

## ADNH Catering PLC (ADNHC)

**Current Price**  
AED 0.89

**Target Price**  
AED 1.30

**Upside/Downside (%)**  
+46%

**Rating**  
BUY

### 1Q25 Net profit marginally lower than our estimate

- Revenue increased 1.7% YOY to AED 410 Mn in 1Q25, primarily driven by new contract and growth in catering and support services, partially offset by phased withdrawal from ZadSource business.
- ADNH Catering's total contracts grew 4.1% to 404 in 1Q25 compared to December 2024, with a strong contract retention rate of 99%. ADNHC secured 17 new contracts in 1Q25 in the UAE, partially offset by 1 contract loss.
- Cost of Sales decreased marginally by 0.6% YOY to AED 341 Mn in 1Q25.
- Gross profit grew 15.0% YOY to AED 69 Mn in 1Q25, with strong growth in gross margins from 14.9% in 1Q24 to 16.8% in 1Q25.
- General and administrative expenses increased 29.3% YOY to AED 25 Mn in 1Q25.
- Operating profit increased 7.0% YOY to AED 44 Mn in 1Q25 with an operating profit margin of 10.7% in 1Q25 compared to 10.2% in 1Q24.
- EBITDA rose 11.1% YOY to AED 60 Mn in 1Q25, while EBITDA margin decreased from 15.6% in 1Q24 to 14.6% in 1Q25.
- ADNH Catering recorded a net profit of AED 39 Mn in 1Q25, an increase of 1.3% YOY during 1Q25.

### Earnings Call Summary

- ADNHC recorded increased profitability driven by robust retention rate, new contracts, wins and healthy margins during 1Q25.
- During 1Q25, the Company's food services segment accounted for 62% of total revenue, supported by 116 clients and 175 active contracts, while the support services segment generated 38% of revenue, serving over 208 clients through 229 contracts.
- The Company is set to expand their business in UAE by opening 50 outlets by end the year, currently 25 are under operation and 25 are set to open.
- The Company aims to expand 50 outlets by 2025, of which 25 outlets are expected to be operational by 1H25 and the remaining 25 by 2H25.
- The Company is strategically focusing on expanding in Dubai and the Northern Emirates regions.
- ADNHC's brand Hive, a dining solution, currently has two operational and 19 more under construction or planned over the next two years.
- In the near term, the Company expects the capex to be 1.5% of revenue owing to investment in Husk and Hive, while over the mid-term, it expects the capex to be 1% of total revenue.
- The Company anticipates expanding in Saudi Arabia, particularly in Riyadh, mainly attributable to attractive and fast-growing market for expansion.
- The Company expects to pay a dividend of AED 180 Mn for 2025, which will be distributed by two payments in October 2025 and April 2026.
- ADNHC anticipates a 5% dividend increase in 2026 and intends to maintain a progressive dividend policy from 2027 onwards.
- The Company's revenue guidance remained unchanged, with new business expected to contribute 8.0–10.0% of revenue in 2025.
- ADNHC aims for a 95.0% client retention rate in 2025.
- The Company maintains its revenue growth guidance at 5.0–7.0% for 2025, with EBITDA margins expected to remain stable at 13.5% in the near term and over the medium term, the Company targets an improvement in margins to 14.0%.

**ADNH Catering PLC**

<b>(AED Mn)</b>	<b>1Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>1Q25F</b>	<b>Var.</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>
Revenue	403	443	410	452	10.2%	1.7%	-7.4%
Cost of sales	-343	-367	-341	-384	12.5%	-0.6%	-7.1%
<b>Gross Profit</b>	<b>60</b>	<b>76</b>	<b>69</b>	<b>68</b>	<b>-1.2%</b>	<b>15.0%</b>	<b>-9.1%</b>
G&A exp	-19	-18	-25	-22	-10.4%	29.3%	37.2%
<b>EBITDA</b>	<b>54</b>	<b>66</b>	<b>60</b>	<b>64</b>	<b>7.0%</b>	<b>11.1%</b>	<b>-10.2%</b>
<b>Profit before tax</b>	<b>42</b>	<b>48</b>	<b>43</b>	<b>46</b>	<b>7.7%</b>	<b>1.8%</b>	<b>-11.1%</b>
Income tax expense	-4	-4	-4	-4	2.7%	6.8%	-4.7%
<b>Net profit attributable to equity</b>	<b>38</b>	<b>44</b>	<b>39</b>	<b>42</b>	<b>8.2%</b>	<b>1.3%</b>	<b>-11.7%</b>

FABS estimate & Co Data

