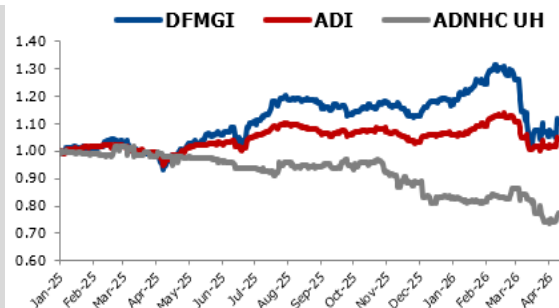


ADNH Catering PLC (ADNHC)

Higher direct costs outpacing revenue weighed on bottom-line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.665	AED 1.25	+88%	BUY

- ADNHC secured 20 new contracts during 1Q26, taking the total contract count to 504, while maintaining a high client retention rate of 99.4%.
- New contract wins contributed c. AED 37 Mn in annualized revenues, with contracts currently in the mobilisation phase.
- Revenue increased 13.2% YOY, supported by organic expansion across key sectors and contributions from the acquisition of ADNHC Catering Company LLC – KSA.
- EBITDA declined 10.3% YOY to AED 54 Mn, with EBITDA margins declining 303 bps YOY to 11.5% in 1Q26.
- ADNHC paid a final dividend of AED 90 Mn in April 2026, bringing total dividend distribution for 2025 to AED 180 Mn.



Stock Information

Market Cap (AED, Mn)	1,496.25
Paid Up Capital (Mn)	225.00
52 Week High	0.90
52 Week Low	0.66
3M Avg. daily value (AED)	1,932,702

1Q26 Net Profit lower than our estimate

ADNH Catering PLC (ADNHC/the Company) net profit attributable to equity shareholders declined 22.0% YOY to AED 30 Mn in 1Q26, lower than our estimate of AED 43 Mn. The decrease in net profit is primarily driven by higher cost of sales, partially offset by an increase in revenue, coupled with lower G&A expenses, net finance costs, and tax charges.

P&L Highlights

ADNHC reported a 13.2% YOY increase in revenue to AED 464 Mn in 1Q26, primarily driven by an increase in revenue from food services segment partially offset by a marginal decline in support services segment. Food services revenue rose 21.7% YOY to AED 307 Mn in 1Q26, driven by new contracts and the acquisition of ADNHC Catering Company LLC KSA, accounting for 66.2% of total revenue. In contrast, support services revenue declined marginally by 0.3% YOY to AED 157 Mn, contributing 33.8% of total revenue during 1Q26. Cost of sales increased at a faster pace, rising 18.7% YOY to AED 405 Mn in 1Q26, which led to a 13.9% YOY decline in gross profit to AED 59 Mn in 1Q26. As a result, gross profit margin decreased from 16.8% in 1Q25 to 12.8% in 1Q26, mainly due to higher growth in direct costs compared to revenue. G&A expenses declined 2.4% YOY to AED 24 Mn in 1Q26. ADNHC's EBITDA declined 10.3% YOY to AED 54 Mn in 1Q26, with EBITDA margin narrowing from 14.6% in 1Q25 to 11.5% in 1Q26. The EBITDA decline is largely due to the temporary impact of geopolitical tensions in the region. Net finance expense improved, declining from AED 0.8 Mn in 1Q25 to AED 0.4 Mn in 1Q26, due to lower finance cost, partially offset by lower finance income. The Company also recorded an impairment reversal of AED 0.1 Mn in 1Q26,

1Q26 Result Review (AED, Mn)

Total Assets	1,303
Total Liabilities	760
Total Equity	543
EBITDA	54
Net Profit	30

Financial Ratios

Dividend Yield (12m)	12.00
Dividend Pay-out (%)	103.04
Price-Earnings Ratio(x)	8.52
Price-to-Book Ratio (x)	2.58
Book Value (AED)	0.26
Return-on Equity (%)	N/A

Stock Performance

5 Days	-2.21%
1 Months	-6.07%
3 Months	-11.33%
6 Months	-24.60%
1 Year	-25.70%
Month to Date (MTD%)	-1.48%
Quarter to Date (QTD%)	-1.48%
Year to Date (YTD%)	-12.73%

compared to a loss of AED 0.9 Mn in 1Q25. Meanwhile, share of profit from joint venture declined from AED 0.4 Mn in 1Q25 to nil in 1Q26. Income tax charges decreased 8.5% YOY to AED 4 Mn in 1Q26, while profit attributable to non-controlling interests increased from nil in 1Q25 to 1 Mn in 1Q26.

Balance sheet highlights

ADNHC's cash and cash equivalents declined to AED 109 Mn in 1Q26, compared to AED 162 Mn in 4Q25. Cash flow from operating activities stood at AED 26 Mn in 1Q26 compared to AED 27 Mn in 1Q25, with cash conversion remaining solid at 73% in 1Q26. The Company's net debt of AED 24 Mn in 1Q26, compared to a net cash position of AED 119 Mn in 4Q25, reflecting a significant increase in leverage. This was mainly driven by higher total debt, including lease liabilities of AED 108 Mn and bank borrowings of AED 25 Mn.

Target Price and Rating

We maintain a BUY rating on ADNHC Catering PLC with a revised target price of AED 1.25. The Company's share price declined 1.9% since our last rating. ADNHC reported a 22.0% YOY decline in net profit to AED 30 Mn in 1Q26, primarily impacted by higher cost of sales and margin compression, despite strong top-line growth. Revenue increased 13.2% YOY to AED 464 Mn in 1Q26, driven by organic growth of AED 12 Mn, underpinned by new business wins across Business & Industry, Defence, and Private Healthcare segments, alongside an AED 42 Mn contribution from the ADNHC Catering Company LLC - KSA acquisition. However, profitability remained under pressure amid higher input costs, logistical disruptions, and the temporary impact of regional geopolitical tensions, which led to volume disruptions and margin compression. However, ADNHC continues to exhibit strong resilience, underpinned by its diversified business model across diverse sectors, geographies, and public-private exposure, allowing it to offset softness in certain segments with stability in others. ADNHC continues to benefit from robust contract momentum, having secured 20 new contracts, taking the total contract count to 504 as of 31 March 2026, with new wins contributing AED 37 Mn in annualized revenues, currently in the mobilisation phase. The Company also maintained an industry-leading client retention rate of 99.4%, exceeding its internal target of 95.0%, reinforcing revenue visibility and operational stability. ADNHC maintains robust cash generation, with cash conversion at 73% in 1Q26, supported by its asset-light operating model and long-term contracts, reinforcing balance sheet strength and dividend sustainability. The Company's diversified revenue mix, with a growing contribution from private sector clients, further enhances margin quality and reduces concentration risk. ADNHC is also actively strengthening and diversifying its supply chain to mitigate input cost volatility, which is expected to support margin recovery over the medium term. Additionally, continued growth in higher-margin support services and operational efficiencies is anticipated to further underpin profitability. From a growth perspective, ADNHC is well-positioned to capitalize on structural opportunities, including geographic expansion in KSA, deeper penetration across Emirates, and potential market share gains amid industry disruption, as clients increasingly prefer large, reliable operators during uncertain periods. Additionally, the Company continues to evaluate selective acquisition opportunities to enhance scale and expand its market presence. The Company is expected to return to its prior near and medium-term growth guidance once the impact of the ongoing challenges subsides. In the near term, ADNHC expects revenue to grow by 5–7%, driven by organic expansion, supported by the consolidation of Food Nation and Compass Arabia, as well as the exit from the ZadSource business. The Company targets a renewal rate of 95%+, with EBITDA margins of c.13.5%, capex at 1.5% of revenue, and new contract wins contributing 8–10% of total revenue. Over the mid-term, ADNHC expects to sustain revenue growth of 5–7% and maintain a renewal rate of 95%+, while improving EBITDA margins to c.14%. Capex intensity is expected to moderate to c.1.0% of revenue, with new contract wins continuing to contribute 8–10% of total revenue. Moreover, the Company paid a final dividend of AED 90 Mn in April 2026, bringing the total dividend distribution for 2025 to AED 180 Mn. Thus, based on our analysis, we assign a BUY rating on the stock.

ADNHC- Relative valuation¹

(at CMP)	2024	2025	2026F
PE (x)	9.80	8.52	11.77
PB (x)	2.75	2.44	2.68
EV/EBITDA	6.45	5.65	7.21
BVPS	0.243	0.274	0.250
EPS	0.068	0.079	0.057
DPS	0.027	0.080	0.084
Dividend yield (%)	4.0% ²	12.0%	12.6%

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 dividends.

ADNHC – P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Revenue	410	479	464	467	-0.5%	13.2%	-3.0%	1,743	1,809	3.8%
Cost of sales	-341	-402	-405	-387	4.7%	18.7%	0.8%	-1,449	-1,575	8.7%
Gross Profit	69	77	59	80	-25.6%	-13.9%	-22.8%	294	234	-20.3%
G&A exp	-25	-23	-24	-30	-21.0%	-2.4%	5.0%	-95	-91	-4.0%
Net Finance income	-0.8	-1	0	-0.2	NM	NM	NM	-4	-1	NM
Other Income	0	0	0	0	NM	NM	NM	4	1	NM
Impair. loss of trade receivables.	-1	3	0	-2	NM	NM	NM	-21	-3	NM
EBITDA	60	76	54	65	-17.2%	-10.3%	-29.6%	265	209	-21.3%
Profit before tax	43	56	35	48	-26.8%	-17.8%	-37.5%	191	139	-27.2%
Share of profit from JV	0	0	0	0	NA	NA	NA	1	1	44.2%
Income tax expense	-4	-4	-4	-4	-14.6%	-8.5%	-10.8%	-16	-13	-22.4%
Profit / (loss) after tax and before NCI	39	52	31	44	-28.6%	-19.5%	-39.6%	176	128	-27.2%
NCI	0	0	1	1	10.8%	NM	NM	1	3	NM
Profit to equity holders	39	52	30	43	-29.4%	-22.0%	-41.5%	175	125	-28.2%

FABS estimate & Co Data

ADNHC - Margins

	1Q25	4Q25	1Q26	YOY ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	16.8%	16.1%	12.8%	-403	-329	16.9%	12.9%	-391
EBITDA	14.6%	15.8%	11.5%	-303	-428	15.2%	11.5%	-367
Net profit	9.5%	10.9%	6.5%	-295	-431	10.0%	6.9%	-309

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 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	1.27	70.0%	0.89
DDM Method	1.30	20.0%	0.26
Average of PE & EV/EBITDA	0.99	10.0%	0.10
Weighted Average Valuation (AED)			1.25
Current market price (AED)			0.665
Upside/Downside (%)			+88%

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 9.1%. 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 4.1%. 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)	652
Terminal value (AED, Mn)	2,206
FV to Common shareholders (AED, Mn)	2,858
No. of shares (Mn)	2,250
Current Market Price (AED)	0.665
Fair Value per share (AED)	1.27

DCF Method

(All Figures in AED, Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	128	161	191	208	228
Depreciation & Amortization	67	69	65	64	63
Capex	-18	-19	-21	-22	-23
Change in Working Capital	10	-25	-24	-22	-30
Net Change in Debt	-22	-59	-36	-26	-25
Free Cash Flow to Equity (FCFE)	128	161	191	208	228
Discounting Factor	0.94	0.86	0.79	0.72	0.66
Discounted FCFE	116¹	109	138	147	142

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 2026 EV/EBITDA multiple of 10.2x. In addition, it is valued at a 2026 P/E multiple of 18.5x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Regional Catering Cos					
Catrion Catering Holding Co	1,564	10.7	9.2	18.5	12.8
Elior Group	760	4.5	4.2	7.0	6.0
Tongqinglou Catering Co Lt-A	642	10.2	8.4	29.1	20.9
Compass Group Plc	46,597	10.4	9.6	18.6	16.9
Aramark	11,646	11.6	10.6	19.9	16.9
Sodexo Sa	7,096	7.9	6.8	11.7	10.2
Do & Co Ag	2,297	7.0	6.3	17.8	15.0
Average		8.9x	7.9x	17.5x	14.1x
Median		10.2x	8.4x	18.5x	15.0x
Max		10.6x	9.4x	19.3x	16.9x
Min		7.4x	6.5x	14.8x	11.5x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company distributed 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 9.1%.

Sum of PV (AED, Mn)	787
Terminal value (AED, Mn)	2,139
FV to Common shareholders (AED, Mn)	2,926
No. of share (Mn)	2,250
Current Market Price (AED)	0.665
Fair Value per share (AED)	1.30

(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	0.94	0.86	0.79	0.73	0.66
Present Value of Dividend	178	168	157	147	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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