INVESTMENT RESEARCH – Saudi Arabia

Result update

المتحدة للأوراق المالية ش.م.م
UNITED SECURITIES LLC.

Ades Holding Co.

Sector: Oil Drilling Service

HOLD

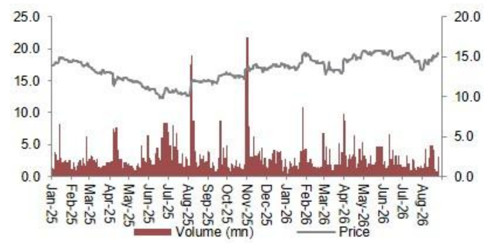
26 August 2026

- **Top-line increased 36.4% YoY, supported by the recent acquisition, but came 5.5% below our estimate.**
- **Net income declined 31.9% YoY and fell below our forecast, primarily due to the temporary suspension of certain rigs, which adversely affected revenue and margins.**
- **We lower our target price to SAR 20 per share and remain cautious on ADES, maintaining our Hold rating.**

Ades Holding Co. (ADES) reported revenue of SAR 2.2 bn in 2Q26, reflecting a robust 36.4% YoY increase, primarily driven by the recent acquisition of Shelf Drilling. However, revenue came 5.5% below our forecast, mainly due to the temporary suspension of certain rigs. Offshore revenue increased 42.2% YoY following the acquisition, while onshore revenue grew 12.5% YoY, supported by higher rig deployment and improved activity in Kuwait. Overall rig utilization declined marginally to 97.6% in 1H26 from 98.6% in 1H25. Revenue increased across nearly all operating regions during 1H26, except Saudi Arabia and Qatar, where revenue declined 11.7% YoY and 27.4% YoY, respectively, as rig suspensions amid the ongoing geopolitical conflict affected operations. This decline was more than offset by strong growth across other geographies, particularly West & Central Africa, Southeast Asia, Egypt, Kuwait, and India, as well as the commencement of operations in Norway following the Shelf Drilling acquisition. Gross profit increased 22.8% YoY to SAR 728 mn, supported by higher revenue. However, gross margin declined to 33.8% in 2Q26 from 37.5% in 2Q25, primarily due to the relatively lower margins of Shelf Drilling's operations and on account of the cost related to suspension of rigs. We expect margins to gradually improve as Shelf's operations become better integrated within ADES. Operating expenses increased sharply by 69.8% YoY, mainly due to higher G&A and other operating costs, while finance expenses rose 51.3% YoY, reflecting the increase in debt following the acquisition. Consequently, net income declined 31.9% YoY to SAR 129 mn, substantially below our forecast of SAR 211 mn. Weaker than expected topline, lower gross margins, and an increase in insurance cost, all accentuated the weakness in the financial performance of the company.

Valuation: ADES reported weaker-than-expected results, impacted by volatility arising from the ongoing regional conflict. The impact was further accentuated by relatively lower margins following the Shelf Drilling acquisition and higher finance costs. While we believe the primary drivers of the underperformance are largely short-term in nature, with the company recently receiving resumption notices for all its suspended rigs in Saudi Arabia, we remain cautious given the uncertain external environment. We view positively management's reiteration of its 2026 EBITDA guidance of SAR 4.5-4.87 bn, while the strong order book of SAR 34.7 bn continues to provide good revenue visibility. Nevertheless, we have moderated our near-term estimates and reduced our target price to SAR 20 per share and maintain our Hold rating.

Target price (SAR)	20.00
Current price (SAR)	19.20
Return	+4.2%



Exchange	Saudi Arabia
Index weight (%)	0.3%

(mn)	SAR	USD
Market Cap	21,678	5,774
Enterprise value	40,283	10,725

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)	27.1
P/Book (x)	3.1
EV/EBITDA (x)	10.0
Dividend Yield (%)	2.3
Free Float (%)	33%
Shares O/S (mn)	1,129
YTD Return (%)	10%
Beta	1.2

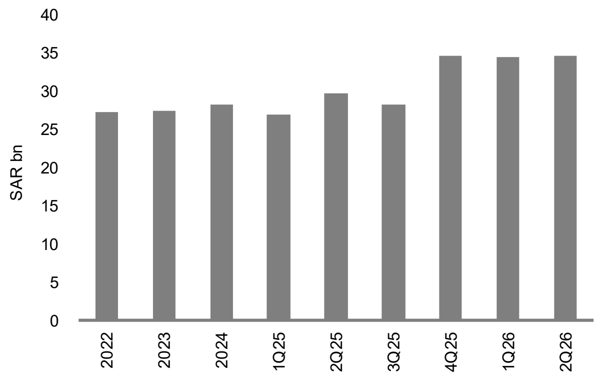
Key ratios	2023	2024	2025
EPS (SAR)	0.39	0.71	0.72
BVPS (SAR)	5.09	5.75	6.01
DPS (SAR)	0.00	0.44	0.45
Payout ratio (%)	0%	62%	62%

Price performance (%)	1M	3M	12M
Ades Holding Co	7%	-2%	28%
Tadawul All Share Index	4%	2%	3%

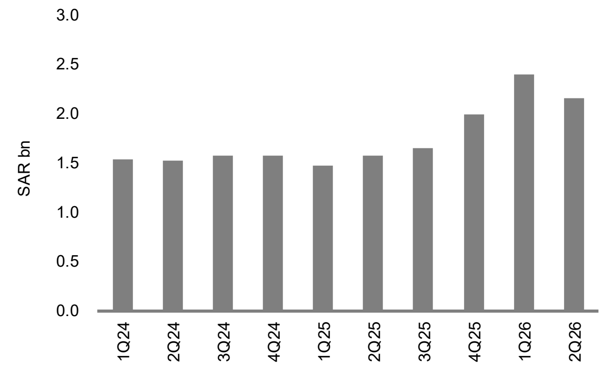
52 week	High	Low	CTL*
Price (SAR)	19.94	14.27	34.5

* CTL is % change in CMP to 52wk low

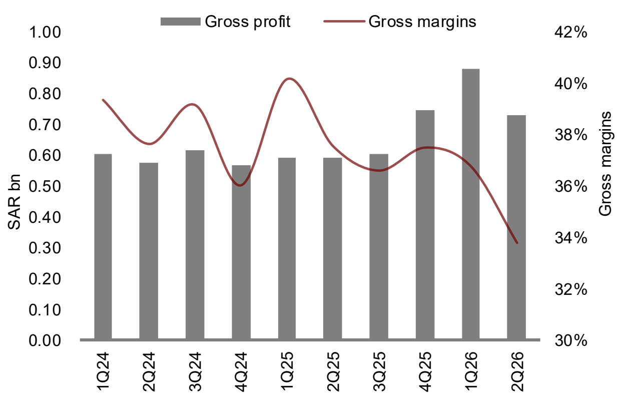
Order book reports steady improvement

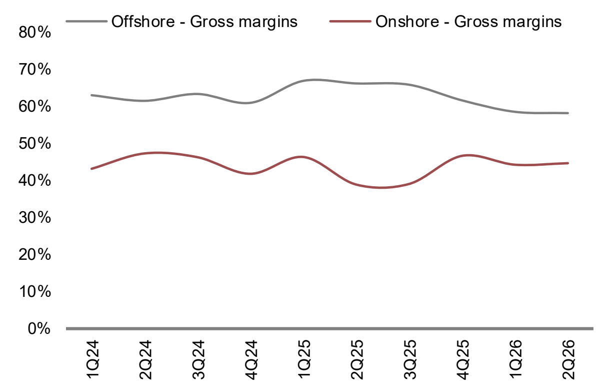


Shelf Drilling and offshore operation aids topline

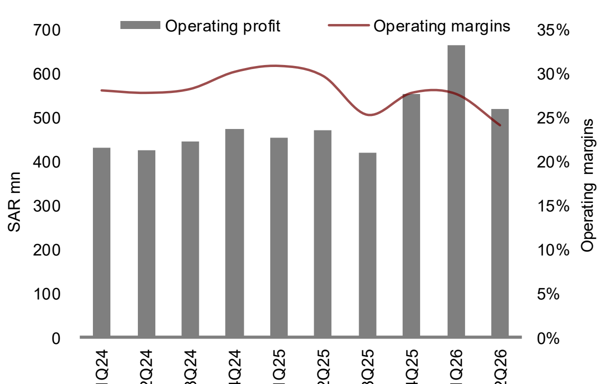


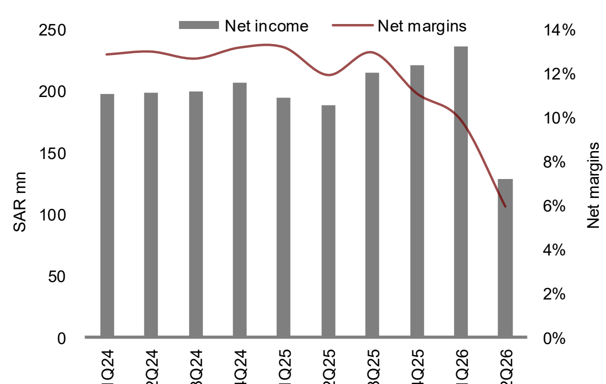
Shelf Drilling operations, along with the suspension of certain rigs, weighed on margins





Lower margins, an increase in opex and finance cost puts pressure on net income





Income Statement (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Revenue	4,332	6,199	6,689	9,566	9,757	9,980	10,151	10,354
Cost of sales	(2,621)	(3,841)	(4,156)	(6,241)	(6,326)	(6,188)	(6,184)	(6,177)
Gross profit	**1,711**	**2,358**	**2,533**	**3,325**	**3,432**	**3,792**	**3,968**	**4,178**
Operating expenses	(370)	(424)	(487)	(837)	(805)	(773)	(736)	(750)
Operating profit	**1,341**	**1,933**	**2,046**	**2,488**	**2,627**	**3,019**	**3,232**	**3,427**
Others	(101)	(159)	(61)	(120)	(122)	(124)	(127)	(129)
Finance expenses - net	(711)	(804)	(941)	(1,296)	(1,306)	(1,325)	(1,331)	(1,322)
Earnings before tax	**529**	**971**	**1,045**	**1,073**	**1,199**	**1,569**	**1,774**	**1,976**
Tax	(77)	(155)	(212)	(218)	(243)	(318)	(360)	(401)
Net income - pre minority	**452**	**816**	**833**	**855**	**955**	**1,250**	**1,414**	**1,575**
Minority interest	(10)	(14)	(15)	(19)	(21)	(28)	(31)	(35)
Net income	**442**	**802**	**818**	**836**	**934**	**1,223**	**1,383**	**1,540**

Balance Sheet (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
PP&E	16,150	17,568	25,031	26,989	28,435	29,394	29,864	29,867
Other assets	917	801	711	489	267	247	245	244
Total non-current assets	**17,067**	**18,368**	**25,742**	**27,478**	**28,702**	**29,640**	**30,109**	**30,111**
Inventory	332	527	948	1,423	1,442	1,411	1,410	1,408
Receivables	845	1,383	1,691	2,418	2,466	2,523	2,566	2,617
Cash & Cash Equivalents	432	744	2,458	1,377	974	676	731	1,065
Other current assets	747	607	573	819	835	854	869	886
Total current assets	**2,356**	**3,261**	**5,670**	**6,037**	**5,718**	**5,464**	**5,576**	**5,977**
Total assets	**19,422**	**21,629**	**31,412**	**33,515**	**34,420**	**35,104**	**35,685**	**36,088**
Share Capital	1,129	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Total reserves	4,619	5,364	5,651	5,932	6,245	6,655	7,119	7,635
Minority interest	29	45	33	52	73	100	132	166
Total Equity	**5,777**	**6,538**	**6,813**	**7,112**	**7,447**	**7,884**	**8,379**	**8,930**
Payables	1,639	1,270	2,134	3,205	3,248	3,177	3,175	3,172
Short term debt	1,180	1,331	2,290	2,373	2,433	2,469	2,479	2,462
Other current liab.	328	449	832	832	832	832	832	832
Total current liabilities	**3,147**	**3,050**	**5,256**	**6,410**	**6,513**	**6,478**	**6,486**	**6,466**
Long term debt	9,170	10,725	17,959	18,610	19,077	19,358	19,437	19,309
Long-term lease liabilities	487	352	263	263	263	263	263	263
Other non-current liab.	841	963	1,120	1,120	1,120	1,120	1,120	1,120
Total non-current liabilities	**10,498**	**12,040**	**19,343**	**19,993**	**20,461**	**20,742**	**20,820**	**20,692**
Total Liabilities	**13,646**	**15,091**	**24,599**	**26,402**	**26,973**	**27,219**	**27,306**	**27,158**
Equity and liabilities	**19,422**	**21,629**	**31,412**	**33,515**	**34,420**	**35,104**	**35,685**	**36,088**

Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	2,283	2,996	2,981	2,568	3,105	3,192	3,424	3,573
Cash from investments	(3,736)	(3,182)	(2,732)	(3,826)	(3,415)	(2,994)	(2,538)	(2,071)
Cash from financing	1,886	498	1,466	177	(94)	(496)	(830)	(1,168)
Net changes in cash	432	312	1,714	(1,082)	(403)	(298)	56	334
Cash balance	**432**	**744**	**2,458**	**1,377**	**974**	**676**	**731**	**1,065**

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share (SAR)								
EPS	0.4	0.7	0.7	0.7	0.8	1.1	1.2	1.4
BVPS	5.1	5.8	6.0	6.3	6.5	6.9	7.3	7.8
FCF/share	(1.3)	(0.2)	0.2	(1.1)	(0.3)	0.2	0.8	1.3
Valuations								
M.Cap (SAR mn)	21,678	21,678	21,678	21,678	21,678	21,678	21,678	21,678
EV (SAR mn)	32,111	33,388	39,765	41,598	42,550	43,192	43,257	42,813
EBITDA (SAR mn)	2,139	3,091	3,553	4,579	4,817	5,075	5,301	5,496
P/E	49.0x	27.0x	26.5x	25.9x	23.2x	17.7x	15.7x	14.1x
EV/EBITDA	15.0x	10.8x	11.2x	9.1x	8.8x	8.5x	8.2x	7.8x
EV/Sales	7.4x	5.4x	5.9x	4.3x	4.4x	4.3x	4.3x	4.1x
P/BV	3.8x	3.3x	3.2x	3.1x	2.9x	2.8x	2.6x	2.5x
P/S	5.0x	3.5x	3.2x	2.3x	2.2x	2.2x	2.1x	2.1x
Liquidity								
Cash Ratio	0.1x	0.2x	0.5x	0.2x	0.1x	0.1x	0.1x	0.2x
Current ratio	0.7x	1.1x	1.1x	0.9x	0.9x	0.8x	0.9x	0.9x
Quick ratio	0.6x	0.9x	0.9x	0.7x	0.7x	0.6x	0.6x	0.7x
Return ratio								
ROA	2.3%	3.7%	2.6%	2.5%	2.7%	3.5%	3.9%	4.3%
ROE	7.7%	12.4%	12.1%	11.8%	12.7%	15.7%	16.8%	17.6%
ROCE	8.1%	10.2%	7.5%	8.8%	9.0%	10.1%	10.6%	11.1%
Cash cycle								
Inventory turnover	7.9x	7.3x	4.4x	4.4x	4.4x	4.4x	4.4x	4.4x
Payables turnover	1.6x	3.0x	1.9x	1.9x	1.9x	1.9x	1.9x	1.9x
Receivables turnover	5.1x	4.5x	4.0x	4.0x	4.0x	4.0x	4.0x	4.0x
Inventory days	46	49	82	82	82	82	82	82
Payable days	225	119	185	185	185	185	185	185
Receivables days	70	80	91	91	91	91	91	91
Cash Cycle	(109)	11	(12)	(12)	(12)	(12)	(12)	(12)
Profitability ratio								
EBITDA margins	49.4%	49.9%	53.1%	47.9%	49.4%	50.9%	52.2%	53.1%
Operating margins	31.0%	31.2%	30.6%	26.0%	26.9%	30.2%	31.8%	33.1%
Net margins	10.2%	12.9%	12.2%	8.7%	9.6%	12.3%	13.6%	14.9%
Leverage								
Total debt (SAR mn)	10,837	12,409	20,513	21,246	21,773	22,090	22,179	22,034
Net debt (SAR mn)	10,405	11,665	18,054	19,869	20,799	21,414	21,447	20,969
Debt/Total assets	55.8%	57.4%	65.3%	63.4%	63.3%	62.9%	62.2%	61.1%
Debt/Equity	1.9x	1.9x	3.0x	3.0x	2.9x	2.8x	2.6x	2.5x

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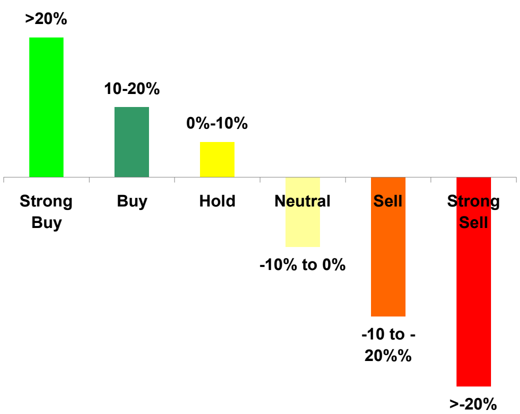
Rating Criteria and Definitions

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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