

ADNH Catering PLC

Growth momentum supported by high contract retention

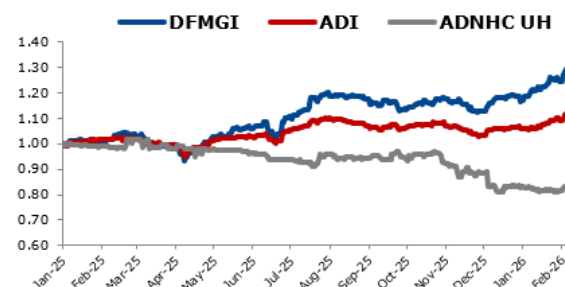
Current Price
AED 0.764

Target Price
AED 1.30

Upside/Downside (%)
+70%

Rating
BUY

- ADNHC secured 88 new contracts in 2025, taking total contracts to 483, while client retention stood at 98.2%.
- ADNHC increased ownership stake in Compass Arabia from 30% to 50% through signing the Sale and Purchase Agreement ("SPA").
- Following the acquisition, Compass Arabia contributed c. AED 55 Mn to revenue growth during the year and added 25 new contracts to the Company's portfolio.
- ADNHC paid AED 90 Mn in November 2025 and planned 2025 dividends of AED 180 Mn, including AED 90 Mn proposed for April 2026.



4Q25 Net Profit higher than our estimate

ADNH Catering PLC (ADNHC/the Company) net profit attributable to equity shareholders grew 15.7% YOY to AED 52 Mn in 4Q25, higher than our estimate of AED 42 Mn. The increase in net profit is primarily driven by higher revenue, coupled with the reversal of impairment charges, partially offset by higher direct costs, G&A expenses, increased net finance costs and tax charges.

P&L Highlights

ADNHC's revenue grew 8.0% YOY to AED 479 Mn in 4Q25, primarily driven by an increase in revenue from food services due to consolidation of Compass Arabia, partially offset by lower support services. Revenue from the food services segment increased 15.7% YOY to AED 332 Mn in 4Q25, driven by increasing number of contracts and the recent acquisition of Compass Arabia and Food Nation, constituting 69.4% of total revenue. The Company's support services segment revenue fell 6.2% YOY to AED 147 Mn and contributed 30.6% of total revenue during 4Q25. Cost of sales also increased 9.4% YOY to AED 402 Mn in 4Q25. Thus, gross profit increased 1.3% YOY to AED 77 Mn in 4Q25. However gross profit margin decreased from 17.1% in 4Q24 to 16.1% in 4Q25, mainly due to higher growth in direct cost compared to revenue. G&A expenses increased 27.5% YOY to AED 23 Mn in 4Q25. ADNHC's EBITDA increased 13.8% YOY to AED 76 Mn in 4Q25, with the EBITDA margin increasing 81 bps YOY to 15.8% in 4Q25. Net finance expense increased from AED 0.9 Mn to AED 1.0 Mn 4Q25 in 4Q24, due to lower finance income and higher finance cost. Additionally, the Company recorded an impairment reversal of AED 3 Mn in 4Q25, compared to loss of AED 9 Mn in 4Q24. Moreover, Income tax charge increased from AED 4.3 Mn in 4Q24 to AED 4.4 Mn in 4Q25.

Stock Information

Market Cap (AED, mn)	1,719.00
Paid Up Capital (mn)	225.00
52 Week High	0.91
52 Week Low	0.73
3M Avg. daily value(AED)	2,909,039

4Q25 Result Review (AED, Mn)

Total Assets	1,252
Total Liabilities	638
Total Equity	614
EBITDA	76
Net Profit	52

Financial Ratios

Dividend Yield (12m)	8.76
Dividend Pay-out (%)	103.04
Price-Earnings Ratio(x)	9.80
Price-to-Book Ratio (x)	2.97
Book Value (AED)	0.26
Return-on Equity (%)	N/A

Stock Performance

5 Days	0.26%
1 Months	1.60%
3 Months	-3.90%
6 Months	-11.68%
1 Year	-12.48%
Month to Date (MTD%)	2.55%
Quarter to Date (QTD%)	0.26%
Year to Date (YTD%)	0.26%

Balance sheet highlights

ADNHC's cash and cash equivalents stood at AED 162 Mn in 4Q25, compared to AED 112 Mn in 3Q25. ADNHC generated calculated free cash flow of AED 158 Mn in 2025, with a cash conversion ratio of 79.7%. The Company's net debt stood at AED 119 Mn as of 4Q25, primarily attributable to lease liabilities of AED 43 Mn, while bank borrowings declined to nil in 4Q25 on account of loan repayment of AED 135 Mn in 2025. The net capex increased from AED 15 Mn in 2024 to AED 17 Mn in 2025.

Target Price and Rating

We maintain a BUY rating on ADNHC Catering PLC with a target price of AED 1.30. ADNHC reported an 15.7% YOY increase in net profit in 4Q25, primarily driven by higher revenue supported by the recent acquisitions and reversal of impairment losses, coupled with steady operating performance. Growth and scale remain a core strategic focus for the Company, supported by strong client retention. During 2025, the Company secured 88 new contracts in the UAE, partially offset by 12 contract losses. The strong win rate was supported by a targeted sales process and data-driven market analytics. Retained contracts further accounted for 98.2% of annual revenues in 2025, exceeding the Company's 95% retention target, providing strong earnings visibility and underpinning confidence in the sustainability of revenues. The contract additions were supported by continued new business wins, coupled with strong service quality and client relationship management, reflecting the Company's focus on securing new business and maintaining key client relationships. The Company's operating model benefits from long-term client contracts and high contract retention levels, coupled with service delivery through on-site kitchens or centralized hubs depending on client requirements. ADNHC further increased ownership stake in Compass Arabia from 30% to 50% through signing the Sale and Purchase Agreement ("SPA"), resulting in the entity becoming a subsidiary from 31 August 2025, coupled with obtaining operational and management control, with total consideration of c. AED 4.1 Mn paid for the additional stake. Compass Arabia is a specialist provider of world-class catering services and the step-up acquisition is expected to strengthened the Company's presence in the Saudi market and attribute to supporting market share expansion. Following the acquisition, Compass Arabia contributed c. AED 55 Mn to revenue growth during the year and added 25 new contracts to the Company's portfolio. Moreover, the Company continues to focus on organic and inorganic growth and diversification, while supporting growth ambitions through new contracts and acquisitions aimed at increasing market share. Looking ahead, ADNHC is committed to sustainable growth, driven by an expanding regional footprint and deeper presence across core sectors, positioning it well to address evolving client needs and strengthen its leadership position across the region. In the near term, ADNHC expect revenue to grow by 5–7%, driven by organic growth and the consolidation of Food Nation and Compass Arabia, renewal rate of 95%+, while EBITDA margins are projected at c. 13.5%, capex as a % of revenue of c. 1.5% and new contract wins (8-10% of total revenue). In the mid-term, ADNHC expect revenue to grow by 5–7%, renewal rate of 95%+, while EBITDA margins are projected at c. 14%, capex as a % of revenue of c. 1.0% and new contract wins (8-10% of total revenue). The Company has planned total dividends of AED 180 Mn for 2025, including AED 90 Mn paid in November 2025 and a further AED 90 Mn proposed for April 2026, subject to approvals and performance conditions. The Company also plans to pay semi-annual dividends in 2026 that are at least 5% higher than in 2025. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation¹

(at CMP)	2024	2025	2026F
PE (x)	11.16	9.70	6.80
PB (x)	3.14	2.78	2.50
EV/EBITDA	7.38	6.46	6.75
BVPS	0.243	0.274	0.305
EPS	0.068	0.079	0.112
DPS	0.027	0.080	0.084
Dividend yield (%)	3.5% ²	10.5%	11.0%

FABS Estimates & Co Data

¹Note – ADNHC Company was listed on ADX in October 2024. Thus, the financial multiple for the prior FY2023 is unavailable, ²Dividend yield for 2024 includes the AED 60 Mn special dividend.

ADNHC – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Revenue	443	427	479	491	-2.5%	8.0%	12.1%	1,662	1,743	4.9%
Cost of sales	-367	-365	-402	-416	-3.4%	9.4%	10.1%	-1,405	-1,449	3.2%
Gross Profit	76	62	77	75	2.2%	1.3%	24.3%	257	294	14.3%
G&A exp	-18	-24	-23	-22	4.9%	27.5%	-3.5%	-79	-95	20.4%
Net Finance income	-0.9	-2.0	-1	2	NM	17.8%	NM	-1	-4	240.3%
Other Income	0	17	0	0	NM	NM	NM	0	4	NM
Impair. loss of trade receivables.	-9	0	3	-8	NM	NM	NM	-9	-21	NM
EBITDA	66	74	76	62	22.5%	13.8%	2.1%	232	264	13.7%
Profit before tax	48	54	56	48	18.1%	15.9%	4.7%	167	191	14.2%
Share of profit from JV	1	0.3	0	0	NM	NM	NM	1	1	NM
Income tax expense	-4	-3	-4	-6	-26.7%	3.0%	28.7%	-15	-16	8.5%
Profit to equity holders	45	50	52	42	23.5%	15.7%	2.8%	154	175	13.8%

FABS estimate & Co Data

ADNHC - Margins

	4Q24	3Q25	4Q25	YOY ch	QOQ Ch	2024	2025	YOY Ch
Gross profit	17.1%	14.5%	16.1%	-105	157	15.5%	16.9%	139
EBITDA	15.0%	17.4%	15.8%	81	-156	14.0%	15.1%	117
Net profit	10.1%	11.8%	10.8%	72	-98	9.2%	10.0%	78

FABS estimate & Co Data

Key Developments:

- 21 August 2025:** ADNHC 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 ADNHC 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:** ADNHC 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 ADNHC Catering's second recent acquisition.

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 Relative Valuation (RV).

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	1.33	70.0%	0.93
DDM Method	1.25	20.0%	0.25
Average of PE & EV/EBITDA	1.23	10.0%	0.12
Weighted Average Valuation (AED)			1.30
Current market price (AED)			0.764
Upside/Downside (%)			+70%

1) DCF Method:

ADNH Catering PLC is valued using free cash flow to the equity. We have discounted the cash flow using the cost of equity of 9.2%. The cost of equity is calculated by using a 10-year government bond yield of 4.9%, 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)	774
Terminal value (AED, Mn)	2,211
FV to Common shareholders (AED, Mn)	2,985
No. of shares (Mn)	2,250
Current Market Price (AED)	0.764
Fair Value per share (AED)	1.33

DCF Method

(All Figures in AED, Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	169	190	209	224	243
Depreciation & Amortization	66	64	60	61	59
Capex	-28	-20	-21	-22	-23
Change in Working Capital	-18	-20	-21	-21	-30
Net Change in Debt	-22	-22	-23	-23	-26
Free Cash Flow to Equity (FCFE)	167	192	204	219	223
Discounting Factor	0.92	0.85	0.77	0.71	0.65
Discounted FCFE	154	162	158	155	145

Source: FAB Securities

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 2026 EV/EBITDA multiple of 10.0x. In addition, it is valued at a 2026 P/E multiple of 17.4x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Regional Catering Cos					
CATRION CATERING HOLDING CO	1,733	12.1	10.5	16.7	14.1
ELIOR GROUP	838	4.7	4.4	7.8	6.6
TONGQINGLOU CATERING CO LT-A	749	11.6	9.6	35.4	25.4
COMPASS GROUP PLC	50,162	11.1	10.3	20.1	18.2
ARAMARK	10,163	10.0	9.2	17.4	14.9
SODEXO SA	7,781	6.5	6.1	10.1	9.5
DO & CO AG	2,492	7.7	7.0	19.2	16.3
Average		9.1x	8.2x	18.1x	15.0x
Median		10.0x	9.2x	17.4x	14.9x
Max		11.4x	9.9x	19.6x	17.3x
Min		7.1x	6.6x	13.4x	11.8x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company has planned a full-year dividend of AED 180 Mn for 2025. Looking ahead, ADNHC expects to increase its dividend by 5.0% YOY in 2026, with semiannual payouts. Starting from 2027, 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)	770
Terminal value (AED, Mn)	2,052
FV to Common shareholders (AED, Mn)	2,822
No. of share (Mn)	2,250
Current Market Price (AED)	0.764
Fair Value per share (AED)	1.25

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
Dividend	189	195	199	203	207
Total Dividend	189	195	199	203	207
Discounting Factor	0.92	0.85	0.77	0.71	0.65
Present Value of Dividend	174	165	154	144	134

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 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

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