

Ades Holding Co.

Sector: Oil Drilling Service

HOLD

19 May 2026

- **Top-line performance recorded robust YoY growth of 62.6%, driven primarily by the recent acquisition of Shelf Drilling.**
- **Net income increased by 21.8% YoY; however, margin pressure following the acquisition limited overall profitability growth.**
- **We raise our target price to SAR 21 per share. However, given ongoing regional uncertainties, we remain cautious and restrict our rating to Hold.**

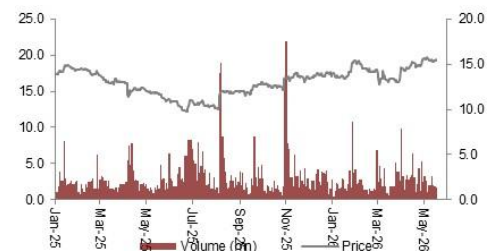
Target price (SAR) 21.00

Current price (SAR) 19.60

Return +7.1%

Ades Holding Co. (ADES) reported revenue of SAR 2.4 bn in 1Q26, reflecting a robust 62.6% YoY increase, driven primarily by the recent acquisition of Shelf Drilling. The acquisition expanded the company's offshore fleet by 33 rigs, bringing the total count to more than 80 rigs as of 1Q26. Top-line growth was mainly supported by a 71.0% YoY increase in offshore segment revenue following the acquisition. Meanwhile, onshore revenue increased by 25.7% YoY, supported by higher rigs deployment in Kuwait. Saudi Arabia, however, remained constrained due to the temporary non-activity of certain rigs. While two onshore rigs resumed operations during 1Q26, the remaining rigs are expected to become operational later this year. Consequently, overall rig utilization declined to 96% in 1Q26 from 98% in 1Q25. Revenue improved across nearly all operating regions, with the exception of Saudi Arabia, where revenue declined by 5.0% YoY due to the aforementioned rig inactivity. Nevertheless, this decline was more than offset by the recovery in Kuwait and strong growth across other markets, particularly India Southeast Asia, Egypt, Algeria and Tunisia. Gross profit increased by 48.9% YoY to SAR 879 mn, primarily driven by higher revenue generation. However, gross margin declined to 36.8% in 1Q26 from 40.1% in 1Q25, mainly due to the lower-margin operations associated with Shelf Drilling. Management expects margins to improve gradually as the acquisition becomes more fully integrated into the core business and operational synergies are increasingly realized. Operating expenses rose sharply by 93.6% YoY, mainly due to higher G&A and other operating costs. Finance expenses also increased by 43.8% YoY, reflecting higher debt levels associated with the acquisition. As a result, net income increased by 21.8% YoY to SAR 236 mn, supported by the acquisition.

Valuation: ADES delivered strong financial performance in 1Q26, although net income growth was partially constrained by lower margins. However, this was in line with management guidance, and we expect margin levels to improve gradually over the coming years as integration progresses and synergies are realized. The company's order backlog remained solid at SAR 34.5 bn, with a weighted average remaining tenor of 4.7 years, providing strong revenue visibility. Although operations in Saudi Arabia continued to be affected by suspended rigs, activity is gradually resuming and utilization levels are expected to improve over the coming quarters. The ongoing regional conflict has thus far had a limited impact on ADES's operations, and we take comfort from the company maintaining its EBITDA guidance of SAR 4.5-4.87 bn for 2026. Nevertheless, a prolonged escalation in regional tensions could adversely affect performance, which continues to underpin our cautious outlook on the company. Overall, we raise our target price for ADES to SAR 21 per share, which implies a Hold rating.



Exchange	Saudi Arabia	
Index weight (%)	0.4%	
(mn)	SAR	USD
Market Cap	21,960	5,852
Enterprise value	40,050	10,672

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)	25.5	
P/Book (x)	3.2	
EV/EBITDA (x)	10.3	
Dividend Yield (%)	2.3	
Free Float (%)	33%	
Shares O/S (mn)	1,129	
YTD Return (%)	12%	
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	0.42	0.44
Payout ratio (%)	0%	59%	61%

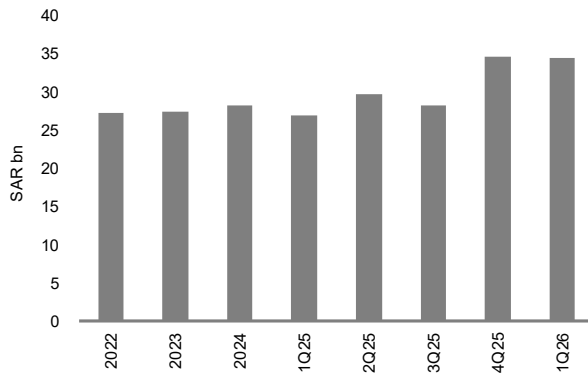
Price performance (%)	1M	3M	12M
Ades Holding Co	3%	10%	32%
Tadawul All Share Index	-5%	-1%	-5%

52 week	High	Low	CTL*
Price (SAR)	19.94	12.16	60.0

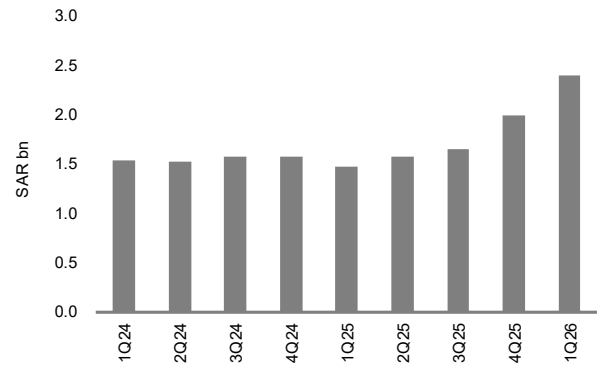
* CTL is % change in CMP to 52wk low



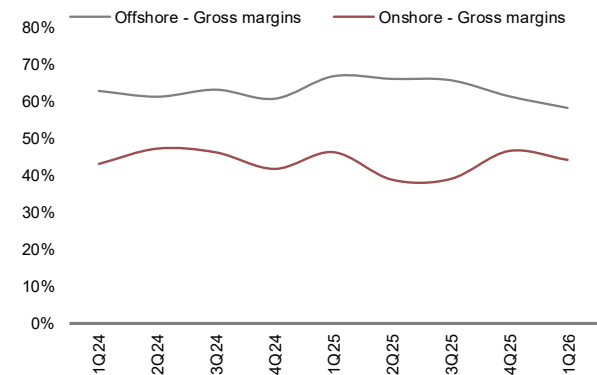
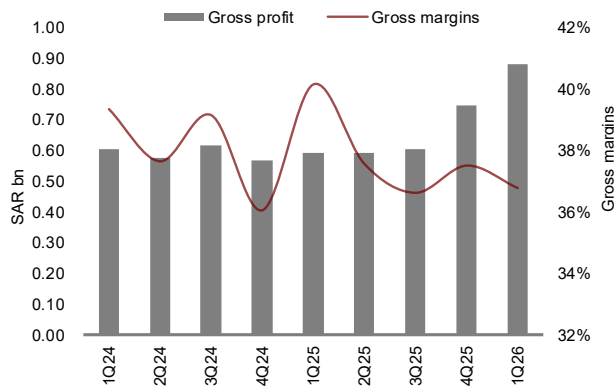
Order book remains robust



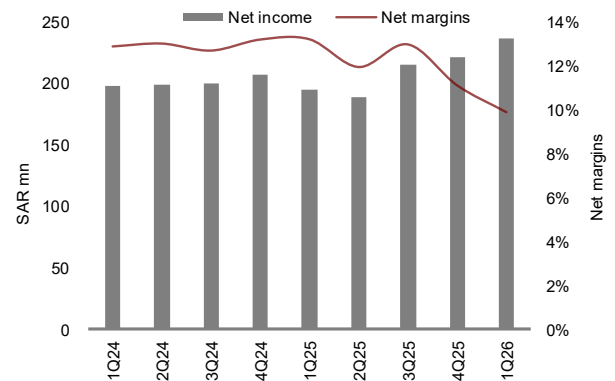
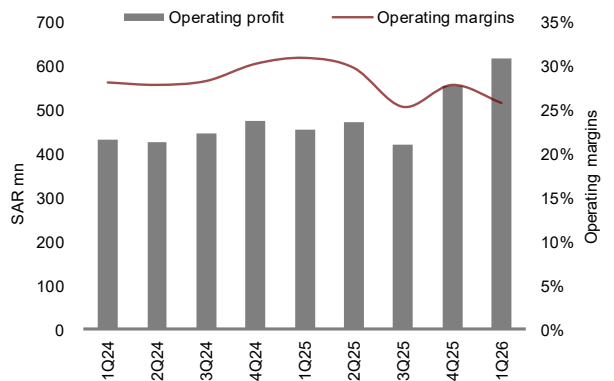
Acquisition drives revenue



Gross margins come under pressure on account of lower margins of Shelf Drilling



Profits driven by higher revenue, even as growth restricted on account of pressure on margins



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)	(6,077)	(6,159)	(6,030)	(6,112)	(6,193)
Gross profit	1,711	2,358	2,533	3,489	3,598	3,949	4,040	4,161
Operating expenses	(370)	(424)	(487)	(696)	(710)	(727)	(739)	(754)
Operating profit	1,341	1,933	2,046	2,792	2,888	3,223	3,301	3,407
Others	(101)	(159)	(61)	(55)	(56)	(57)	(58)	(59)
Finance expenses - net	(711)	(804)	(941)	(1,487)	(1,306)	(1,325)	(1,331)	(1,322)
Earnings before tax	529	971	1,045	1,251	1,526	1,841	1,912	2,026
Tax	(77)	(155)	(212)	(191)	(233)	(281)	(292)	(310)
Net income - pre minority	452	816	833	1,059	1,293	1,559	1,620	1,716
Minority interest	(10)	(14)	(15)	(23)	(29)	(34)	(36)	(38)
Net income	442	802	818	1,036	1,264	1,525	1,584	1,678
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	1,386	1,404	1,375	1,393	1,412
Receivables	845	1,383	1,691	2,418	2,466	2,523	2,566	2,617
Cash & Cash Equivalents	432	744	2,458	1,402	1,116	928	1,080	1,489
Other current assets	747	607	573	819	835	854	869	886
Total current assets	2,356	3,261	5,670	6,024	5,821	5,680	5,909	6,405
Total assets	19,422	21,629	31,412	33,502	34,524	35,320	36,018	36,516
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	5,998	6,422	6,934	7,465	8,028
Minority interest	29	45	33	56	85	119	155	193
Total Equity	5,777	6,538	6,813	7,184	7,636	8,182	8,749	9,349
Payables	1,639	1,270	2,134	3,121	3,162	3,096	3,138	3,180
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	6,326	6,427	6,397	6,449	6,474
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	26,318	26,888	27,139	27,269	27,166
Equity and liabilities	19,422	21,629	31,412	33,502	34,524	35,320	36,018	36,516
Cash Flows (SAR mn)	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Cash from operations	2,283	2,996	2,981	2,725	3,442	3,503	3,654	3,740
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	45	(313)	(697)	(964)	(1,260)
Net changes in cash	432	312	1,714	(1,057)	(286)	(187)	152	409
Cash balance	432	744	2,458	1,402	1,116	928	1,080	1,489

Ratios	2023	2024	2025	2026e	2027e	2028e	2029e	2030e
Per Share (SAR)								
EPS	0.4	0.7	0.7	0.9	1.1	1.4	1.4	1.5
BVPS	5.1	5.8	6.0	6.3	6.7	7.1	7.6	8.1
FCF/share	(1.3)	(0.2)	0.2	(1.0)	0.0	0.5	1.0	1.5
Valuations								
M.Cap (SAR mn)	21,960	21,960	21,960	21,960	21,960	21,960	21,960	21,960
EV (SAR mn)	32,394	33,670	40,047	41,860	42,703	43,241	43,214	42,698
EBITDA (SAR mn)	2,139	3,091	3,553	4,883	5,079	5,279	5,369	5,476
P/E	49.7x	27.4x	26.8x	21.2x	17.4x	14.4x	13.9x	13.1x
EV/EBITDA	15.1x	10.9x	11.3x	8.6x	8.4x	8.2x	8.0x	7.8x
EV/Sales	7.5x	5.4x	6.0x	4.4x	4.4x	4.3x	4.3x	4.1x
P/BV	3.8x	3.4x	3.2x	3.1x	2.9x	2.7x	2.6x	2.4x
P/S	5.1x	3.5x	3.3x	2.3x	2.3x	2.2x	2.2x	2.1x
Liquidity								
Cash Ratio	0.1x	0.2x	0.5x	0.2x	0.2x	0.1x	0.2x	0.2x
Current ratio	0.7x	1.1x	1.1x	1.0x	0.9x	0.9x	0.9x	1.0x
Quick ratio	0.6x	0.9x	0.9x	0.7x	0.7x	0.7x	0.7x	0.8x
Return ratio								
ROA	2.3%	3.7%	2.6%	3.1%	3.7%	4.3%	4.4%	4.6%
ROE	7.7%	12.4%	12.1%	14.5%	16.7%	18.9%	18.4%	18.3%
ROCE	8.1%	10.2%	7.5%	9.8%	9.8%	10.6%	10.7%	10.9%
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%	51.0%	52.0%	52.9%	52.9%	52.9%
Operating margins	31.0%	31.2%	30.6%	29.2%	29.6%	32.3%	32.5%	32.9%
Net margins	10.2%	12.9%	12.2%	10.8%	13.0%	15.3%	15.6%	16.2%
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	19,844	20,658	21,162	21,099	20,545
Debt/Total assets	55.8%	57.4%	65.3%	63.4%	63.1%	62.5%	61.6%	60.3%
Debt/Equity	1.9x	1.9x	3.0x	3.0x	2.9x	2.7x	2.5x	2.4x

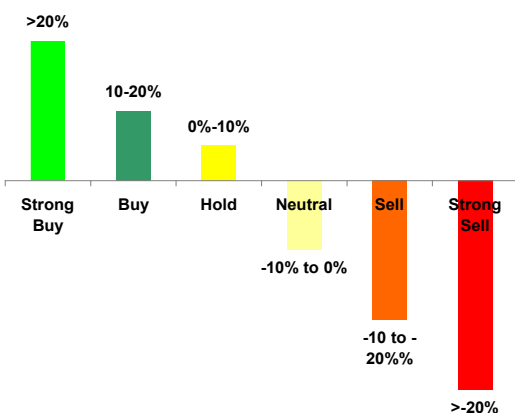
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Rating Criteria and Definitions

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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