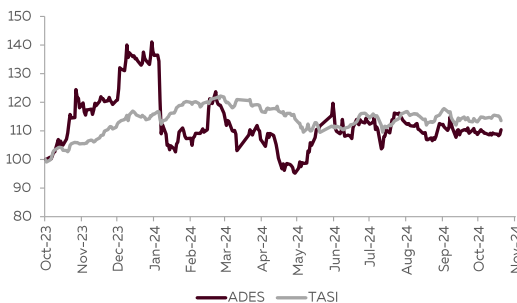


ADES Holding Co. (ADES)

Recommendation	Buy
Current Market Price (SAR)	20
52wk High / Low (SAR)	26.1/17.2
Mkt. Cap. (USD/SAR Mn)	5,904/22,152
Shares Outstanding (mn)	1,129.1
Free Float (%)	63%
30d Average Vol. (000)	1,774.8
20d Avg Daily Turnover (SAR'000)	28,974
Dividend Yield '24e (%)	4.9%
P/E'24e (x)	23.5
EV/EBITDA'24e (x)	10.2

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	2,467	4,332	5,898	6,363
Gross profit	891	1,711	2,293	2,524
Gross margin (%)	36%	40%	39%	40%
EBIT	645	1,341	1,843	2,045
EBIT margin (%)	26%	31%	31%	32%
EBITDA	1,049	2,139	3,063	3,356
EBITDA margin (%)	43%	49%	52%	53%
Net Income	398	453	839	1,004
Net margin (%)	16%	10%	14%	16%
EPS (SAR)	0.35	0.59	1.09	1.31
RoE (%)	18%	8%	13%	15%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

ADES Investments Holding	36.50%
PIF	23.80%
Zamil GroUp Investment Limited	6.70%

Source: Bloomberg, Yaqeen Capital

Profits rise on higher revenues and improved EBITDA margins

- In 3Q2024, ADES's net income surged by 132.7% YoY (+0.6% QoQ) to SAR 203mn, driven by strong revenue growth and enhanced EBITDA margins. The net margin rose by 4.8ppts YoY (-0.3ppts QoQ) to 12.9%, benefiting from an increased EBITDA margin and lower interest-to-revenue ratio, although this was partially offset by higher depreciation due to rig deployments in Saudi Arabia, Kuwait, and India.
- Revenue grew 45.8% YoY to SAR 1,573mn in 3Q2024, propelled by robust growth in Saudi Arabia with newly deployed rigs, additional contributions from India, Indonesia, and Thailand, and higher effective daily rates for existing offshore rigs in Saudi Arabia and Egypt. The onshore segment also saw gains with more rigs operating in Kuwait and Algeria. On a QoQ basis, revenue increased by 3.1%, driven by the deployment of the EMERALD rig in Indonesia in late 2Q2024 and reactivation of suspended Saudi jackups, with new deployments in Qatar, Thailand, and Egypt.
- Gross profit increased by 48.4% YoY (+7.2% QoQ) to SAR 616mn, amid revenue growth. The gross margin improved by 0.7ppts YoY (+1.5ppts QoQ), reaching 39.1%.
- Operating profit rose by 57.6% YoY (+8.7% QoQ) to SAR 513mn, with the operating margin increasing by 2.5ppts YoY (+1.7ppts QoQ) to 32.6%.
- For 9M2024, net income climbed 114.2% YoY to SAR 606mn, reflecting strong revenue growth and better EBITDA profitability, despite higher depreciation. The net profit margin rose by 3.3ppts to 13.2%.
- Revenue for 9M2024 rose 51.3% YoY to SAR 4,630mn, supported by continued growth in Saudi Arabia from new rigs, increased contributions from India, Indonesia, and Thailand, and higher effective daily rates in Saudi Arabia and Egypt. The onshore segment also saw gains, with more operational rigs in Kuwait and Algeria.

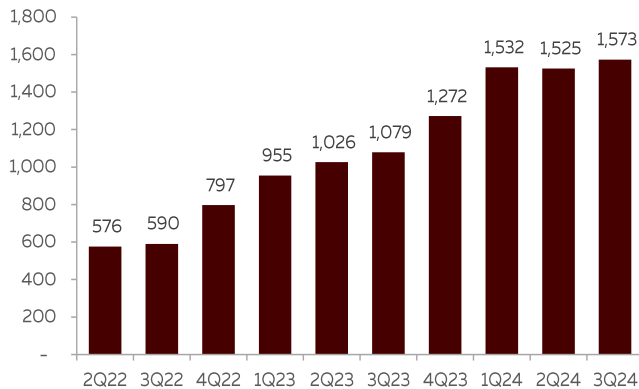
Outlook & Valuation: The company is well positioned to capitalize on the expected rise in oil and gas exploration activities, supported by additional rig deployments and higher day rates over the medium to long term. With strong demand forecasts and a solid order backlog, revenue growth is anticipated. As the offshore segment contributes more, profitability is likely to improve due to stronger margins in the coming years. The stock is currently trading at EV/EBITDA of 10.2x (based on FY2024e EBITDA). We hold an optimistic view on ADES' long-term growth prospects and based on our equal weighted valuation using DCF and EV/EBITDA methodologies, we arrive at a fair value of SAR 22.4/share (12.0% upside from current level). Consequently, we have a BUY rating on the stock.

Financial Summary

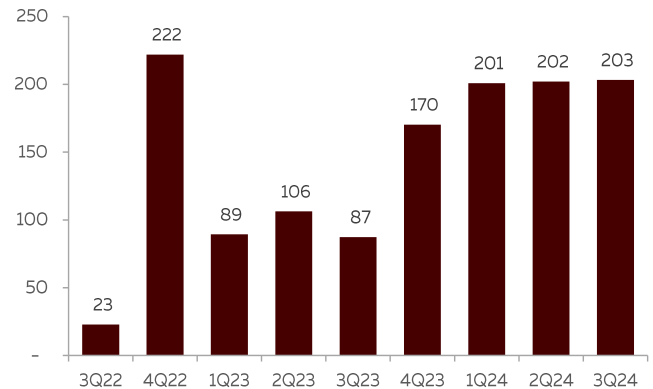
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	1,573	1,079	46%	1,525	3%
Gross profit	616	415	48%	574	7%
Gross margin (%)	39%	38%		38%	
EBIT	513	325	58%	472	9%
EBIT margin (%)	33%	30%		31%	
Net income	203	87	133%	202	1%
Net margin (%)	13%	8%		13%	
EPS (SAR)	0.19	0.10	82%	0.18	1%

Source: Company Reports, Yaqeen Capital

Revenue (SAR mn) Trend



Net Profit (SAR mn) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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