

Result update

Ades Holding Co.

Sector: Oil Drilling Service

NEUTRAL

30 November 2025

- **Topline performance comes better-than-expected on stronger offshore performance.**
- **Lower profitability from onshore segment cast shadow on operating performance, though one-off aids in net income growth.**
- **Improvement in operating environment causes us to upgrade our target price to SAR 17 per share, implying a NEUTRAL rating.**

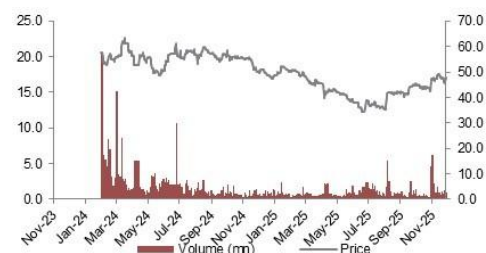
Ades Holding Co. (ADES) reported revenue of SAR 1.7 bn for 3Q25, reflecting a 5.2% YoY increase and coming slightly (4.2%) above our estimate. This growth was primarily driven by a 10.6% YoY increase in the offshore segment, supported by strong activity in India and Southeast Asia, as well as recent rig deployments in Nigeria and Thailand. In contrast, onshore revenue declined by 13.2% YoY due to the non-deployment of four rigs in Kuwait and reduced activity in Saudi Arabia. We expect this segment to remain subdued in 4Q25 before beginning to recover from 1Q26. Overall rig utilization rose to 98.3% in 9M25, up from 97.7% in 9M24. Gross profit declined by 1.6% YoY to SAR 605 mn, as gross margins fell to 36.6% in 3Q25 from 39.1% in 3Q24. Profitability weakened due to higher depreciation and lower productivity in the onshore segment, whose gross margin dropped to 38.8% (from 46.1% in 3Q24). Meanwhile, the offshore segment delivered a stronger performance, with gross margins improving to 65.8% in 3Q25 compared with 63.2% in 3Q24. Operating expenses rose by 9.2% YoY due to higher G&A costs, while finance expenses increased by 16.7% YoY because of higher debt levels. Overall, net income increased by 7.5% YoY to SAR 215 mn, supported by a SAR 86 mn gain on equity instruments designated at fair value through profit and loss.

Valuation: ADES's financial performance came under pressure in 3Q25 due to weak operating results from the onshore segment, compounded by higher depreciation and finance costs. We expect this trend to persist in the near term, with a potential recovery beginning in 2026 as idle rigs are gradually redeployed. We also observe a shift in the broader industry environment following OPEC's decision to reverse its production cuts. This has already translated into a resumption notice from Saudi Arabia for one offshore rig and several previously suspended onshore rigs, which should support a recovery in operating performance in 2026. Additionally, we view positively the company's ability to redeploy rigs and expand its geographic footprint, even in challenging market conditions. This was evident in 9M25, with significant YoY revenue growth from Southeast Asia (+655%), Egypt (+31%), Algeria & Tunisia (+23%), and India (+11%), which helped offset weakness in ADES's home market, where revenue in Saudi Arabia contracted by 13% YoY. With a strong order backlog of SAR 28.3 bn and a weighted average execution period exceeding five years, we see solid visibility for topline growth. Furthermore, the resumption of activity in Saudi Arabia should support a rebound in profitability over the coming years. Overall, we raise our target price on ADES to SAR 17 per share, which implies a NEUTRAL rating.

Target price (SAR) 17.00

Current price (SAR) 17.01

Return -0.1%



Exchange Saudi Arabia
Index weight (%) 0.3%

(mn)	SAR	USD
Market Cap	19,205	5,119
Enterprise value	31,343	8,355

Major shareholders

ADES Investments Holding	36.5%
Public Investment Fund	23.8%
Zamil Group Investment	6.7%
Others	33.0%

Valuation Summary (TTM)

PER TTM (x)	23.9
P/Book (x)	2.9
EV/EBITDA (x)	9.4
Dividend Yield (%)	2.5
Free Float (%)	33%
Shares O/S (mn)	1,129
YTD Return (%)	-2%
Beta	1.2

Key ratios	2022	2023	2024
EPS (SAR)	0.35	0.39	0.71
BVPS (SAR)	1.97	5.09	5.75
DPS (SAR)			0.44
Payout ratio (%)			60%

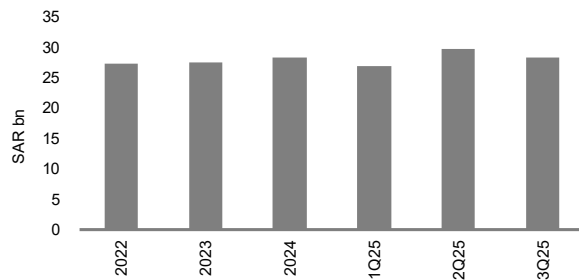
Price performance (%)	1M	3M	12M
Ades Holding Co	12%	14%	-5%
Tadawul All Share Index	-8%	-2%	-8%

52 week	High	Low	CTL*
Price (SAR)	18.70	12.16	39.9

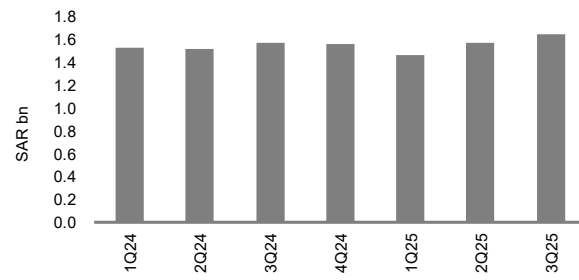
* CTL is % change in CMP to 52wk low



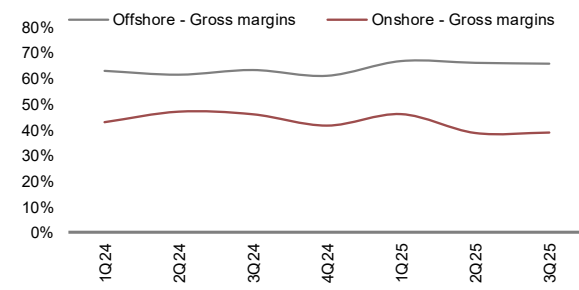
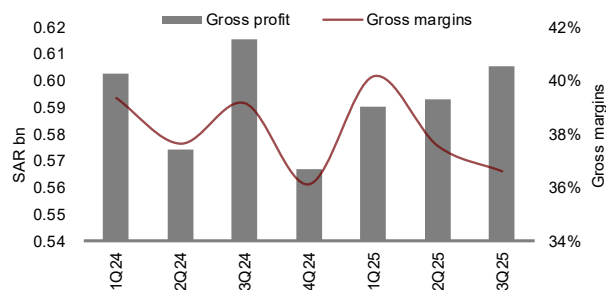
Order book remains strong, dominated by offshore



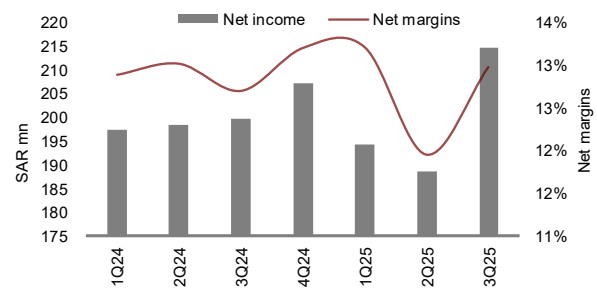
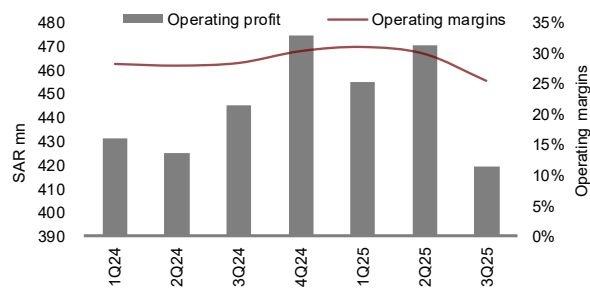
Despite weakness in onshore, revenue grows steadily



Gross profit down on higher depreciation and pressure on onshore activities



Lower gross profit, higher opex and finance cost impact operating performance





Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	1,514	2,467	4,332	6,199	6,352	6,479	6,609	6,760
Cost of sales	(975)	(1,576)	(2,621)	(3,840)	(3,978)	(3,979)	(3,935)	(3,825)
Gross profit	539	891	1,711	2,359	2,374	2,500	2,674	2,935
Operating expenses	(158)	(246)	(370)	(424)	(435)	(444)	(452)	(463)
Operating profit	382	645	1,341	1,935	1,939	2,057	2,221	2,472
Others	72	107	(101)	(160)	(50)	(54)	(55)	(56)
Finance expenses - net	(305)	(284)	(711)	(804)	(914)	(793)	(629)	(578)
Earnings before tax	149	468	529	971	976	1,210	1,538	1,839
Tax	(35)	(71)	(77)	(155)	(191)	(237)	(301)	(360)
Net income - pre minority	114	398	452	816	785	974	1,237	1,479
Minority interest	(7)	(7)	(10)	(14)	(13)	(16)	(21)	(25)
Net income	108	390	442	802	772	957	1,217	1,454
Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
PP&E	5,358	12,188	16,150	17,568	18,122	17,467	16,870	16,328
Other assets	183	744	917	801	618	435	304	303
Total non-current assets	5,541	12,932	17,067	18,368	18,740	17,902	17,173	16,631
Inventory	148	184	332	527	546	546	540	525
Receivables	262	235	845	858	879	897	915	935
Cash & Cash Equivalents	233	191	432	744	440	723	988	1,139
Other current assets	507	959	747	1,131	1,157	1,178	1,199	1,224
Total current assets	1,151	1,569	2,356	3,261	3,022	3,344	3,642	3,824
Total assets	6,692	14,501	19,422	21,629	21,761	21,246	20,815	20,454
Share Capital	857	858	1,129	1,129	1,129	1,129	1,129	1,129
Total reserves	1,036	1,364	4,619	5,364	5,665	5,989	6,402	6,894
Minority interest	30	36	29	45	58	75	95	120
Total Equity	1,923	2,258	5,777	6,538	6,852	7,193	7,626	8,144
Payables	516	1,161	1,639	1,270	1,316	1,316	1,302	1,265
Short term debt	401	972	1,180	1,331	1,306	1,212	1,118	1,025
Other current liab.	60	27	328	449	449	449	449	449
Total current liabilities	977	2,160	3,147	3,050	3,071	2,977	2,868	2,739
Long term debt	3,638	9,575	9,170	10,725	10,523	9,762	9,006	8,257
Long-term lease liabilities	38	270	487	352	352	352	352	352
Other non-current liab.	116	237	841	963	963	963	963	963
Total non-current liabilities	3,792	10,082	10,498	12,040	11,838	11,077	10,321	9,572
Total Liabilities	4,769	12,243	13,646	15,091	14,909	14,053	13,189	12,311
Equity and liabilities	6,692	14,501	19,422	21,629	21,761	21,246	20,815	20,454
Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	317	1,146	2,283	2,999	2,300	2,421	2,579	2,631
Cash from investments	(1,464)	(6,438)	(3,736)	(3,185)	(1,906)	(648)	(661)	(676)
Cash from financing	1,145	5,250	1,886	498	(698)	(1,489)	(1,654)	(1,803)
Net changes in cash	(1)	(42)	432	312	(305)	284	264	151
Cash balance	233	191	432	744	440	723	988	1,139

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	0.1	0.3	0.4	0.7	0.7	0.8	1.1	1.3
BVPS	1.7	2.0	5.1	5.8	6.0	6.3	6.7	7.1
FCF/share	(1.0)	(4.7)	(1.3)	(0.2)	0.3	1.6	1.7	1.7
Valuations								
M.Cap (SAR mn)	19,205	19,205	19,205	19,205	19,205	19,205	19,205	19,205
EV (SAR mn)	23,079	29,868	29,639	30,915	31,006	29,882	28,789	27,821
EBITDA (SAR mn)	657	1,049	2,139	3,037	3,433	3,542	3,611	3,691
P/E	178.1x	49.2x	43.4x	23.9x	24.9x	20.1x	15.8x	13.2x
EV/EBITDA	35.1x	28.5x	13.9x	10.2x	9.0x	8.4x	8.0x	7.5x
EV/Sales	15.2x	12.1x	6.8x	5.0x	4.9x	4.6x	4.4x	4.1x
P/BV	10.1x	8.6x	3.3x	3.0x	2.8x	2.7x	2.6x	2.4x
P/S	12.7x	7.8x	4.4x	3.1x	3.0x	3.0x	2.9x	2.8x
Liquidity								
Cash Ratio	0.2x	0.1x	0.1x	0.2x	0.1x	0.2x	0.3x	0.4x
Current ratio	1.2x	0.7x	0.7x	1.1x	1.0x	1.1x	1.3x	1.4x
Quick ratio	1.0x	0.6x	0.6x	0.9x	0.8x	0.9x	1.1x	1.2x
Return ratio								
ROA	1.6%	2.7%	2.3%	3.7%	3.5%	4.5%	5.8%	7.1%
ROE	5.7%	17.6%	7.7%	12.4%	11.4%	13.4%	16.2%	18.1%
ROCE	6.4%	4.9%	8.1%	10.2%	10.2%	11.1%	12.3%	13.9%
Cash cycle								
Inventory turnover	6.6x	8.6x	7.9x	7.3x	7.3x	7.3x	7.3x	7.3x
Payables turnover	1.9x	1.4x	1.6x	3.0x	3.0x	3.0x	3.0x	3.0x
Receivables turnover	5.8x	10.5x	5.1x	7.2x	7.2x	7.2x	7.2x	7.2x
Inventory days	55	42	46	49	49	49	49	49
Payable days	190	265	225	119	119	119	119	119
Receivables days	62	34	70	50	50	50	50	50
Cash Cycle	(73)	(189)	(109)	(20)	(20)	(20)	(20)	(20)
Profitability ratio								
EBITDA margins	43.4%	42.5%	49.4%	49.0%	54.0%	54.7%	54.6%	54.6%
Operating margins	25.2%	26.2%	31.0%	31.2%	30.5%	31.7%	33.6%	36.6%
Net margins	7.1%	15.8%	10.2%	12.9%	12.2%	14.8%	18.4%	21.5%
Leverage								
Total debt (SAR mn)	4,077	10,818	10,837	12,409	12,182	11,326	10,476	9,634
Net debt (SAR mn)	3,844	10,627	10,405	11,665	11,742	10,602	9,488	8,495
Debt/Total assets	60.9%	74.6%	55.8%	57.4%	56.0%	53.3%	50.3%	47.1%
Debt/Equity	2.1x	4.8x	1.9x	1.9x	1.8x	1.6x	1.4x	1.2x

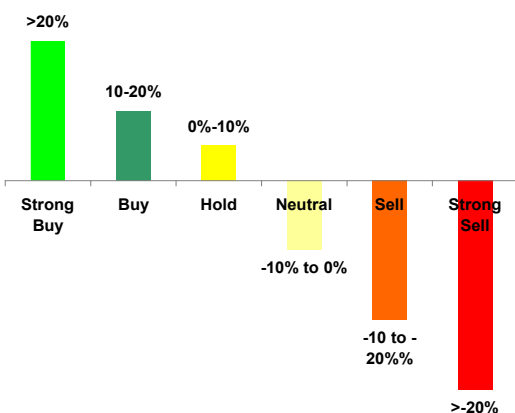
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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