

Oil Drilling Service

HOLD: 12M TP @ 16

Upside of +7.7%

Valuation Summary (TTM)

Price (SAR)	14.9
PER TTM (x)	21.2
P/Book (x)	2.5
P/Sales (x)	2.7
EV/Sales (x)	4.7
EV/EBITDA (x)	8.9
Dividend Yield (%)	2.8
Free Float (%)	33%
Shares O/S (mn)	1,129
YTD Return (%)	-14%
Beta	1.2

(mn)	SAR	USD	
Market Cap	16,767	4,468	
Enterprise Value	28,942	7,715	
Price performance (%)	1M	3M	12M
Ades Holding Co	13%	0%	-25%
Tadawul All Share Index	-3%	-4%	-6%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	39,256	37,506	34,698
Avg Daily Volume (,000)	3,400	2,791	2,395
52 week	High	Low	CTL*
Price (SAR)	21.50	12.16	22.1

* CTL is % change in CMP to 52wk low

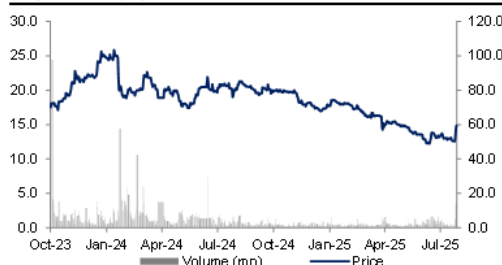
Major shareholders

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

Other details

Exchange	Saudi Arabia
Sector	Oil&Gas
Index weight (%)	0.3%

Key ratios	2022	2023	2024
EPS (SAR)	0.35	0.39	0.71
BVPS (SAR)	1.97	5.09	5.75
DPS (SAR)	0.00	0.00	0.42
Payout ratio (%)	0%	0%	60%



Ades Holding: Finance cost and Zakat pressures profit

Ades Holding Co. (ADES) reported revenue of SAR 1.6 bn for 2Q25, reflecting a 3.5% YoY increase and aligning with our expectations. This growth was primarily driven by an 8.9% YoY increase in the offshore segment, supported by strong rig utilization on growing contribution from new geographies and premium rigs. In contrast, onshore revenue declined by 13.8% YoY due to the temporary non-deployment of rigs in certain geographies, most notably four rigs in Kuwait. However, these rigs are being gradually redeployed, with three operational during 2Q25 and the fourth expected to be deployed by 3Q25. Overall rig utilization rose to 98.6% in 1H25 from 98.0% in 1H24 on offshore activity. Gross profit increased by 3.3% YoY to SAR 593 mn, supported by higher revenue, while gross margins remained relatively stable at 37.5% in 2Q25 vs 37.6% in 2Q24. Offshore margins improved significantly, offsetting weaker onshore performance. Offshore gross profit (excluding depreciation) rose by 17.4% YoY, with gross margins improving to 66.1% in 2Q25 compared to 61.3% in 2Q24. Conversely, onshore gross profit (excluding depreciation) declined by 13.8% YoY due to reduced rig activity, with gross margins falling to 38.6% in 2Q25 from 47.1% in 2Q24. G&A expenses rose by 3.3% YoY to SAR 105 mn. EBITDA grew by 13.9% YoY to SAR 858 mn, with the EBITDA margin improving to 54.4% in 2Q25 compared to 49.4% in 2Q24. This increase was partly driven by one-off share-based payments recognized during 2Q24. Finance expenses rose by 20.7% YoY to SAR 219 mn, attributed to higher debt levels. Overall, net income declined by 5.0% YoY to SAR 189 mn due to increased finance costs and higher zakat provisions. It also fell short of our SAR 210 mn estimate on account of higher zakat provisions.

Investment thesis and valuations: As of 1H25, ADES reported an order backlog of SAR 29.72 bn, reflecting a 5.1% YTD increase, with a weighted average execution period of over 5 years. Offshore operations accounted for 78% of the backlog, while the remaining 22% came from onshore activities. Geographically, the GCC region contributed 84% of the backlog, led by Saudi Arabia, which alone accounted for 66.6%. The remaining portion originated from over 11 other countries. The current market environment for jack-up rigs remains robust, with utilization rates above 90%, supporting attractive day rates. However, oil prices have come under pressure and are expected to remain subdued. According to Bloomberg estimates, Brent crude is projected to average USD 68.8/bbl in 2025 and USD 65.5/bbl in 2026. This weaker pricing environment presents a potential risk to future exploration activity and will be a key factor to monitor going forward. Following the 2Q25 results, we have revised our medium-term estimates downward and lowered our target price to **SAR 16 per share**, while maintaining our **Hold** rating.

Income Statement (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e
Revenue	1,695	1,514	2,467	4,332	6,199	6,224	6,224	6,122
Cost of sales	(1,059)	(975)	(1,576)	(2,621)	(3,840)	(3,818)	(3,818)	(3,712)
Gross profit	637	539	891	1,711	2,359	2,406	2,406	2,411
Operating expenses	(178)	(158)	(246)	(370)	(424)	(448)	(448)	(441)
Operating profit	459	382	645	1,341	1,935	1,958	1,958	1,970
Others	(101)	72	107	(101)	(160)	(57)	(59)	(60)
Finance expenses - net	(242)	(305)	(284)	(711)	(804)	(866)	(747)	(588)
Earnings before tax	116	149	468	529	971	1,035	1,152	1,322
Tax	(34)	(35)	(71)	(77)	(155)	(202)	(225)	(258)
Net income - pre minority	83	114	398	452	816	833	927	1,064
Minority interest	(9)	(7)	(7)	(10)	(14)	(12)	(14)	(16)
Net income	74	108	390	442	802	820	913	1,048

Balance Sheet (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e
PP&E	3,795	5,358	12,188	16,150	17,568	17,100	16,632	16,171
Right to use assets	73	64	391	644	494	312	131	-
Other assets	237	119	353	273	306	305	305	304
Total non-current assets	4,105	5,541	12,932	17,067	18,368	17,718	17,067	16,475
Inventory	179	148	184	332	527	524	524	510
Receivables	262	262	235	845	858	861	861	847
Cash & Cash Equivalents	234	233	191	432	744	847	953	1,054
Other current assets	409	507	959	747	1,131	1,135	1,135	1,118
Total current assets	1,084	1,151	1,569	2,356	3,261	3,368	3,474	3,530
Total assets	5,190	6,692	14,501	19,422	21,629	21,086	20,541	20,005
Share Capital	741	857	858	1,129	1,129	1,129	1,129	1,129
Total reserves	926	1,036	1,364	4,619	5,364	5,684	5,995	6,352
Minority interest	35	30	36	29	45	58	72	88
Total Equity	1,702	1,923	2,258	5,777	6,538	6,871	7,196	7,568
Payables	576	516	1,161	1,639	1,270	1,263	1,263	1,228
Short term debt	321	401	972	1,180	1,331	1,235	1,139	1,043
Other current liab.	59	60	27	328	449	449	449	449
Total current liabilities	956	977	2,160	3,147	3,050	2,947	2,851	2,719
Long term debt	2,328	3,638	9,575	9,170	10,725	9,952	9,179	8,402
Long-term lease liabilities	52	38	270	487	352	352	352	352
Other non-current liab.	151	116	237	841	963	963	963	963
Total non-current liabilities	2,531	3,792	10,082	10,498	12,040	11,267	10,494	9,717
Total Liabilities	3,487	4,769	12,243	13,646	15,091	14,214	13,346	12,436
Equity and liabilities	5,190	6,692	14,501	19,422	21,629	21,086	20,541	20,005

Cash Flows (SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e
Cash from operations	620	317	1,146	2,283	2,999	2,094	2,200	2,279
Cash from investments	(438)	(1,464)	(6,438)	(3,736)	(3,185)	(622)	(622)	(612)
Cash from financing	(397)	1,145	5,250	1,886	498	(1,369)	(1,472)	(1,566)
Net changes in cash	(214)	(1)	(42)	432	312	103	106	101
Cash balance	234	233	191	432	744	847	953	1,054







Ratios	2020	2021	2022	2023	2024	2025e	2026e	2027e
<u>Per Share (SAR)</u>								
EPS	0.1	0.1	0.3	0.4	0.7	0.7	0.8	0.9
BVPS	1.5	1.7	2.0	5.1	5.8	6.0	6.3	6.6
DPS	0.0	0.0	0.0	-	0.4	0.4	0.5	0.6
FCF/share	0.2	(1.0)	(4.7)	(1.3)	(0.2)	1.3	1.4	1.5
Revenue/share	1.5	1.3	2.2	3.8	5.5	5.5	5.5	5.4
<u>Valuations</u>								
M.Cap (SAR mn)	16,767	16,767	16,767	16,767	16,767	16,767	16,767	16,767
EV (SAR mn)	19,269	20,641	27,430	27,200	28,477	27,517	26,556	25,597
P/E	227.9x	155.5x	42.9x	37.9x	20.9x	20.4x	18.4x	16.0x
EV/EBITDA	28.3x	31.4x	26.2x	12.7x	9.4x	8.5x	8.2x	8.1x
EV/Sales	11.4x	13.6x	11.1x	6.3x	4.6x	4.4x	4.3x	4.2x
P/BV	10.1x	8.9x	7.5x	2.9x	2.6x	2.5x	2.4x	2.2x
P/S	9.9x	11.1x	6.8x	3.9x	2.7x	2.7x	2.7x	2.7x
Div. yield	0.1%	0.1%	0.0%	0.0%	2.8%	3.0%	3.6%	4.1%
FCF yield	1.1%	-6.8%	-31.6%	-8.7%	-1.1%	8.8%	9.4%	9.9%
<u>Liquidity</u>								
Cash Ratio	0.2x	0.2x	0.1x	0.1x	0.2x	0.3x	0.3x	0.4x
Current ratio	1.1x	1.2x	0.7x	0.7x	1.1x	1.1x	1.2x	1.3x
Quick ratio	0.9x	1.0x	0.6x	0.6x	0.9x	1.0x	1.0x	1.1x
<u>Return ratio</u>								
ROA	1.4%	1.6%	2.7%	2.3%	3.7%	3.9%	4.4%	5.2%
ROE	4.4%	5.7%	17.6%	7.7%	12.4%	12.0%	12.8%	14.0%
ROCE	10.4%	6.4%	4.9%	8.1%	10.2%	10.6%	11.0%	11.3%
<u>Cash cycle</u>								
Inventory turnover	5.9x	6.6x	8.6x	7.9x	7.3x	7.3x	7.3x	7.3x
Payables turnover	1.8x	1.9x	1.4x	1.6x	3.0x	3.0x	3.0x	3.0x
Receivables turnover	6.5x	5.8x	10.5x	5.1x	7.2x	7.2x	7.2x	7.2x
Inventory days	61	55	42	46	49	49	49	49
Payable days	196	190	265	225	119	119	119	119
Receivables days	56	62	34	70	50	50	50	50
Cash Cycle	(80)	(73)	(189)	(109)	(20)	(20)	(20)	(20)
<u>Profitability ratio</u>								
Gross margins	37.5%	35.6%	36.1%	39.5%	38.1%	38.7%	38.7%	39.4%
EBITDA margins	40.1%	43.4%	42.5%	49.4%	49.0%	51.9%	51.9%	51.8%
Operating margins	27.1%	25.2%	26.2%	31.0%	31.2%	31.5%	31.5%	32.2%
PBT margins	6.8%	9.8%	19.0%	12.2%	15.7%	16.6%	18.5%	21.6%
Net margins	4.3%	7.1%	15.8%	10.2%	12.9%	13.2%	14.7%	17.1%
Effective tax rate	28.9%	23.2%	15.1%	14.6%	15.9%	19.5%	19.5%	19.5%
<u>Leverage</u>								
Total debt (SAR mn)	2,702	4,077	10,818	10,837	12,409	11,540	10,671	9,797
Net debt (SAR mn)	2,467	3,844	10,627	10,405	11,665	10,693	9,718	8,743
Debt/Capital	61.3%	68.0%	82.7%	65.2%	65.5%	62.7%	59.7%	56.4%
Debt/Total assets	52.1%	60.9%	74.6%	55.8%	57.4%	54.7%	52.0%	49.0%
Debt/Equity	1.6x	2.1x	4.8x	1.9x	1.9x	1.7x	1.5x	1.3x
Debt/EBITDA	4.0x	6.2x	10.3x	5.1x	4.1x	3.6x	3.3x	3.1x
Net debt/EBITDA	3.6x	5.8x	10.1x	4.9x	3.8x	3.3x	3.0x	2.8x

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Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	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	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	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	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	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	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	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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