

Short-term headwinds defer growth, Shelf synergies to drive margin recovery; maintain “Overweight” with an increased TP

ADES is currently navigating from near-term geopolitical headwinds to sustained long-term growth and margin expansion through FY30E. While Q2-26 performance will be constrained by temporary offshore rig suspensions and elevated regional insurance costs (>SAR 40mn in Q1-26), a recovery in H2-26 driven by contract activations across North Africa, Southeast Asia, and the North Sea is expected to lift the active rig count to 107 by year-end. Consequently, FY26E revenue is forecast to rise 43.5% to SAR 9.6bn, supported by the Shelf Drilling integration, though near-term disruptions will contract gross and EBITDA margins to 36.5% and 48.1%, respectively. Post-FY26E normalization, ADES’s shallow-water market leadership and expanded 20-country footprint will support a gradual fleet expansion to 115 active rigs by FY30E, driving a 10.3% revenue CAGR (FY25-30E) to SAR 10.9bn. Profitability metrics are projected to recover from FY27E via USD 50-60mn in Shelf synergies, reaching gross and EBITDA margins of 38.6% and 49.2% by FY30E. Furthermore, a reduction in finance charges from SAR 1,249mn in FY26E to SAR 899mn in FY30E will expand the net margin from a 10.0% low to 17.0%, pushing net income to SAR 1,860mn by FY30E at a 17.9% CAGR from FY25. Finally, while the Shelf transaction increased total debt to SAR 20.5bn as of Q1-26, the balance sheet remains protected by a robust SAR 34.5bn backlog and disciplined capex averaging ~11% of revenue, which will ease the leverage ratio (debt-to-equity) from a 3.0x peak in FY25 to 1.5x by FY30E. We maintain our “Overweight” recommendation on ADES with a revised TP of SAR 22.7/share (from SAR 18.9/share).

Q1-26 earnings driven by Shelf acquisition partially compensated by temporary offshore suspensions in March and insurance costs; results largely in line with expectation: ADES’ net income increased 21.8% Y/Y and 7.1% Q/Q to SAR 236.4mn in Q1-26, which was in line with AJBC’s estimate of SAR 238mn. The record performance was primarily driven by the transformational Shelf Drilling acquisition and robust operational results across the company’s global platform. Revenue surged 62.6% Y/Y and 20.4% Q/Q to SAR 2,390.7mn, also coming in line with our estimate of SAR 2,288mn. Topline growth was fueled by the integration of the Shelf fleet and strong contributions from both offshore and onshore segments following successful rig deployments. The company’s operating fleet reached 96 rigs during the quarter, maintaining a robust utilization rate of 96%. GP margin contracted to 36.8% in Q1-26, compared to 37.5% in Q4-25 and 40.1% in Q1-25, which was in line with the AJBC estimate of 37.0%. This contraction reflected the anticipated consolidation of Shelf’s lower-margin operations. Accordingly, gross profit reached SAR 878.8mn, up 18.0% Q/Q and in line with our estimate. Operating profit rose 15.5% Q/Q to SAR 675mn, exceeding the SAR 634mn estimate by 6.5%. EBITDA grew 40.8% Y/Y to SAR 1,149.6mn, though the EBITDA margin declined to 48.1% (vs. 55.5% in Q1-25) as the Group integrates the Shelf business. Net income growth was partially curtailed by other expenses for the quarter which included insurance costs exceeding SAR 40mn, which management expects to persist in Q2-26 but remain factored into the company’s reiterated full-year EBITDA guidance. and higher finance costs of SAR 313.1mn. Income tax and zakat expenses also rose to SAR 62.4mn. Management reiterated its FY26 EBITDA guidance of SAR 4.50 to 4.87bn.

Geopolitical suspensions weigh on Q2-26 ahead of anticipated H2-26 rig activations: ADES’s Q2-26 performance is expected to be weak, reflecting the full-quarter impact of temporary offshore rig suspensions triggered by regional geopolitical escalation, alongside ongoing rig preparations for upcoming H2-26 contracts. However, operational activity is projected to stabilize in the second half of the year, driven by the activation of multiple rigs for recently awarded or renewed contracts across North Africa, Southeast Asia, and the North Sea. While the baseline outlook assumes these temporarily suspended rigs will be reactivated by the end of the year, this timeline remains subject to downside risks, including a delayed resolution of the ongoing regional conflict and potential re-escalation of security concerns. Factoring in these dynamics, the active rig count is expected to rise to 107 by end-FY26. Consequently, FY26E revenue is forecast to reach SAR 9.6bn (+43.5% Y/Y), a growth trajectory primarily driven by the integration of Shelf Drilling, which serves to partially offset the financial drag from the temporary suspensions.

Recommendation	Overweight
Target Price (SAR)	22.7
Upside / (Downside)*	16.0%

Source: Tadawul *prices as of 18th of May 2026

Key Financials

SAR mn (unless specified)	FY24	FY25	FY26E	FY27E
Revenue	6,199	6,689	9,601	10,178
Growth %	43.1%	7.9%	43.5%	6.0%
Gross Profit	2,359	2,533	3,509	3,831
EBITDA	3,037	3,553	4,619	4,948
Net Income	802	818	956	1,410
Growth %	81.5%	1.9%	16.9%	47.4%
EPS	0.71	0.72	0.85	1.25
DPS	0.44	0.45	0.50	0.75

Source: Company reports, Aljazeera Capital Research

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	38.1%	37.9%	36.5%	37.6%
EBITDA Margin	49.0%	53.1%	48.1%	48.6%
Net Margin	12.9%	12.2%	10.0%	13.9%
ROE	12.4%	12.1%	13.3%	18.2%
ROA	3.6%	2.6%	3.3%	4.8%
P/E (x)	24.4	24.1	23.1	15.7
P/B (x)	3.0	2.9	3.1	2.9
EV/EBITDA (x)	10.3	10.6	8.7	7.9
Dividend Yield	2.5%	2.6%	2.6%	3.8%

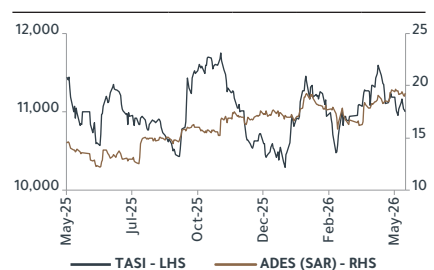
Source: Company reports, Aljazeera Capital Research

Key Market Data

Market Cap (bn)	22.1
YTD%	12.4%
52 week (High)/(Low)	19.94/12.16
Share Outstanding (mn)	1,129.1

Source: Company reports, Aljazeera Capital Research

Price Performance



Source: Tadawul, Aljazeera Capital Research

Head of Sell-Side Research

Jassim Al-Jubran
 +966 11 2256248
 j.aljabran@aljazaracapital.com.sa

Market leadership and structural supply tightness support gradual expansion through FY30E:

Following the anticipated normalization of the operating environment by end of FY26E, ADES is projected to deliver steady long-term growth, with its active rig count expected to increase gradually to 115 by FY30E. This expansion is underpinned by the company's established market leadership in the shallow-water offshore segment and a significantly broader geographic footprint encompassing 20 countries post the Shelf Drilling acquisition. Furthermore, structural supply tightness in the global jackup market and firm day rates provide a supportive macroeconomic backdrop, which is expected to be complemented by management's ongoing strategy to selectively pursue value-accretive asset acquisitions. Driven by a combination of a larger active fleet and supportive pricing, we forecast revenue to expand at a CAGR of 10.3% during the FY25-30E period to reach SAR 10.9bn, representing a stable, multi-year growth trajectory once near-term geopolitical and operational disruptions subside.

Near-Term margin compression precedes synergistic recovery and expansion through FY30E:

In the short term, ADES's profitability margins are expected to be constrained by lower near-term rig activity stemming from recent suspensions, alongside the initial integration of the lower-margin Shelf Drilling portfolio. Margins are also bearing the impact of multi-fold increase in insurance costs (SAR 40mn+ in Q1-26) amid regional conflict. This compression is evident in FY26E, where the gross profit margin is projected to drop to 36.5% (down from 37.9% in FY25) and the EBITDA margin is anticipated to decline to 48.1% (down from 53.1% in FY25). Nonetheless, a steady recovery is projected from FY27E onwards, supported by the normalization of the operating environment, improved rig activity, and the realization of an estimated USD 50-60mn in post-acquisition synergies from the Shelf integration. Driven by these operational efficiencies and firm day rates, gross and EBITDA margins are expected to expand to 38.6% and 49.2%, respectively, by FY30E. Beyond these operating metrics, the net profit margin is poised for a more pronounced expansion, rising from a low of 10.0% in FY26E to 17.0% by FY30E. This bottom-line acceleration is expected to be reinforced by a gradual reduction in finance charges, which are forecast to decline from SAR 1,249mn in FY26E to SAR 899mn by FY30E, as leverage eases. Backed by this decreasing interest burden alongside EBITDA-level gains, net income is projected to reach SAR 1,860mn by FY30E, growing at a CAGR of 17.9% from FY25 and demonstrating solid structural profitability once near-term integration and geopolitical headwinds clear.

Robust financial position to be maintained; leverage should moderate over the long term:

Driven by incremental borrowing for the acquisition and consolidation of Shelf's outstanding obligations, ADES's total debt expanded to SAR 20.5bn in Q1-26 from SAR 12.1bn in FY24. Nonetheless, this liabilities profile is strongly supported by a substantial SAR 34.5bn backlog. Throughout our forecast horizon (FY26-30E), capital spending should remain relatively disciplined, projected to average ~11% of total revenue. Consequently, we anticipate the group's leverage ratio (debt to equity) will ease to 1.5x by FY30E after peaking at 3.0x during fiscal FY25. Moreover, the healthy financial position will allow ADES to maintain steady payout around 60%. We expect FY26E DPS of SAR 0.50 per share implying a yield of 2.6%.

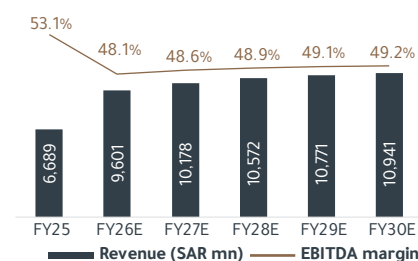
AJBC view and valuation: While ADES faces near-term margin compression and operational drag in Q2-26 from temporary regional rig suspensions and elevated insurance costs, its long-term structural investment thesis remains intact. A strong pipeline of H2-26 contract activations is expected to spark an operational rebound, driving the active rig count to 107 by year-end and establishing a steady trajectory toward 115 active rigs by FY30E, driving a 10.3% revenue CAGR (FY25-30E). Beyond the initial integration hurdles of the Shelf Drilling portfolio, profitability is poised to recover starting in FY27E, catalyzed by USD 50-60mn in post-acquisition synergies and a declining interest burden that will lift net margins to 17.0% and fuel a 17.9% net income CAGR through FY30E. Supported by a robust SAR 34.5bn backlog and disciplined capital spending, ADES's balance sheet is well-positioned to comfortably deleverage from its FY25 peak down to 1.5x by FY30E. We valued ADES with 50% weightage to DCF (WACC 8.5%, terminal growth rate 1.5%) and 50% weight to FY27E EV/EBITDA (9x, discounted at WACC) to arrive at a TP of **SAR 22.7/share**, implying 16.0% upside. Hence, we look through temporary geopolitical and integration related pressures, maintaining our "Overweight" recommendation on ADES. **Upside risks** to our valuation include i) quicker resolution of geopolitical conflict, ii) lower insurance cost, ii) major inorganic expansion, while **downside risks** are ii) prolonged geopolitical conflict affecting operations, ii) lower than expected demand and day rates iii) lower than expected synergies affecting margin recovery.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	24.7	50%	12.3
EV/EBITDA (FY27E, discounted)	20.8	50%	10.4
Blended TP			22.7
Up/Downside (%)			16.0%

Source: Company reports, Aljazeera Capital Research

Revenue (SAR mn) and EBITDA margin



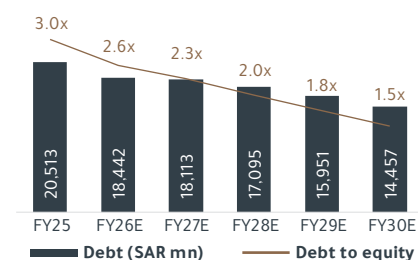
Source: Company reports, Aljazeera Capital Research

Active rigs and day rates

Operating metrics	Year				
	FY26	FY27	FY28	FY29	FY30
Active rigs	107	109	112	114	115
Onshore	29	30	31	31	31
Offshore	78	79	81	83	84

Source: Company reports, Aljazeera Capital Research

Total debt and leverage



Source: Company reports, Aljazeera Capital Research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement										
Revenues	1,514	2,467	4,332	6,199	6,689	9,601	10,178	10,572	10,771	10,941
Y/Y	-10.7%	62.9%	75.6%	43.1%	7.9%	43.5%	6.0%	3.9%	1.9%	1.6%
Cost of revenue	(975)	(1,576)	(2,621)	(3,840)	(4,156)	(6,092)	(6,347)	(6,507)	(6,619)	(6,715)
Gross profit	539	891	1,711	2,359	2,533	3,509	3,831	4,064	4,152	4,226
Gross margin	35.6%	36.1%	39.5%	38.1%	37.9%	36.5%	37.6%	38.4%	38.5%	38.6%
General & administration expense	(158)	(246)	(370)	(424)	(487)	(820)	(847)	(879)	(884)	(891)
EBITDA	657	1,049	2,139	3,037	3,553	4,619	4,948	5,166	5,288	5,380
Y/Y	-3.3%	59.5%	104.0%	42.0%	17.0%	30.0%	7.1%	4.4%	2.4%	1.7%
EBITDA margin	43.4%	42.5%	49.4%	49.0%	53.1%	48.1%	48.6%	48.9%	49.1%	49.2%
Operating profit	(20)	334	1,285	1,804	1,956	2,476	2,926	3,125	3,205	3,270
Y/Y	NM	NM	284.3%	40.4%	8.4%	26.6%	18.2%	6.8%	2.5%	2.0%
Operating margin	-1.3%	13.6%	29.7%	29.1%	29.2%	25.8%	28.7%	29.6%	29.8%	29.9%
Financial charges	(305)	(303)	(711)	(804)	(941)	(1,249)	(1,127)	(1,041)	(977)	(899)
Income before zakat	149	468	529	971	1,045	1,226	1,798	2,083	2,226	2,369
Zakat	(35)	(71)	(77)	(155)	(212)	(252)	(370)	(429)	(458)	(488)
Net income	108	390	442	802	818	956	1,410	1,635	1,748	1,860
Y/Y	46.5%	262.2%	13.2%	81.5%	1.9%	16.9%	47.4%	16.0%	6.9%	6.4%
Net margin	7.1%	15.8%	10.2%	12.9%	12.2%	10.0%	13.9%	15.5%	16.2%	17.0%
EPS (SAR)	0.1	0.3	0.4	0.71	0.72	0.85	1.25	1.45	1.5	1.6
DPS (SAR)	-	-	-	0.44	0.45	0.50	0.75	0.90	1.00	1.10
Balance sheet										
Assets										
Cash & equivalent	233	191	432	744	2,458	364	1,239	924	1,032	762
Other current assets	918	1,500	1,924	3,040	3,211	4,047	4,271	4,479	4,596	4,699
Total current assets	1,151	1,691	2,356	3,785	5,670	4,410	5,510	5,403	5,628	5,461
Property plant & equipment	5,358	12,066	16,150	17,568	25,031	24,256	23,486	23,256	22,530	21,825
Right of use assets	64	391	644	494	461	392	336	297	282	299
Total assets	6,692	14,501	19,422	22,153	31,412	29,341	29,629	29,269	28,766	27,923
Liabilities & owners' equity										
Trade payables	497	1,085	1,639	1,270	2,134	1,824	1,934	2,009	2,046	2,079
Other current liabilities	480	1,075	1,508	1,780	3,122	2,863	2,668	2,642	2,545	2,433
Total current liabilities	977	2,161	3,147	3,051	5,256	4,688	4,601	4,651	4,591	4,512
Lease liabilities - non-current	38	270	487	352	263	217	211	233	275	349
Long term loans	3,638	9,575	9,170	10,725	17,959	16,200	16,080	15,072	13,990	12,541
Total non-current liabilities	3,792	10,082	10,498	12,040	19,343	17,432	17,224	16,176	15,093	13,689
Share capital	-	1	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Reserves	1,894	2,221	4,619	5,364	5,651	6,043	6,606	7,225	7,844	8,462
Total owners' equity	1,894	2,222	5,748	6,493	6,780	7,172	7,735	8,354	8,973	9,591
Non-controlling interests	30	36	29	45	33	50	69	88	109	130
Total equity & liabilities	6,692	14,501	19,422	21,629	31,412	29,341	29,629	29,269	28,766	27,923
Cashflow statement										
Operating activities	317	1,146	2,283	2,651	2,981	2,877	4,316	4,472	4,638	4,722
Investing activities	(1,464)	(6,438)	(3,736)	(3,185)	(2,732)	(940)	(970)	(1,517)	(1,056)	(1,100)
Financing activities	1,145	5,250	1,886	498	1,466	(4,032)	(2,470)	(3,270)	(3,473)	(3,892)
Change in cash	(1)	(42)	432	(36)	1,714	(2,095)	875	(315)	108	(270)
Ending cash balance	233	191	432	396	2,458	364	1,239	924	1,032	762
Liquidity ratios										
Current ratio (x)	1.2	0.8	0.7	1.2	1.1	0.9	1.2	1.2	1.2	1.2
Quick ratio (x)	1.0	0.7	0.6	1.1	0.9	0.7	1.0	0.9	1.0	1.0
Profitability ratios										
Gross profit margin	35.6%	36.1%	39.5%	38.1%	37.9%	36.5%	37.6%	38.4%	38.5%	38.6%
Operating margin	-1.3%	13.6%	29.7%	29.1%	29.2%	25.8%	28.7%	29.6%	29.8%	29.9%
EBITDA margin	43.4%	42.5%	49.4%	49.0%	53.1%	48.1%	48.6%	48.9%	49.1%	49.2%
Net profit margin	7.1%	15.8%	10.2%	12.9%	12.2%	10.0%	13.9%	15.5%	16.2%	17.0%
Return on assets	1.6%	2.7%	2.3%	3.6%	2.6%	3.3%	4.8%	5.6%	6.1%	6.7%
Return on equity	5.7%	17.6%	7.7%	12.4%	12.1%	13.3%	18.2%	19.6%	19.5%	19.4%
Leverage ratio										
Debt / equity (x)	2.16	4.87	1.89	1.91	3.03	2.57	2.34	2.05	1.78	1.51
Market/valuation ratios										
EV/sales (x)	NM	NM	4.9	5.0	5.6	4.2	3.8	3.6	3.4	3.3
EV/EBITDA (x)	NM	NM	17.5	10.3	10.6	8.7	7.9	7.4	7.0	6.7
Market-Cap	NM	NM	27,098	19,601	19,691	22,130	22,130	22,130	22,130	22,130
Market price	NM	NM	24.00	17.36	17.44	19.60	19.60	19.60	19.60	19.60
P/E ratio (x)	NM	NM	61.3	24.4	24.1	23.1	15.7	13.5	12.7	11.9
P/BV ratio (x)	NM	NM	4.7	3.0	2.9	3.1	2.9	2.6	2.5	2.3
DY (%)	NM	NM	0.0%	2.5%	2.6%	2.6%	3.8%	4.6%	5.1%	5.6%

Source: Company reports, Aljazira Capital Research, * market price as of May 18, 2026

Head of Sell-Side Research - Director

Jassim Al-Jubran

+966 11 2256248

j.aljabran@aljazaracapital.com.sa

Aljazira Capital, the investment arm of Bank Aljazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. Aljazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. Aljazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, Aljazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.