

## All Suspended Rigs Deployed and Nigeria a New Frontier

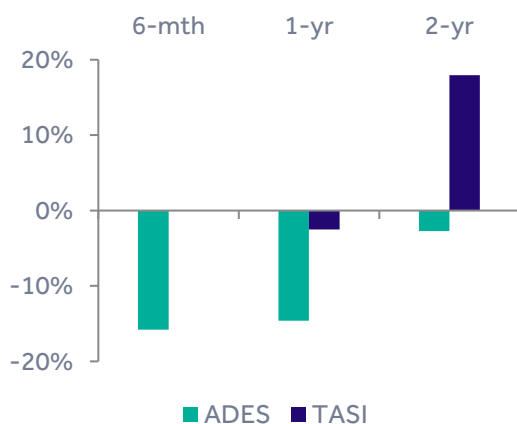
March 5, 2025

Upside to Target Price	24.9%	Rating	Buy
Expected Dividend Yield	2.6%	Last Price	SAR 16.82
Expected Total Return	27.5%	12-mth target	SAR 21.00

Market Data	
52-week high/low	SAR 22.9 / 16.9
Market Cap	SAR 18,991 mln
Shares Outstanding	1,129 mln
Free-float	63.09%
12-month ADTV	3,416,104
Bloomberg Code	ADES AB

ADES	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	1,569	1,272	23%	1,573	0%	1,465
Gross Profit	567	515	10%	616	(8%)	527
Gross Margins	36%	41%		39%		36%
Operating Profit	456	425	7%	513	(11%)	387
Net Profit	207	167	24%	200	4%	156

(All figures are in SAR mln)



- ADES reported a topline of SAR 1,569 mln (+23% Y/Y and flat Q/Q), only slightly higher than our SAR 1,465 mln estimate. Management commented on utilization rates of the group for 2024, which were high, at 97.7%, while the group earned total annual revenues of SAR 6,199 mln vs. SAR 4,332 mln in 2023 (+43% Y/Y). Milestones which supported growth were the redeployment of previously suspended rigs, all onshore rigs in Kuwait being operational as of April 2024, three rig deployments in Algeria, and growth in Southeast Asia, with the acquisition of two contracted rigs from Vantage Drilling. Moreover, some operational wins, such as the new offshore contracts in Nigeria and two newly deployed rigs in Algeria, which have yet to commence operations, offer further upside accruing in the near-term.
- ADES' operating profit came in at SAR 456 mln, up +7% Y/Y and down -11% Q/Q, much lower Y/Y growth than revenues. We attribute this discrepancy in performance to higher expenses in relation to rig deployment and ADES' continued growth.
- ADES reported net profits of SAR 207 mln, increasing +24% Y/Y and +4% Q/Q, which is impressive, given the Aramco suspensions in early 2024. We also note, the recently announced offshore Nigerian contracts secured by ADES in early 2025, represent the final redeployment of all previously suspended rigs in Saudi Arabia. This milestone speaks to management's ability to deploy rigs quickly, secure more contracts globally, which was a pillar of their medium-term strategy, and compete globally with other operators. Management provided guidance for 2025, stating that ADES is targeting EBITDA of SAR 3.28-3.39 bln, a Y/Y increase of +8-12%. We appreciate management calling out a deleveraging strategy in their latest earnings release, given that a clear risk is the amount of debt that ADES is carrying; at this time, we maintain our target price and rating.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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