

ADNH Catering PLC (ADNHC)

Revenue growth offsets near-term margin pressures

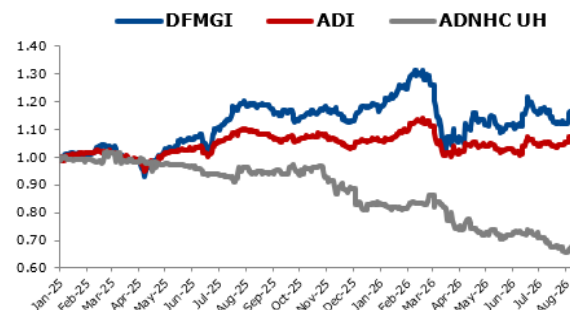
Current Price
AED 0.61

Target Price
AED 1.05

Upside/Downside (%)
+72%

Rating
BUY

- ADNHC secured 18 new contracts during 3Q26, bringing total new contracts to 57 in 9M26, while maintaining a strong contract retention rate of 98.5% in 3Q26.
- EBITDA declined 28.2% YOY to AED 53 Mn in 3Q26, amid inflationary operating conditions and inbound supply chain challenges.
- The Company's BOD approved an interim dividend of AED 60 Mn for 1H26, equivalent to 2.66 fils per share, with payment scheduled for October 2026.
- The Company revised its target near-term revenue growth of 4-5%, EBITDA margins of c. 13.5%, capex of c. 1.0% of revenue and contract renewal rates above 95%.



3Q26 Net Profit Higher than our estimate

ADNH Catering PLC (ADNHC/the Company) reported a 42.2% YOY decline in net profit attributable to equity shareholders to AED 29 Mn in 3Q26, higher than our estimate of AED 24 Mn. The decline in net profit was primarily driven by higher cost of sales and lower other income following the absence of a one-off gain recognized in 3Q25, partially offset by increased revenue, lower general and administrative (G&A) expenses and lower income tax charges.

P&L Highlights

ADNHC reported a 9.2% YOY increase in revenue to AED 466 Mn in 3Q26, supported by growth in the food services segment, partially offset by a decline in the support services segment. Food services revenue rose 18.5% YOY to AED 322 Mn in 3Q26, driven by new contracts, accounting for 69.0% of total revenue. In contrast, support services revenue declined 7.0% YOY to AED 144 Mn in 3Q26, contributing 31.0% of total revenue during 3Q26. Cost of sales increased 11.9% YOY to AED 408 Mn in 3Q26. As a result, gross profit declined 7.0% YOY to AED 58 Mn in 3Q26. Consequently, gross profit margin narrowed by 214 bps YOY to 12.3% in 3Q26. G&A expenses declined 3.6% YOY to AED 23 Mn in 3Q26. ADNHC's EBITDA decreased 28.2% YOY to AED 53 Mn in 3Q26, with EBITDA margin declining from 17.4% in 3Q25 to 11.4% in 3Q26. The decline in EBITDA reflected challenging operating conditions amid geopolitical tensions and inbound supply chain challenges. Net finance income declined from AED 2 Mn in 3Q25 to AED 1 Mn in 3Q26, supported by higher finance income and lower finance costs. ADNHC recorded a net other expense of AED 0.2 Mn in 3Q26, compared to net other income of AED 17 Mn in 3Q25, primarily due to the absence of a one-off gain recorded in 3Q25.

Stock Information

Market Cap (AED, Mn)	1,359.00
Paid Up Capital (Mn)	225.00
52 Week High	0.89
52 Week Low	0.58
3M Avg. daily value (AED)	589,690

3Q26 Result Review (AED, Mn)

Total Assets	1,324
Total Liabilities	781
Total Equity	543
EBITDA	53
Net Profit	29

Financial Ratios

Dividend Yield (12m)	11.03
Dividend Pay-out (%)	103.04
Price-Earnings Ratio(x)	9.83
Price-to-Book Ratio (x)	2.69
Book Value (AED)	0.22
Return-on Equity (%)	25.00

Stock Performance

5 Days	3.25%
1 Months	-4.43%
3 Months	-1.79%
6 Months	-9.85%
1 Year	-31.91%
Month to Date (MTD%)	-5.33%
Quarter to Date (QTD%)	-5.33%
Year to Date (YTD%)	-20.73%

Meanwhile, the share of profit from a joint venture declined from AED 0.3 Mn in 3Q25 to nil in 3Q26. Income tax expense declined 6.0% YOY to AED 3 Mn in 3Q26, while profit attributable to non-controlling interests increased from AED 0.2 Mn in 3Q25 to AED 0.8 Mn in 3Q26.

Balance sheet highlights

ADNHC's cash and cash equivalents increased from AED 174 Mn in 2Q26 to AED 213 Mn in 3Q26. Net cash generated from operating activities increased from AED 2 Mn in 3Q25 to AED 54 Mn in 3Q26, while the Company maintained a cash conversion ratio of 73% in 9M26. Furthermore, the Company's net cash position increased to AED 110 Mn in 3Q26, compared to AED 69 Mn in 2Q26.

Target Price and Rating

We maintain a BUY rating on ADNHC Catering PLC with a target price of AED 1.05. ADNHC reported a decline of 42.2% YOY in net profit attributable to equity shareholders mainly due to the higher direct costs and the absence of one-off gains recognized in 3Q25. Despite the earnings decline, the Company's revenue grew 9.2% YOY to AED 466 Mn in 3Q26, supported by a recovery in trading volumes following service suspensions in 1Q26 and 2Q26, particularly across the education sector, although the demand in the hospitality sector remained subdued. EBITDA margins still contracted from 17.4% in 3Q25 to 11.4% in 3Q26, reflecting challenging inflationary operating conditions and inbound supply chain constraints. Nevertheless, the Company's diversified business model and operational, procurement and supply chain management continued to support its performance amid regional market turbulence. Contract retention remained strong at 98.5% as of 3Q26, while ADNHC secured 18 new contracts during the quarter, bringing total new contracts to 57 in 9M26, with an annualised revenue opportunity (ARO) of AED 146 Mn, representing 8.4% of revenue. The total number of contracts stood at 517 as of September 2026, while the Company highlighted that geopolitical tensions continued to weigh on tender activity and new contract awards. Cash and cash equivalents increased to AED 213 Mn in 3Q26 from AED 174 Mn in 2Q26, while the Company maintained a cash conversion ratio of 73% in 9M26. Looking ahead, management remains confident in the Company's long-term growth prospects and expects to return to its previous growth trajectory as the impact of regional geopolitical tensions ease. The Company revised its target near-term revenue growth of 4-5%, EBITDA margins of c. 13.5%, capex of c. 1.0% of revenue and contract renewal rates above 95%. Over the mid-term, management maintains its targets of 5-7% revenue growth, EBITDA margins of c. 14%, capex of c. 1.0% of revenue and contract renewal rates above 95%, alongside annualised new contract wins equivalent to 8-10% of revenue. Meanwhile, the Company also revised its short-term guidance of 4-5% revenue growth, EBITDA margins of 11-12%, capex of c. 1.5% of revenue, annualised new contract wins of 5-8% and renewal rates above 95%, reflecting the ongoing impact of geopolitical tensions. Furthermore, BOD approved an interim cash dividend of AED 60 Mn for 1H26 on 28 September 2026, equivalent to 2.66 fils per share, with distribution scheduled for October 2026. The Company also intends to adopt a progressive dividend policy from 2027 onwards, linked to a target payout ratio based on annual profit after tax, with semi-annual distributions. Thus, based on our analysis, we maintain our BUY rating on the stock.

ADNHC- Relative valuation¹

(at CMP)	2024	2,025	2026F
PE (x)	8.79	7.64	10.82
PB (x)	2.47	2.19	2.27
EV/EBITDA	5.78	5.07	6.19
BVPS	0.243	0.274	0.264
EPS	0.068	0.079	0.055
DPS	0.027 ²	0.080	0.053
Dividend yield (%)	4.5%	13.3%	8.8%

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	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Revenue	427	457	466	453	3.0%	9.2%	1.9%	1,743	1,872	7.4%
Cost of sales	-365	-400	-408	-396	3.1%	11.9%	2.1%	-1,449	-1,639	13.1%
Gross Profit	62	57	58	56	2.4%	-7.0%	0.6%	294	233	-20.7%
G&A exp	-24	-24	-23	-24	-5.9%	-3.6%	-3.4%	-95	-93	-2.3%
Net Finance income	-2	-2	-1	-1	-17.9%	NM	-43.4%	-4	-4	6.1%
Other Income	17	0	0	0	NM	NM	NM	4	1	NM
Impair. loss of trade receivables.	0	0	0	-4	NM	NM	NM	-21	0	NM
EBITDA	74	53	53	47	12.5%	-28.2%	0.8%	265	215	-18.8%
Profit before tax	53	32	33	27	20.8%	-38.3%	2.7%	191	135	-29.2%
Share of profit from JV	0	0	0	0	NM	NM	NM	1	0	NM
Income tax expense	-3	-3	-3	-2	30.9%	-6.0%	7.9%	-16	-12	-25.2%
Profit / (loss) after tax and before NCI	50	29	30	25	19.8%	-40.9%	2.2%	176	123	-29.9%
NCI	0	1	1	0	NM	NM	-25.3%	1	4	NM
Profit to equity holders	50	28	29	24	17.9%	-42.2%	3.2%	175	119	-31.8%

FABS estimate & Co Data

ADNHC - Margins

	3Q25	2Q26	3Q26	YOY ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	14.5%	12.5%	12.3%	-214	-16	16.9%	12.4%	-441
EBITDA	17.4%	11.6%	11.4%	NM	-13	15.2%	11.5%	-370
Net profit	11.7%	6.1%	6.2%	NM	8	10.0%	6.4%	-366

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 Relative Valuation (RV).

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	1.03	70.0%	0.72
DDM Method	1.10	20.0%	0.22
Average of PE & EV/EBITDA	1.05	10.0%	0.11
Weighted Average Valuation (AED)			1.05
Current market price (AED)			0.61
Upside/Downside (%)			+72%

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 9.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.8%, a beta of 1.0, and an equity risk premium of 3.9%. 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 2.0%.

Sum of PV (AED, Mn)	650
Terminal value (AED, Mn)	1,644
FV to Common shareholders (AED, Mn)	2,295
No. of shares (Mn)	2,221
Current Market Price (AED)	0.61
Fair Value per share (AED)	1.03

DCF Method

(All Figures in AED, Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Income	123	152	174	195	210	214
Depreciation & Amortization	76	78	70	66	63	61
Capex	-19	-20	-21	-22	-24	-25
Change in Working Capital	3	-30	-19	-25	-28	-20
Net Change in Debt	-22	-77	-46	-31	-28	-27
Free Cash Flow to Equity (FCFE)	161	104	158	181	193	204
Discounting Factor	0.98	0.89	0.81	0.74	0.68	0.62
Discounted FCFE	40¹	93	128	134	130	125

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 P/E multiples. It is valued at a 2027 EV/EBITDA multiple of 9.2x. In addition, it is valued at a 2027 P/E multiple of 14.9x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
<u>Regional Catering Cos</u>					
Catrion Catering Holding Co	1,564	12.7	10.0	17.5	13.5
Elior Group	760	4.7	4.4	7.8	6.6
Tongqinglou Catering Co Lt-A	642	11.6	9.6	35.4	25.4
Compass Group Plc	46,597	11.1	10.3	20.1	18.2
Aramark	11,646	10.0	9.2	17.4	14.9
Sodexo Sa	7,096	6.5	6.1	10.1	9.5
Do & Co Ag	2,297	7.7	7.0	19.2	16.3
Average		9.2x	8.1x	18.2x	14.9x
Median		10.0x	9.2x	17.5x	14.9x
Max		11.4x	9.8x	19.6x	17.3x
Min		7.1x	6.6x	13.7x	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 a full-year dividend of AED 180 Mn for 2025. ADNHC has approved an interim dividend of AED 60 Mn for 2026 in October 2026. 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 9.8%.

Sum of PV (AED, Mn)	808
Terminal value (AED, Mn)	1,646
FV to Common shareholders (AED, Mn)	2,453
No. of shares (Mn)	2,221
Current Market Price (AED)	0.61
Fair Value per share (AED)	1.05

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
Dividend	120	171	176	185	194	204
Total Dividend	120	171	176	185	194	204
Discounting Factor	0.98	0.89	0.81	0.74	0.68	0.62
Present Value of Dividend	117	153	143	137	131	126

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
Shahrukh Nawaz	+971-2 -6161612	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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