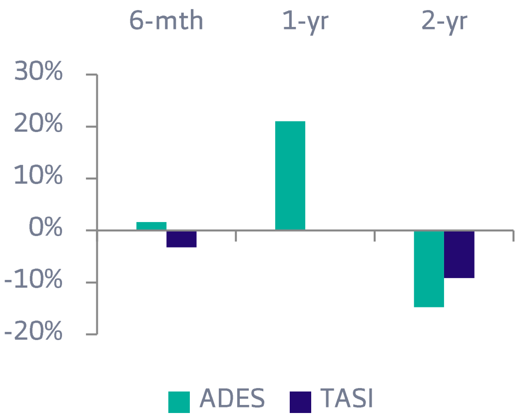
Resumptions Positive, Waiting for Integration Synergies

August 17, 2026

Upside to Target Price	7.8%	Rating	Neutral
Expected Dividend Yield	2.4%	Last Price	SAR 18.55
Expected Total Return	10.2%	12-mth target	SAR 20.00

Market Data	
52-week high/low	SAR 19.9 / 14.3
Market Cap	SAR 20,944 mln
Shares Outstanding	1,129 mln
Free-float	39.1%
12-month ADTV	1,966,557
Bloomberg Code	ADES AB



ADES	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	2,153	1,579	36%	2,391	(10%)	2,295
Gross Profit	728	593	23%	879	(17%)	844
Gross Margins	34%	38%		37%		37%
Operating Profit	520	470	11%	663	(22%)	628
Net Profit	129	189	(32%)	236	(46%)	209

(All figures are in SAR mln)

- ADES generated revenues of SAR 2,153 mln in 2Q26, decreasing -10% Q/Q and increasing +36% Y/Y, broadly in line with our SAR 2,295 mln estimate. The Y/Y increase reflects the consolidation of Shelf Drilling, which lifted the operating fleet to 101 rigs in 1H26 from 73 in 1H25, combined with geographic expansion across India, West & Central Africa, the North Sea, and Southeast Asia. The sequential decline reflects the temporary suspension of offshore rigs in Saudi Arabia and Qatar driven by the regional conflict (per the Company).
- Gross margins fell to 34% in 2Q26 from 38% in 2Q25 and 37% in 1Q26, as suspended rigs still generated depreciation expense against lower revenue, alongside non-recurring insurance expenses, which management did not quantify. EBITDA of SAR 1,014 mln was up +18% Y/Y and down -12% Q/Q, reflecting margins of 47.1% in 2Q26 vs. 54.4% in 2Q25, via dilution from Shelf's lower-margin contribution (per management). Cash generation held up better: 1H26 CFFO of SAR 1,497 mln (+29% Y/Y) covered capital expenditure of SAR 804 mln and finance costs paid of SAR 625 mln, although lease payments and SAR 280 mln of dividends (incl. NCI) were funded by net new borrowing. Net debt closed at SAR 18,131 mln, up by SAR 340 mln from 4Q25 and equivalent to 3.7–4.0x FY2026 reiterated guidance. ADES' financials also confirm no covenant non-compliance as of 30 June (2Q p.23).
- ADES reported net profit of SAR 129 mln in 2Q26, down -32% Y/Y and -46% Q/Q, below our SAR 209 mln estimate. The deviation is mostly driven by gross profit, SAR 116 mln below our forecast as margins fell to 34% (vs. our 37%). Net debt is up from 4Q25 and materially higher Y/Y following the borrowings assumed with Shelf Drilling, and now with the pending Saipem acquisition (USD 285 mln), also likely debt-funded (on completion in 3Q26), we expect it to rise further. Cash interest absorbed SAR 625 mln of the SAR 693 mln in pre-interest free cash flow (CFFO less capex) generated during 1H26, 90% versus 77% in FY2025, with coverage falling to 1.11x from 1.29x. ADES received resumption notices for all of its temporarily suspended offshore rigs in Saudi Arabia on 11 August (Tadawul), which increases our optimism, though higher finance costs and insurance uncertainty temper this. We marginally trim our target price to SAR 20.00 and maintain Neutral.

Brennan Eatough
brennan.eatough@riyadcapital.com
+966-11-203-6808

الرياض المالية Riyad Capital

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

Riyad Capital is a Saudi closed joint stock company with paid-up capital of SAR 500 million. Licensed by the Saudi Arabian Capital Market Authority (No. 07070-37). Commercial Registration No. 1010239234. Head Office: 3128 Financial Boulevard, 6671 Al Aqeeq Dist., Riyadh 13519, Kingdom of Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.