

ADNH Catering PLC

Current Price AED 0.901	Target Price AED 1.30	Upside/Downside (%) +44%	Rating BUY
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4Q24 Net profit higher than our estimate

- Revenue increased 12.0% YOY to AED 443 Mn in 4Q24, primarily driven by strong organic growth owing to new contracts in the Business & Industry and Private Healthcare sector along with support from acquisitions.
- ADNH Catering's total contracts grew 5.4% YOY to 388 in 4Q24 with a strong contract retention rate of 97%. ADNHC secured 14 new contracts in 4Q24 and 61 in 2024.
- Cost of Sales rose 8.1% YOY to AED 367 Mn in 4Q24. Gross profit grew 35.4% YOY to AED 76 Mn in 4Q24, with strong growth in margins from 14.2% in 4Q23 to 17.1% in 4Q24.
- General and administrative expenses increased 19.4% YOY to AED 18 Mn in 4Q24.
- Operating profit increased 20.1% YOY to AED 49 Mn in 4Q24 with an operating profit margin of 11.1% in 4Q24 compared to 10.4% in 4Q23.
- EBITDA rose 22.2% YOY to AED 66 Mn in 4Q24 driven by robust organic growth. EBITDA margin grew from 15.0% in 4Q24 to 13.7% in 4Q23.
- ADNH Catering recorded a net profit of AED 44 Mn in 4Q24, an increase of 19.9% YOY, with an increase in net profit margin from 9.3% in 4Q23 to 10.0% in 4Q24.

Earnings Call Summary

- ADNHC continues to pursue horizontal integration and adjacent expansion of its coffee brand Husk. The Company fully acquired Food Nation Catering Services in January 2025 that serves 70,000 students across the UAE.
- Expanded its stake in Saudi JV from 30% to 50% and targets SAR 500 Mn growth in 3-5 years. The deal is pending regulatory approvals, with plans to consolidate into financials upon completion.
- ADNHC is expanding its presence across key sectors in the UAE, including healthcare, defense, and education, with notable acquisitions. ADNHC is scaling up operations in retail through Husk and HIVE and capitalizing on successful events like SADIAT Nights and the F1 Abu Dhabi Grand Prix.
- Plans to expand in Saudi Arabia, focusing on growth in the private healthcare sector and leveraging UAE connections. The Company aims for strategic acquisitions, targeting long-term value and increased presence, particularly in Riyadh's growing economy.
- Decided to focus on a selective client base, as the current business model proved less suited for sustainable margin growth in the UAE due to purchasing unprofitable operations of potential customers.
- Scaling down ZadSource is expected to improve overall margins in the upcoming period.
- Cash conversion marginally reduced in 2024 due to increased investment aimed at securing long-term contracts in the correctional sector.
- Maintained a progressive dividend policy, with plans to pay a special dividend of AED 60 Mn in April 2025 and a full-year dividend of AED 180 Mn for 2025. ADNHC's dividend is expected to increase 5.0% annually from 2026, with semiannual payouts starting from 2027.
- New business expected to contribute 8.0-10.0% of revenue in 2025. ADNHC aims for a 95.0% client retention rate in 2025 compared to a retention at 97.0% in 2024. The Company's revenue is expected to grow 5.0-7.0% in 2025, while EBITDA margins are expected to remain stable at 13.5%, with a medium-term goal of reaching 14.0%.
- CAPEX is expected to decrease from 1.5% in the near term to 1.0% in the medium term, with marginally elevated levels in the near term to secure long-term contracts.

ADNH Catering PLC

(AED Mn)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Revenue	396	407	443	397	11.5%	12.0%	8.8%
Cost of sales	-340	-343	-367	-338	8.6%	8.1%	7.2%
Gross Profit	56	65	76	59	28.5%	35.4%	17.3%
G&A exp	-15	-22	-18	-19	-6.8%	19.4%	-18.2%
EBITDA	54	59	66	55	19.9%	22.2%	13.6%
Profit before tax	40	41	48	40	22.0%	19.6%	17.3%
Income tax expense	-4	-4	-4	-3	29.7%	NM	14.7%
Net profit attributable to equity	37	38	44	36	21.3%	19.9%	15.5%

FABS estimate & Co Data

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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