% to 50% obtaining control, which was finalised on 31 August 2025, making CAC a subsidiary. This acquisition will leverage shared systems, processes, and scale across the consolidated business to maximise efficiency, optimise structure, and support continued growth. Furthermore, ADNHC also intends to pursue a targeted small-scale acquisition in the future to complement its existing business, strengthen local capabilities, and enhance its operational infrastructure. ADNHC aims an 8% to 10% of total revenue from new contract wins in the near to mid-term, with a target retention ratio of 95%. Additionally, the Company expects revenue growth of 5% to 7% in the near to mid-term with EBITDA Margin of 13.5% to 14%. ADNHC will pay AED 90 Mn dividends in November 2025 and will pay out semi-annual dividends in 2026 that are at least 5% higher than 2025. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation[1]

(at CMP)	**2024**	**2025F**
PE (x)	11.65	10.85
PB (x)	3.27	3.18
EV/EBITDA	7.66	7.12
BVPS	0.243	0.250
EPS	0.068	0.073
DPS	0.027	0.080
Dividend yield (%)	3.4%	10.1%

FABS Estimates & Co Data

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

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ADNHC – P&L

AED mn	3Q24	2Q25	3Q25	3Q25F	VAR	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	407	428	427	439	-2.8%	4.8%	-0.2%	1,662	1,756	5.6%
Cost of sales	-343	-342	-365	-360	1.3%	6.5%	6.9%	-1,405	-1,463	4.2%
Gross Profit	**65**	**86**	**62**	**79**	**-21.8%**	**-4.4%**	**-28.3%**	**257**	**292**	**13.7%**
G&A exp	-22	-24	-24	-25	-5.4%	8.1%	-2.2%	-79	-94	19.0%
Net Finance income	-2	0	-2	0	NM	NM	NM	-1	-1	4.6%
Other Income	0	0	17	0	NM	NM	NM	0	18	NM
Impair. loss of trade rece.	0	-23	0	-5	NM	NM	NM	-9	-32	NM
EBITDA	**56**	**56**	**74**	**68**	**8.6%**	**32.3%**	**33.3%**	**233**	**251**	**7.6%**
Profit before tax	**42**	**39**	**54**	**49**	**9.0%**	**27.9%**	**36.2%**	**167**	**182**	**8.8%**
Share of profit from JV	1	0	0	0	-4.6%	-47.9%	13.0%	1	1	NM
Income tax expense	-4	-5	-3	-4	-23.0%	-8.2%	-26.8%	-15	-18	19.2%
Non-controlling interest			0		NM	NM	NM		1	NM
Net Profit attributable to equity shareholders	**38**	**35**	**50**	**45**	**11.6%**	**30.8%**	**44.0%**	**154**	**165**	**7.3%**

FABS estimate & Co Data

ADNHC - Margins

	3Q24	2Q25	3Q25	YOY ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	15.9%	20.2%	14.5%	-138	-567	15.5%	16.6%	118
EBITDA	13.8%	13.0%	17.4%	361	437	14.0%	14.3%	26
Net profit	9.4%	8.1%	11.7%	233	359	9.2%	9.4%	15

FABS estimate & Co Data

Key Developments:

- **21 August 2025:** ADNH Catering completed the step-up acquisition of a 50% stake in Compass Arabia Limited, a catering and support services company based in Saudi Arabia, gaining management control. The joint venture's results will be consolidated into ADNH Catering's financial statements starting August 2025. This marks the company's second acquisition in 2025, reinforcing its inorganic growth strategy across the UAE and wider GCC region.

- **19 March 2025:** ADNH Catering has finalized the acquisition of 100% of Food Nation Catering Services after completing all regulatory and legal formalities. The transaction, concluded on 17 March 2025, supports the company's strategic expansion objectives. The acquisition will deepen ADNHC's presence in the education sector serving over 70,000 students. Food Nation employs over 300 professionals and is known for its customized catering solutions. This is ADNH Catering's second recent acquisition.

- **28 November 2024:** ADNH Catering announced the resignation of CFO Andrew Marshall, effective 30 November 2024, after six years with the company. Anthony Childers, previously Deputy CFO, was appointed as the new CFO effective 1 December 2024, following Board approval on 28 November 2024.

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 Relative Valuation (RV).

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	1.31	70.0%	0.92
DDM Method	1.35	20.0%	0.27
Average of PE & EV/EBITDA	1.12	10.0%	0.11
Weighted Average Valuation (AED)			**1.30**
Current market price (AED)			0.795
Upside/Downside (%)			+64%

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 9.0%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 1.0, and an equity risk premium of 4.3%. The government bond yield is calculated by adding Abu Dhabi's government spread to the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (AED, Mn)	786
Terminal value (AED, Mn)	2,158
FV to Common shareholders (AED, Mn)	**2,944**
No. of shares (Mn)	2,250
Current Market Price (AED)	0.795
Fair Value per share (AED)	**1.31**

DCF Method

(All Figures in AED, Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	165	167	173	179	185	193
Depreciation & Amortization	66	72	77	81	85	89
Capex	-27	-19	-20	-21	-21	-22
Change in Working Capital	71	-11	-6	-3	8	4
Net Change in Debt	-88	-37	-42	-44	-44	-51
Free Cash Flow to Equity (FCFE)	**187**	**172**	**182**	**193**	**213**	**213**
Discounting Factor	*0.99*	*0.91*	*0.83*	*0.76*	*0.70*	*0.64*
Discounted FCFE	**46**[1]	**156**	**151**	**147**	**149**	**136**

Source: FAB Securities, [1]Adjusted for partial year

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2) Relative Valuation:

We have used local catering peers to value ADNH Catering PLC, and it is valued using the average of EV/EBITDA and PE multiple. It is valued at a 2026 EV/EBITDA multiple of 9.0x. In addition, it is valued at a 2026 P/E multiple of 16.1x.

Company	Market (USD Mn)	EV/EBITDA (x) 2026F	EV/EBITDA (x) 2027F	P/E (x) 2026F	P/E (x) 2027F
Regional Catering Cos					
CATRION CATERING HOLDING CO	2,042	13.4	11.9	18.5	15.9
ELIOR GROUP	805	4.5	4.2	7.7	6.1
TONGQINGLOU CATERING CO LT-A	693	9.0	7.5	15.7	11.7
COMPASS GROUP PLC	56,258	12.7	11.8	NA	NA
ARAMARK	9,904	10.3	9.5	16.5	14.1
SODEXO SA	7,853	6.4	6.1	9.6	9.0
DO & CO AG	2,610	8.3	7.7	19.3	17.3
Average		**9.2x**	**8.4x**	**14.5x**	**12.3x**
Median		**9.0x**	**7.7x**	**16.1x**	**12.9x**
Max		**11.5x**	**10.7x**	**18.0x**	**15.4x**
Min		**7.4x**	**6.8x**	**11.1x**	**9.7x**

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company is expected to announce 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 9.0%.

Sum of PV (AED, Mn)	936
Terminal value (AED, Mn)	2,097
FV to Common shareholders (AED, Mn)	**3,034**
No. of share (Mn)	2,250
Current Market Price (AED)	0.795
Fair Value per share (AED)	**1.35**

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
Dividend	180	189	195	199	203	207
Total Dividend	**180**	**189**	**195**	**199**	**203**	**207**
Discounting Factor	0.99	0.91	0.83	0.76	0.70	0.64
Present Value of Dividend	**178**	**171**	**162**	**151**	**142**	**133**

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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