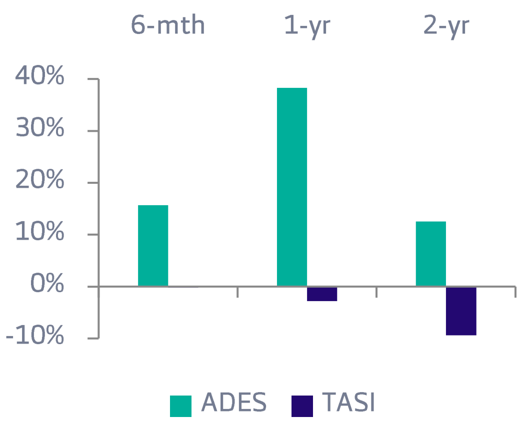
Regional Drag Clips KSA; ADES Flexes Global Reach

May 21, 2026

Upside to Target Price	6.7%	Rating	Neutral
Expected Dividend Yield	2.4%	Last Price	SAR 19.69
Expected Total Return	9.1%	12-mth target	SAR 21.00

Market Data	
52-week high/low	SAR 19.9 / 12.2
Market Cap	SAR 22,231 mln
Shares Outstanding	1,129 mln
Free-float	39.31%
12-month ADTV	2,378,351
Bloomberg Code	ADES AB



ADES	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	2,391	1,470	63%	1,986	20%	2,200
Gross Profit	879	590	49%	745	18%	814
Gross Margins	37%	40%		37%		37%
Operating Profit	663	464	43%	572	16%	740
Net Profit	236	194	22%	221	7%	242

(All figures are in SAR mln)

- ADES reported 1Q26 revenue of SAR 2,391 mln (+63% Y/Y and +20% Q/Q), in line with our estimate of SAR 2,200 mln, and EBITDA of SAR 1,150 mln (+41% Y/Y), with both line-items representing record levels. However, these results were slightly weaker than headlines suggest. EBITDA margin compressed ~740 bps Y/Y to 48% and net profit margin also fell ~330 bps to ~10%, both reflecting the consolidation of Shelf Drilling's structurally lower-margin operations and a +44% Y/Y step-up in finance costs.
- ADES' operating profit came in at SAR 663 mln, up +43% Y/Y and +16% Q/Q, slightly lower than our estimate of SAR 740 mln. ADES also reported net profit of SAR 236 mln, increasing +22% Y/Y and +7% Q/Q, in line with our estimate of SAR 242 mln. Although we recognize strong results, with Y/Y double-digit growth across the income statement for ADES, the most informative data point is KSA revenue, which declined -5% Y/Y to SAR 854 mln, despite Shelf-related additions (+4 in KSA) and three rig resumptions in-quarter. This validates our view that the regional disruption is structurally weighing on KSA activity. The second most important data point we highlight is management's reiteration of FY2026 EBITDA guidance of SAR 4.50–4.87 bln, while they also flagged additional 2Q pressure should regional conditions persist. We view these conditions as difficult to predict, with material evidence of a slowdown; however, given management's confidence and geographical diversification, we expect ADES to achieve the lower end of this range.
- Genuine offsets to any regional overhang to acknowledge include: GCC revenue share having fallen to ~47%, a genuinely de-risked profile vs pre-Shelf; new contract wins in Thailand and West Africa (Nigeria) total ~SAR 3.6 bln of incremental visibility; utilization also held at 96%. We retain our Neutral rating and target price ahead of a fuller model update, greater color on Shelf synergy realization, and visibility in 2Q26.

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Disclaimer

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

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