Ades Holding Co.

Investment Update

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

ADES secures transformational fleet expansion at a compelling valuation; maintain "Overweight" with a revised TP

The acquisition of Shelf Drilling marks a major leap in ADES's global growth trajectory, expanding its fleet to 83 offshore jack-ups (including 46 premium units) and boosting its share of the global jack-up market to ~20% by rig supply. The enlarged platform extends ADES's footprint across MENA, Southeast Asia, West Africa, India, the Mediterranean, and the North Sea, while adding marquee clients such as Chevron and Equinor alongside strengthening ties with leading NOCs and IOCs. Strategically, the deal delivers USD 40–50mn (SAR 150–188mn) in targeted annual operational cost synergies by FY27E and ~USD 40mn (SAR 150mn) in annual financing savings from day-one debt refinancing. Valuation-wise, the effective per-rig acquisition cost of ~USD 50mn is less than half the current market range of USD 100–125mn, underlining the attractiveness of the transaction. We forecast FY24–30E revenue CAGR of 10.0%, driven by expanded capacity and new contract deployments, with EBITDA margins recovering to 48.5% by FY30E from a temporary dip in FY26E, and net income CAGR of 11.3% over the same period. We maintain our "Overweight" recommendation on ADES with a revised TP of SAR 18.9/share.

Q2-25 earnings weighed down by higher D&A and zakat & income tax; topline recover Q/Q amid the start of new contracts: ADES' net income decreased 2.9% Q/Q to SAR 189mn in Q2-25, in line with AJC's estimate of SAR 185mn. The decline in net income was attributable to higher depreciation and amortization and zakat and income tax expenses. The commencement of operation of newly built onshore rigs in Kuwait increased depreciation and amortization expenses. Revenue grew 7.4% Q/Q to SAR 1,579mn, in line with our estimate of SAR 1,539mn. The increase was primarily driven by deployment of five onshore rigs in Kuwait (three existing + two newly built) and commencement of operation of one offshore rig in Nigeria. Total active rigs reach 73 by Q2-25 end from 68 in the previous quarter. Moreover, the healthy utilization rate also supported the topline. Total utilization stood at 98.6% in H1-25. GP margin contracted ~260bps Q/Q to 37.5% in Q2-25, below AJC estimate of 38.1% and 40.1% in Q1-25. Accordingly, gross profit was almost flat (+0.4% Q/Q) at SAR 593mn, in line with our estimate of SAR 587mn. The increase in depreciation and amortization weighed on gross margin. Operating profit rose 2.5% Y/Y to SAR 487mn in Q2-25. Operating margin declined ~150bps Q/Q to 30.9% (AJC estimate: 30.8%), as OPEX of SAR 105mn was lower 8.1% Q/Q. EBITDA growth of 5.1% Q/Q was assisted by decrease in OPEX; EBITDA margin was 54.4% in Q2-25 vs. 55.5% in Q1-25. On a Y/Y basis net income fell 5.0% Y/Y in Q2-25 primarily impacted by higher depreciation and amortization reflecting an expanding fleet and multiple rig deployments during the period along with higher finance costs. However, revenue grew 3.5% Y/Y fueled by higher contributions from the offshore segment in Egypt, Qatar, India, and Southeast Asia, with growth in Southeast Asia further boosted by the integration of two premium rigs acquired from Vantage Drilling in Q4-24.

Shelf Drilling acquisition to deliver transformational fleet expansion, consolidation of market position, and operational synergies: The acquisition of Shelf Drilling positions ADES as a leading global player in shallow-water drilling with an expanded fleet of 83 offshore jack-ups, including 46 premium units, and a broadened geographic footprint across MENA, Southeast Asia, West Africa, India, the Mediterranean, and the North Sea. ADES's market share is expected to reach ~20% in the global jack-up market (by rig supply). Moreover, the deal brings together complementary assets and customers bases, particularly adding new global customers such as Chevron and Equinor to ADES' customer base and strengthening relationships with NOCs and IOCs globally. With a combined backlog of USD 9.45bn (SAR 35.4bn), the enlarged entity gains multi-year cash flow visibility and enhanced pricing power in key basins. Management targets USD 40-50mn (SAR 150-188mn) in annual operational cost synergies and ~USD 40mn (SAR 150mn) in annual financing savings from refinancing Shelf's USD 1.3bn debt at lower rates. Operational synergies are expected to be fully realized by FY27E, while savings related finance expenses are expected to materialize from day one. Overall, the acquisition supports a projected 13% ROI over a seven-year period.

Recommendation	Overweight
Target Price (SAR)	18.9
Upside / (Downside)*	27.2%

Source: Tadawul *prices as of 24th of August 2025

Key Financials

in SAR mn, (unless specified)	FY23	FY24	FY25E	FY26E
Revenue	4,332	6,199	6,427	10,212
Growth %	75.6%	43.1%	3.7%	58.9%
Gross Profit	1,711	2,359	2,464	5,218
EBITDA	2,139	3,037	3,385	4,486
Net Income	442	802	782	1,062
Growth %	13.7%	81.5%	-2.6%	35.8%
EPS	0.39	0.71	0.69	0.94
DPS	0.00	0.44	0.42	0.60

Source: Company reports, Aljazira Capital

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	39.5%	38.1%	38.3%	51.1%
EBITDA Margin	49.4%	49.0%	52.7%	43.9%
Net Margin	10.2%	12.9%	12.2%	10.4%
ROE	7.7%	12.4%	11.5%	14.8%
ROA	2.3%	3.7%	3.4%	3.7%
P/E	High	24.4	21.4	15.8
P/B	4.7	3.0	2.5	2.3
EV/EBITDA (x)	17.5	10.3	8.5	7.5
Dividend Yield	0.0%	2.5%	2.8%	4.0%

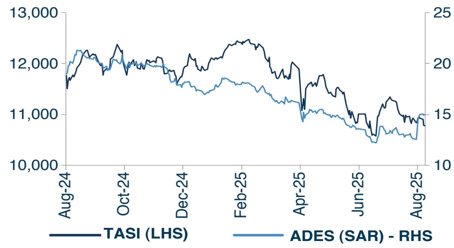
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (SAR bn)	16.8
YTD%	-14.5%
52 weeks (High)/(Low)	21.50/12.16
Share Outstanding (mn)	1,129.1

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, AlJazira Capital Research

Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

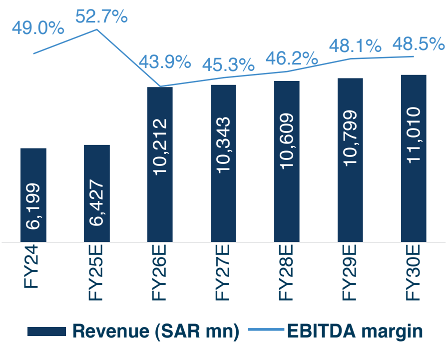
Acquisition price significantly below current market cost per offshore rig: The cash consideration of NOK 14.00 per Shelf Drilling share corresponds to a fully diluted equity value of Shelf Drilling of approximately NOK 3.9bn or USD 379mn (SAR 1.4bn) and represents a premium of 1) 62% to the Shelf Drilling closing price of NOK 8.64 on 4 August 2025 2) 56% to the volume weighted average price of NOK 8.98 over the last 1 month up to and including 4 August 2025 and 4.5x EV/EBITDA multiple. However, the valuation based on per rig cost is significantly cheaper compared to the market price per offshore rig. Our calculation considering acquisition cost of USD 379mn and Shelf's debt of around USD 1.3bn indicate effective per rig acquisition cost of around USD 50mn which is substantially lower than market price in the range of USD 100-125mn.

FY26E revenue surge of 58.9% to SAR 10.2bn driven by Shelf Drilling acquisition and new contract deployments: ADES's revenues are projected to rise sharply by 58.9% to SAR 10.2bn in FY26E, propelled by the acquisition of Shelf Drilling, which adds 33 offshore rigs (27 already active and some of the idle rigs expected to be deployed next year). This step-change in capacity will be complemented by incremental contributions from new contract deployments in H2-25, covering offshore projects in Nigeria, Thailand, Brazil, and Cameroon and onshore projects in Kuwait and Algeria. Following this acquisition-led boost, revenue growth for the combined entity is expected to normalize, translating into a FY24–30E CAGR of 10.0%, underpinned by an enlarged fleet, diversified geographies, and improved market positioning. We expect active offshore/onshore rigs to increase to 79/33 by the end of FY26E. We assume ADES will continue to expand its fleet even after the acquisition, albeit at a slower pace, as the company will continue to command a healthy financial position. We forecast the number of active offshore/onshore rigs to reach 85/35 by FY30E.

EBITDA margin likely to tighten post-acquisition and recover gradually with realization of synergies, but acquisition to be EPS accretive from first year of acquisition: The EBITDA margin of the company is expected to drop to 43.9% in FY26E from expected 52.7% in FY25E and 49.0% in FY24, as Shelf's EBITDA margin is lower at ~37-38%. However, operating synergies estimated at SAR 150-188mn would be fully realized by FY27E. Moreover, Shelf's margin profile is expected to move gradually towards ADES' margins. Hence, we project EBITDA margin to reach 48.5% in FY30E from 49.0% in FY24. The net margin is also expected to be impacted to reach 10.4% in FY26E from 12.9% in FY24 but would be supported by savings in finance costs (~SAR 150mn) resulting from restructuring of Shelf's debt at lower interest cost (~3-3.5% cost of debt). Thus, acquisition is expected to be EPS accretive starting from first year (FY26E). Consequently, net income is forecasted to grow at a CAGR of 11.3%, rising from SAR 802mn in FY24 to SAR 1,528mn in FY30E.

Balance sheet strength to remain intact; leverage to ease in the long term: ADES's debt is expected to increase to SAR 17.9bn by end of FY26E from SAR 12.1bn in FY24 due to addition debt to fund acquisition and consolidation of Shelf's existing debt. However, the debt is well covered by a robust backlog of SAR 35.4bn. Over the long run, capital expenditure is expected to moderate, as a result, the company's leverage ratio (debt to equity) is projected to ease to 1.8x in FY30E after peaking at 2.5x in FY26E.

Revenue (SAR mn) and EBITDA margin



Source: Company reports, Aljazira Capital Research

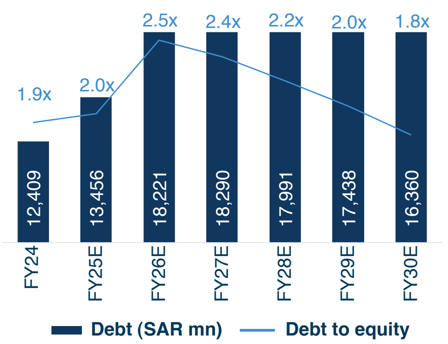
Active rigs and day rates

Operating metrics

	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Active rigs	**72**	**82**	**112**	**113**	**116**	**118**	**120**
Onshore	26	32	33	33	34	34	35
Offshore	46	50	79	80	82	84	85

Source: Company reports, Aljazira Capital Research

Total debt and leverage



Source: Company reports, Aljazira Capital Research

Investment thesis and valuation: In our view, ADES' acquisition of Shelf Drilling delivers a rare combination of scale, market consolidation, and cost efficiency, positioning ADES for sustained growth and value creation. The deal significantly enhances the company's competitive standing, geographic diversification, and customer base, while offering substantial operational and financing synergies. With a robust backlog underpinning multi-year revenue visibility, attractive per-rig acquisition cost, and healthy balance sheet trajectory, ADES is well-placed to deliver on its growth and profitability targets. Supported by a forecast FY24–30E revenue CAGR of 10.0% and net income CAGR of 11.3%, we remain confident in the company's long-term investment case. We valued ADES with 50% weightage to DCF (WACC=8.4%, terminal growth rate=1.5%) and 50% weight to FY26E EV/EBITDA (9x) to arrive at a TP of **SAR 18.9/share**, implying 27.2% upside. Hence, we maintain our "**Overweight**" rating on the stock.

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF	20.6	50%	10.3
EV/EBITDA (9x, FY2026 discounted)	17.1	50%	8.6
Blended TP			**18.9**
Up/Downside (%)			**27.2%**

Source: AlJazira Capital Research, price as of August 24, 2025

Key Financial Data

Amount in SARmn, unless otherwise specified	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement										
Revenues	1,514	2,467	4,332	6,199	6,427	10,212	10,343	10,609	10,799	11,010
Y/Y	**-10.7%**	**62.9%**	**75.6%**	**43.1%**	**3.7%**	**58.9%**	**1.3%**	**2.6%**	**1.8%**	**1.9%**
Cost of revenue	(975)	(1,576)	(2,621)	(3,840)	(3,963)	(4,994)	(5,114)	(5,272)	(5,339)	(5,505)
Gross profit	**539**	**891**	**1,711**	**2,359**	**2,464**	**5,218**	**5,229**	**5,337**	**5,461**	**5,505**
Gross margin	**35.6%**	**36.1%**	**39.5%**	**38.1%**	**38.3%**	**51.1%**	**50.6%**	**50.3%**	**50.6%**	**50.0%**
General & administration expense	(158)	(246)	(370)	(424)	(442)	(2,498)	(2,414)	(2,383)	(2,378)	(2,370)
EBITDA	657	1,049	2,139	3,037	3,385	4,486	4,682	4,905	5,199	5,340
Y/Y	**-3.3%**	**59.5%**	**104.0%**	**42.0%**	**11.5%**	**32.5%**	**4.4%**	**4.8%**	**6.0%**	**2.7%**
EBITDA margin	**43.4%**	**42.5%**	**49.4%**	**49.0%**	**52.7%**	**43.9%**	**45.3%**	**46.2%**	**48.1%**	**48.5%**
Operating profit	**(20)**	**334**	**1,285**	**1,804**	**1,851**	**2,523**	**2,611**	**2,743**	**2,859**	**2,899**
Y/Y	**NM**	**NM**	**284.3%**	**40.4%**	**2.6%**	**36.3%**	**3.5%**	**5.1%**	**4.2%**	**1.4%**
Operating margin	**-1.3%**	**13.6%**	**29.7%**	**29.1%**	**28.8%**	**24.7%**	**25.2%**	**25.9%**	**26.5%**	**26.3%**
Financial charges	(305)	(303)	(711)	(804)	(869)	(1,220)	(1,187)	(1,088)	(1,063)	(1,014)
Income before zakat	**149**	**468**	**529**	**971**	**982**	**1,304**	**1,424**	**1,654**	**1,796**	**1,885**
Zakat	(35)	(71)	(77)	(155)	(189)	(229)	(262)	(298)	(327)	(341)
Net income	**108**	**390**	**442**	**802**	**782**	**1,062**	**1,148**	**1,342**	**1,454**	**1,528**
Y/Y	**46.5%**	**262.2%**	**13.2%**	**81.5%**	**-2.6%**	**35.8%**	**8.2%**	**16.9%**	**8.3%**	**5.1%**
Net margin	**7.1%**	**15.8%**	**10.2%**	**12.9%**	**12.2%**	**10.4%**	**11.1%**	**12.7%**	**13.5%**	**13.9%**
EPS (SAR)	**0.1**	**0.3**	**0.4**	**0.71**	**0.69**	**0.94**	**1.02**	**1.19**	**1.3**	**1.4**
DPS (SAR)	**-**	**-**	**-**	**0.44**	**0.42**	**0.60**	**0.65**	**0.75**	**0.85**	**0.95**
Balance sheet										
Assets										
Cash & equivalent	233	191	432	744	1,506	1,539	2,341	2,459	2,632	2,349
Other current assets	918	1,500	1,924	2,516	2,646	3,558	3,645	3,782	3,884	4,004
Total current assets	**1,151**	**1,691**	**2,356**	**3,260**	**4,152**	**5,098**	**5,986**	**6,240**	**6,516**	**6,353**
Property plant & equipment	5,358	12,066	16,150	17,568	18,002	22,945	22,536	22,487	22,141	21,691
Right of use assets	64	391	644	494	457	404	364	345	353	395
Total assets	**6,692**	**14,501**	**19,422**	**21,628**	**22,923**	**28,772**	**29,210**	**29,408**	**29,349**	**28,786**
Liabilities & owners' equity										
Trade payables	497	1,085	1,639	1,270	1,350	2,144	2,172	2,228	2,268	2,312
Other current liabilities	480	1,075	1,508	1,780	1,904	1,976	1,899	1,535	1,557	1,613
Total current liabilities	**977**	**2,161**	**3,147**	**3,051**	**3,253**	**4,120**	**4,071**	**3,763**	**3,825**	**3,925**
Lease liabilities – non-current	38	270	487	352	355	355	376	417	475	564
Long term loans	3,638	9,575	9,170	10,725	11,644	16,337	16,461	16,484	15,851	14,629
Total non-current liabilities	**3,792**	**10,082**	**10,498**	**12,040**	**12,826**	**17,432**	**17,514**	**17,533**	**16,928**	**15,820**
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	5,669	6,045	6,451	6,938	7,422	7,867
Total owners' equity	**1,894**	**2,222**	**5,748**	**6,493**	**6,798**	**7,174**	**7,580**	**8,067**	**8,551**	**8,996**
Non-controling interests	**30**	**36**	**29**	**45**	**45**	**45**	**45**	**45**	**45**	**45**
Total equity & liabilities	**6,692**	**14,501**	**19,422**	**21,629**	**22,923**	**28,772**	**29,210**	**29,408**	**29,349**	**28,786**
Cashflow statement										
Operating activities	317	1,146	2,283	2,998	2,993	3,970	4,224	4,389	4,537	4,691
Investing activities	(1,464)	(6,438)	(3,736)	(3,185)	(1,704)	(6,651)	(1,395)	(1,835)	(1,556)	(1,543)
Financing activities	1,145	5,250	1,886	498	(527)	2,714	(2,028)	(2,436)	(2,807)	(3,431)
Change in cash	(1)	(42)	432	311	763	34	801	118	174	(283)
Ending cash balance	**233**	**191**	**432**	**743**	**1,506**	**1,539**	**2,341**	**2,459**	**2,632**	**2,349**
Liquidity ratios										
Current ratio (x)	1.2	0.8	0.7	1.1	1.3	1.2	1.5	1.7	1.7	1.6
Quick ratio (x)	1.0	0.7	0.6	0.9	1.1	1.1	1.3	1.5	1.5	1.5
Profitability ratios										
Gross profit margin	35.6%	36.1%	39.5%	38.1%	38.3%	51.1%	50.6%	50.3%	50.6%	50.0%
Operating margin	-1.3%	13.6%	29.7%	29.1%	28.8%	24.7%	25.2%	25.9%	26.5%	26.3%
EBITDA margin	43.4%	42.5%	49.4%	49.0%	52.7%	43.9%	45.3%	46.2%	48.1%	48.5%
Net profit margin	7.1%	15.8%	10.2%	12.9%	12.2%	10.4%	11.1%	12.7%	13.5%	13.9%
Return on assets	1.6%	2.7%	2.3%	3.7%	3.4%	3.7%	3.9%	4.6%	5.0%	5.3%
Return on equity	5.7%	17.6%	7.7%	12.4%	11.5%	14.8%	15.2%	16.6%	17.0%	17.0%
Leverage ratio										
Debt / equity (x)	2.16	4.87	1.89	1.91	1.98	2.54	2.41	2.23	2.04	1.82
Market/valuation ratios										
EV/sales (x)	NM	NM	4.9	5.0	4.5	3.3	3.2	3.0	2.9	2.8
EV/EBITDA (x)	NM	NM	17.5	10.3	8.5	7.5	7.0	6.6	6.1	5.8
Market-Cap	NM	NM	27,098	19,601	16,755	16,755	16,755	16,755	16,755	16,755
Market price	NM	NM	24.00	17.36	14.84	14.84	14.84	14.84	14.84	14.84
P/E ratio (x)	NM	NM	61.3	24.4	21.4	15.8	14.6	12.5	11.5	11.0
P/BV ratio (x)	NM	NM	4.7	3.0	2.5	2.3	2.2	2.1	2.0	1.9
DY (%)	NM	NM	0.0%	2.5%	2.8%	4.0%	4.4%	5.1%	5.7%	6.4%

Source: Company reports, Aljazira Capital Research, * market price as of August 24, 2025

RESEARCH DIVISION

Head of Sell-Side Research - Director
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

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.

RATING TERMINOLOGY

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.