CFA

ADES

ADES Holding

أديس القابضة

جامعة الملك سعود
King Saud University

Research Challenge 2025

2382

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Global Reach, Local Roots

We issue a BUY recommendation

14.02 SAR
May 22th,2025

18.35 SAR
12-Month Target Price

31%
Upside

Legendary Saudi Bedouin Khamis bin Rimthan tries out an alidade, Saudi Arabia (photo taken 1955)

In 1938, he helped chief geologist Max Steineke discover oil in Saudi Arabia, and the Rimthan oil field was named after him in 1974 (Source: Aramco).

ADES
ADES Holding
أديس القابضة

Investment Thesis

A Local Champion With Global Ambitions

Resilience Through Oil Price Cycles

A Robust Backlog Fuels Steady Cash Flows

From Earth To Earnings

2002

FOUNDING OF ADES

ADES was established as a local drilling company in North Africa

2017-2019

2017 INITIAL PUBLIC OFFERING ON THE LONDON STOCK EXCHANGE

ADES raised capital to fuel its growth and began expanding internationally

MAJOR ACQUISITIONS

Acquired 37 drilling rigs, significantly increasing its fleet and market presence

2021

STRATEGIC INVESTMENT BY PIF & ZAMIL GROUP

Received investment from public investment funds (PIF) and Zamil group enabling further expansion

RELOCATION OF HEADQUARTERS TO SAUDI ARABIA

Moves its headquarters to Al-Khobar to align with Saudi vision 2030 and enhance local collaboration

2023

IPO ON THE SAUDI STOCK EXCHANGE (TADAWUL)

Listed 30% of its shares, raising SAR 4.6 billion ($1.2 billion)

SUSTAINABILITY AND SAUDIZATION MILESTONES

Achieved a Saudization rate of 74% and strengthened practice

2024 - 2025

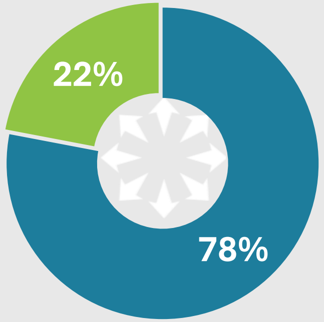
GLOBAL EXPANSION

Southeast Asia Indonesia and Thailand, with operations starting in 2024
West Africa Nijeria, and Brazil with operations starting in 2025

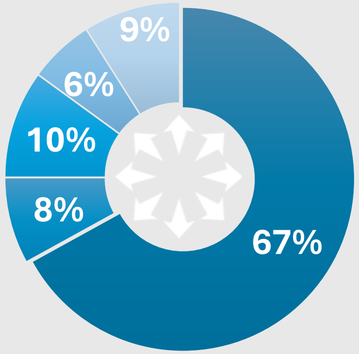
Source: Company Data

A Firm Footing for Global Reach

Revenue by Segment FY24



Revenue by Geography FY24

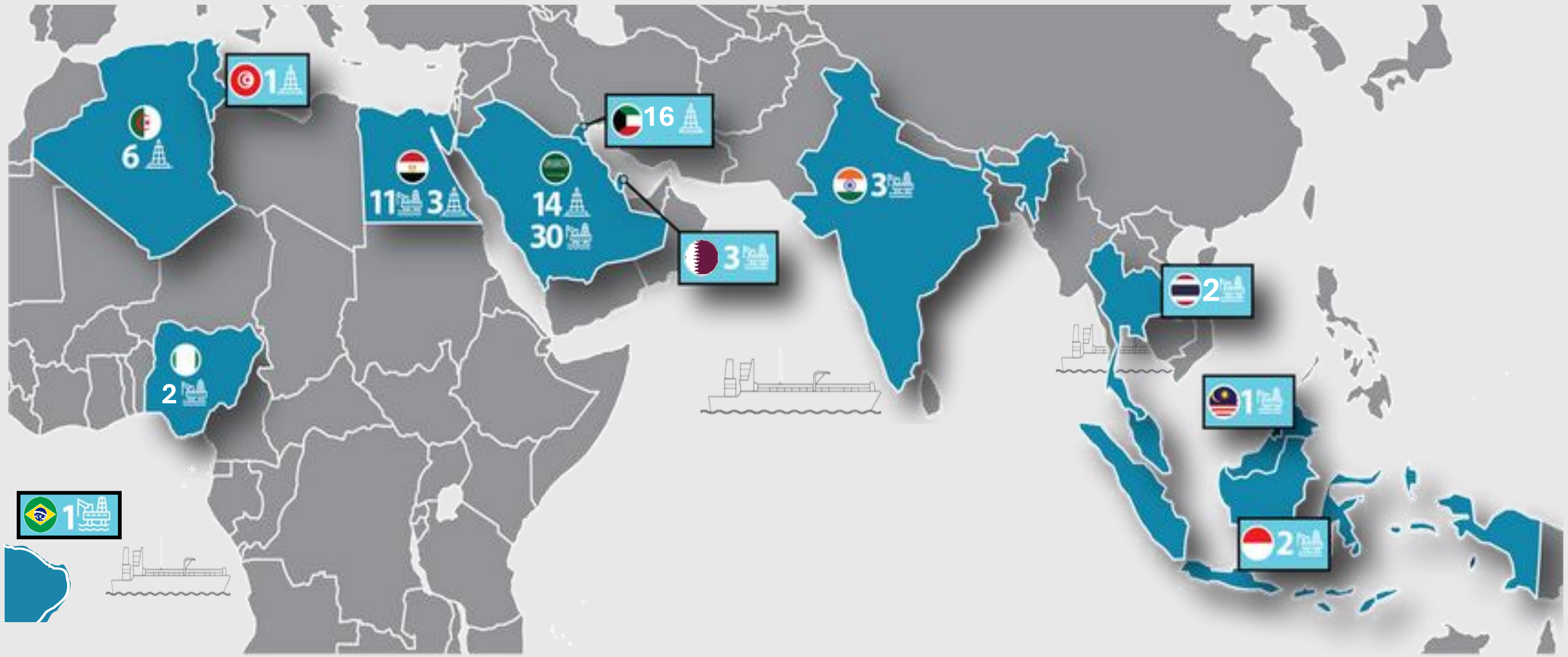


12
Operating Countries

+ 8,000
Highly Skilled Team Members

91 Rig Fleet
51 Offshore Rigs
40 Onshore Rigs

SAR 6.2bn
Revenues in 2024 up 43.1% y-o-y

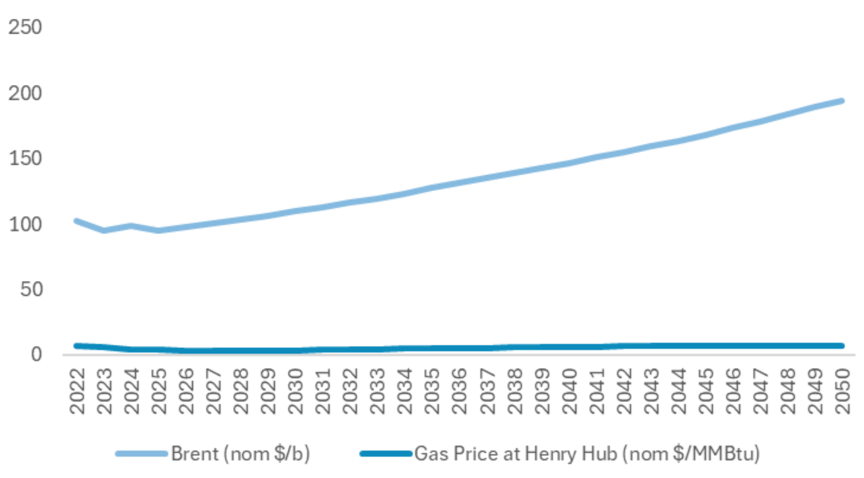


Source: Company Data

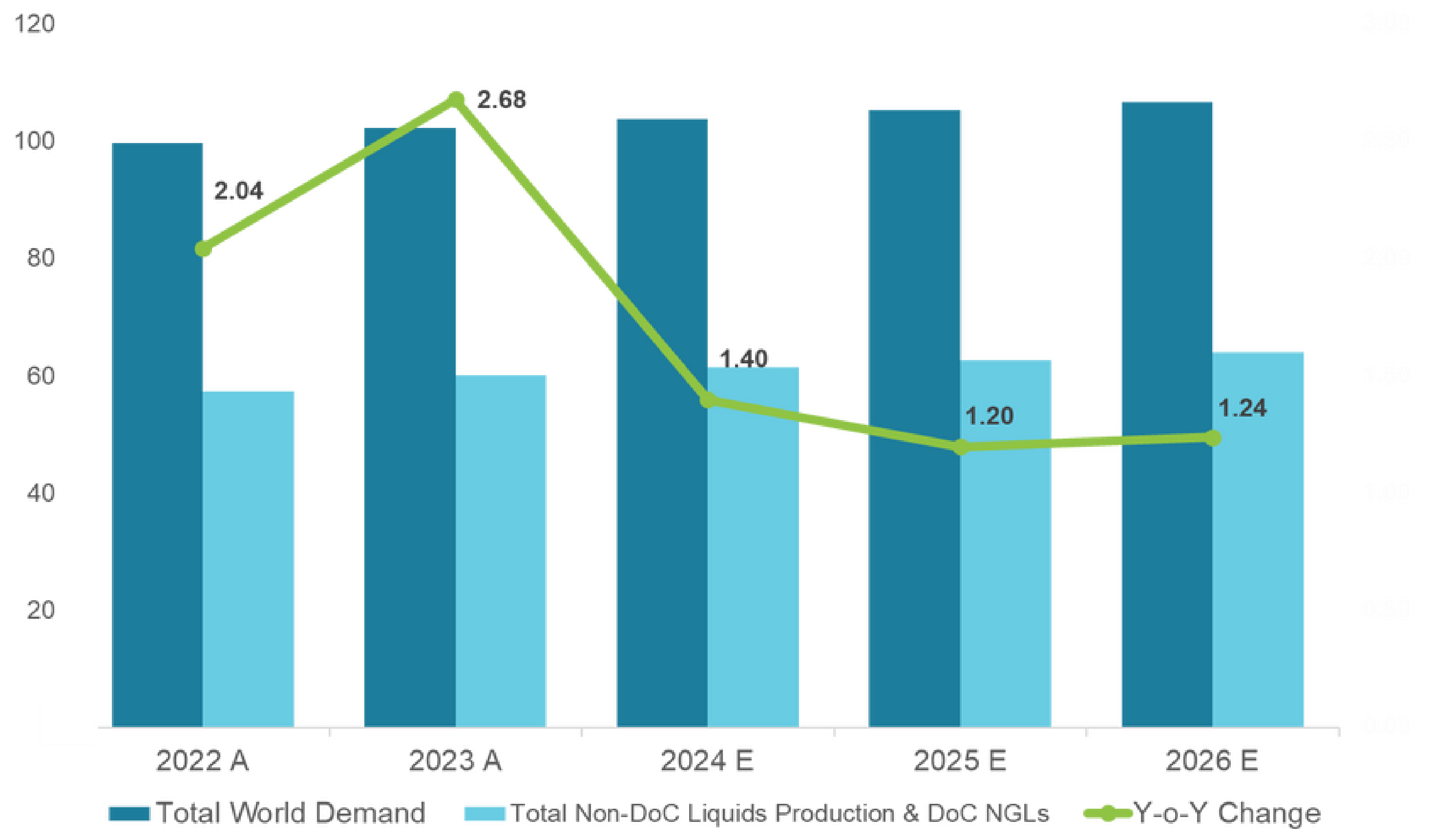
Oil And Gas Sector Overview

OPEC The Court of Oil & Gas

Oil And Gas Price Movements

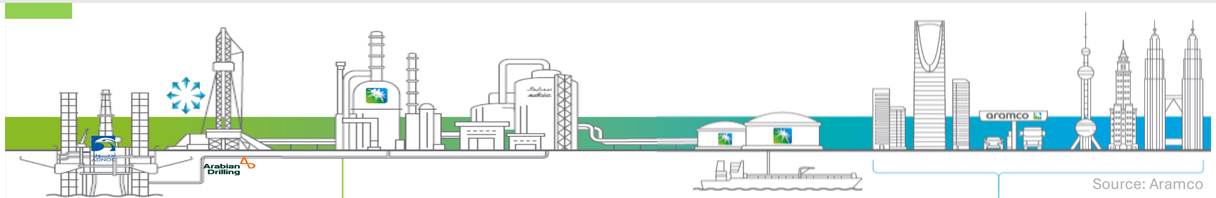


Oil And Gas Production Levels



Source: OPEC

Upstream Industry



373

Global Jack-up Rig Count FY 2025

NORTH AMERICA

Moderate, steady upstream investment, led by shale and offshore projects.

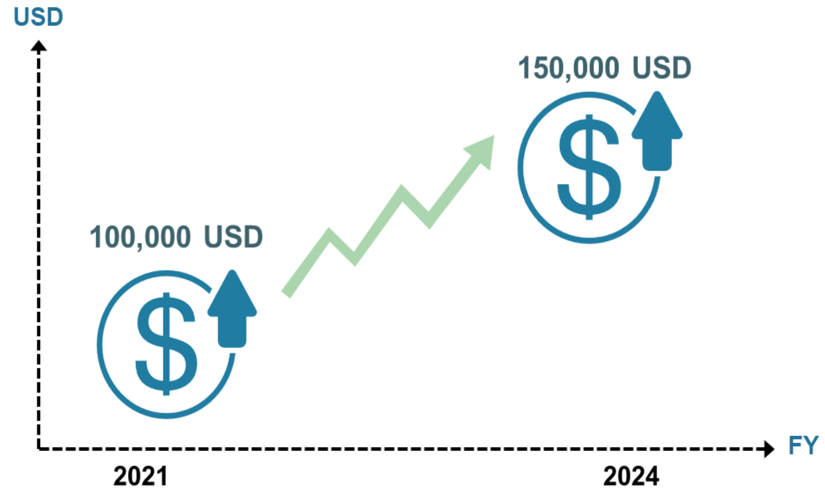
MIDDLE EAST

Consistent investment focused on sustaining production; driven by GCC countries

ASIA

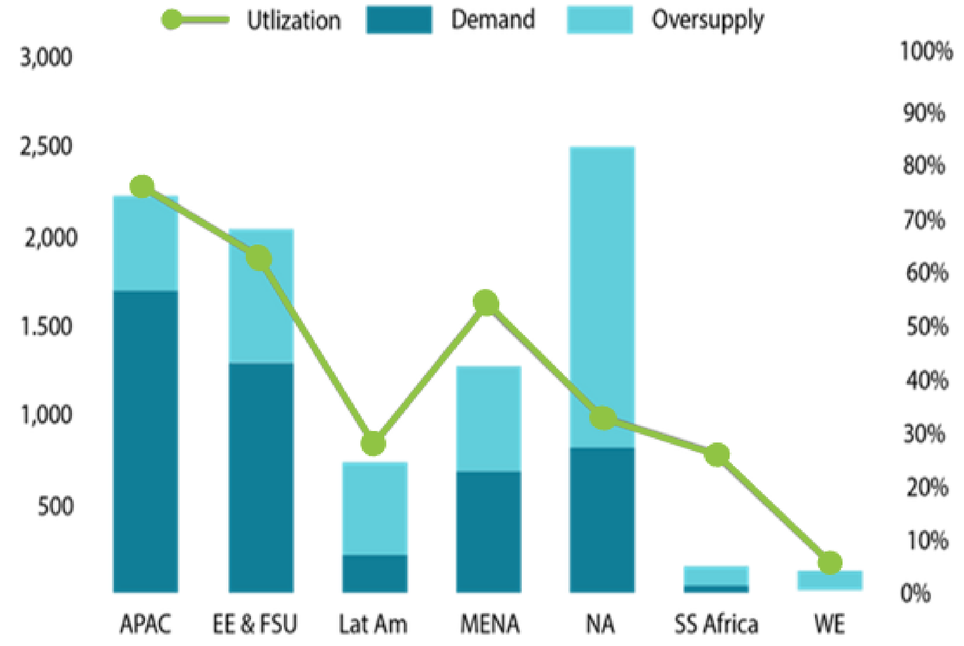
Leading upstream investment, driven by China and Asia Pacific

Jack-Ups Day Rates



Tight supply has driven day rates to increase by $50,000 from FY21 to FY24

Land Drilling Rigs Market



Source: Westwood Global Energy Group, OPEC

Environmental Pillar

We Only Have One **Earth**

SUSTAINABLE DEVELOPMENT GOALS

VISION 2030 رؤية
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

Achieving Environmental Sustainability.

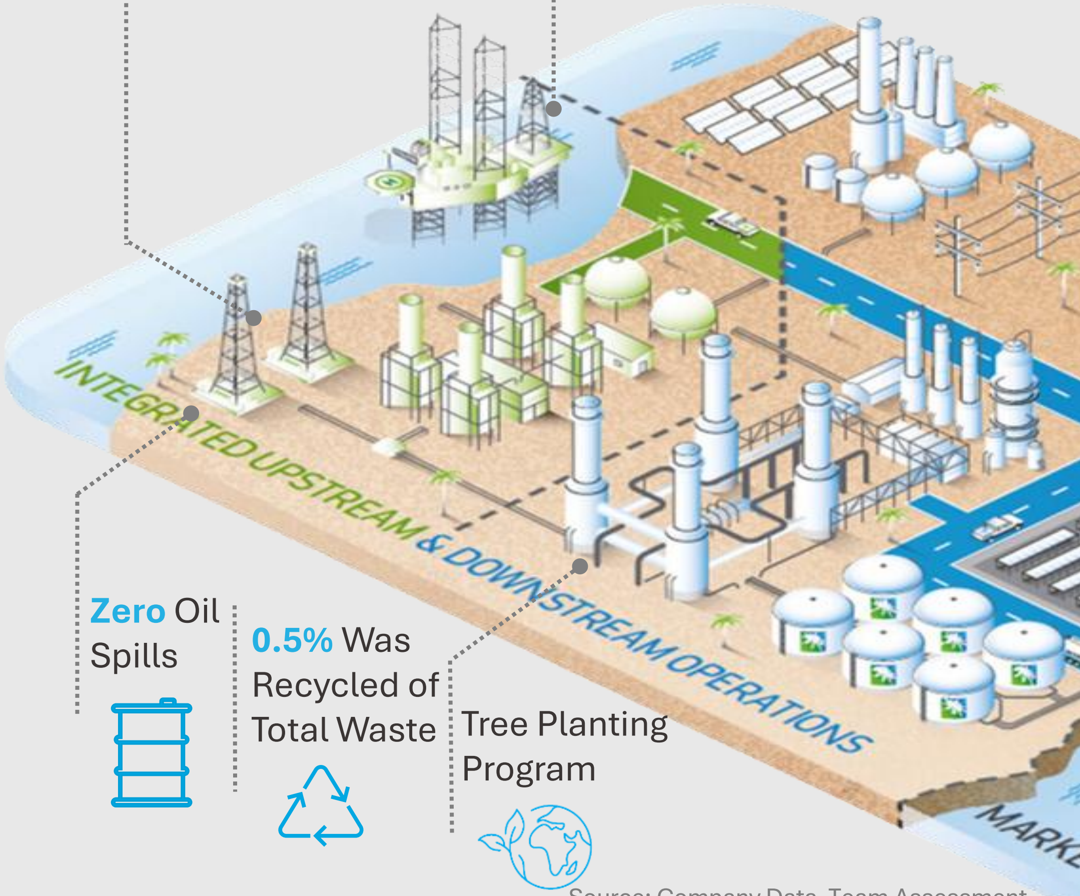
Focus on Limiting Impact on the Environment and Net Zero Ambition by 2050.

EMISSIONS INTENSITY

Y2022		Y2023
CO_2	19%	CO_2
0.31		0.25

Planet

ADES's Target of a **6%** Total Emissions Reduction By 2030



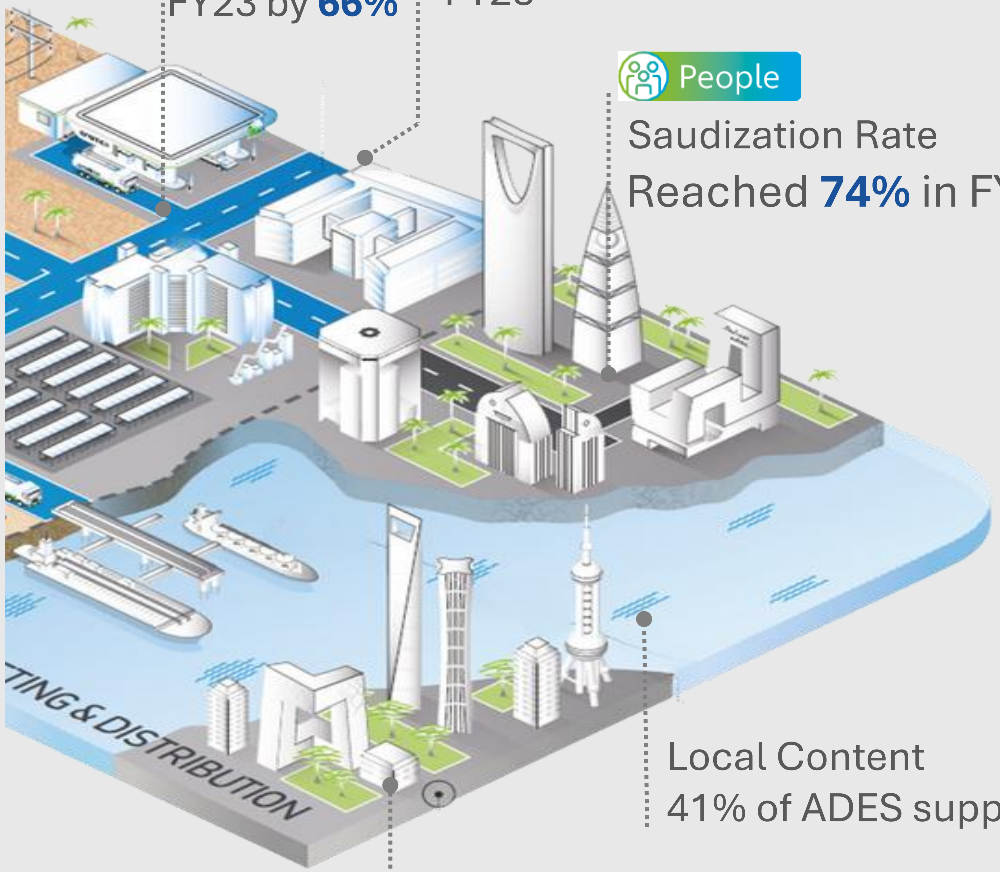
Zero Oil Spills

0.5% Was Recycled of Total Waste

Tree Planting Program

Source: Company Data, Team Assessment

Social Pillar



Increase in Female Employees From FY21 to FY23 by **66%**

1.29% Female Employees of Total workforce for FY23

People

Saudization Rate Reached **74%** in FY23

Local Content
41% of ADES suppliers are local

52% iktva

Building a Diverse and Empowered Workforce	Strengthening Communities Diversifying the Economy Creating Job Opportunities

SUSTAINABLE DEVELOPMENT GOALS — 3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH

VISION رؤية 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA

Source: Company Data, Team Assessment

Health, Safety & Security Pillar

0.090
TRIR
(Total Recordable Injury Rate)

92%
Of global fleet had zero recordable incidents throughout the year

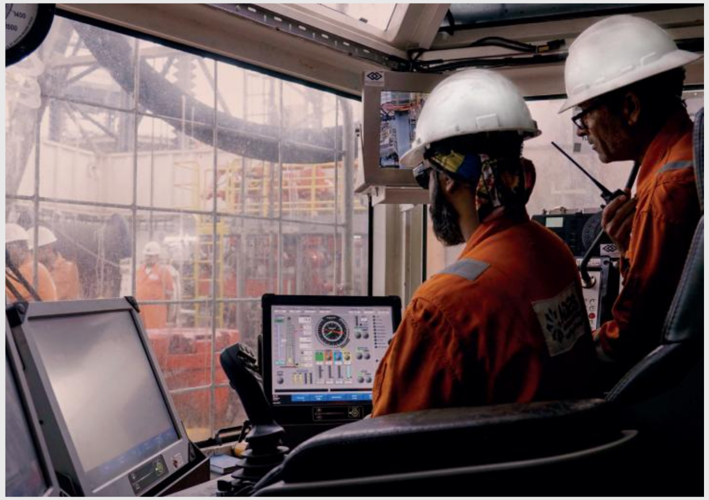
+20M
Man-hours without LTI

QUALITY SYSTEM CERTIFICATION DNV ISO 9001

SAFETY SYSTEM CERTIFICATION DNV ISO 45001

ENVIRONMENTAL SYSTEM CERTIFICATION DNV ISO 14001

CAMS
CORE ADES MANAGEMENT SYSTEM



Source: Company Data, Team Assessment

Governance Pillar

3/9 Independent Directors	ADES BRM established in accordance with the requirements of ISO 31000.	Zero Tolerance for Corruption, Bribery and Money Laundering.	Supply chain policies in place for ADES suppliers to meet ADES ESG efforts

SUSTAINABLE DEVELOPMENT GOALS

10 REDUCED INEQUALITIES

VISION 2030 رؤية
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

- Safe operations and people development.
- Female employees in leadership positions.

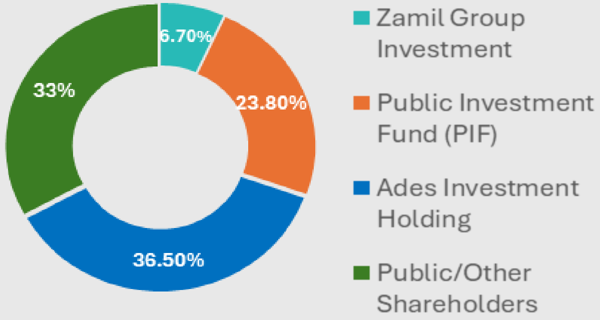
Board Governance

EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS

INDEPENDENT DIRECTORS

Shareholder Ownership



Source: Company Data, Team Assessment

ADES'S ESG Score Based on Team Assessment

58

ADES'S ESG SCORE (100)

56 Enivronmental Pillar

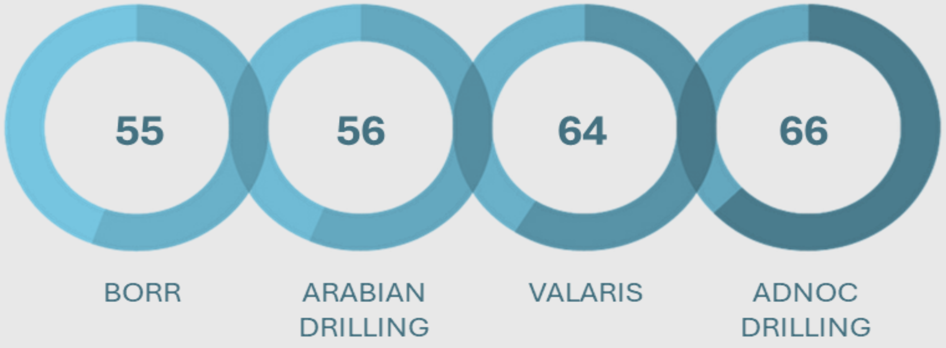
Total Environmental Score (100)

65 Social Pillar

Total Social Score (100)

53 Governance Pillar

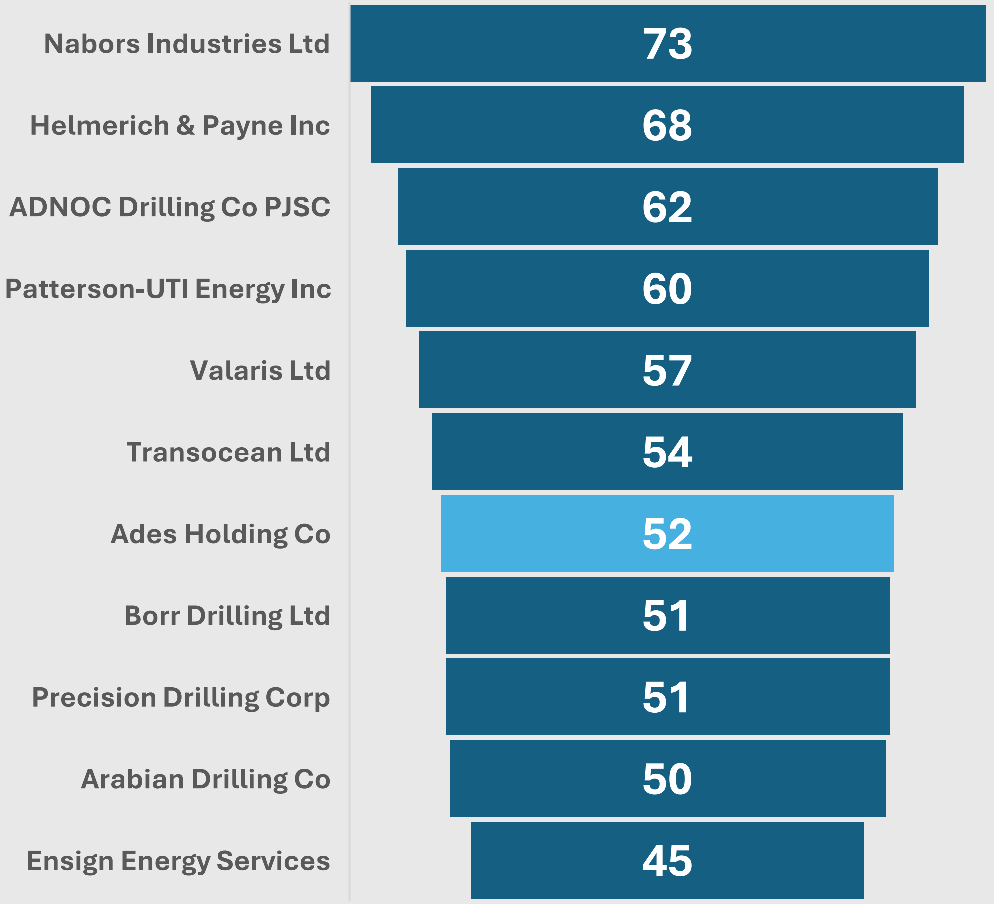
Total Governance Score (100)



Source: Team Assessment

Peers Average Based on CSRHUB

56.64



ADES'S ESG Score, Based on Different Agencies

Bloomberg

E	S	G
1.56/10	4.79/10	2.11/10

MSCI ESG RATINGS

B

CCC	B	BB	BBB	A	AA	AAA

Morningstar

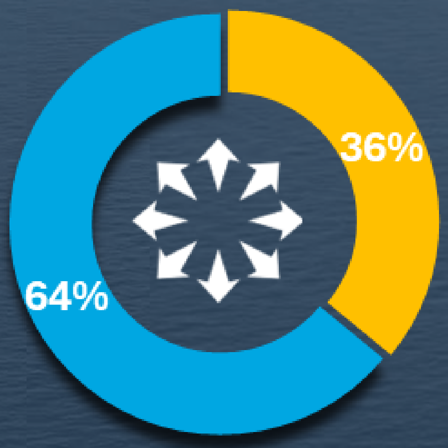
32.3

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	+40

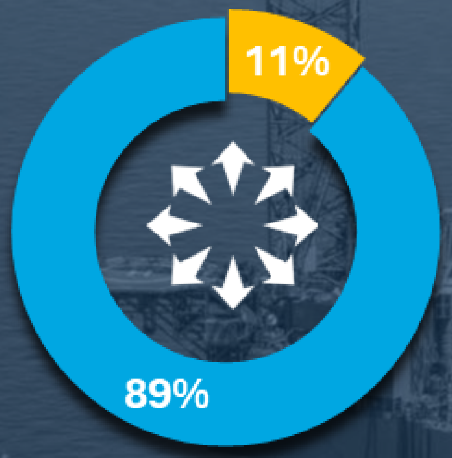
Source: Bloomberg, MSCI, Morning Star, Team Assessment

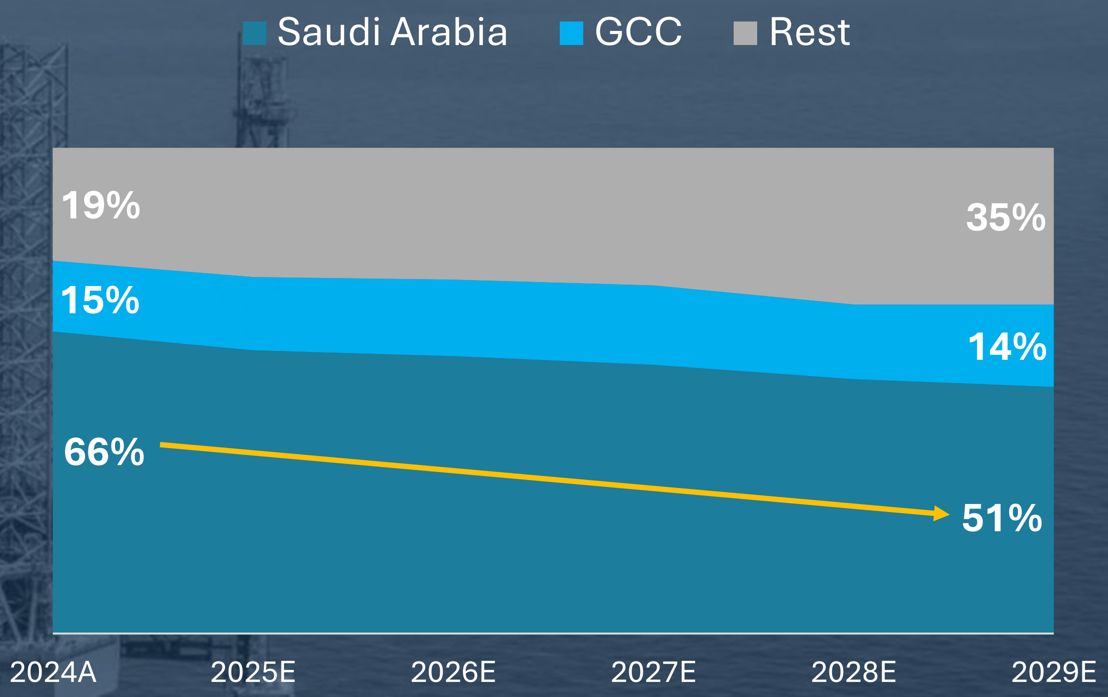
A Local Champion with Global Ambitions

Jack-up market share (MENA)



Jack-up market share (Global)





Saudi Aramco's dependency expected to decrease from 66% in FY24 to 51% in FY29

Source: Company Data, Team Assessment, Westwood Global Energy Group

A Local Champion with Global Ambitions

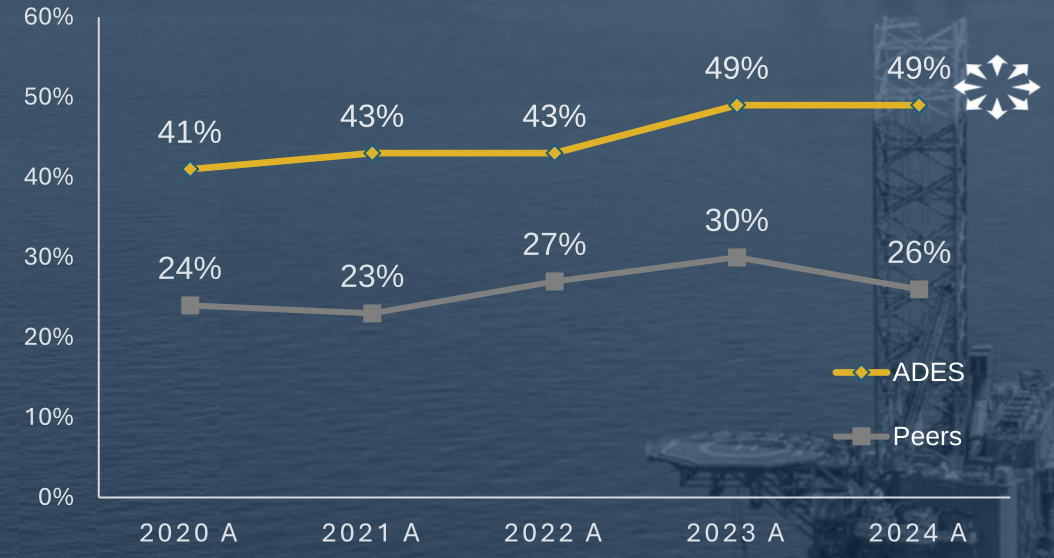
Jack-up rig status following Saudi Aramco's rig suspensions

ADES's current suspended rigs' status from Saudi Aramco

Source: Company Data, Team Assessment, Westwood Global Energy Group

Resilience Through Oil Price Cycles

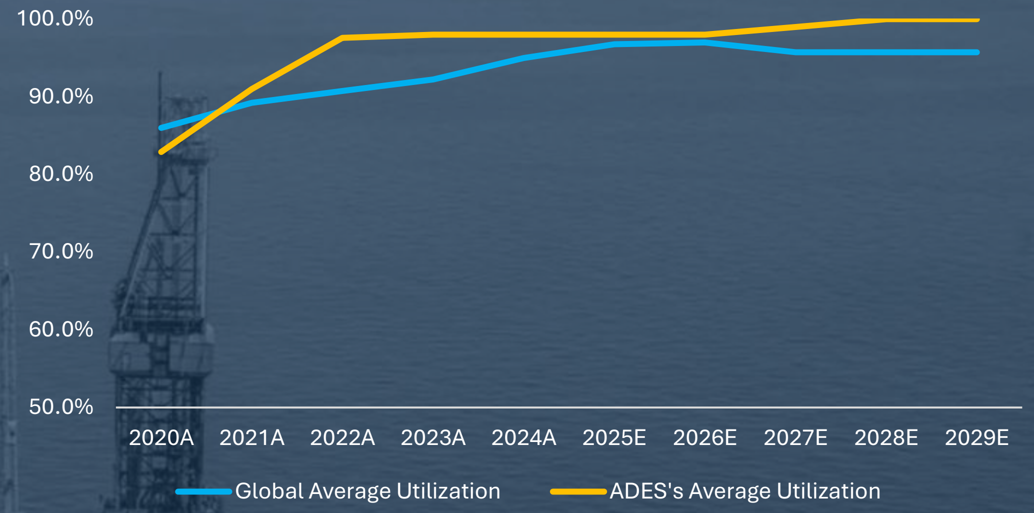
Higher EBITDA margins in comparison to its peers



High EBITDA performance due to:

1. Higher offshore contribution, with higher day rates.
2. Economies of scale.
3. Efficient in-house maintenance.
4. Sourcing local crew members.

Impressive Average Utilization of **98%** in FY2024

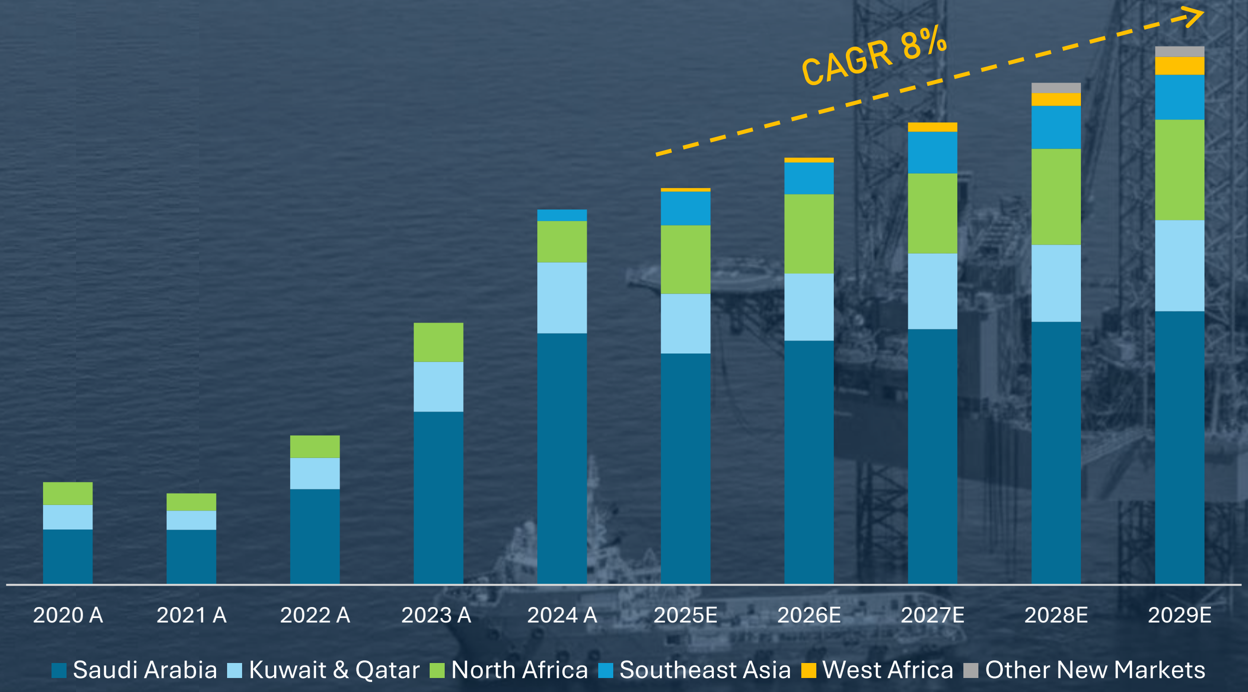


ADES's Contract Maturity in Years

Source: Company Data, Team Assessment

A Robust Backlog Fuels Steady Cash Flows

Revenue by Country
In Millions (SAR)



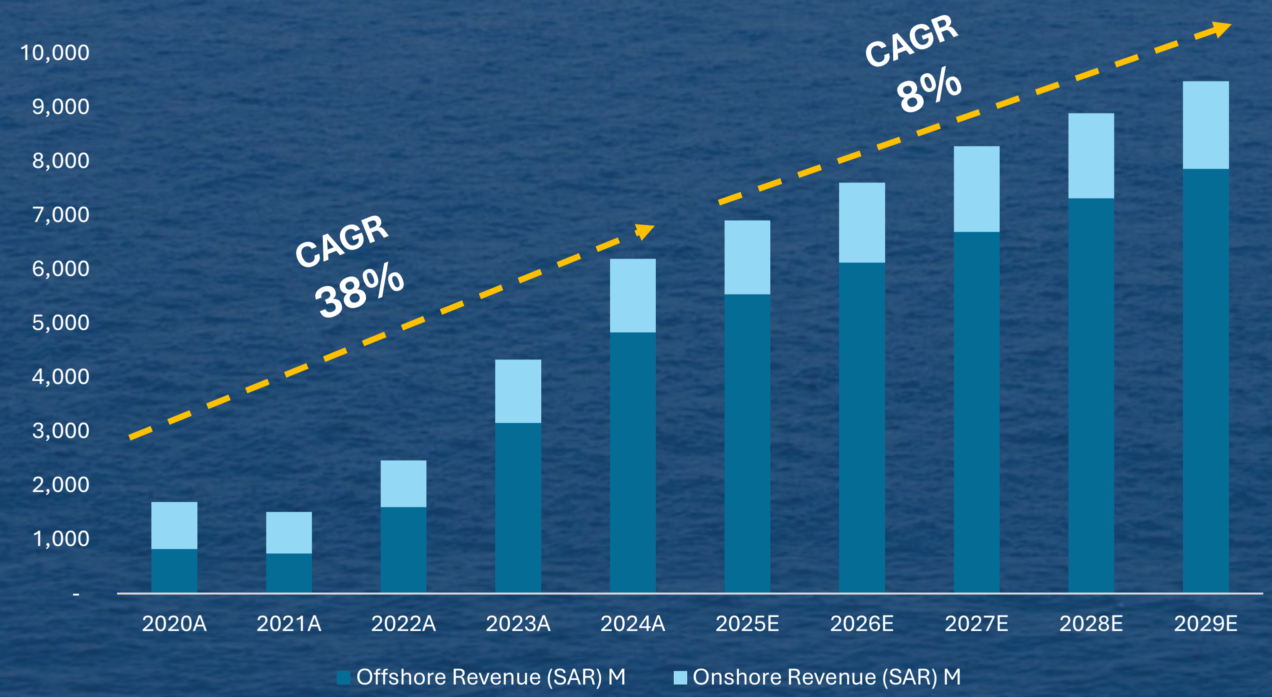
Backlog (SAR)

As of December 2024

Unlevered FCF Yield

Source: Company Data, Team Assessment

Forecasted revenue showcases organic growth



Key Growth Drivers

Day Rates	Utilization Rates	Rig Additions
Based on the demand of each country, and the tender prospects.	Offshore utilization projected to reach 100% in FY2028 while onshore remains at 98%	8 Offshore rig additions 3 Onshore rig additions From FY2025 up to FY2029.

Source: Company Data, Team Assessment

ADES CAPEX Profile

Offshore Rigs

USD 95M
Average Acquisition Cost

SAR 6M Annually
Average Maintenance CAPEX

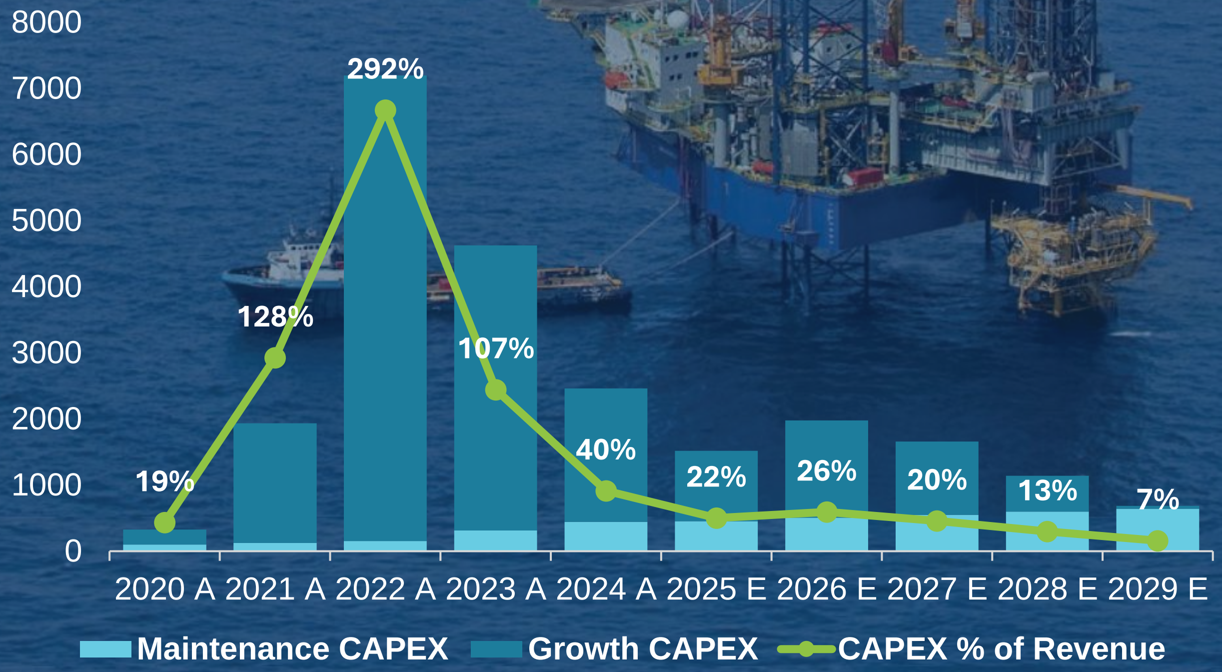
Onshore Rigs

USD 30M
Average Acquisition Cost

SAR 4M Annually
Average Maintenance CAPEX

CAPEX Break Down

- Growth (Acquisition and Refurbishment Projects)
- Maintenance



Source: Company Data, Team Assessment

ADES Target (Debt)

Minimal 2x

Backlog / Net Debt

Below 2.5 - 3.0x

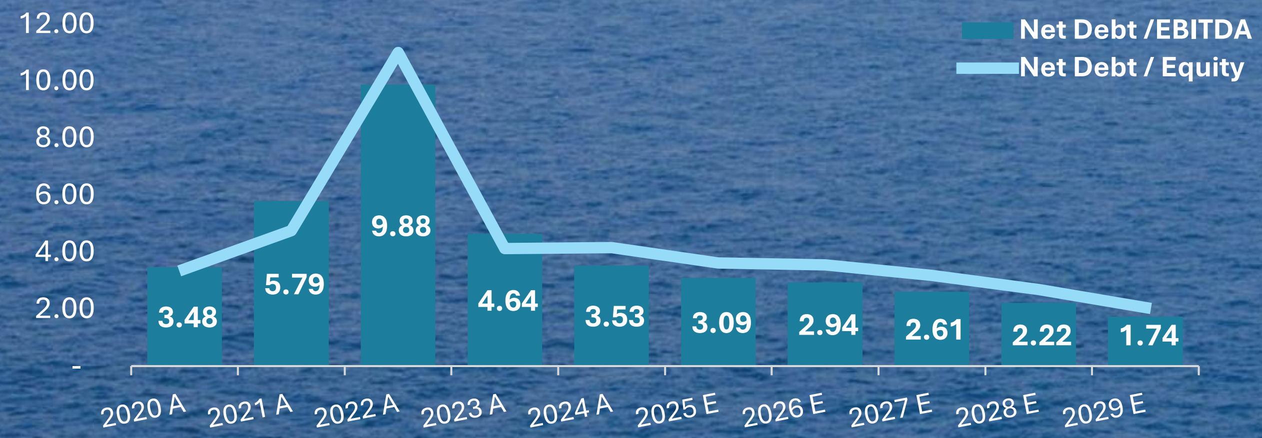
Net Debt / EBITDA

Net Debt / EBITDA

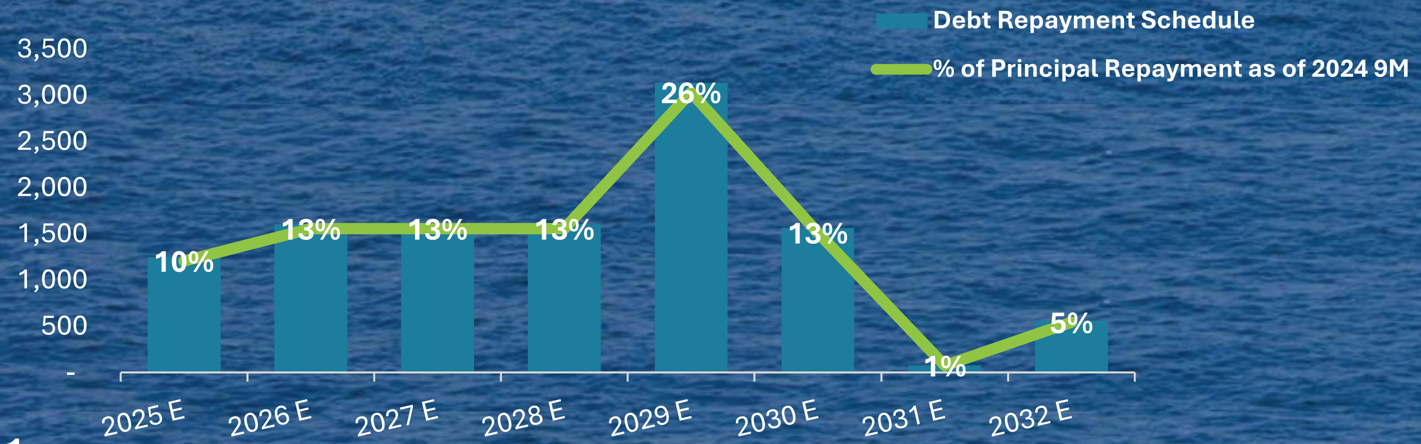
Below 2.5 - 3.0x

Source: Company Data, Team Assessment

Net Leverage Ratio

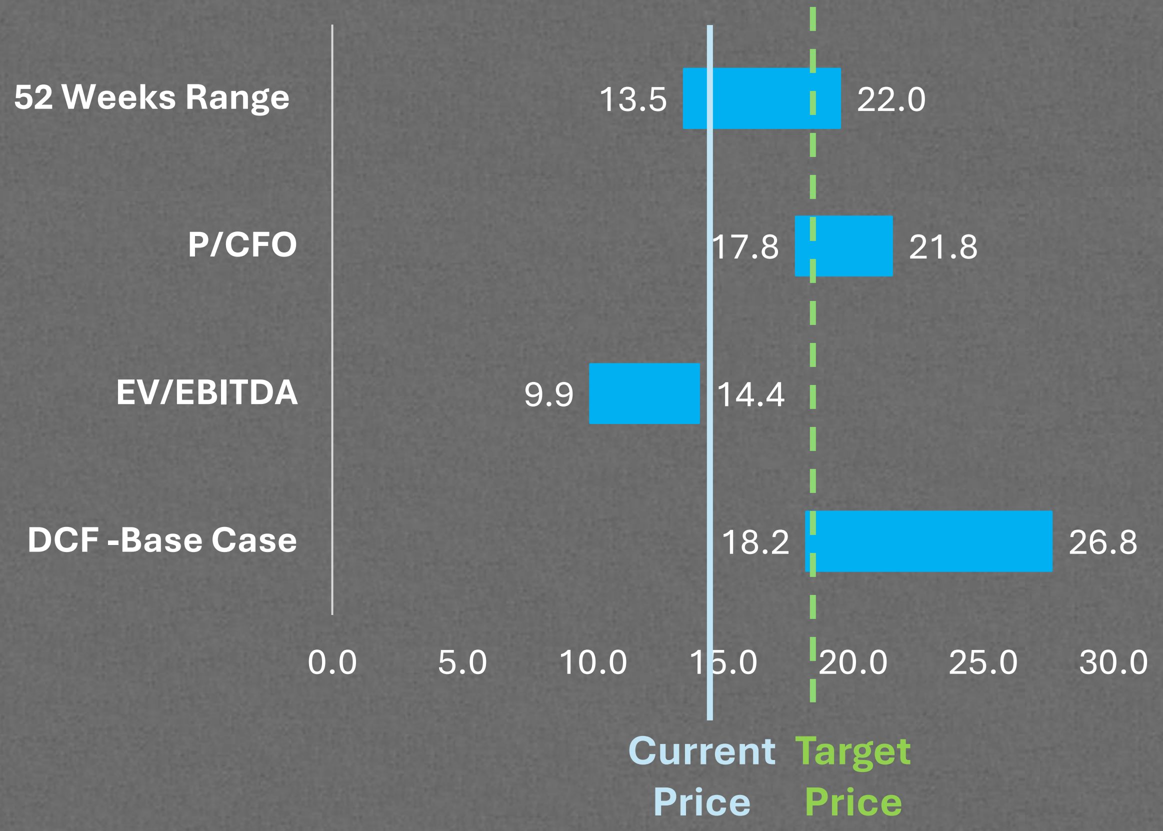


Debt Repayments



Source: Company Data, Team Assessment

Valuation Football Field



Blended Target Price

SAR 18.35

31% Upside

DCF Valuation 60%

Relative Valuation 40%

Source: Company Data, Team Assessment

DCF Target: SAR 19.92

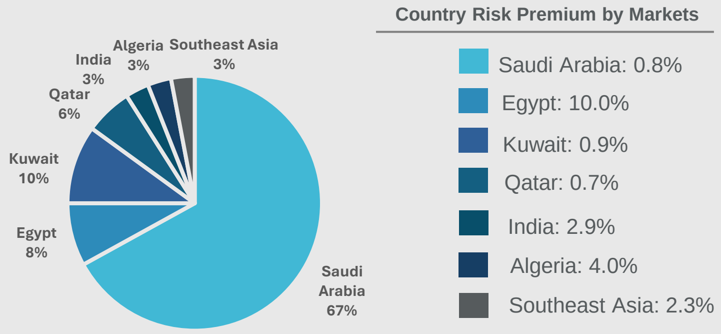
After Tax Cost of Debt	Cost Of Equity	ESG Adjusted WACC	Terminal Growth
5.6%	11.1%	9.6%	1.0%

42% Upside

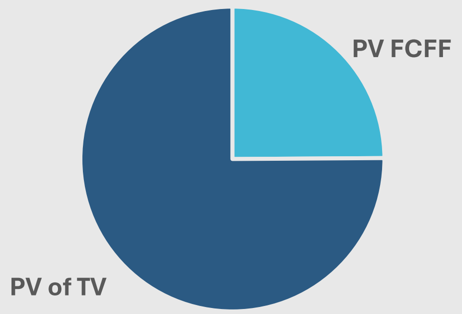
Terminal Growth \ WACC	8.6%	9.1%	9.6%	10.1%	10.6%
-0.5%	21.62	19.73	18.02	16.49	15.09
0.0%	23.16	21.07	19.22	17.54	16.03
0.5%	24.88	22.58	20.54	18.71	17.07
1.0%	26.83	24.27	**22.01**	20.01	18.22
1.5%	29.05	26.18	23.67	21.46	19.50
2.0%	31.61	28.37	25.55	23.09	20.92

*Base Case Scenario

Country Risk Premium 1.75%



Enterprise Value SAR 36bn



Source: Company Data, Team Assessment, Damodaran

DCF Scenarios

Bear Case	Base Case	Bull Case
Offshore Day Rates		
Experience **lower** growth by 10% in ADES's markets	Market demand forces	Experience **higher** growth by 10% in ADES's markets
Effective Utilization		
Average of **96%**	Average of **98%**	Average of **100%**
Operational Rigs (Max in FY29)		
Offshore: **54** Onshore: **33**	Offshore: **59** Onshore: **39**	Offshore: **61** Onshore: **41**
Fleet Additions		
Offshore: **5** Onshore: **0**	Offshore: **8** Onshore: **3**	Offshore: **11** Onshore: **5**
Salaries Expenses		
CAGR of **7.5%**	CAGR of **6.0%**	CAGR of **4.5%**
18% Upside	**57% Upside**	**86% Upside**

Source: Company Data, Team Assessment

ESG Adjustment: 10% Discount

ONSHORE SEGMENT

- NABORS
- ENSIGN
- PRECISION DRILLING
- ABRAJ
- ARABIAN
- ADNOC
- HELMERICH PAYNE (H&P)
- ADES

x6
Average EV/EBITDA in FY25

x5
Average P/OCF in FY25

OFFSHORE SEGMENT

- BORR
- VALARIS
- SHELF
- ARABIAN
- ADNOC
- NABORS
- ADES

x 8
Average EV/EBITDA in FY25

x7
Average P/OCF in FY25

Source: S&P Global IQ, Team Assessment

IMPACT \ PROBABILITY	LOW	MODERATE	HIGH
HIGH		OR3, OR4, MR2, PR2	OR1, MR1, PR1
MODERATE	MR3	OR2, FR3	FR2
LOW	FR1		

High Impact ↑ High Probability ↑

- Client Dependency Risk
- Fluctuations of Oil & Gas Markets

High Impact ↑ Moderate Probability ↑

- Operational Delays & Cost Pressures
- Intense Market Competition

Source: Company Data, Team Assessment

In the domain of oil and gas drilling, ADES is a solid investment!

We would like to reiterate our buy recommendation

- A local champion with global ambitions
- Resilience through oil price cycles
- A robust backlog fuels steady cash flows

14.02 SAR	18.35 SAR	31%
Current Price	Target Price	Upside

Source: Company Data, Team Assessment

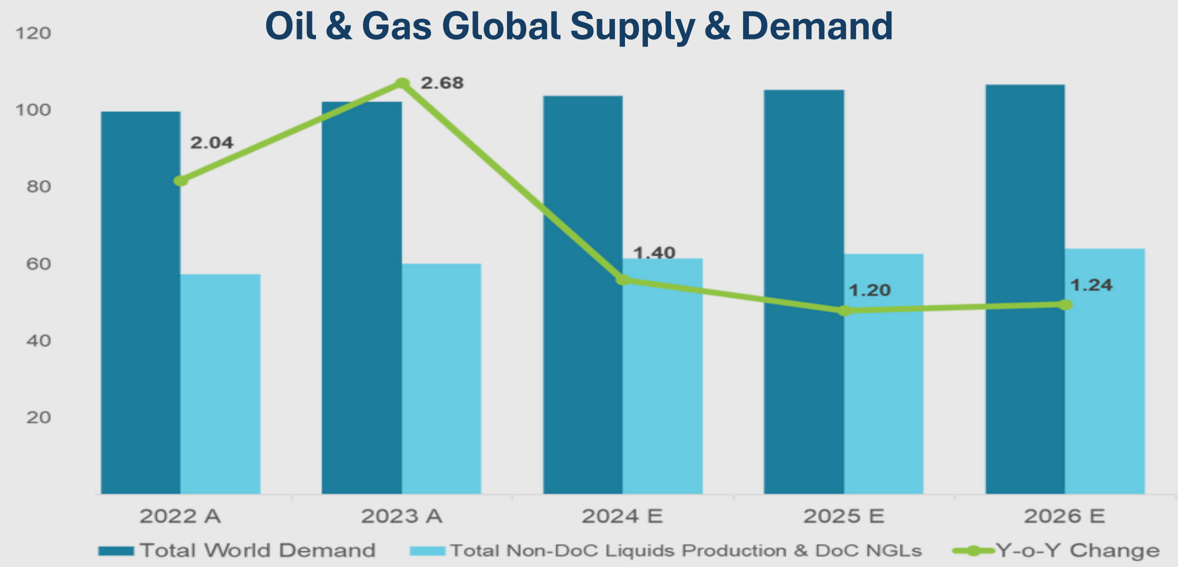
Appendix

Appendix

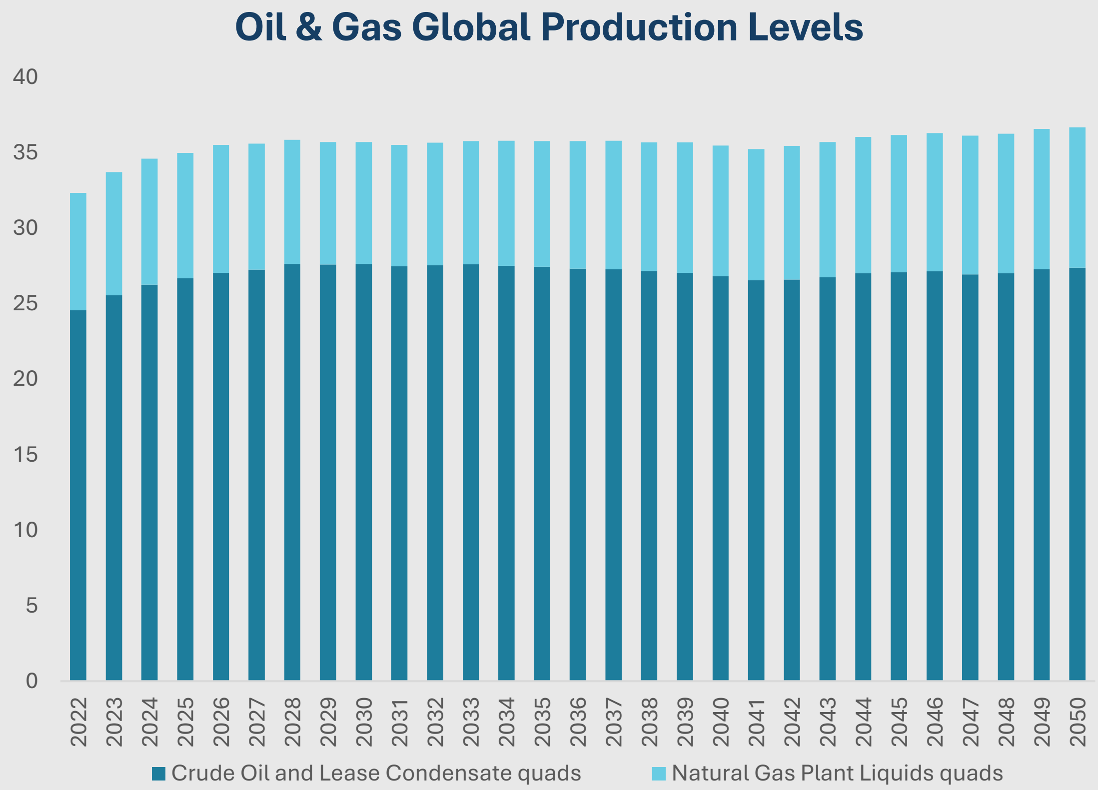
Appendix (A)

Industry Overview

Oil & Gas Supply & Demand

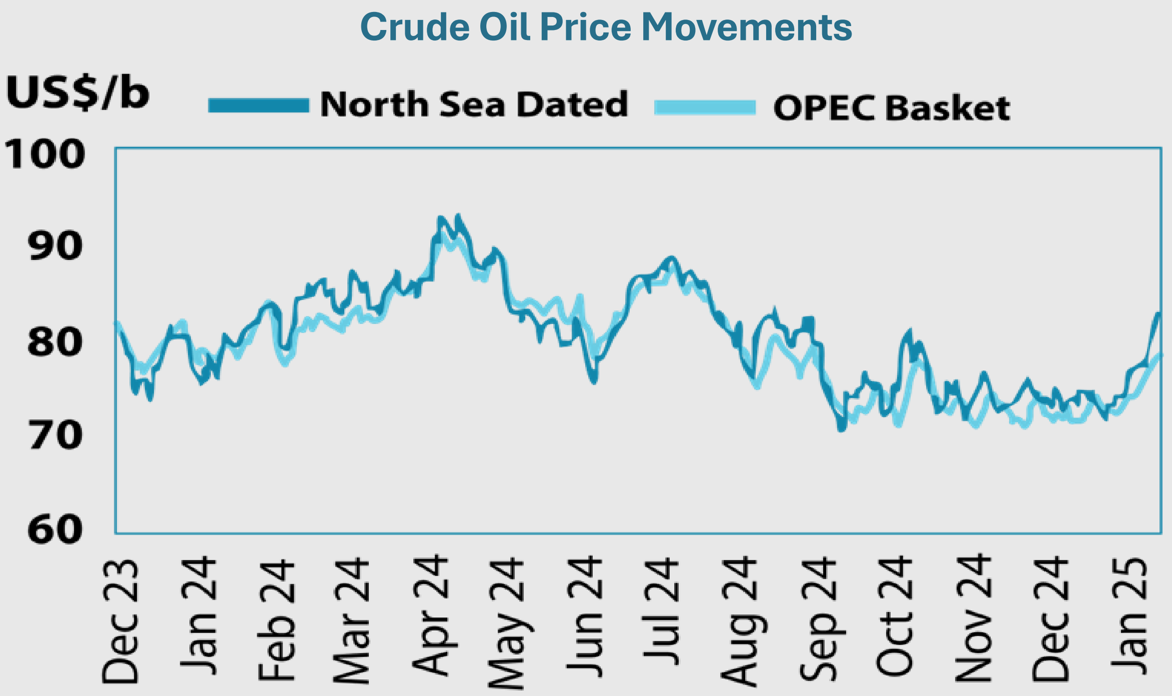


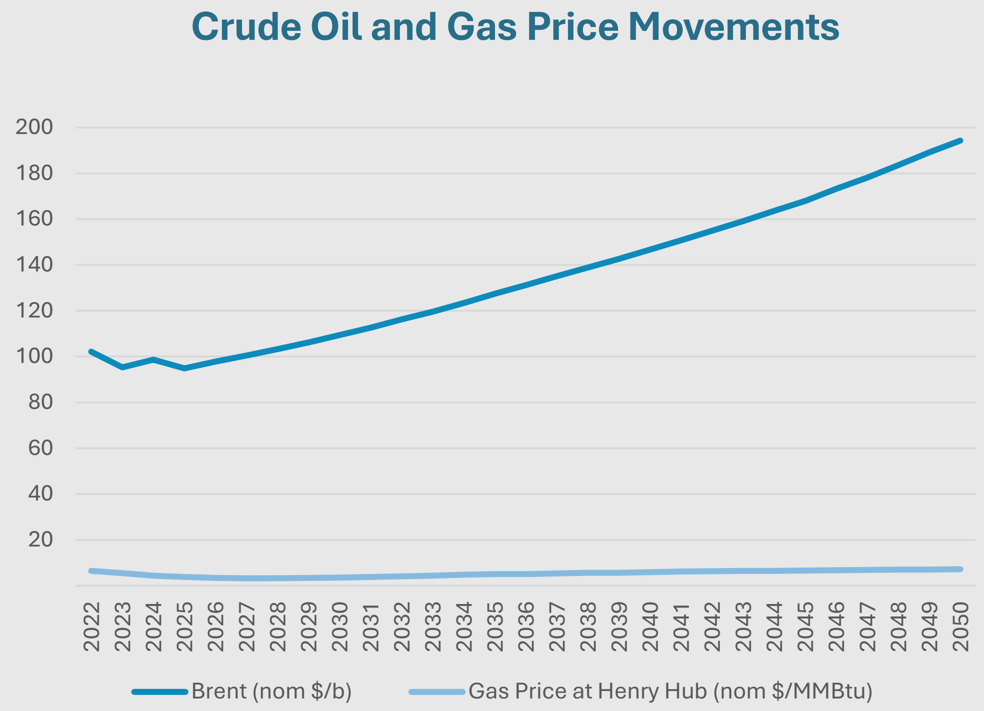
World Demand	World Supply
Global oil demand is forecast to grow by 1.4 mb/d in both 2025 and 2026. The OECD is expected to contribute 0.1 mb/d annually, while the non-OECD drives the majority of growth at 1.3 mb/d per year.	Non-DoC liquids supply is projected to grow by 1.1 mb/d annually in 2025 and 2026, led by the US, Brazil, Canada, and Norway.



Source: OPEC, EIA, and Team Assessment

Crude Oil Price Movements





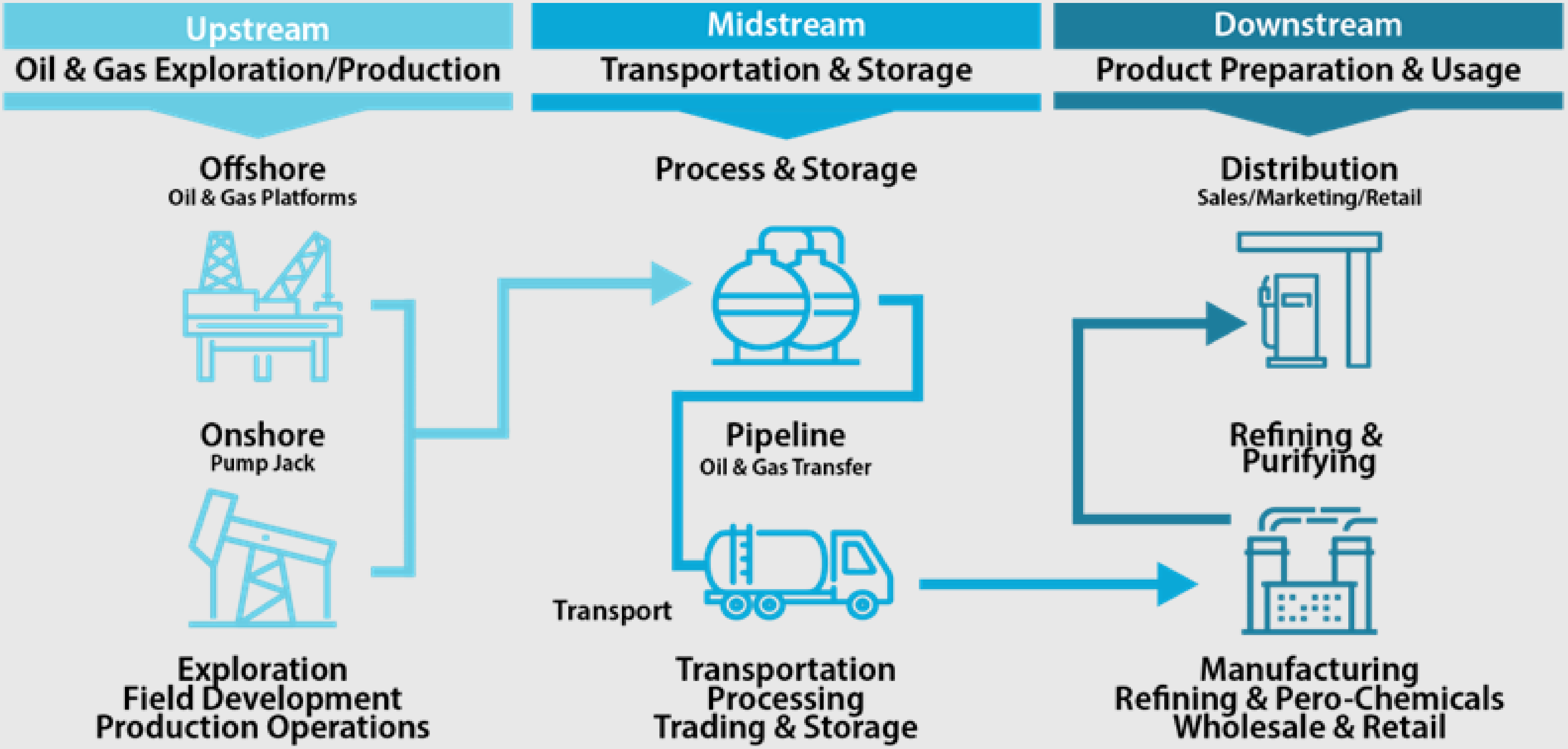
Crude spot prices showed mixed trends in December despite strong refinery intake and demand from Europe and Asia-Pacific. North Sea Dated averaged slightly lower at $73.75/b (-0.7%), pressured by high USGC and West African supply.

The OPEC Reference Basket (ORB) rose slightly by 9¢ (+0.1%) in December to $73.07/b, as lower OSPs for sour crudes to Asia offset gains in sweet crude OSPs. For 2024, the ORB averaged $79.89/b, down $3.06 (-3.7%) from 2023.

Brent crude oil prices are forecasted to fall from $81/b in 2024 to $66/b in 2026 due to rising non-OPEC+ production, slower demand growth, and higher inventories. OPEC+ will likely continue production restraints to stabilize prices.

Source: OPEC, EIA

Oil & Gas Value Chain (1/2)



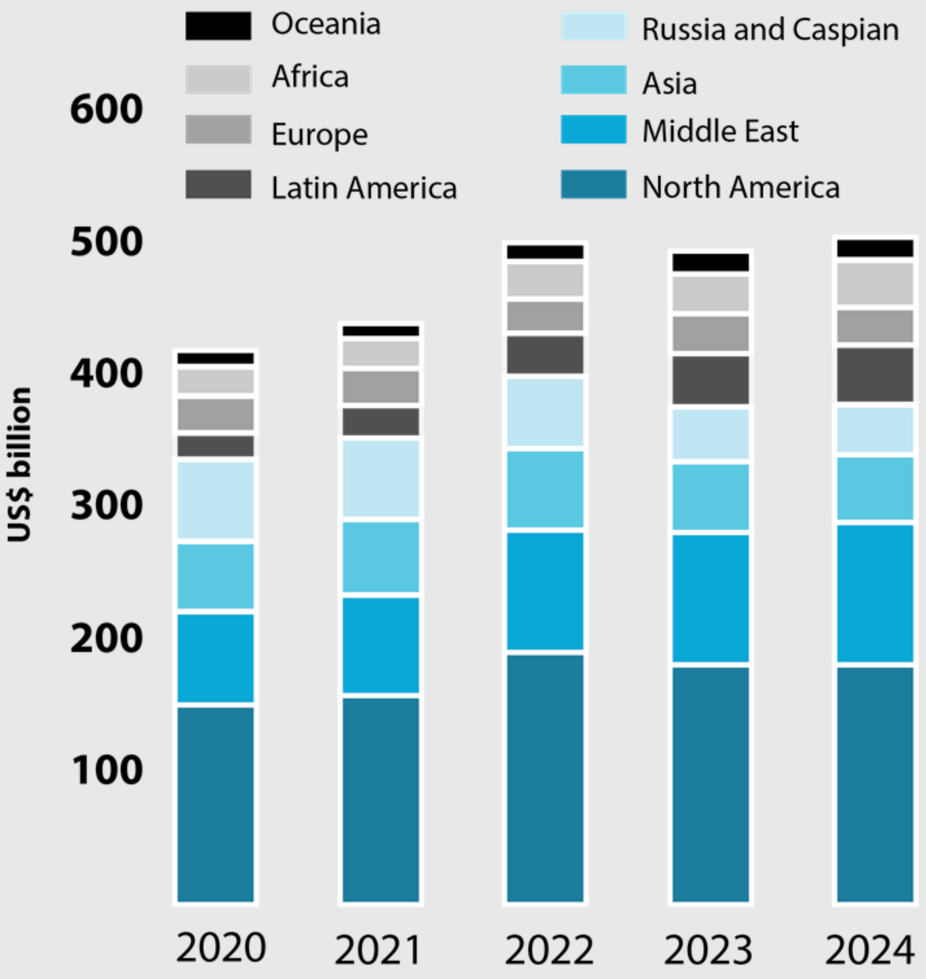
Source: Company Data

Oil & Gas Value Chain Companies (2/2)

Upstream	Midstream	Downstream
Oil & Gas Exploration/Production	**Transportation & Storage**	**Product Preparation & Usage**
Upstream companies are involved in the exploration and production of oil and gas. They search for reserves, drill wells, extract resources, and manage reservoirs, operating at the initial stages of the oil and gas supply chain before refining and distribution.	**Midstream companies** transport, store, and process oil and gas. They move resources from production sites to refineries, manage storage for supply and demand, and process natural gas and crude oil, linking upstream production with downstream refining and distribution.	**Downstream companies** refine, distribute, and market oil and gas products. They convert crude oil into usable products like gasoline and diesel, transport these refined products to various locations, and sell them to consumers and businesses through retail outlets, completing the oil and gas supply chain.
Such as: ADES Holding, Shelf Drilling, Arabian Drilling, Valaris	**Such as:** Nakilat, Enbridge, Energy Transfer, ENOC	**Such as:** Chevron, ExxonMobil

Source: Company Data

Upstream Investments by Region



Upstream Investment by Region (2020-2024)

- **North America:** Consistently leads in upstream investment, reflecting its strong focus on oil and gas production, particularly in shale.
- **Middle East:** Maintains steady investment, showcasing its critical role in global oil production and ongoing development of resources.
- **Asia and Russia & Caspian:** Both regions exhibit solid investment growth, driven by increasing energy demand and regional development projects.
- **Europe and Latin America:** Moderate contributions with stable investments, indicating steady but less aggressive expansion.
- **Africa and Oceania:** Smallest shares, highlighting limited but consistent investment activity.

Source: Wood Mackenzie, Team Assessment

MENA Oil and Gas Trends

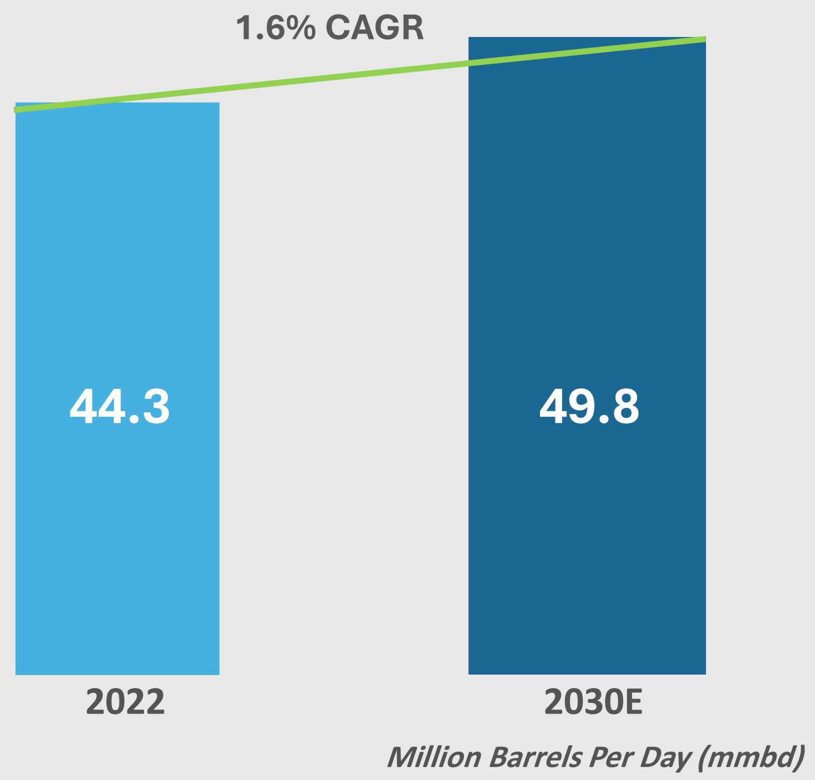
GCC

The GCC is expanding oil, gas, and renewable energy investments to fuel domestic growth and exports. Natural gas is replacing oil in power generation, while petrochemical and hydrogen projects are driving future gas demand despite subsidy reforms and market uncertainties.

North Africa

North Africa faces growing energy challenges, with rising demand outpacing production and limited resource availability compared to the Gulf. Egypt is struggling to meet gas and power needs despite efforts to expand renewables, while Algeria risks consuming over half its gas output domestically, threatening export revenue and budget stability. Without better demand management, both countries may face mounting economic and social pressures.

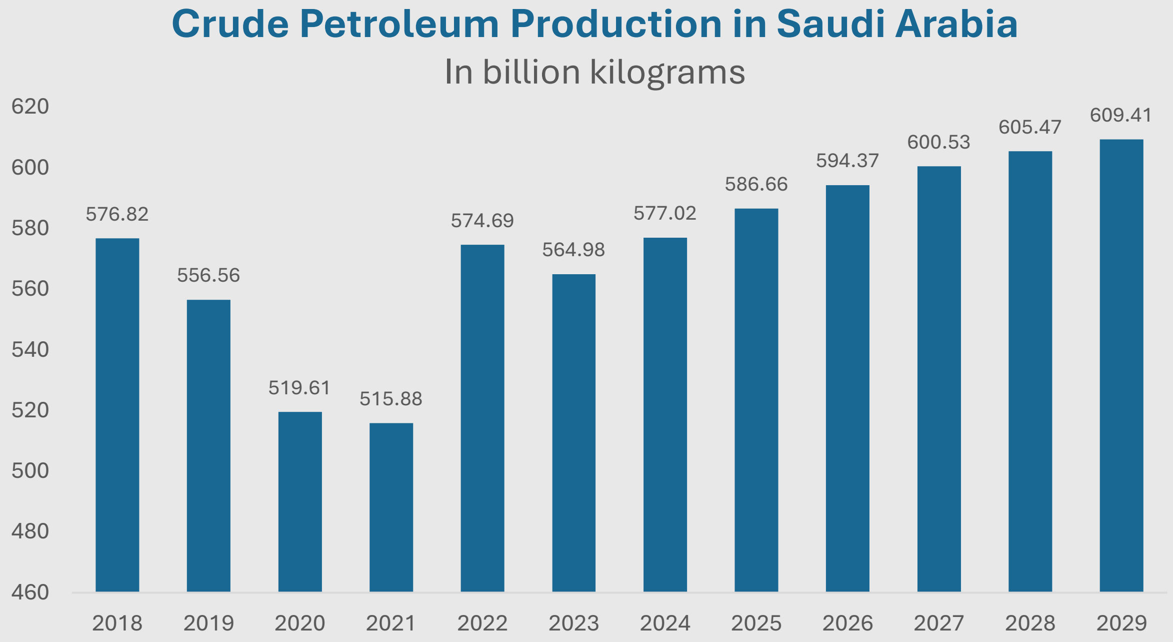
Expected Oil and Gas Supply in MENA



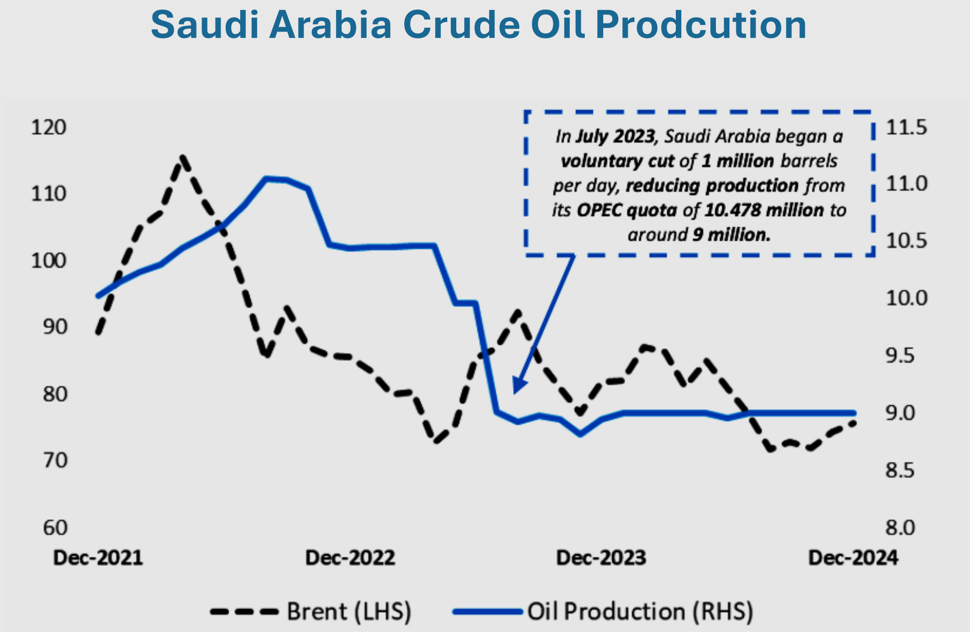
MENA oil and gas supply is expected to grow from 44.3 to 49.8 million barrels per day by 2030, at a CAGR of 1.6%. This projection is driven by upstream investments in the UAE, Kuwait, and Iraq, alongside Saudi Arabia's scaling strategy.

Source: Meddle East Institute, OPEC, Team Assessment

Saudi Arabia Oil and Gas Sector



Despite short-term voluntary production cuts, Saudi Arabia is expanding its long-term output. Crude petroleum production is expected to grow from 515.88 billion kg in 2021 to over 609 billion kg by 2029, in line with Saudi Aramco's strategy to reach its maximum sustainable production capacity, reinforcing the Kingdom's position as a global swing producer. Saudi Arabia needs oil prices to average $96.2 per barrel about $20 above current levels to balance its budget and finance national development plans. This underscores the country's reliance on oil revenues to support fiscal stability and its Vision 2030 initiatives.



Saudi Arabia implemented a voluntary cut of 1 million barrels per day in July 2023, reducing its production from 10.478 million bpd to around 9 million.
This move, although separate from the official OPEC+ quota, was designed to support global oil price stability during uncertain demand cycles.

Source: OPEC, Statista, Team Assessment

The Effects of The Russian-Ukrainian War

Russian-Ukrainian War Outcome

Russia's Share of EU Gas Demand
- **2010:** 26%
- **2018-2021:** Over 40%

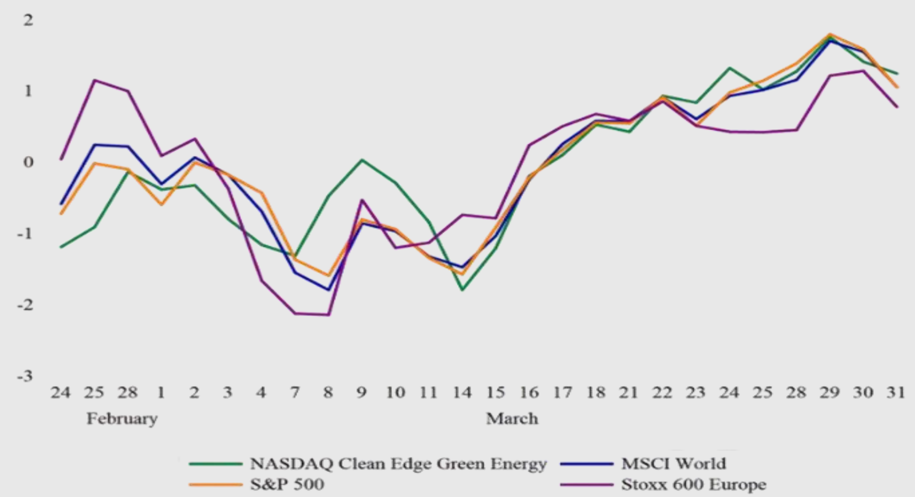
2022 Crisis & Supply Cuts
- Russia cut 80 bcm of gas to Europe after the war
- EU faced a 160 bcm supply deficit

How the EU Replaced Russian Gas
- LNG from the U.S. covered 40% of the gap
- Demand reduction

Shift in Russian Gas Share
- **2022:** Less than 25% of EU demand
- **2023:** Fell to 10%, as Russian pipeline deliveries dropped 38 bcm

Stocks Market

On February 24, 2022, Russia-Ukraine war , leading to immediate economic turmoil. Moscow's MOEX index plunged nearly 9% in the week following the war. Global stock markets also experienced significant losses. The broader economic and geopolitical consequences, particularly in Europe and beyond, are still unfolding. Supply chain disruptions have intensified, driving commodity prices higher, while a massive refugee crisis has emerged, with nearly 7 million Ukrainians fleeing their country.



Source: EIA, and Bloomberg

Drill, baby, drill

Trump's Energy Strategy: "Drill, Baby, Drill" Returns

On his first day back in office, President Donald Trump declared a national energy emergency, rolling back regulations, fast-tracking drilling, and accelerating pipeline projects. Reviving the "Drill, Baby, Drill" mantra, Trump reaffirms his commitment to energy independence, economic growth, and lower fuel costs, signalling a bold push for fossil fuel expansion and deregulation.

Industry Response & Market Realities

Despite Trump's pro-drilling agenda, oil producers remain cautious, prioritizing market fundamentals over political rhetoric. With 2024 oil prices stabilizing between $74 and $90 per barrel, energy companies favour capital discipline, efficiency, and long-term investments over aggressive expansion. Rather than ramping up drilling, they are maximizing shareholder returns, optimizing assets, and maintaining financial sustainability, signalling a pragmatic, market-driven approach.

"As you've heard me say many times, we have more liquid gold under our feet than any nation on Earth, and by far. And now, I fully authorize the most talented team ever assembled to go and get it. It's called drill, baby, drill."

US President Donald Trump
March 7, 2025

Source: MSNBC

Impact of U.S. Tariffs on Oil & Gas Sector

Immediate Impact on Oil Prices:

Price Declines: Following the announcement of new tariffs, oil prices experienced a sharp decline. U.S. crude futures fell below $70 per barrel, marking a drop of over 2% from earlier settlement prices. Similarly, gasoline and diesel futures in New York each decreased by more than 3%.

Market Reactions: The combination of increased U.S. tariffs and OPEC's decision to raise production led to a significant plunge in oil prices. U.S. crude dropped 7.63% to $66.25 per barrel, while Brent crude fell 6.96%.

Broader Economic Implications:

Trade Deficit Concerns: The U.S. petroleum export sector, which had been contributing to reducing the trade deficit, faces potential harm from reciprocal tariffs. In 2024, the U.S. exported $281 billion and imported $236 billion in petroleum products, resulting in a $45 billion surplus. Tariffs could reduce international demand for U.S. petroleum products by making them more expensive, potentially leading to lower export volumes and prices.

Global Supply Dynamics: The imposition of tariffs has introduced uncertainty and risk into the energy industry, affecting global supply chains and market stability.

Source: WSJ

Impact of U.S. Tariffs on The Upstream Market

Tariffs Driving Uncertainty and Market Shifts In the Upstream Market:

U.S. tariffs increase the cost of importing essential industrial tools and machinery → Oilfield services companies face higher capital and operational expenses. → Increased costs translate to more expensive upstream operations (exploration, drilling).

Energy companies may delay or cancel planned projects due to reduced profitability. → Market supply tightens, leading to elevated energy prices and potential price volatility.

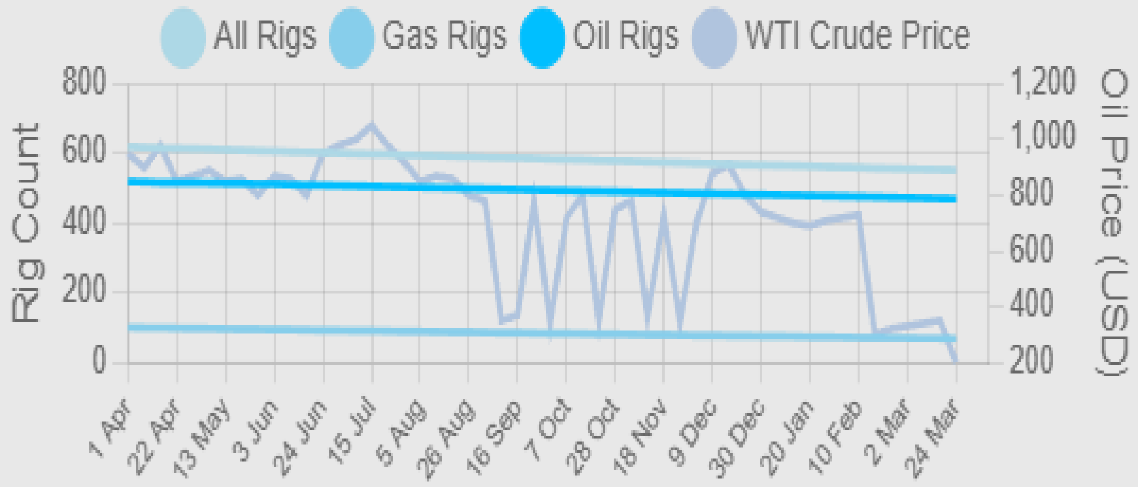
Does the tariffs effects Ades?

Although ADES is not directly impacted by U.S. tariffs, the globally interconnected nature of the oilfield services industry means the company could still face indirect repercussions such as:

1. Supply chain disruptions.
2. Rising equipment costs.
3. Project execution delays.
4. Shifts in regional demand dynamics.

Source: WSJ

Why Tariffs Are Not a Threat to ADES



The U.S Rigs Market

Despite recent tariff announcements and ongoing WTI crude price volatility, the U.S. rig count — particularly oil rigs — has remained relatively stable, showing a measured industry response rather than immediate contraction.
This trend suggests that even in regions directly exposed to price fluctuations and trade policy risks, upstream operations have not been significantly disrupted.

ADES

- No direct exposure to U.S. tariffs
- Operations tied to long-term contracts with National Oil Companies (NOCs)
- Geographical diversification shields it from isolated market shocks
- Premium fleet positioning supports consistent utilization despite price swings

Source: OPEC, EIA

Impact of U.S. Tariffs on Specific Countries

Canada

The U.S. imports nearly 50% of its crude oil from Canada, making it a critical supplier. The newly imposed 10% tariff on Canadian energy products is expected to:

- Increase costs for U.S. refiners, especially in the Midwest where Canadian crude is heavily used.
- Push Canadian crude prices lower
- Raise U.S. gasoline prices by an estimated 20–30 cents per gallon due to higher refining costs.

Mexico

Mexico, a key U.S. oil and refined product supplier, faces a 25% tariff under the new U.S. measures. The impact includes:

- Reduced competitiveness of Mexican oil, particularly Maya crude, in the U.S. Gulf Coast.
- Potential rerouting of exports to Latin America or Asia.
- A weakening peso could partially offset the impact by making Mexican oil cheaper in dollar terms.

China

Though China is not a major supplier of crude to the U.S., the tariff-driven retaliation cycle has already impacted the U.S.-China LNG trade:

- China imposed a 15% retaliatory tariff on U.S. LNG, leading to a dramatic drop in American LNG exports to China since 2019.
- China shifted long-term LNG procurement to suppliers in Qatar, Russia, and Australia.
- This shift weakened U.S. LNG's role in the fast-growing Asian energy market.

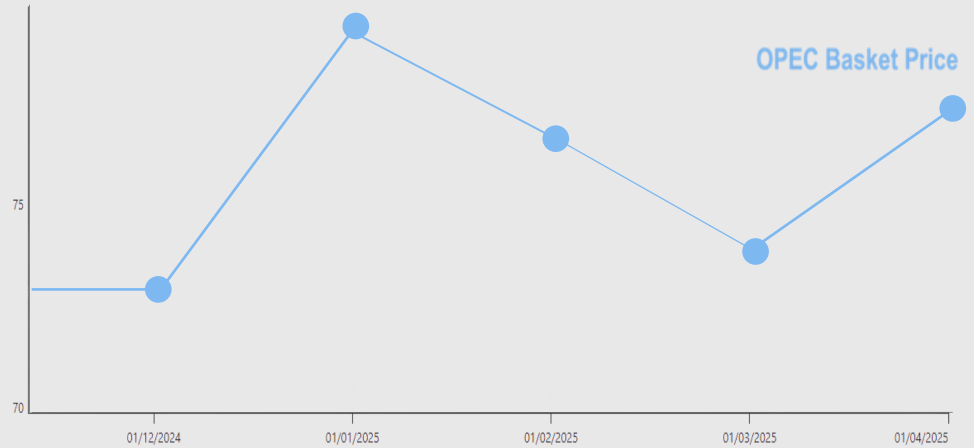
Source:White House Fact Sheet, Wood Mackenzie, Fox Business

OPEC'S Role

12 Member Countries

OPEC aims to coordinate and unify petroleum policies among its member countries to ensure fair and stable prices for producers, a reliable and efficient oil supply for consumers, and a reasonable return on investment for industry stakeholders.

OPEC Basket Price



OPEC+ Influence on Trump Plan

OPEC+ plays a crucial role in global oil supply, using production cuts to stabilize prices and sustain U.S. producer profitability, discouraging overexpansion. A sudden output increase, as seen in the past, could drive prices below breakeven, making drilling less viable for U.S. companies.

Source: OPEC

OPEC+ Production Levels

OPEC

The eight OPEC+ countries (Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria, and Oman) met on April 3, 2025, to review oil market conditions and adjust their production strategy.

OPEC+ Meeting Outcomes – April 3, 2025:

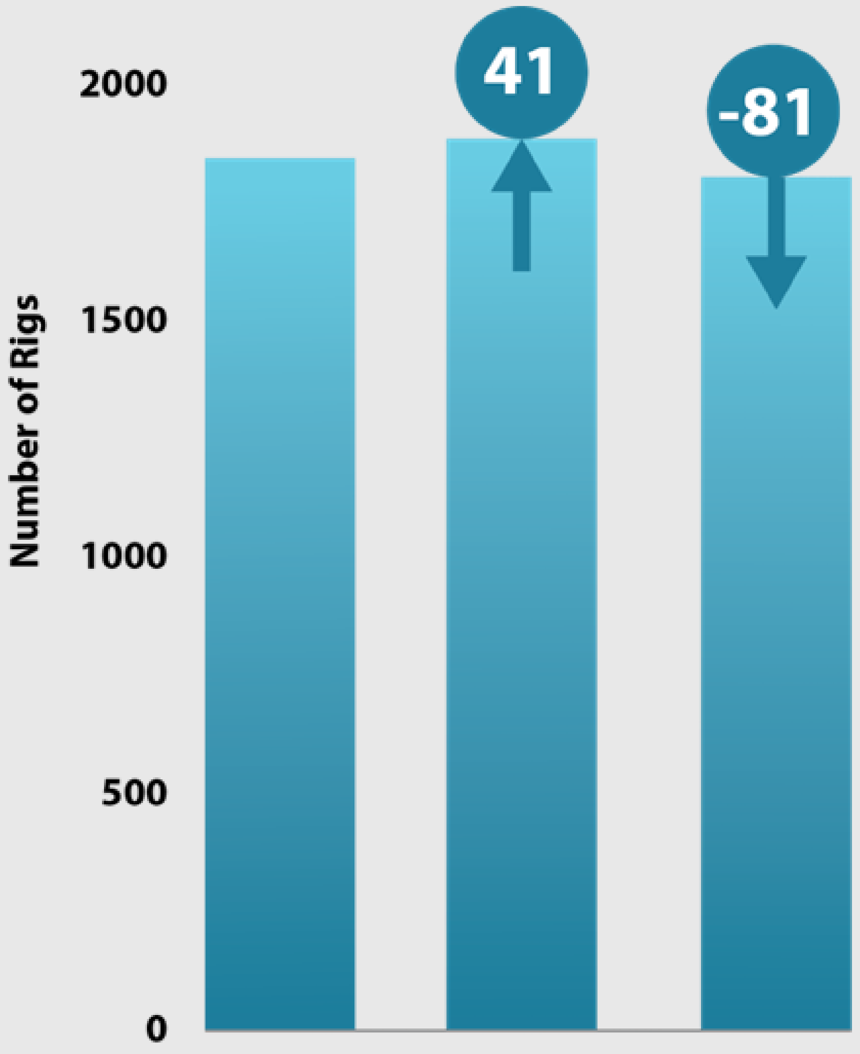
- Gradual Increase in Oil Production (Starting May 2025)
- Flexibility to Pause or Reverse Increases
- Compensation for Overproduction
- Monthly Market Reviews

Required Production (kbd)

Country	May 2025 Required Production (kbd)
Algeria	919
Iraq	4,049
Kuwait	2,443
Saudi Arabia	9,200
UAE	3,015
Kazakhstan	1,486
Oman	768
Russia	9,083

Source: OPEC, Team Assessment

World Rig Count



2022
World Rig Count
1,846

41 Rig

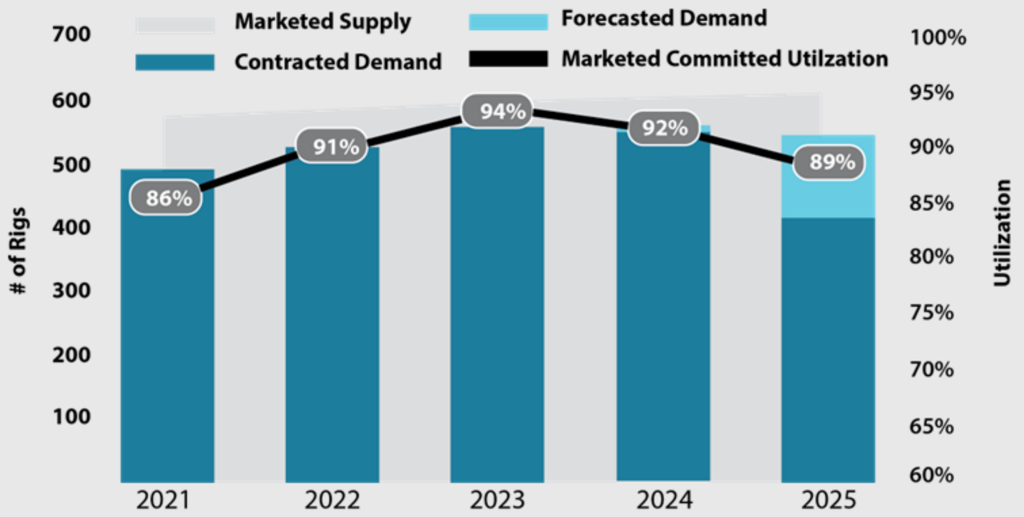
2023
World Rig Count
1,887

81 Rig

2024
World Rig Count
1,806

Source: Baker Hughes

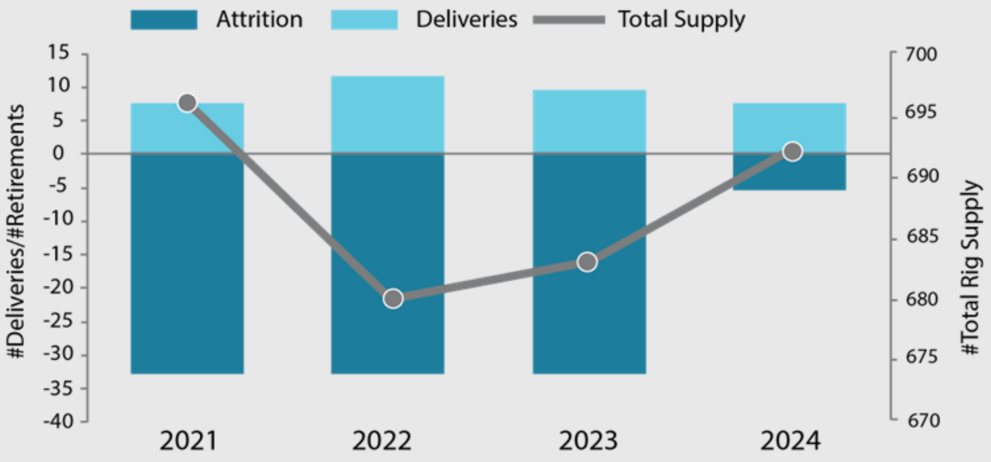
Jack-Up Market Overview (1/2)



Jack-ups Demand Outlook

Global rig demand is slowing due to project delays caused by rising costs and supply chain challenges, though no major cancellations signal a market correction rather than a downturn.

The Global South, including Latin America, Africa, and India, will drive future offshore rig demand, offsetting declines in the North Sea and US Gulf of Mexico. South America will lead floating rig demand, while the Middle East dominates jack up demand.



Jack-ups Attrition Trends

Jack-up rigs saw growth in 2024, with four new units delivered and none retired, resulting in a net fleet increase. Demand remains strong, particularly in the Middle East, which continues to dominate global Jack-up usage.

Rig contractors are focusing on maintaining Jack-up with high utilization potential, reflecting their critical role in shallow-water drilling projects.

Source: Westwood Global Energy Group, Team Assessment

Jack-Up Market Overview (2/2)

Rising Global Demand

The energy market rebound post-COVID and strong oil price support have revived offshore exploration and production activity, especially in the Middle East and Southeast Asia. National Oil Companies (NOCs) Such as Saudi Aramco, ADNOC, and Qatar Energy have expanded upstream investment, leading to a wave of new offshore tenders.

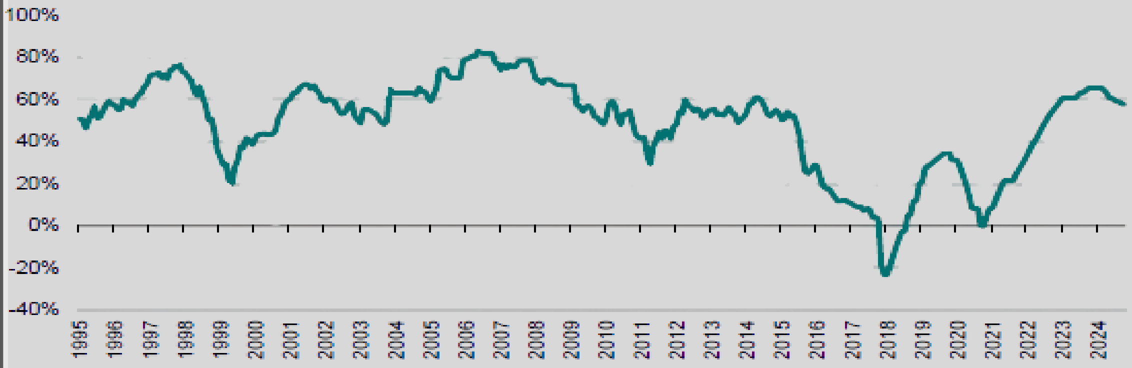
Supply Constraints

The supply of jack-up rigs is not keeping pace with demand, largely due to :

1. Aging fleets and retirements
2. A decade of underinvestment in new builds (especially post-2015 oil crash)
3. Delayed reactivation of cold-stacked rigs due to high refurbishment costs and long lead times.

Jack-up Market Experiencing Significant Tightness

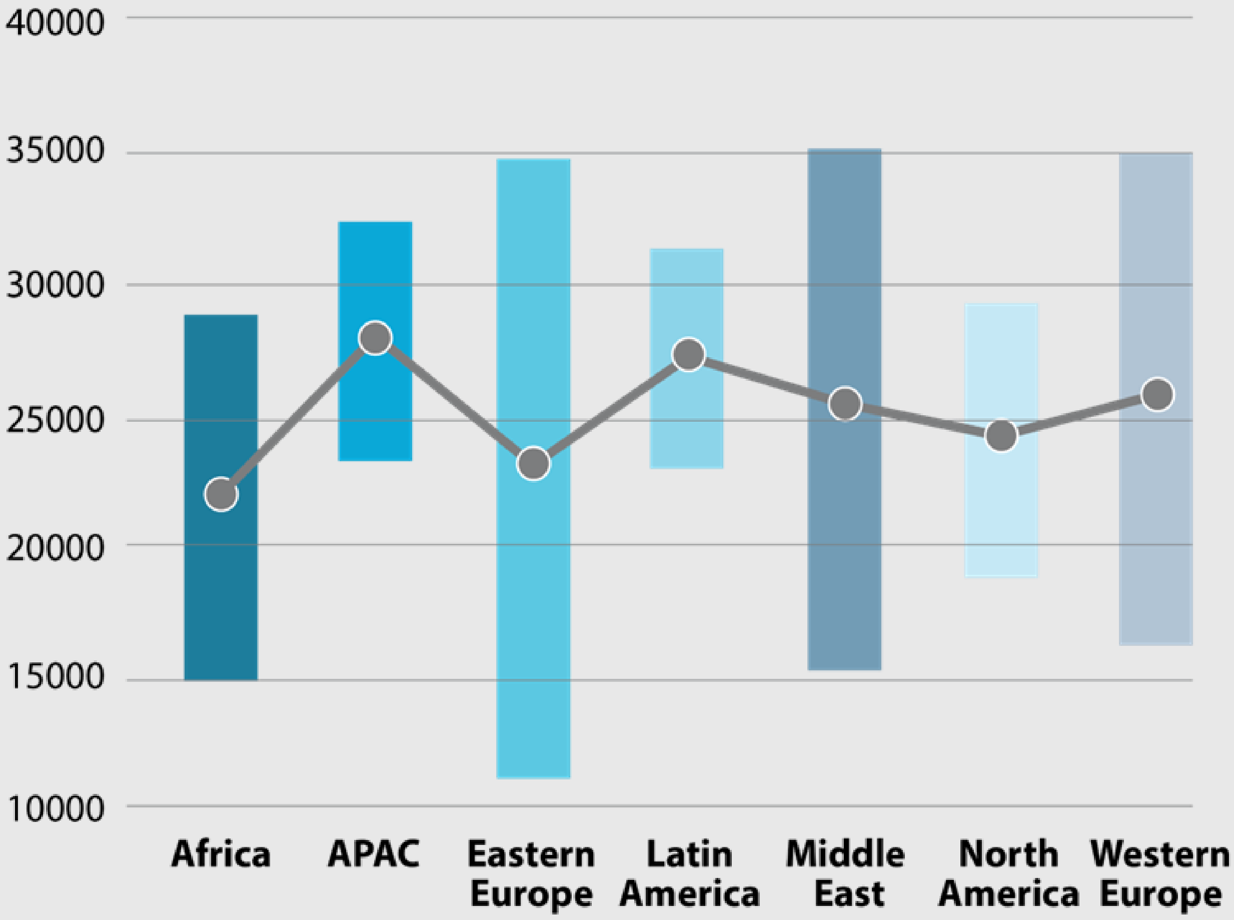
Gross Jack-up Margin Since 1995



The jack-up rig market is in a gradual recovery phase, but supply absorption and demand growth will be critical to sustain margin expansion. Premium assets remain best-positioned, while overall industry profitability is still below peak cycle levels.

Source: S&P Global, DNB Markets

Land Drilling Day Rates



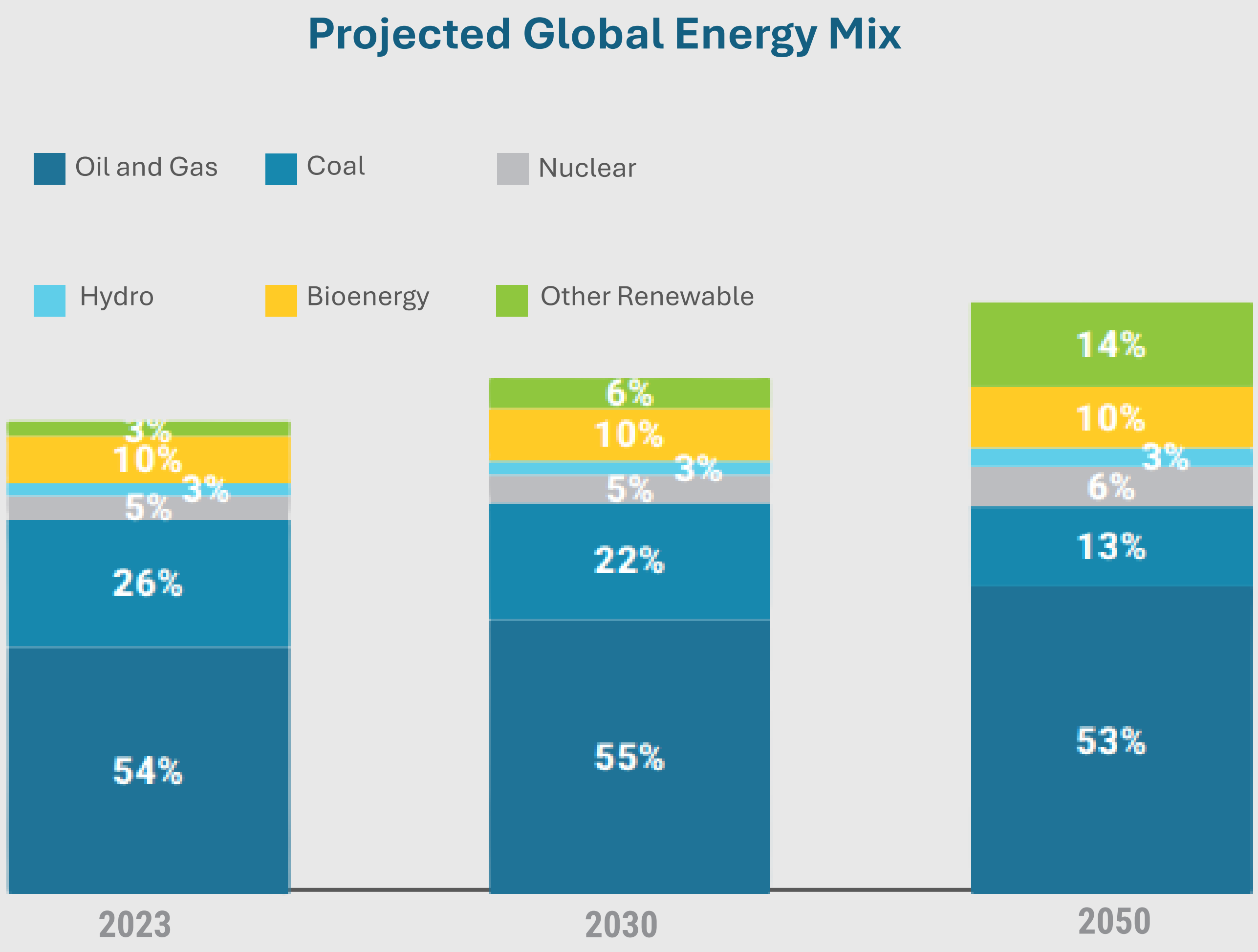
Land Drilling Rig Day Rates By Region

- **Africa:** Day rates are on the lower end, ranging between approximately $20,000 and $30,000, reflecting moderate demand and cost sensitivity in the region.
- **APAC (Asia-Pacific):** Shows a slightly higher range, with rates between $25,000 and $35,000, driven by strong regional demand and significant offshore activity.
- Eastern Europe: This region has the highest day rate range, spanning from approximately $30,000 to $40,000, indicating high operational costs and robust market activity.
- **Latin America:** Day rates range between $25,000 and $35,000, reflecting steady offshore investments and regional growth in exploration and production.
- **Middle East:** Day rates are relatively high, between $30,000 and $35,000, driven by strong demand, particularly in the GCC, and long-term investment in upstream projects.
- **North America:** Rates are more moderate, ranging from about $20,000 to $30,000, reflecting a mature market with balanced activity levels.
- **Western Europe:** Similar to Eastern Europe, day rates are relatively high, ranging between $30,000 and $40,000, likely due to stringent regulations and high operational costs.

Day rates in the Middle East are generally consistent with global averages. However, within the GCC region, rates are notably higher than the global average and are projected to remain elevated in the long term, reflecting strong regional demand and market dynamics.

Source: S&P Capital IQ, Team Assessment

Projected Global Energy Mix



- Oil & gas to remain an essential component in the global energy mix by 2050 at **53%,** ensuring long-term demand sustainability.
- Continued demand for oil will be met only with a sustained level of investment in new resources and projects to maintain global supply.

Source: OPEC, Team Assessment

Appendix (B)

Business Overview

ADES's Timeline

2002

FOUNDING OF ADES

ADES was established as a local drilling company in North Africa

2017-2019

2017 INITIAL PUBLIC OFFERING ON THE LONDON STOCK EXCHANGE

ADES raised capital to fuel its growth and began expanding internationally

MAJOR ACQUISITIONS

Acquired 37 drilling rigs, significantly increasing its fleet and market presence

2021

STRATEGIC INVESTMENT BY PIF & ZAMIL GROUP

Received investment from public investment funds (PIF) and Zamil group enabling further expansion

RELOCATION OF HEADQUARTERS TO SAUDI ARABIA

Moves its headquarters to Al-Khobar to align with Saudi vision 2030 and enhance local collaboration

2023

IPO ON THE SAUDI STOCK EXCHANGE (TADAWUL)

Listed 30% of its shares, raising SAR 4.6 billion ($1.2 billion)

SUSTAINABILITY AND SAUDIZATION MILESTONES

Achieved a Saudization rate of 74% and strengthened practice

2024 - 2025

GLOBAL EXPANSION

Southeast Asia Indonesia and Thailand, with operations starting in 2024
West Africa Nijeria, and Brazil with operations starting in 2025

Source: Company Data

ADES's Strategic Direction

ADES strategy seamlessly integrates **local market leadership**, **global expansion**, and **operational excellence** to create enduring value.
With a focused approach that drives performance, innovation and sustainable practices, they poised to meet today's challenges and capture tomorrow's opportunities.

Perfecting The Model

2002 | **2012**

1 Market
2 Rigs
SAR 365M Backlog

Scaling Up

2015	2016	2017
2 Markets 4 Rigs SAR 740M Backlog	3 Markets 13 Rigs SAR 1.9bn Backlog	3 Markets 14 Rigs SAR 1.5bn Backlog

Accelerating Growth

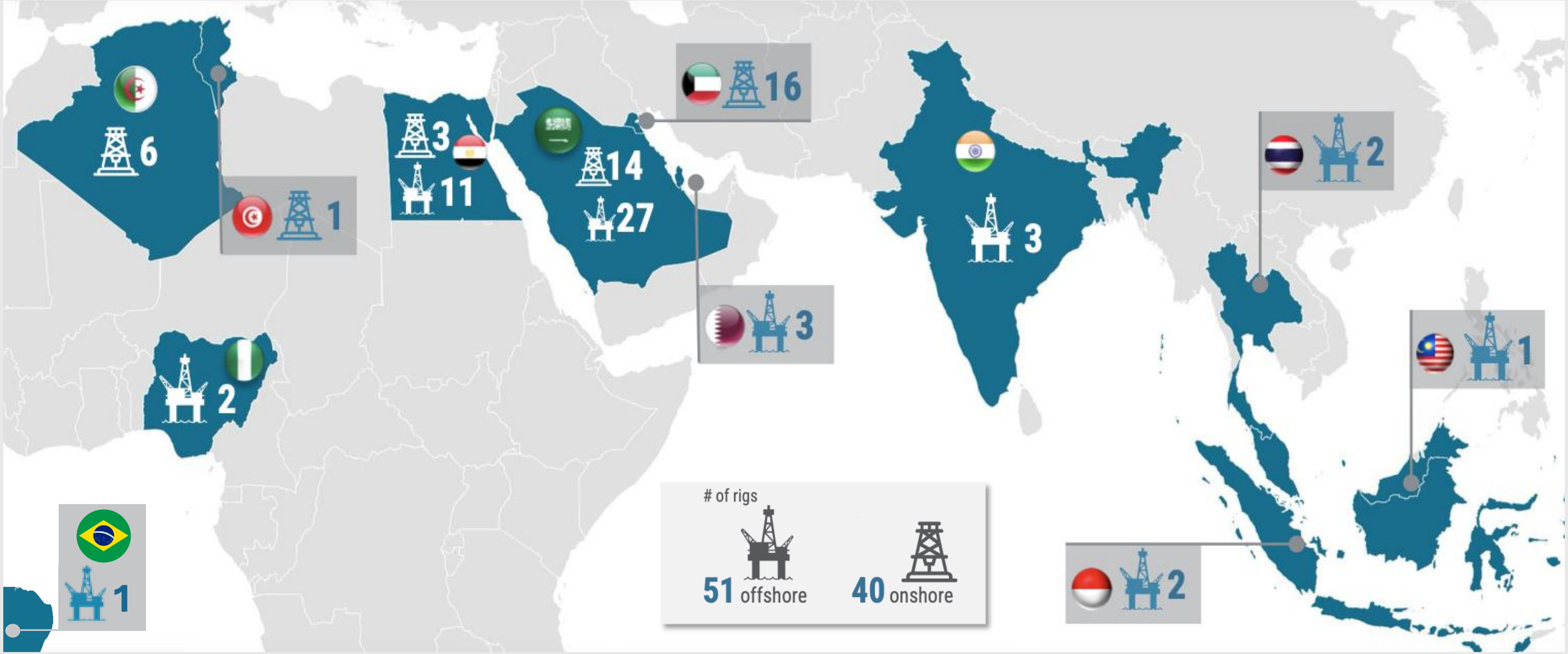
2018-2019	2021	2022
4 Markets 51 Rigs SAR 4.9bn Backlog	5 Markets 58 Rigs SAR 6.7bn Backlog	6 Markets 85 Rigs SAR 27.4bn Backlog

Strengthening Leadership

2023	2024-2025
8 Markets 87 Rigs SAR 27.5bn Backlog	12 Markets 91 Rigs SAR 28.3bn Backlog

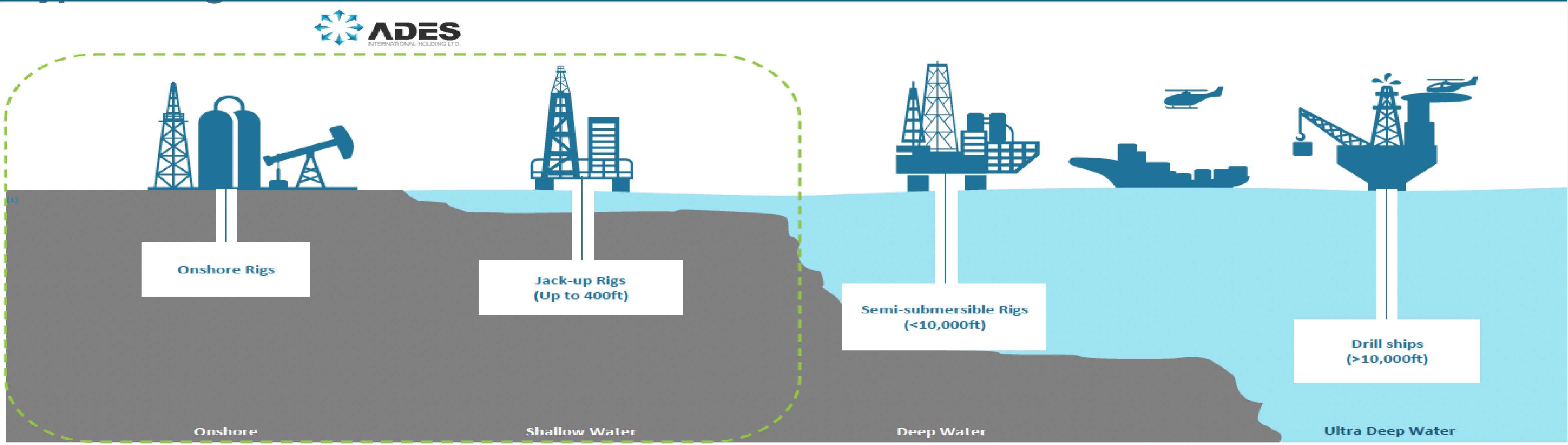
Source: Company Data

ADES's Geographic Footprint



Source: Company Data

Types of Rigs



ADES's Fleet is comprised of:

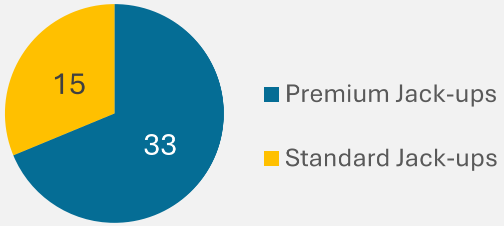
48 Jack-up offshore drilling rigs

2 Jack-up offshore barges

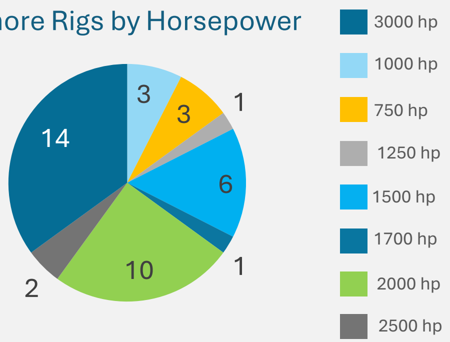
1 Mobile offshore production unit (MOPU)

40 Onshore rigs

Jack-up Rig Types



Onshore Rigs by Horsepower

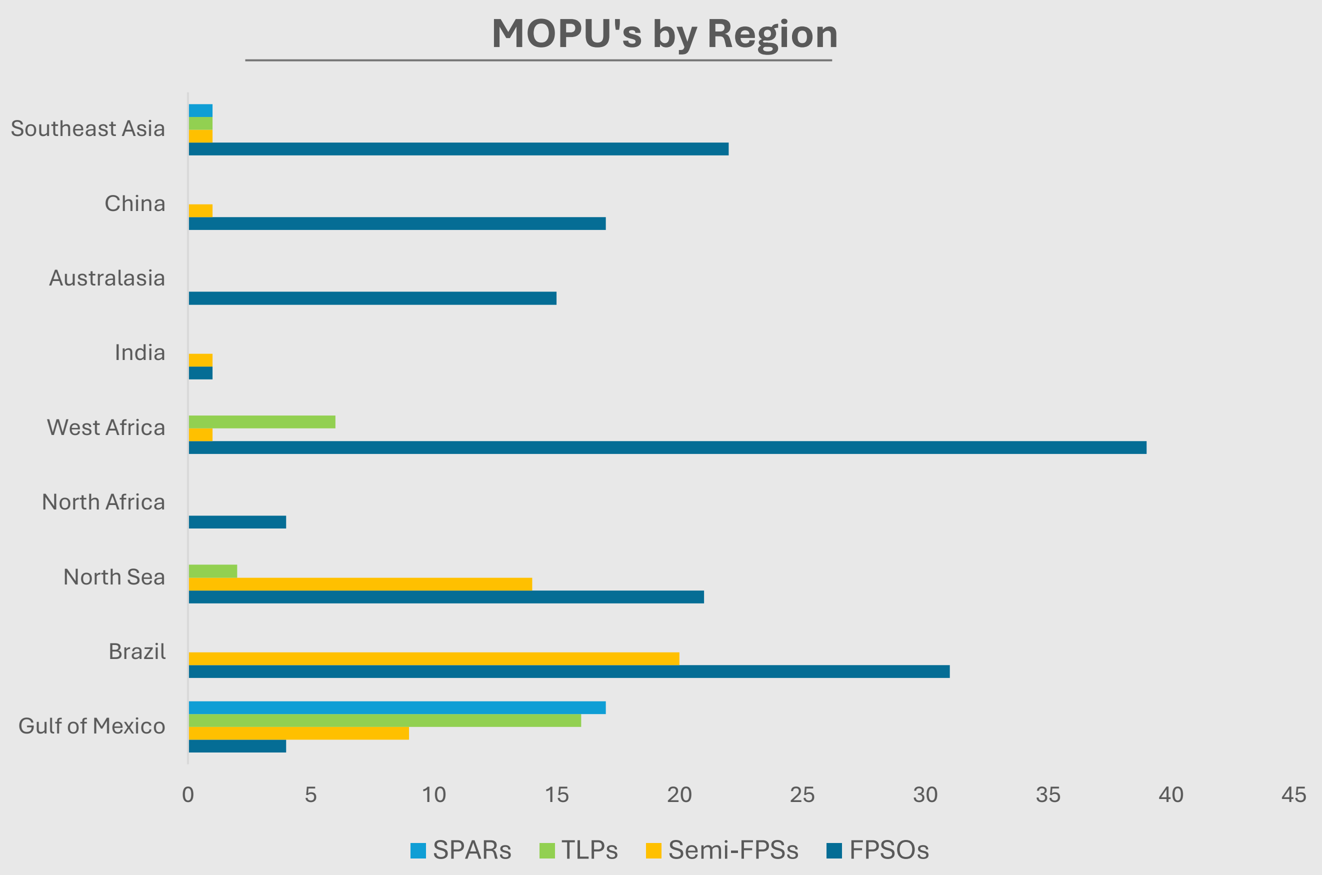


Source: Company Data

ADES'S MOPU

ADES launched its MOPU services with the deployment of Admarine I in the Gulf of Suez, Egypt.

The **MOPU**, a modified jack-up rig transformed into a mobile offshore platform, is equipped with state-of-the-art production and processing facilities.



Source: Company Data, Oil and gas iq

ADES’s RIGEYE

RIGEYE is one of ADES's notable innovations, serving as a vital support system that educates and guides employees in their roles. It illustrates best and poor practices, promoting continuous improvement and safety awareness.

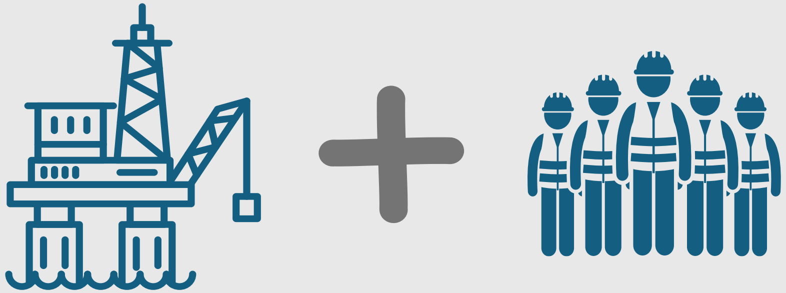
Acting as an experienced team member, it offers guidance and intervention, RIGEYE has “ No-Blame culture, ” Focusing on education and support.

Source: Company Data

ADES's Business Models

NEW!

1. Time charter Drilling Contract



ADES's Rig | ADES's Team

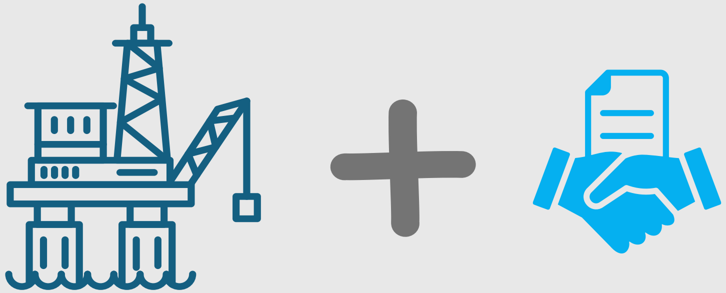
Rig contracting including ADES operations

Example: ADES's contracts in the GCC

Total Day rate paid to ADES

Margins influenced by operational cost including staff cost

2. Bareboat Charter (BBC) Agreement



ADES's Rig | In-country Partner

Rig contracting with third party operating

Example: ADES's Nigeria and Brazil contract

Partial Day rate paid to ADES

Higher Margins expected with no operational cost associated

Source: Company Data, Team Assessment

Contracting Nature

ADES contracting nature with their major clients differ than competitors from other regions, this has position them with a better risk profile in a volatile energy markets.

Contractors Types		
Operator Owned / Linked	**Local Contractors**	**International Contractors**
Exclusive drilling contractors work for one client only with cases of direct ownership.	Independent contractors with local expertise in specific region and local clients represent majority in their portfolio.	Independent contractors operate on a global scale with a diverse client portfolio and fleet.
SANAD Saudi Aramco Nabors Drilling; ARO; ADNOC أدنوك; CPOE	ADES ADES Holding أديس القابضة; Arabian Drilling; VELESTO energy	SHELF DRILLING; Borr Drilling; NABORS; VALARIS

Source: Company Data, Team Assessment

ADES's Services

Offshore Drilling Services

With a fleet of **48** legacy and premium jack-up rigs, offshore drilling services concentrate on the exploration, extraction, and maintenance stages of the oil and gas field lifecycle, primarily in shallow-water and non-harsh environments.

Onshore Drilling Services

With a fleet of **40** legacy and new-build rigs, procedures usually includes exploration, development, and production stages, with ADES participating in the drilling phase. Workover tasks involve the upkeep, repair, and/or improvement of a well's output.

MOPU

The MOPU, a transformed jack-up rig functioning as a mobile offshore platform with production capabilities, highlights ADES's flexibility in delivering early production at lower costs while reinforcing its leadership in the offshore sector.

Jack-Up Barge & Project Services

With **2** Jack-up barges employed for a range of marine operations, such as pipe laying. These barges can be equipped with heavy lifting cranes, firefighting systems, and can also serve as offshore accommodation.

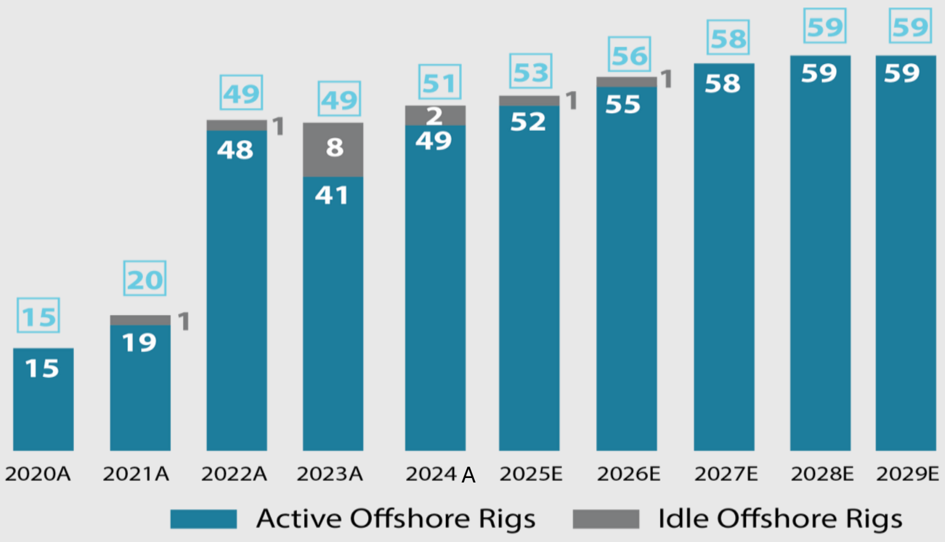
Other Services

ADES delivers personnel, platform installation, maintenance and repair services, catering accommodations, and equipment rentals to assist its offshore rig clients and their staff.

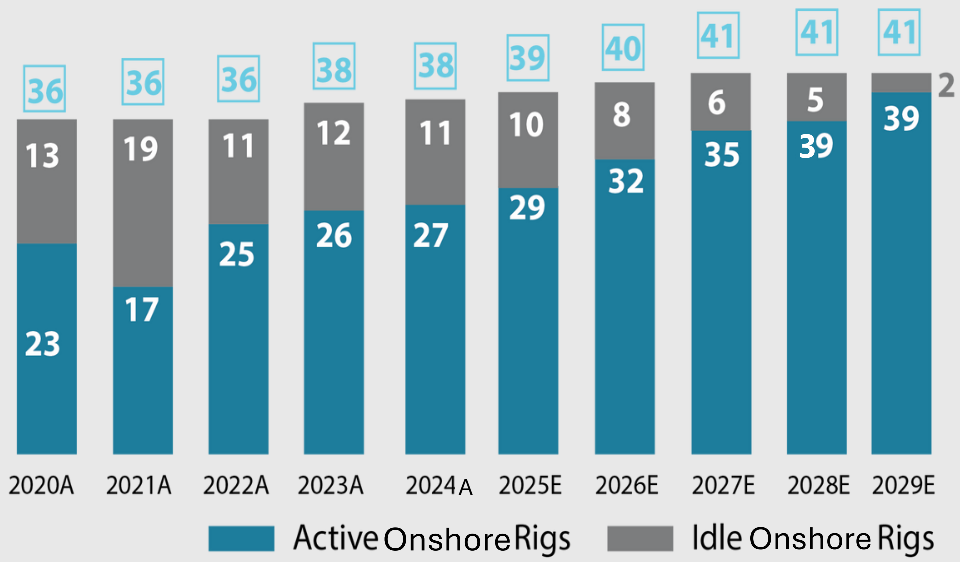
Source: Company Data

ADES's Rig Status

Offshore Rigs



Onshore Rigs

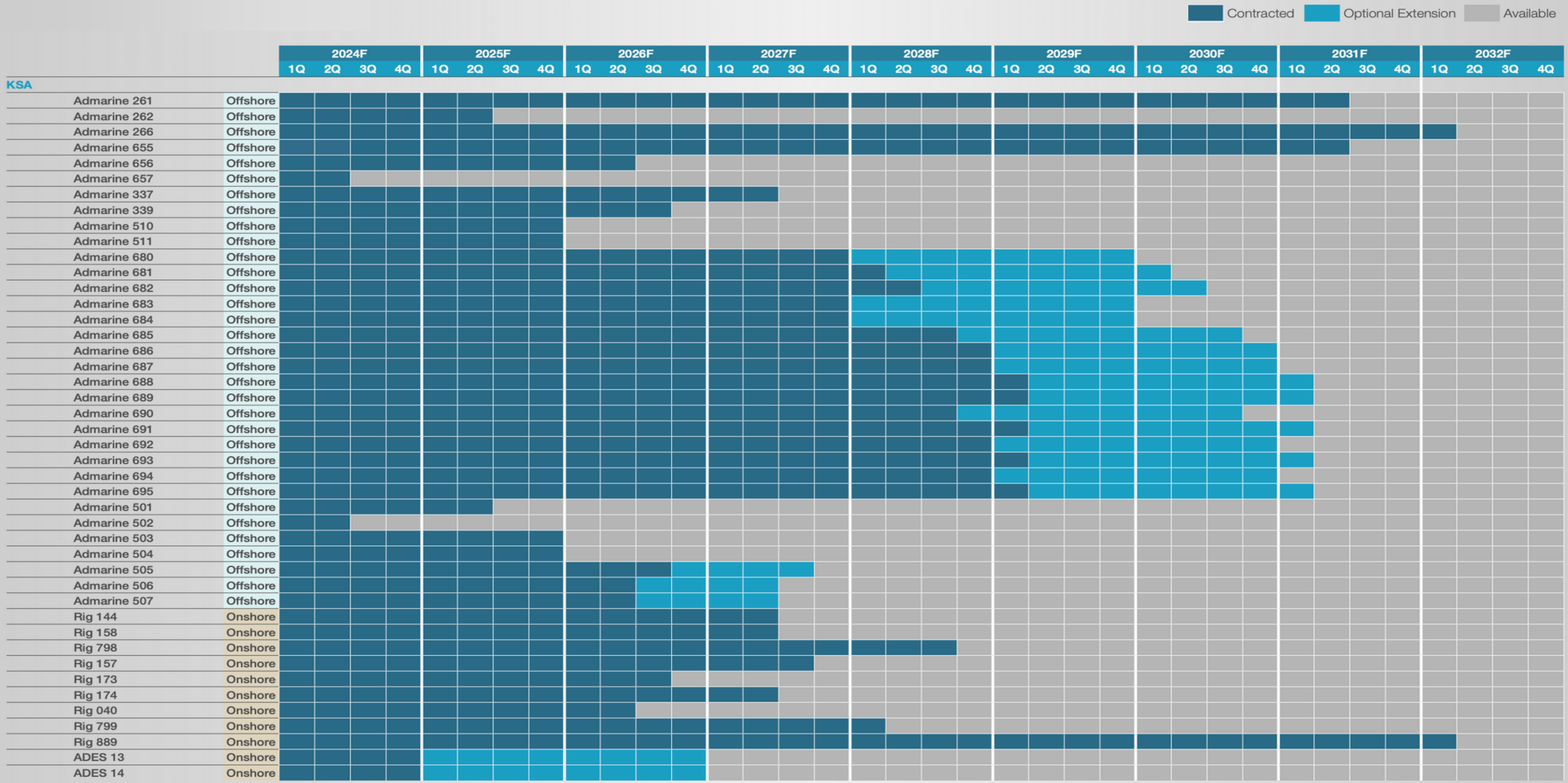


During Idle periods, the rigs could be:

- **Warm Stacked:** Rigs are kept operational and ready for deployment at their current location with a small crew to maintain equipment.
- **Cold Stacked:** Rigs are non-operational, stored in a designated area, requiring minimal security personnel and incurring preparation costs for reactivation.

Source: Company Data, Team Assessment

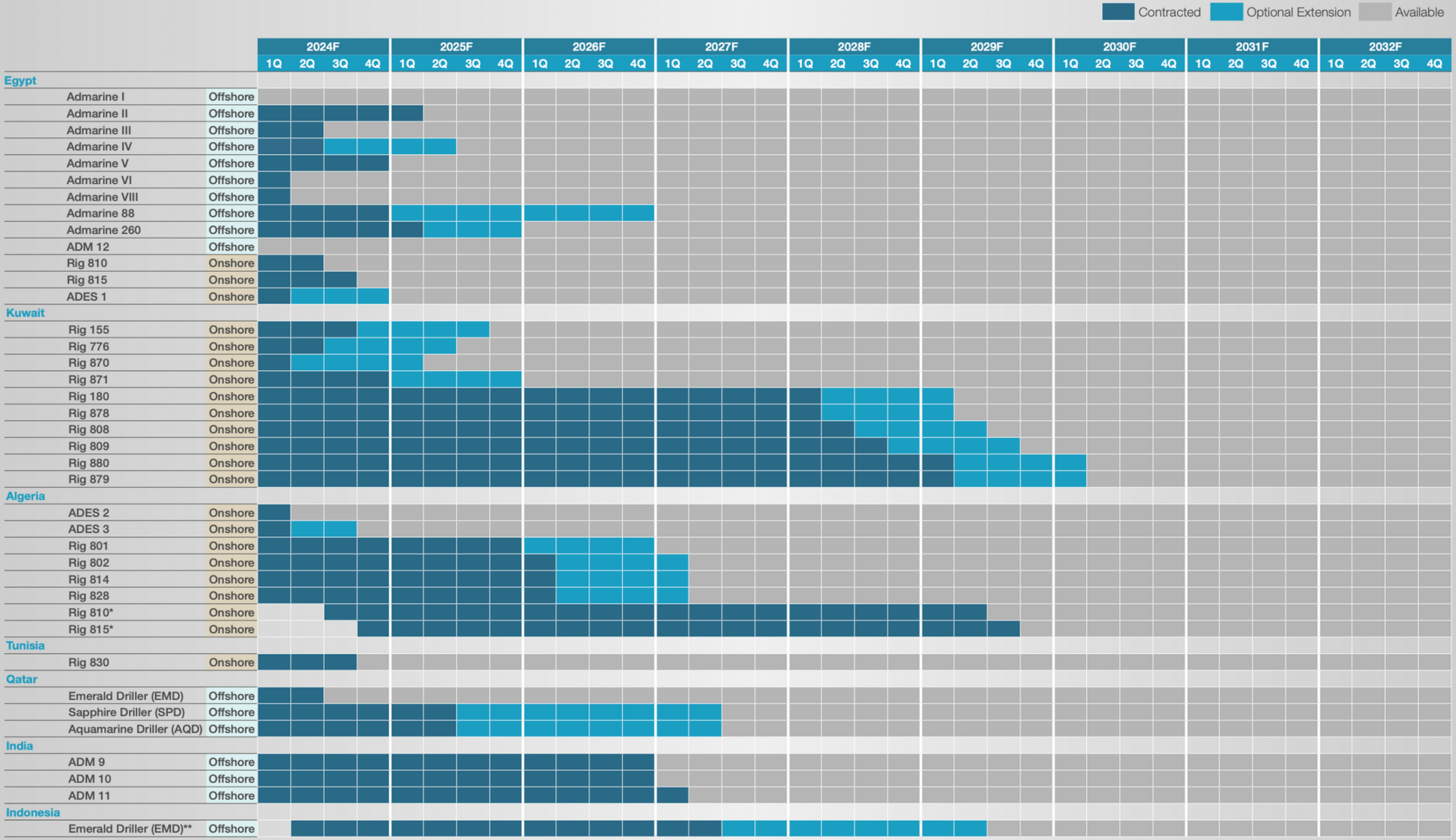
ADES Utilization Schedule (1/2)



Utilization schedule as of 31 December 2023

Source: Company Data

ADES Utilization Schedule (2/2)



* The two rigs 810 and 815 will be moved from Egypt to start operations in Algeria in Q3'24 and Q4'24 Respectively
** The Emerlad Driller will be moved from Qatar to start operations in Indonesia in Q2'24
Utilization schedule as of 31 December 2023

Source: Company Data

Porter's Five Forces Analysis

1. Threat of New Entrants (1)

- High Barriers to Entry:

Significant capital investment is required for purchasing and maintaining rigs. ADES operates in markets with high barriers to entry, supported by prequalification status with more than 30 existing and potential clients.

- Regulatory Complexity:

Operating in oil and gas requires adherence to strict environmental and safety regulations, which pose challenges for new entrants.

- Technology Requirements:

Advanced technological capabilities (e.g., MOPU services, jack-up rigs) give established players like ADES a competitive advantage.

2. Bargaining Power of Suppliers (3)

- Specialized Equipment Providers:

Suppliers of drilling equipment and rigs hold moderate power due to the specialized nature of their products. However, ADES mitigates this by owning a large fleet of rigs, reducing dependency on external suppliers.

- Technological Inputs:

Dependence on high-spec technology for offshore drilling adds complexity, giving niche suppliers moderate leverage.

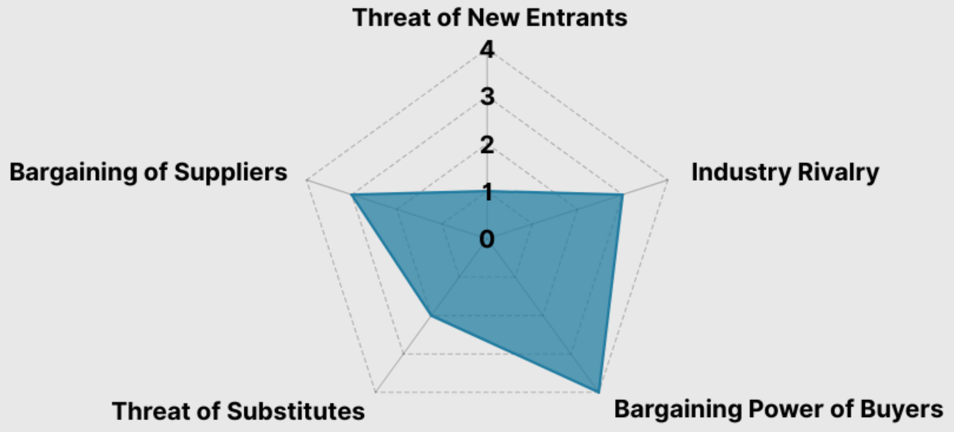
3. Bargaining Power of Buyers (4)

- Concentration of Buyers:

Major clients like Saudi Aramco, Kuwait Oil Company, and North Oil Company account for over 95% of ADES's backlog. National oil companies (NOCs) and international oil companies (IOCs) hold significant bargaining power due to their scale.

- Demand for High Standards:

Buyers demand high operational efficiency, safety standards, and cutting-edge technology, increasing their influence.



4. Threat of Substitutes (2)

- Limited Alternatives:

There are no direct substitutes for offshore and onshore drilling services in oil and gas exploration. Renewable energy sources are an indirect substitute, but the transition is gradual and unlikely to impact demand significantly in the short term.

5. Industry Rivalry (3)

- Highly Competitive Market:

Key competitors include Valaris, Transocean, and ADNOC Drilling, which operate globally with advanced rigs and technology. ADES's large fleet, diversified geographic presence, and innovative offerings (e.g., MOPU services) give it a competitive edge.

- Utilization Rates:

ADES maintains high utilization rates (over 90%), indicating strong operational efficiency and market demand.

Source: Company Data, Team Assessment

SWOT Analysis

Strengths

- Market leadership in onshore and offshore drilling services in the MENA region.
- Strategic partnerships with major oil companies, including Saudi Aramco.
- Operational efficiency and a strong safety record.
- Stable revenue streams from long-term contracts.
- Diverse service portfolio, including Mobile Offshore Production Units (MOPUs).

Weaknesses

- High dependence on the Saudi market (66% of revenue).
- High operating costs due to managing a large fleet.
- Limited geographic diversification, with operations heavily concentrated in the MENA region.

Opportunities

- Geographic expansion into new markets such as Southeast Asia and Latin America.
- Growing global demand for conventional and sustainable energy, especially in Asia.
- Investments in smart drilling technologies and digital analytics.
- Opportunities to expand revenue base through Saudi Vision 2030 projects.

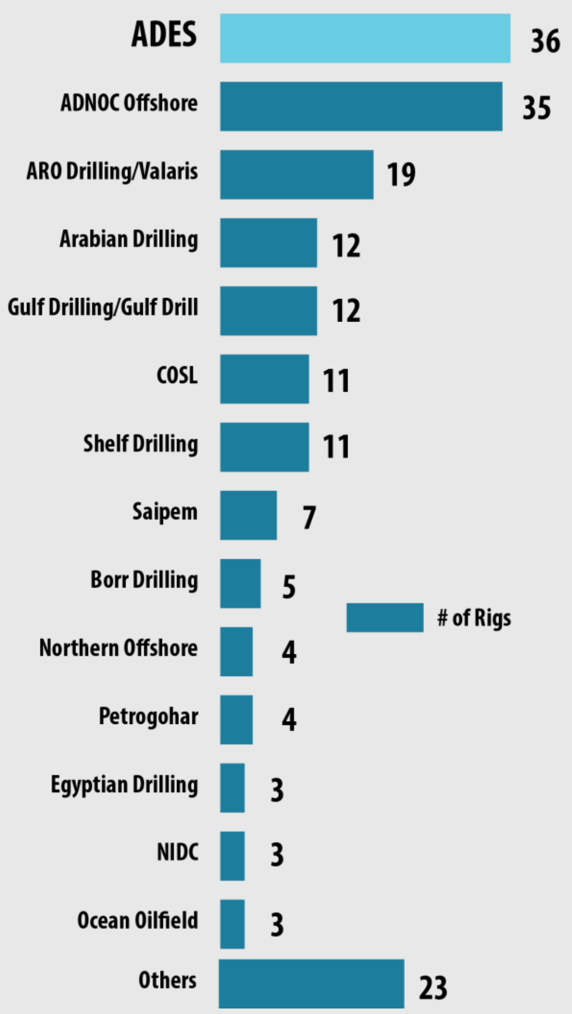
Threats

- Oil price volatility significantly impacts revenue.
- Intensifying global competition as new players enter the market.
- Geopolitical risks in unstable regions where the company operates.
- Stricter environmental regulations leading to higher compliance costs.

Source: Company Data, Team Assessment

Competitive Landscape - MENA

Jack-up Owners in MENA

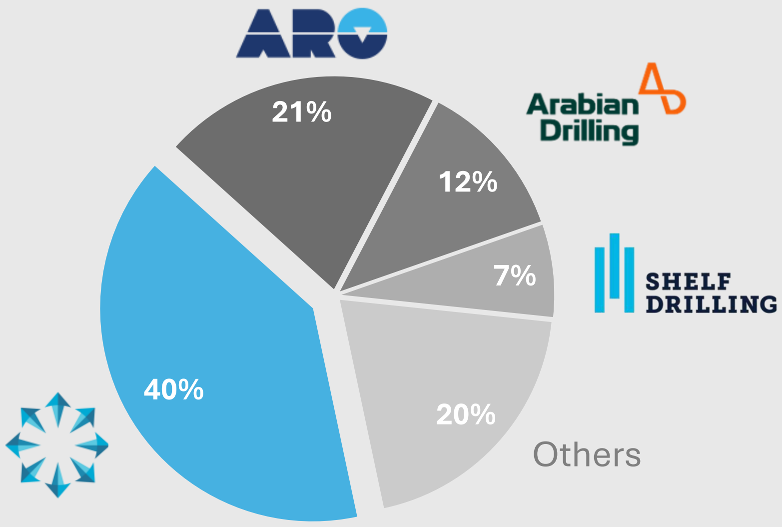


- The MENA market features a fleet of 103 jack-ups, with ADES holding the highest shares.
- The largest share of ADES jack-up rigs are based in MENA.
- Local players as ADNOC and Arabian Drilling follow with their total fleet based on United Arab Emeritus and Saudi Arabia ,respectively.
- Since 2018, the second-hand market has seen significant activity, particularly from ADES, which has acquired 32 jack-ups, making it the largest global provider with a 10% market share today.

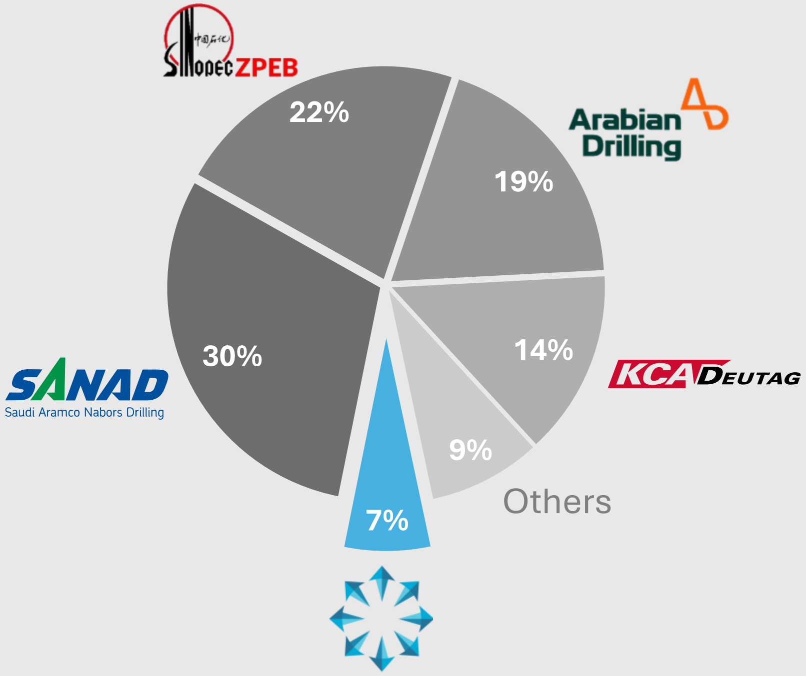
Source: Company Data, Team Assessment

Competitive Landscape – Saudi Arabia

Offshore Market Share



Onshore Market Share



Despite being the oldest player in Saudi Arabia, Arabian Drilling is outpaced by ADES in revenue and fleet size, benefiting from a higher focus on offshore rigs. ADES's strong backlog and offshore contracts with Aramco position it favourably in the competitive drilling landscape.

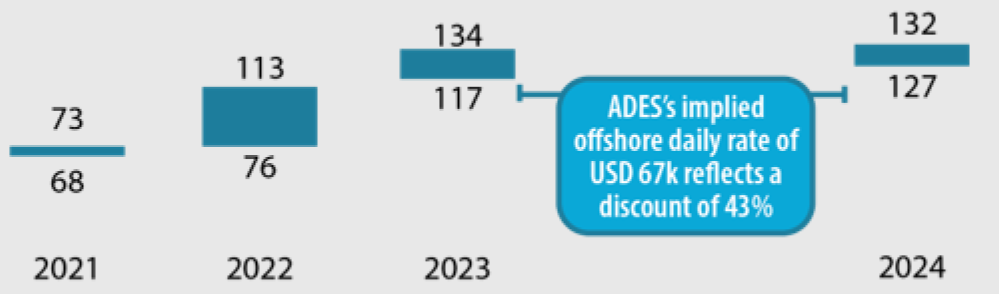
Source: Company Data, Arabian Drilling, Team Assessment

Competitive Positioning

Barriers To Entry

ADES has broken the barrier by avoiding high costs by acquiring second hand jack-up rigs for about USD 95 million. This strategy allows for immediate deployment and enhances operational efficiency. The company meets a 50% Saudization requirement for Saudi Aramco contracts with a 74% rate, strengthening community ties. Pre-qualified in 14 markets and operating in 11.

Offshore Day Rate

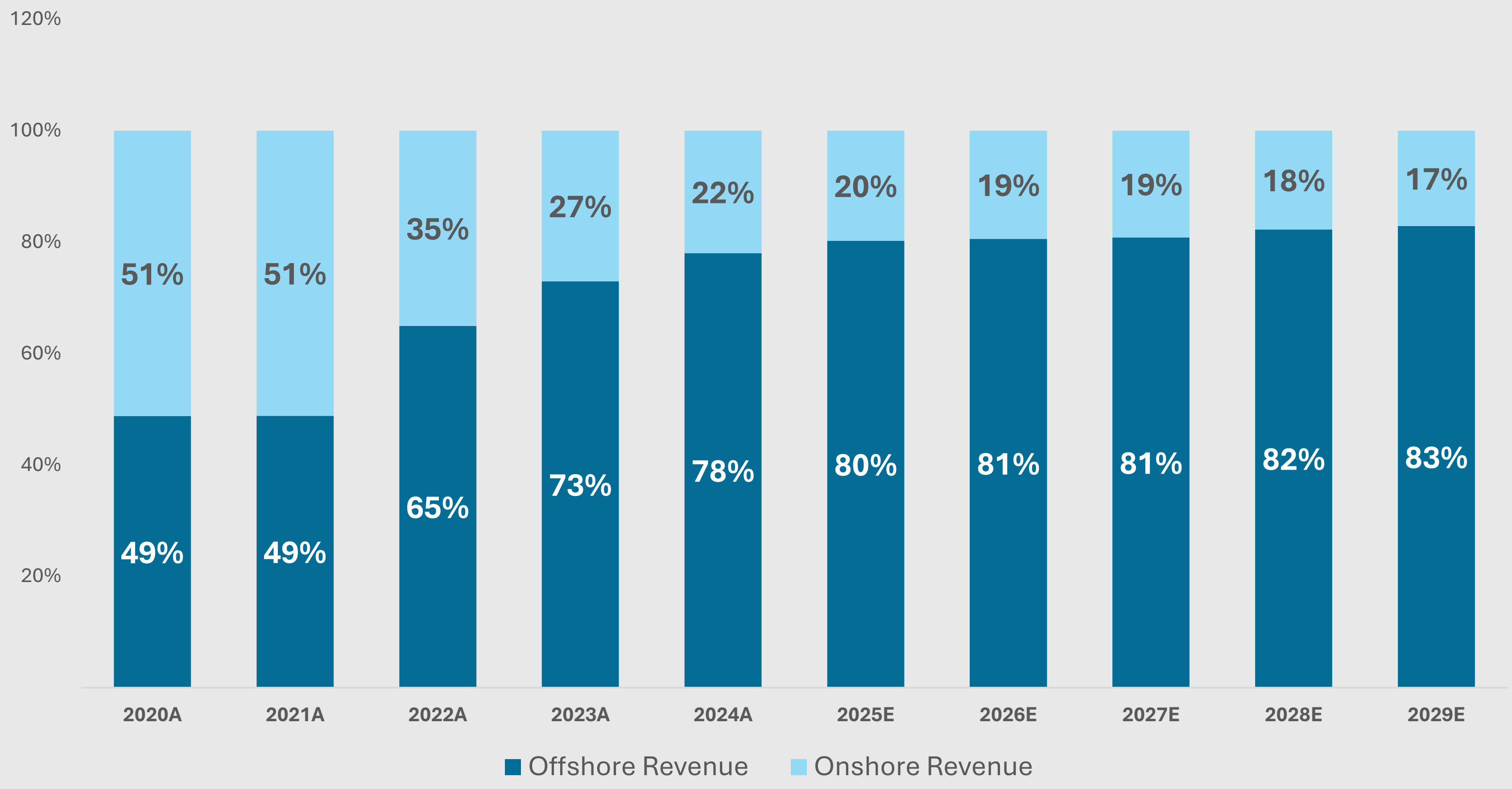


ADES secures tenders in the oil and gas sector by offering competitive offshore day rates, with a 40% discount as of FY23, and prioritizing local talent. ADES also maintains high utilization rates of 97.7% onshore and 98% offshore, aided by in-house maintenance that reduces costs. This approach reinforces ADES's reputation as a leader in the industry, delivering exceptional value while supporting local communities.

Source: Company Data, Team Assessment

Revenue by Segment

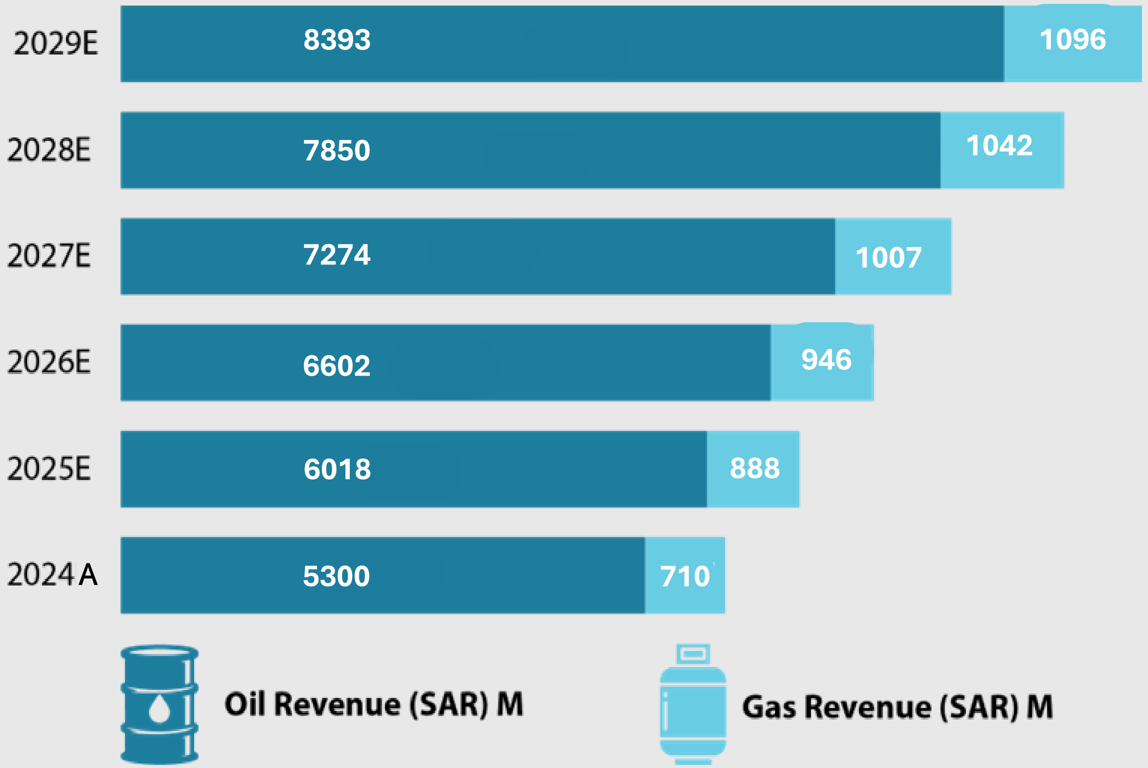
- We project that the offshore revenue will account for 83% of total revenue, while onshore revenue will represent 17%.
- This change is driven by the difference in day rates for the two segments, and by the addition of 10 offshore rigs, compared to just 3 onshore rigs from FY24 to FY29.



Source: Company Data, Team Assessment

Revenue by Hydrocarbon

The majority of ADES's drilling outcomes focus on oil.



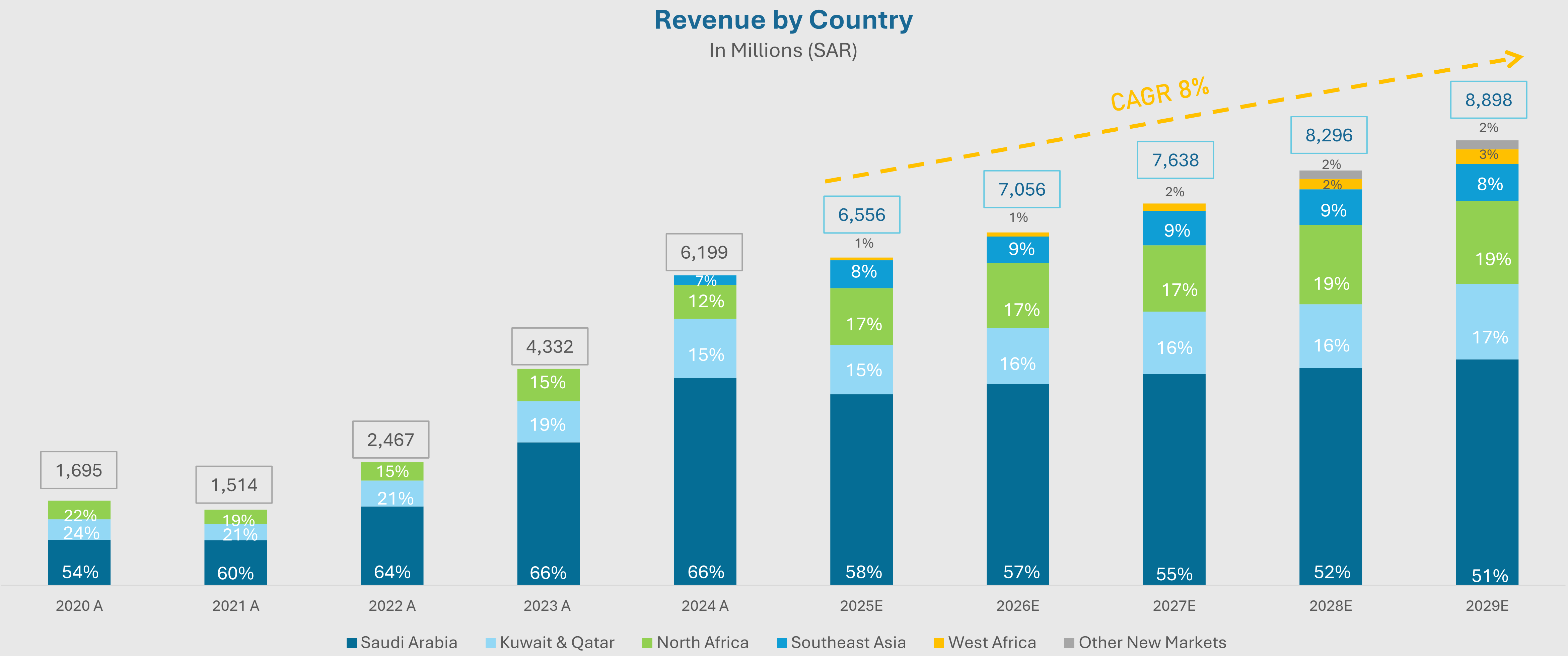
In FY24, 4 out of 51 offshore rigs and 7 out of 38 onshore rigs are dedicated to gas drilling.

- Only 1 of the 2 prequalified **offshore** gas drillers works with Saudi Aramco.
- 50% of Saudi Arabia's **onshore** fleet operates in gas.
- 3 **offshore** gas drillers are in Qatar.

We forecast that this distribution will remain constant throughout the years, with one additional gas rig expected to be deployed in Qatar as its one of ADES's growth regions in FY25.

Source: Company Data, Team Assessment

Revenue by Country



Source: Company Data, Team Assessment

The Market Views (1/3)

Market views are different depending on the comparable set of peers:

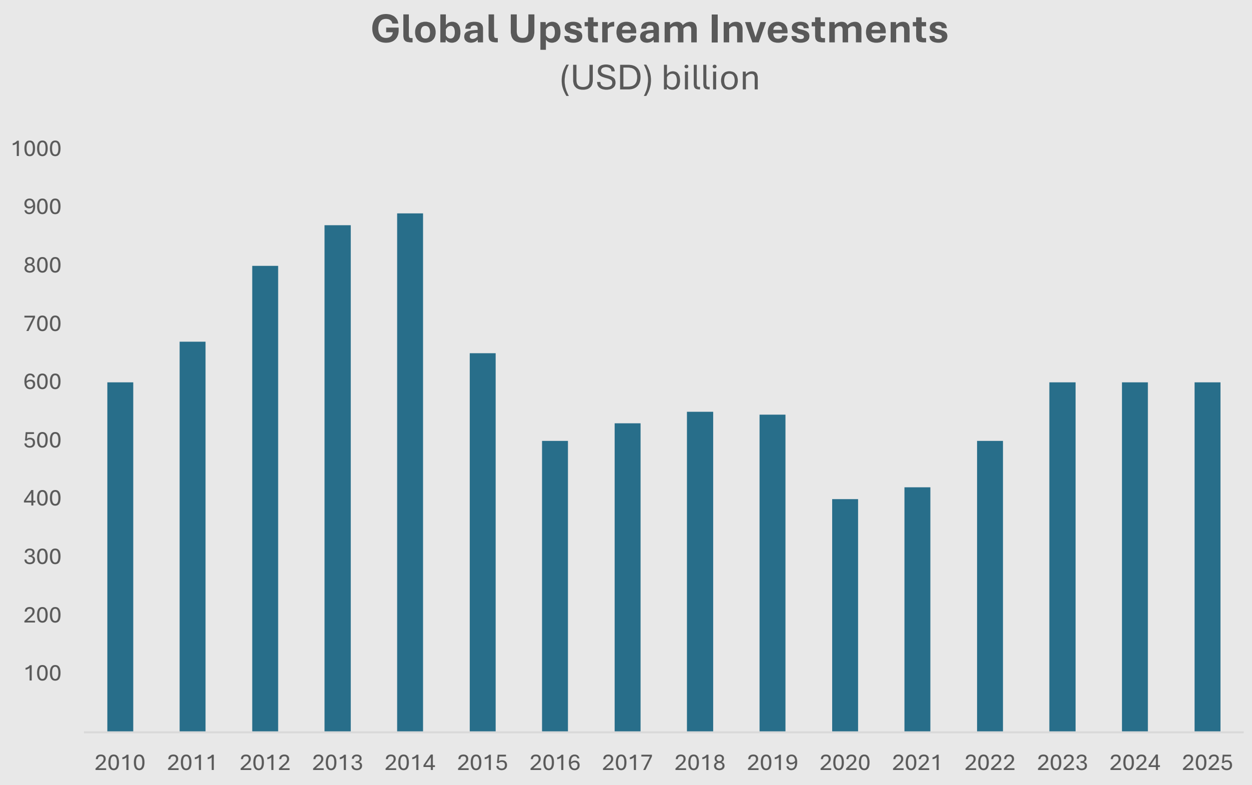
Local Peers	EV/EBITDA FY25E
ADES	10x
Arabian Drilling Company	9x
ADNOC	11x
Average	10x
Implied Share Price (SAR)	**20.02**

Offshore Global Peers	EV/EBITDA FY25E
ADES	10x
Borr	6x
Valaris	8x
Shelf Drilling	4x
Nabors	4x
Average	5x
Implied Share Price (SAR)	**6.18**

In analyzing ADES, we found that the company trades at similar EV/EBITDA multiples to local peers such as ADNOC and Arabian Drilling, which primarily generate most of their revenue from GCC countries. However, ADES trades at higher multiples compared to global peers. This difference reflects market views shaped by OPEC regulations and strong government support for local firms, emphasizing the impact of peer selection on ADES's valuation.

Source: S&P Global IQ, Team Assessment

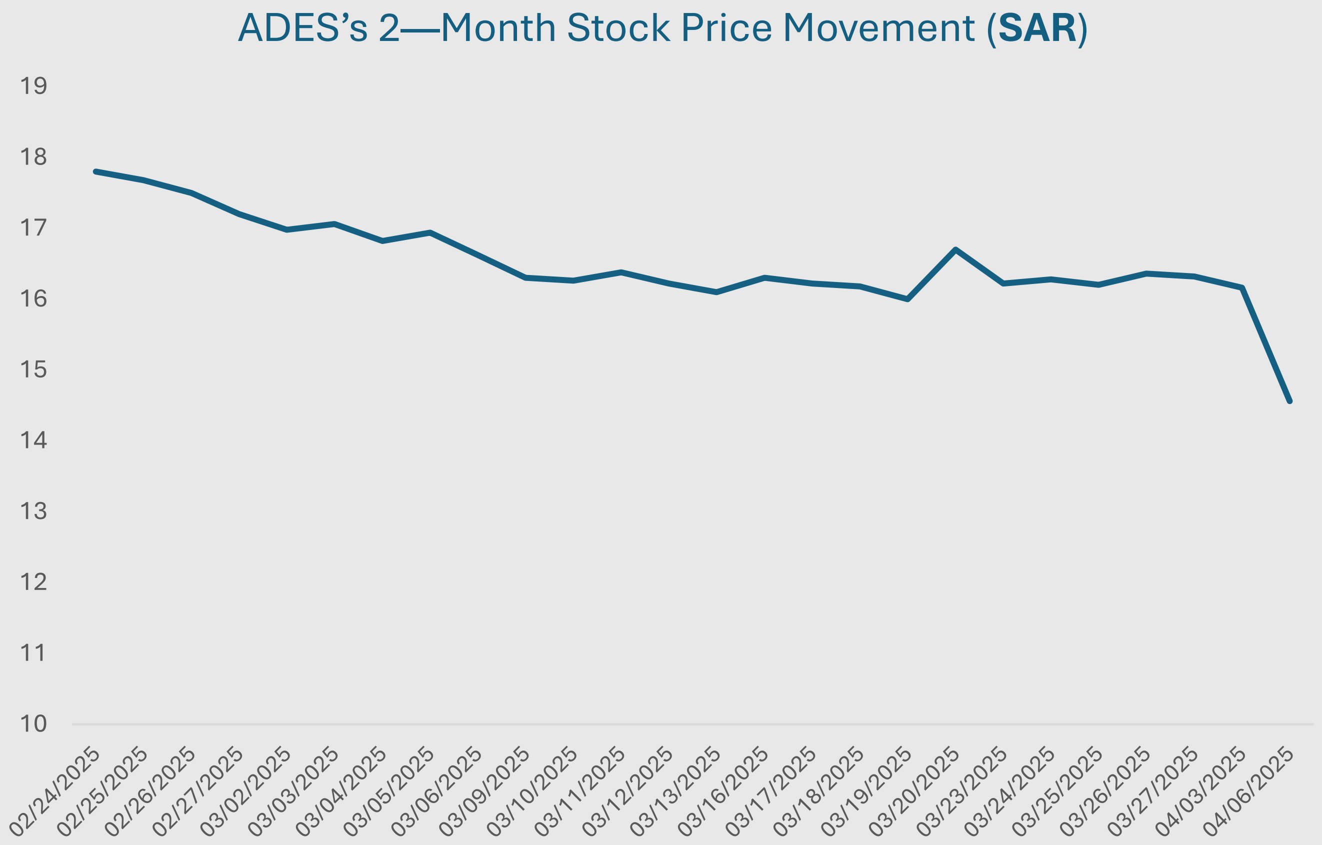
The Market Views (2/3)



- Global upstream investments have rebounded to around $500 billion, which is 60% of the peak levels in 2014.
- Investor sentiment remains cautious due to geopolitical tensions.
- A climate of uncertainty due to geopolitical tensions and cautious market sentiment contributes to a generally negative outlook for the oil and gas sector.
- Current downside conditions are not expected to persist, presenting a potential buying opportunity for investors.
- Short-term fluctuations should not overshadow the long-term potential of companies like ADES.

Source: Rystad Energy, Team Assessment

The Market Views (3/3)



Current Stock Drop Explanation

- **P/E Ratio Context**:
  Current P/E: ADES's **trailing twelve-month P/E ratio is SAR 19.92**
  Forward P/E: The projected **next twelve-month P/E is SAR 17.60**, indicating a decrease in expected earnings or investor sentiment regarding future performance. This shift may suggest that investors are adjusting their expectations based on broader market conditions.
- **Market Conditions**:
  On April 6, 2025, the Tadawul All Share Index (TASI) fell significantly, closing down 6.8%. This broader market decline is linked to falling oil prices and global stock market fluctuations following geopolitical tensions, such as China's retaliatory tariffs on the U.S. Such external factors can create a ripple effect, impacting investor sentiment across the board.
- **Market Impact**:
  Many stocks, including major players like Saudi Aramco and Al Rajhi Bank, experienced declines of 5% to 7%.
- **Total Turnover**:
  The total market turnover reaching almost SAR 8.4 billion indicates heightened trading activity, often associated with panic selling.
- **Broader Implications**:
  The recent declines in the market represent significant shifts in investor sentiment rather than a reflection of ADES's operational performance. The company's efficient cost structure and long-term contracts allow it to weather short-term volatility, ensuring that its underlying business remains robust.

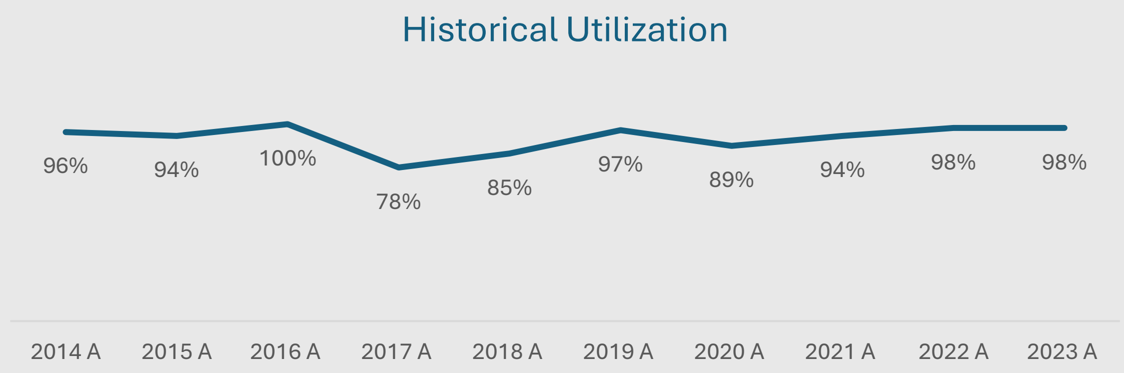
Conclusion
Despite recent downward pressure on ADES's stock from market conditions and investor sentiment, the company's long-term value and operational resilience remain intact, supported by strong fundamentals and efficient operations.

Source: TASI, Company Data, Team Assessment

Utilization Rates

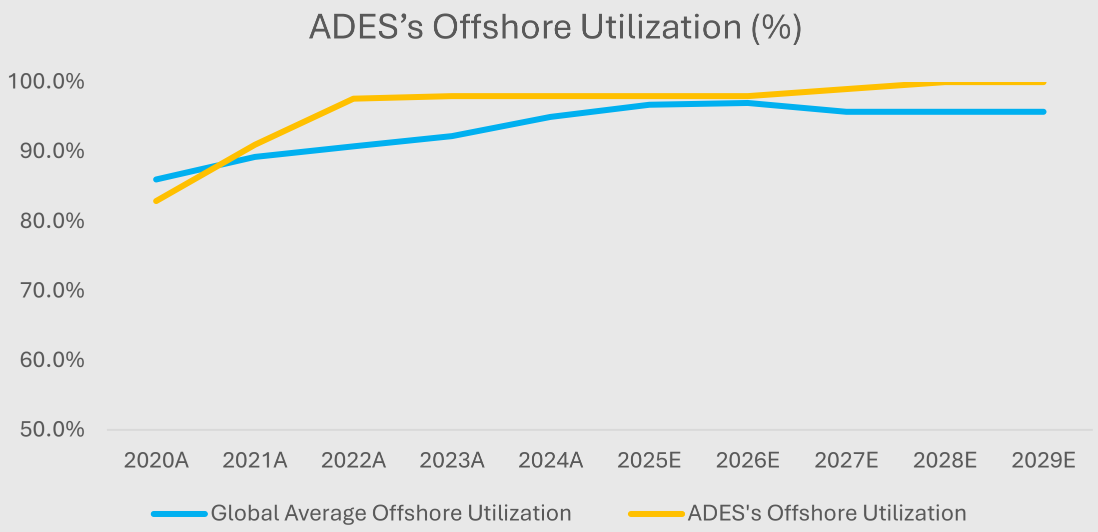
Forecast Assessment for ADES's Utilization Rates

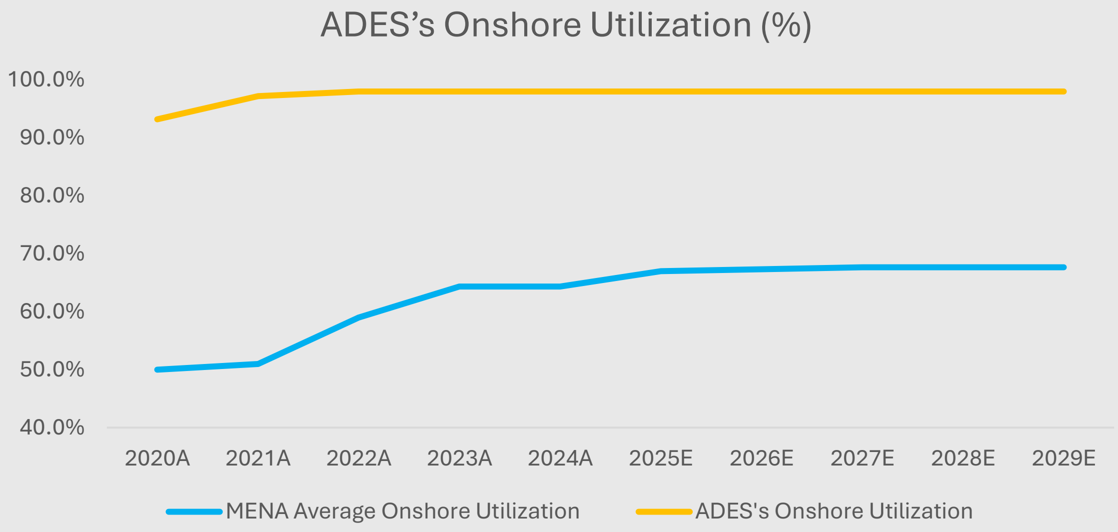
- Historical Performance:
  ADES has consistently maintained high utilization rates, averaging over 93% in previous years.
- Market Conditions:
  The jack-up rig market is tightening, with global contracted utilization rates above 95%, historically supporting higher day rates.



Our forecast expects offshore utilization to reach 100% by 2028, while onshore remains at 98%. This is supported by:

- Operational Efficiency: ADES's strong operational track record and backlog enhance rig utilization, particularly in the offshore segment.
- Market Dynamics: The global tightening of the jack-up rig market, with contracted rates above 95%, indicates robust demand for offshore services.

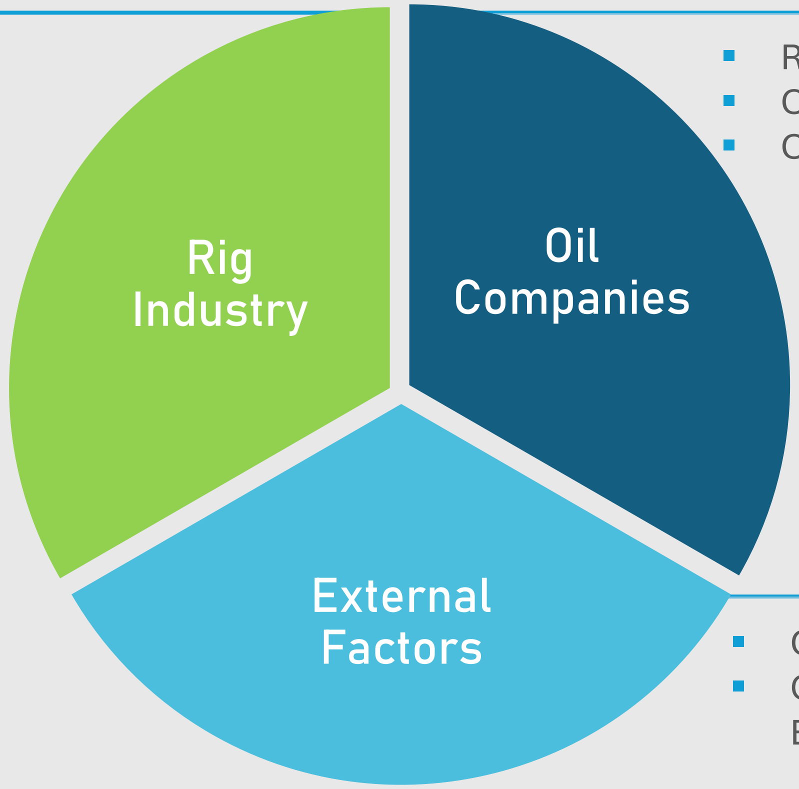




Source: Company Data, Westwood Global Energy, Team Assessment

Factors Affecting Day Rates

- Industry Utilization Level
- Number of Bidders
- Drilling Contractors Cost of Capital

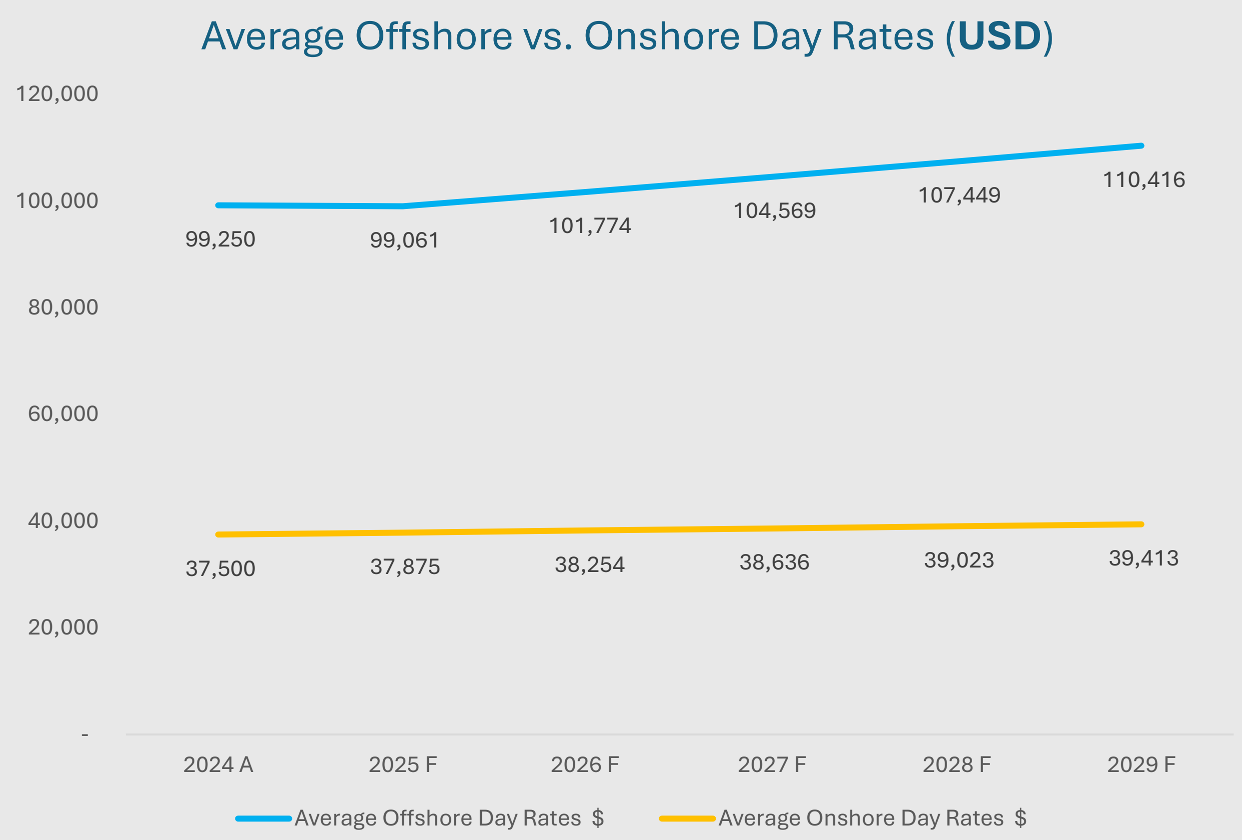


- Rig Market Psychology
- Capital Allocation Priorities
- Client's Ability to Pay/ Projects Economies

- Oil Prices
- General Oil Service Inflation/Deflation Environment

Source: Company Data, DNB Markets, Team Assessment

Day Rates by Segment



Offshore Day Rates:

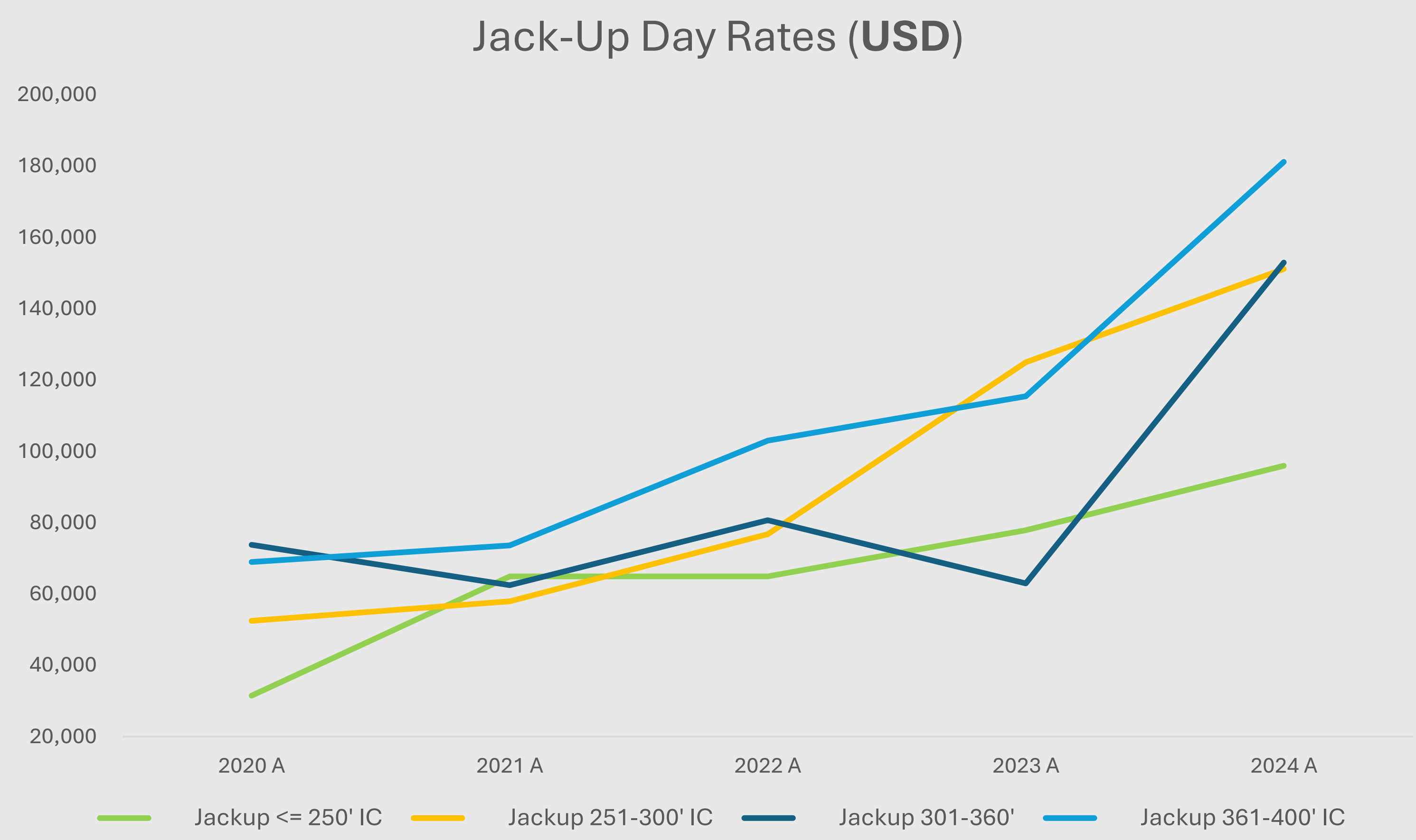
- Anticipated to increase from 2024 to 2029 at a CAGR of 2.2%, driven by rising demand, tight supply, and higher utilization in the jack-up market.

Onshore Day Rates:

- Onshore day rates are generally more stable due to lower operating costs.
- Expected to remain steady, as Westwood's Base Case Outlook indicates that onshore rig supply will exceed demand in most Middle Eastern countries.
- Overall onshore global rig demand is likely to be stable, with limited year-on-year changes, influenced by ongoing M&A activity, and OPEC+ cuts.

Source: Westwood Global Energy Group, Company Data, Team Assessment

Offshore (Jack-Up) Day Rates



- A significant increase in day rates for jack-up rigs has resulted from market tightness from FY2020 to FY2024.
- Day rates for premium rigs in the 361-400' IC range have risen dramatically from approximately US$70,000 in FY2020 to over US$180,000 in 2024, with further increases expected.

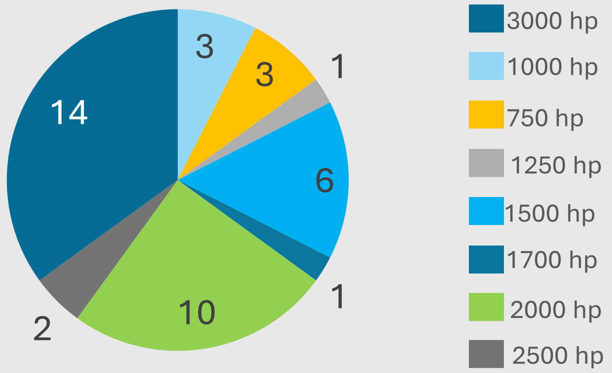
This figure serves as a strong benchmark for ADES's jack-up offshore fleet which includes rigs capable of drilling depths across various categories: 250' IC (from 150 to 250 feet), 251-300, 301-360, and 361-400 feet.

Source: Bloomberg, Company Data

Onshore Day Rates

Horse Power Range	Country X Dayrate Range ($)	Country Y Dayrate Range ($)	Regional Average ($)
0-499	8,000-10,000	10,000-12,000	9,000-11,000
500-999	10,000-12,000	12,000-14,000	11,000-13,000
1,000-1,499	12,000-14,000	14,000-16,000	13,000-15,000
1,500-1,999	14,000-17,500	16,000-19,500	15,000-18,500
2,000-2,999	17,500-22,000	19,500-24,000	18,500-23,000
3,000+	17,500-22,000	24,000-27,000	20,750-24,500

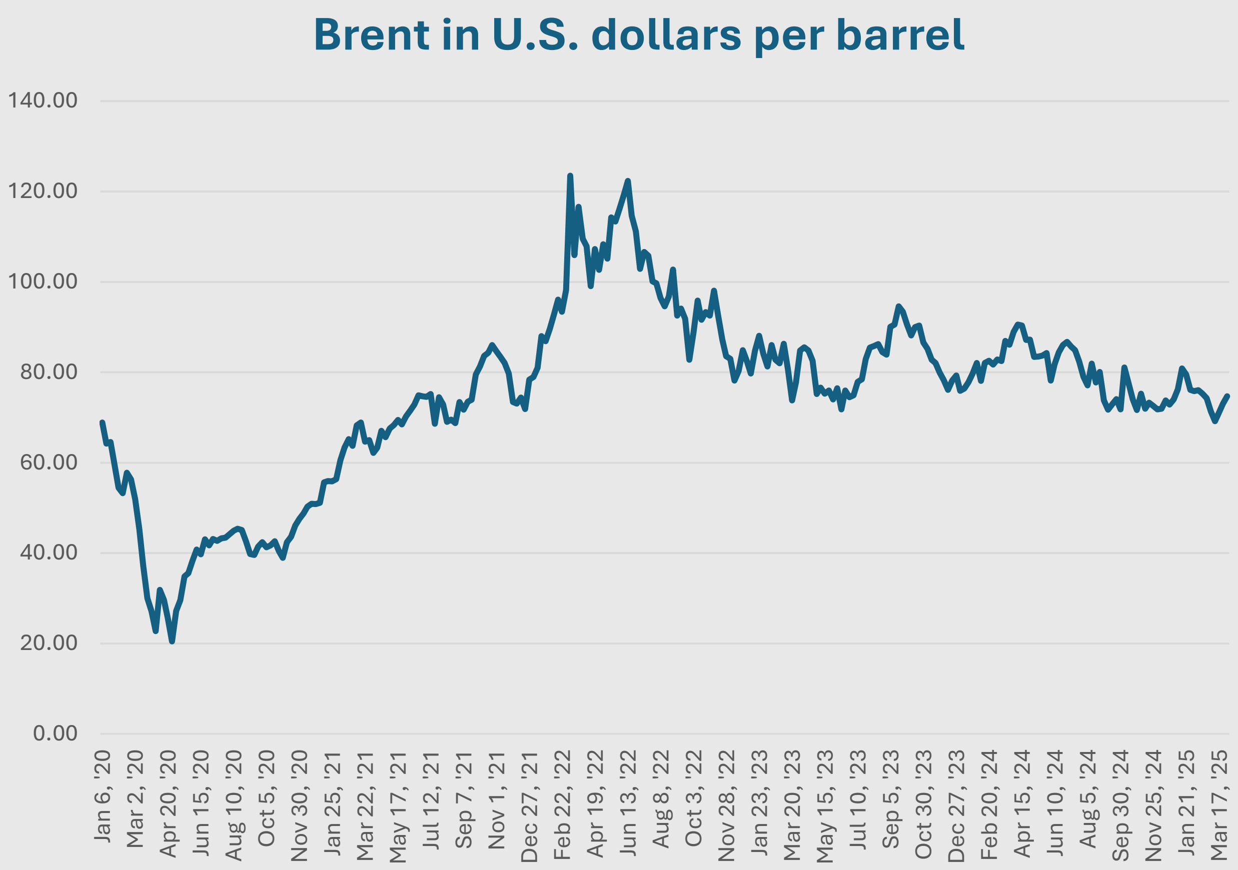
ADES's Onshore Rigs by Horsepower



- ADES currently has 40 onshore rigs ranging from 750 HP to 3000 HP.
- The Westwood Global Energy figure shown above serves as a benchmark for onshore day rates based on rig horsepower, with additional market factors to be considered.
- Major countries, such as Saudi Arabia have individualized day rate ranges due to differences in demand and production levels.

Source: Westwood Global Energy Group, Company Data, Team Assessment

Oil Prices Effects on Day Rates



Short-Term Brent Forecast (2025 - 2026)

- **Inventory Build-Up**: Expected increases in oil inventories will pressure prices downward.
- **OPEC+ Cuts Unwinding**: Brent crude is forecasted to fall to **$66 per barrel** as OPEC+ unwinds cuts and non-OPEC production rises.
- **Current Dynamics**: Prices currently are around **$74 per barrel**, influenced by geopolitical tensions.

Longer-Term Outlook

- **Price Recovery**: Increased global demand and potential supply constraints may lead to higher oil prices post-2026.
- **Economic Recovery**: A rebound in economies will likely raise energy demand, supporting price increases.

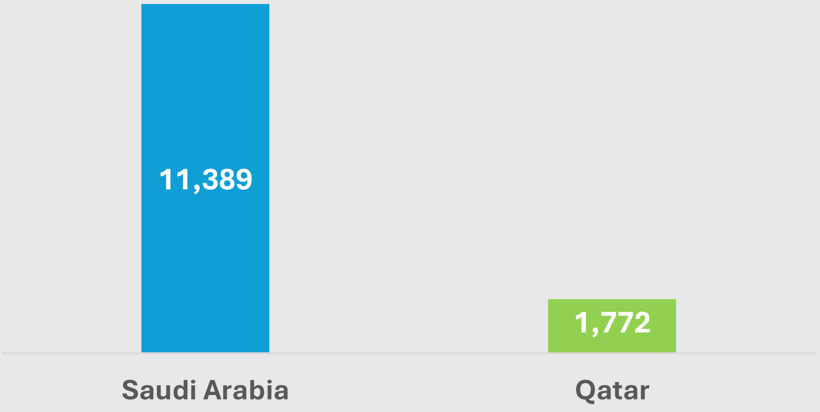
Effects on Day Rates

- **Short-Term Stability**: ADES's day rates are generally unaffected by short-term Brent price fluctuations due to its long-term contracts.
- **Long-Term Trends**: As we anticipate Brent prices to rise, day rates are expected to increase as higher oil prices drive greater exploration and demand for drilling services.

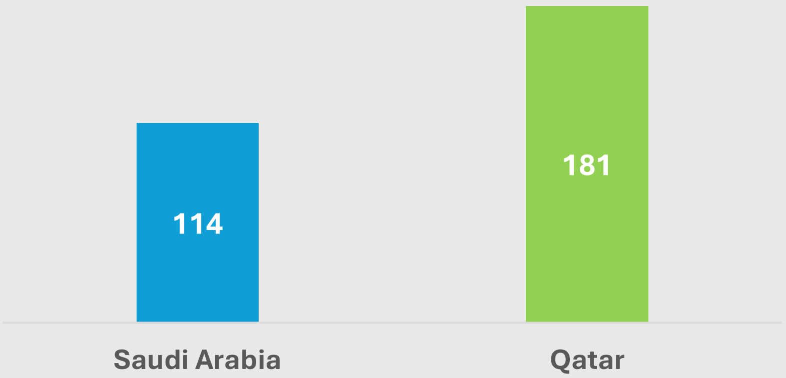
Source: Statista, EIA, Team Assessment

Oil vs. Gas: Day Rate Comparison

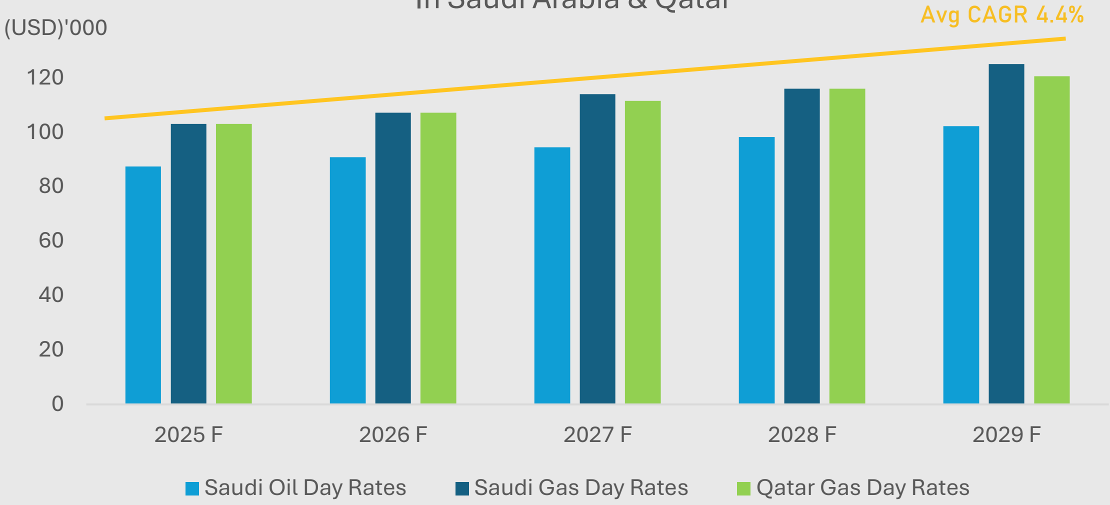
Oil production in FY2023
in 1,000 barrels per day



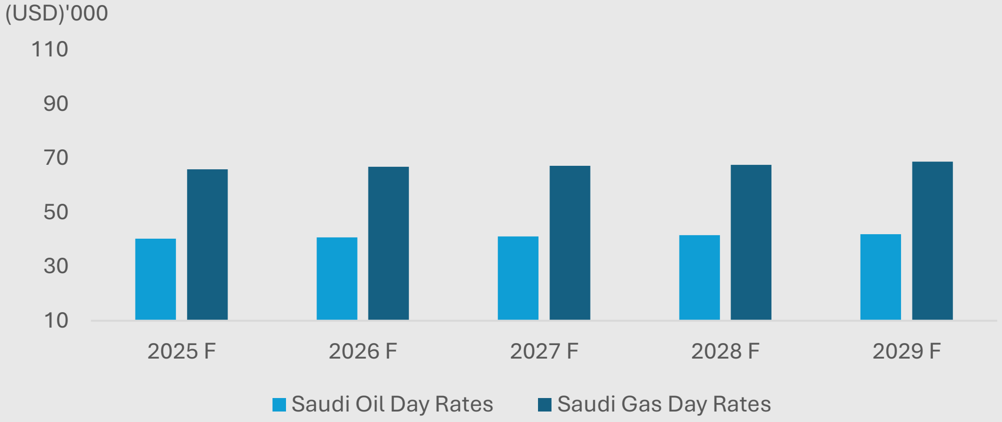
Natural Gas Production in FY 2023
in billion cubic meters



Estimated Offshore Oil & Gas Day Rates
In Saudi Arabia & Qatar



Estimated Onshore Oil & Gas Day Rates
In Saudi Arabia



- ADES operates gas drilling fleets in Saudi Arabia and Qatar. In 2023, Saudi Arabia produced 11,389 barrels of oil per day, underscoring its dominance in oil. Conversely, Qatar produced 181 billion cubic meters of natural gas,, thanks to the vast North Field, one of the largest gas reserves globally.
- Projections indicate that Saudi's gas day rates will be higher than Qatar's in 2027 and 2029. This can be attributed to Saudi Arabia's significant investments in gas infrastructure and increased operational complexity, which justify higher pricing.
- Additionally, rising global demand for natural gas as a cleaner energy source is expected to enhance Saudi Arabia's pricing power in the market. The higher day rates for gas reflect the advanced technology and infrastructure required for complex offshore operations.

Source: Statista, EIA, S&P Global IQ, Team Assessment

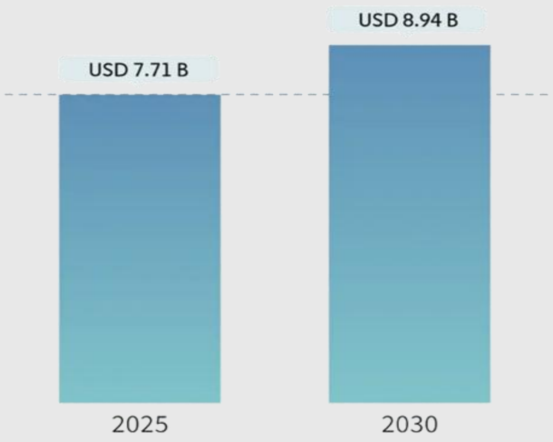
Offshore Day Rates by Markets

- Offshore day rates are typically higher than the onshore day rates, with the Southeast Asia and the GCC countries, such as Malaysia, Thailand, Saudi Arabia, and Qatar, having the highest day rates, as they are considered relatively premium and high growth.
- We project that ADES's day rates will consistently be discounted on the industry average maintaining its competitive edge, influenced by regional demand.

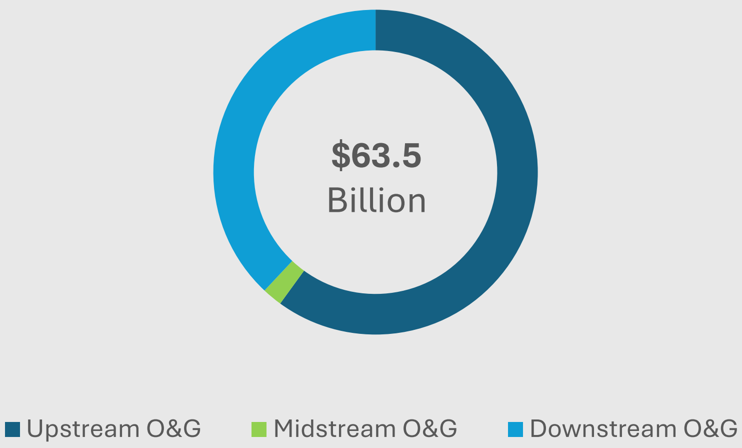
Source: Westwood Global Energy Group, Company Data, Team Assessment

Egypt's Market Outlook

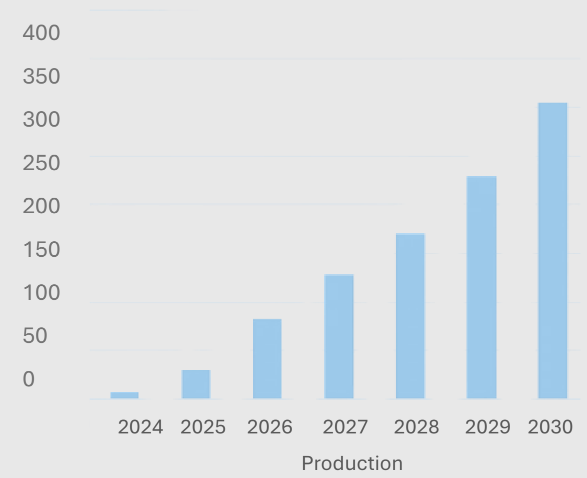
Egypt Oil And Gas Market
Market Size in USD Billion
CAGR 3.01%



Egypt's Oil and Gas Expenditures (**USD**)
2023 - 2030



Egypt's Production from Exploration and Under-development Assets
Thousand barrels of oil per day



Egypt's oil market is projected to grow at a **CAGR of 3.01%** from 2025 to 2029

Driven by several key factors:

- **Investment in Exploration and Production**
  The Egyptian government plans to invest $63.5 billion from 2023 to 2030, focusing on initiatives that enhance exploration and production capabilities.

- **Rising Demand and Production Capacity**
  Egypt aims for a 9% increase in crude oil production to 637 kb/d in FY 2024/2025. If Brent crude prices surpass $100 per barrel, additional production could reach 380,000 boepd, further stimulating market growth.

Impact on Drilling Day Rates in Egypt

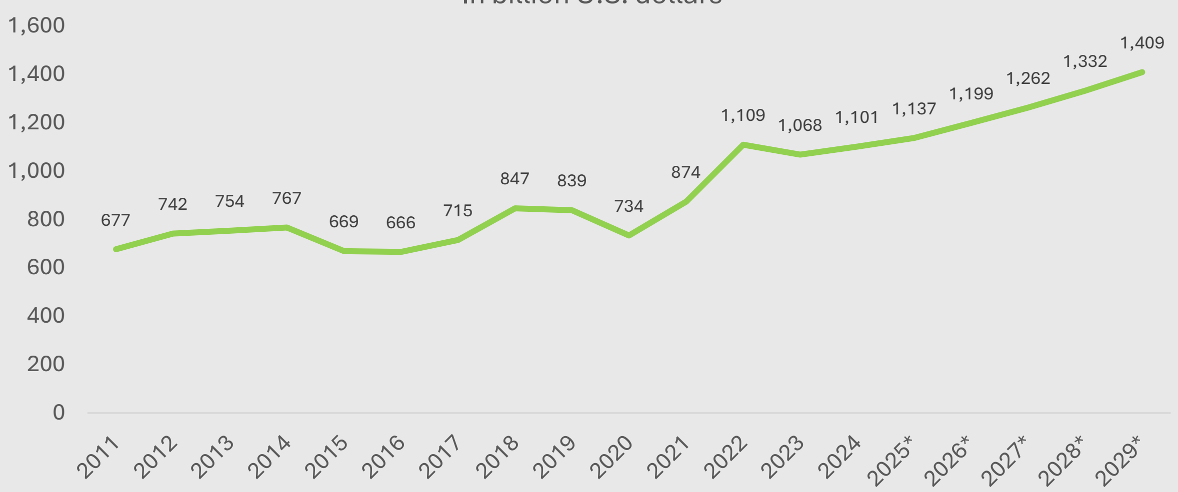
We expect drilling day rates to rise at a CAGR of 3% in Egypt, driven by increased exploration and production activities and a current rig count of 115 active rigs in high-demand areas such as the Gulf of Suez and the Western desert. This growth aligns with the overall oil market, which is projected to grow at a 3% CAGR.

Source: Mordor Intelligence, Rystad Energy, Team Assessment

Saudi Arabia’s Market Outlook

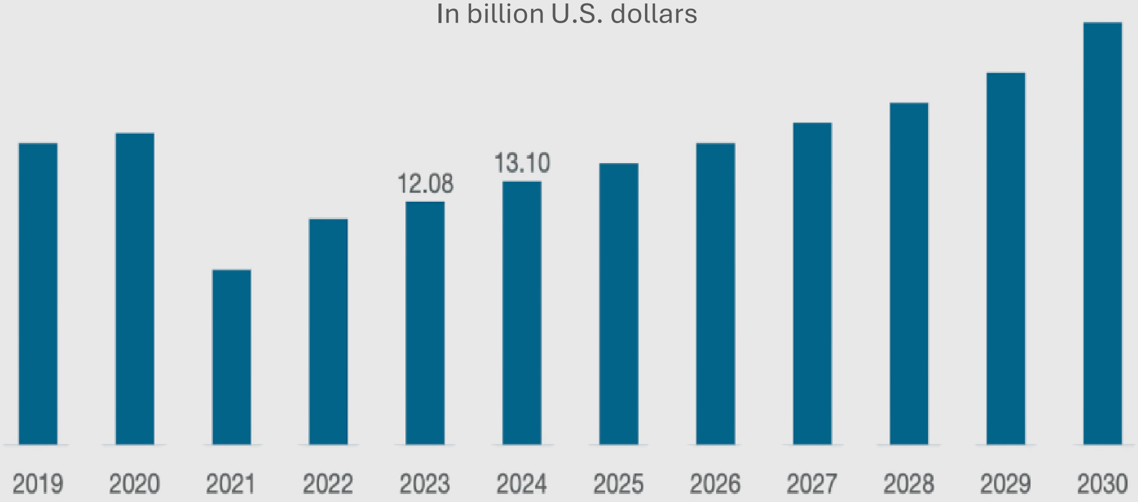
GDP of Saudi Arabia - 2029

In billion U.S. dollars



Saudi Arabia’s Oilfield Services Market Size

In billion U.S. dollars



Saudi Arabia's oil market is expected to grow at a **CAGR of 4%** from 2025 to 2029

Driven by several key factors:

- **Demand Driven Growth in Oil Sector**

Oil remains a vital sector contributing significantly to GDP, even as the economy diversifies into non-oil activities. In 2024, GDP increased by 1.3%, driven largely by oil sectors.

- **Market Expansion in Oil Field Services**

The Saudi Arabia oilfield service (OFS) market was valued at USD 13.10 billion in 2024 and is expected to reach USD 19.49 billion by 2032, with a CAGR of 4.70%, driven by over $100 billion in government investments in oil and gas infrastructure, particularly for the Jafurah unconventional gas field.

Impact on Drilling Day Rates in Saudi Arabia

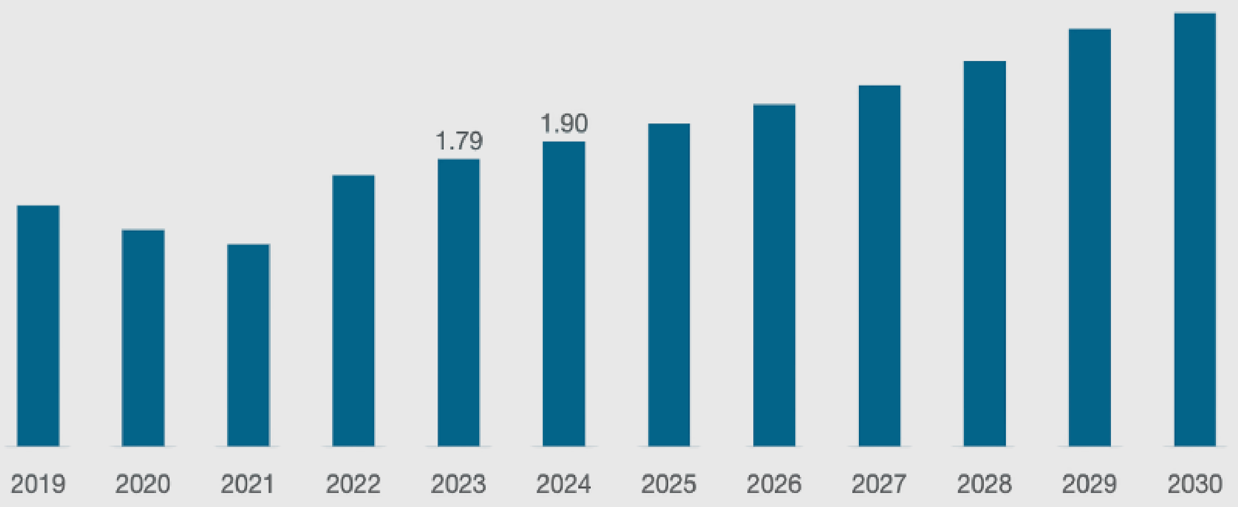
We anticipate drilling day rates in Saudi Arabia to rise at a CAGR of 4% due to heightened exploration and production activities, supported by a robust government investment strategy. With a current rig count of approximately 125 active rigs in key regions like the Eastern Province and offshore areas, this growth reflects the broader oil market's expansion, projected to grow at a similar rate.

Source: Statista, Company Data, Team Assessment

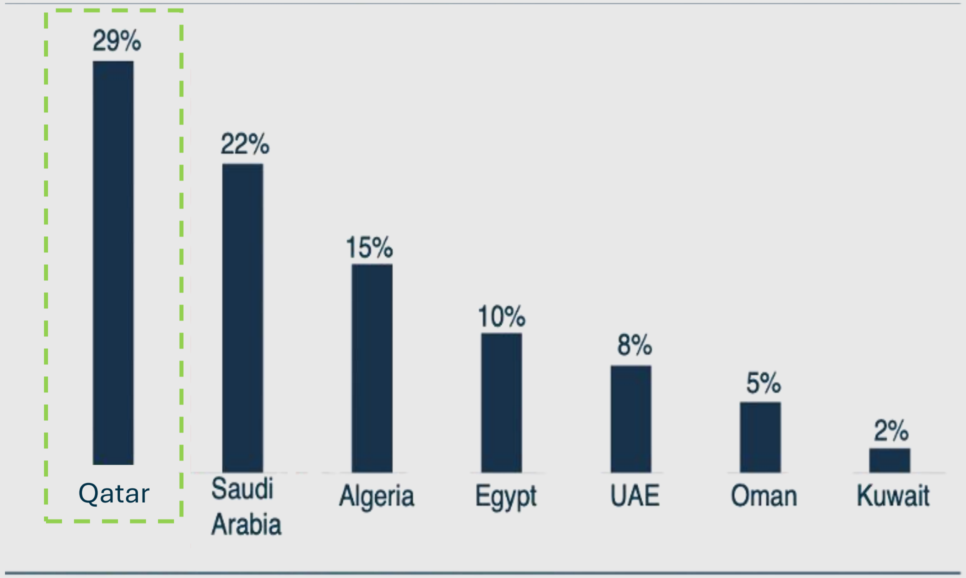
Qatar's Market Outlook

Qatar's Oilfield Services Market Size

In billion U.S. dollars



Gas Producers in the MENA Region



Qatar' oil and gas market is expected to grow at a **CAGR of 3.2%** from 2025 to 2029

Driven by several key factors:

- **Expansion of Natural Gas Production**

The North Field, the world's largest non-associated natural gas field, is central to Qatar's strategy.

- **Technological Advancements**

Investments in advanced drilling technologies and Enhanced Oil Recovery (EOR) methods enhance extraction efficiency, requiring specialized services that justify higher day rates.

- **Global Demand for LNG**

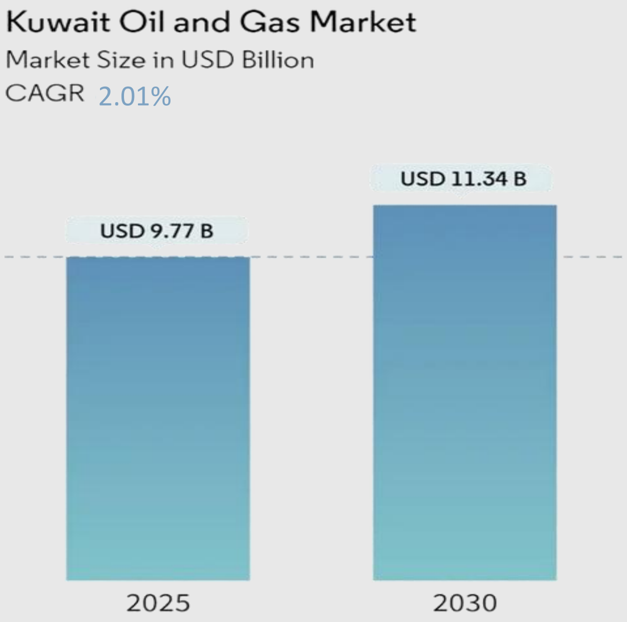
The shift towards cleaner energy increases Qatar's role as a leading LNG exporter, sustaining elevated day rates as operators maximize production from both existing and new reserves.

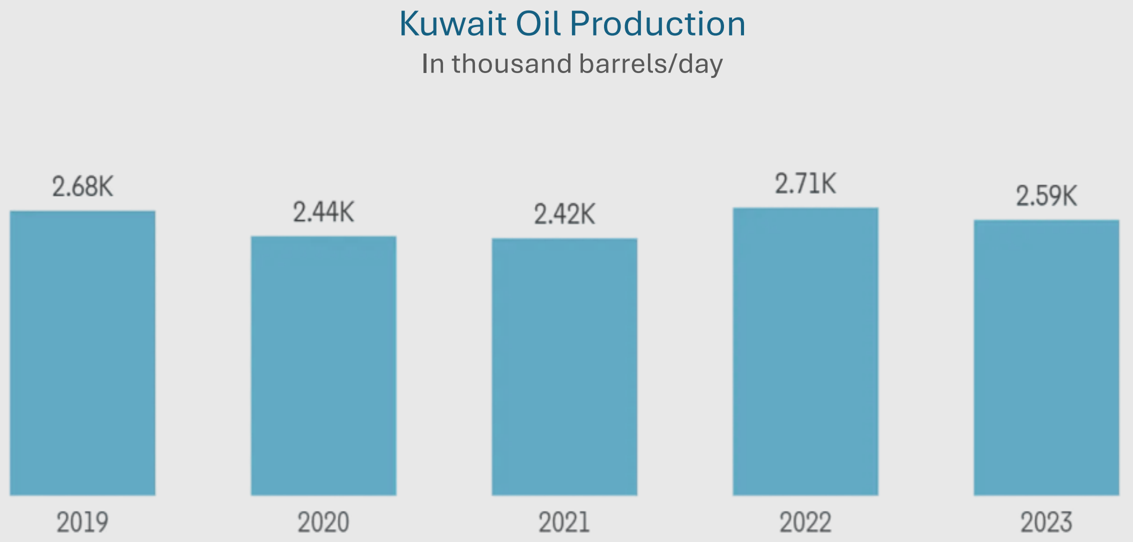
Impact on Gas Drilling Day Rates in Qatar

Qatar's gas drilling day rates are expected to grow at a CAGR of 3.2% from 2025 to 2029. This is driven by the North Field East Expansion, increasing LNG capacity and demand for drilling services. Technological advancements and the global shift towards cleaner energy further support higher rates as Qatar solidifies its position as a leading LNG exporter.

Source: Mordor Intelligence, Rystad Energy, Team Assessment

Kuwait's Market Outlook





Kuwait' oil and gas market is expected to grow at a **CAGR of 2.01%** from 2025 to 2029

Driven by several key factors:

- **Production Decline**

Oil production decreased from 2,710 thousand barrels per day (bpd) in 2022 to 2,590 thousand bpd in 2023, highlighting challenges in maintaining output levels.

- **Market Growth**

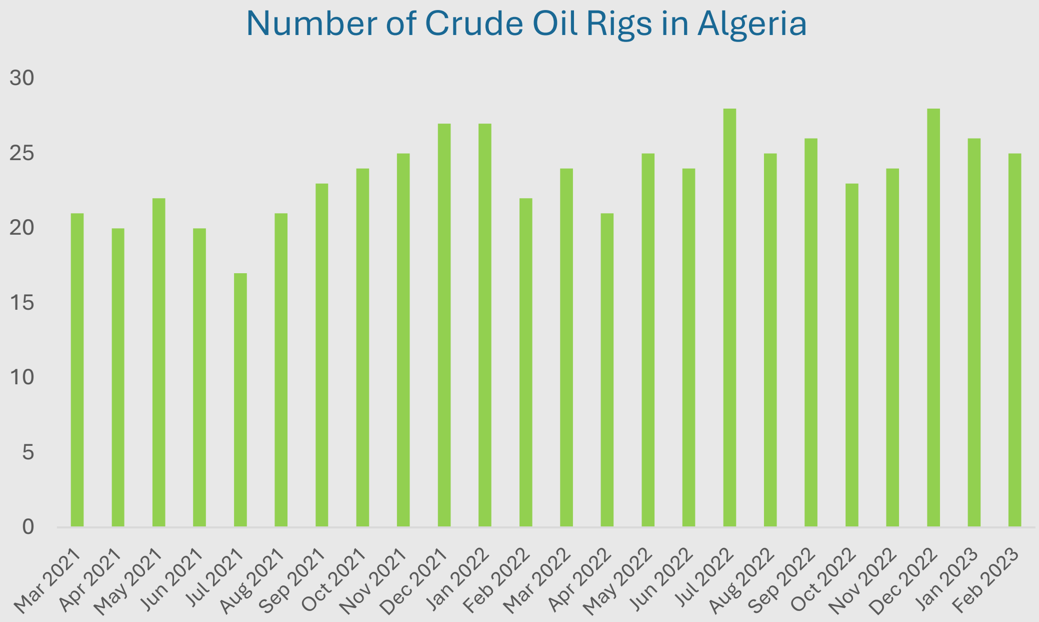
The oil and gas market is projected to reach USD 11.34 billion by 2030, supporting the overall stability of day rates.

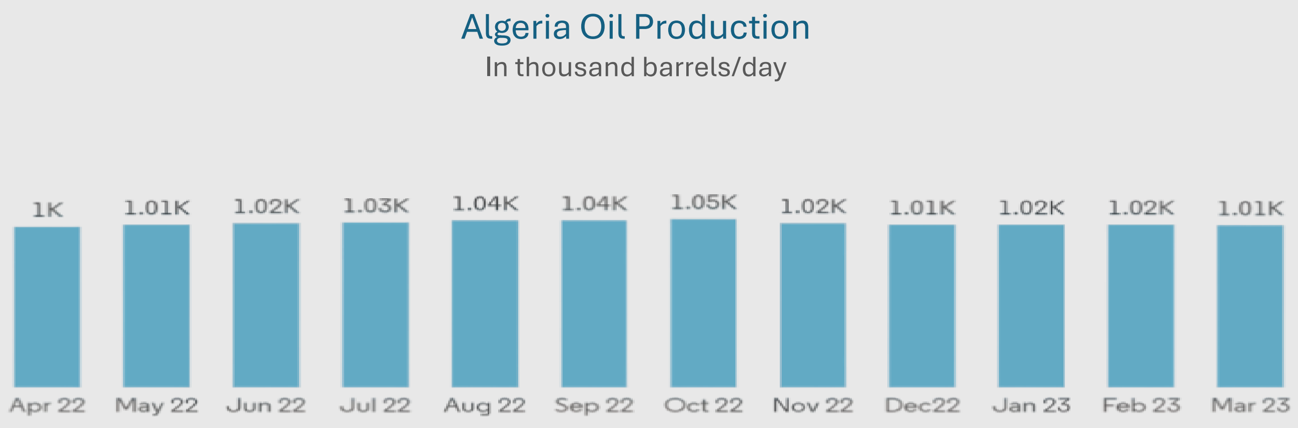
Impact on Oil Drilling Day Rates in Kuwait

The projected CAGR of 2.01% suggests a gradual increase in onshore drilling day rates, driven by the need for enhanced capabilities. OPEC+ production cuts, extending until April 2025, help stabilize onshore day rates by limiting supply and maintaining higher oil prices.

Source: Mordor Intelligence, Rystad Energy, Team Assessment

Algeria's Market Outlook





Algeria's oil and gas market is expected to grow at a **CAGR of 2.3%** from 2025 to 2029

Driven by several key factors:

- **Active Crude Oil Rigs**

Algeria currently operates about 25 active crude oil rigs, which facilitates ongoing production and enhances the efficiency of drilling operations.

- **Steady Production Levels**

Algeria's crude oil production has remained steady at around 1,000 thousand bpd, providing a stable environment that supports consistent pricing for drilling services.

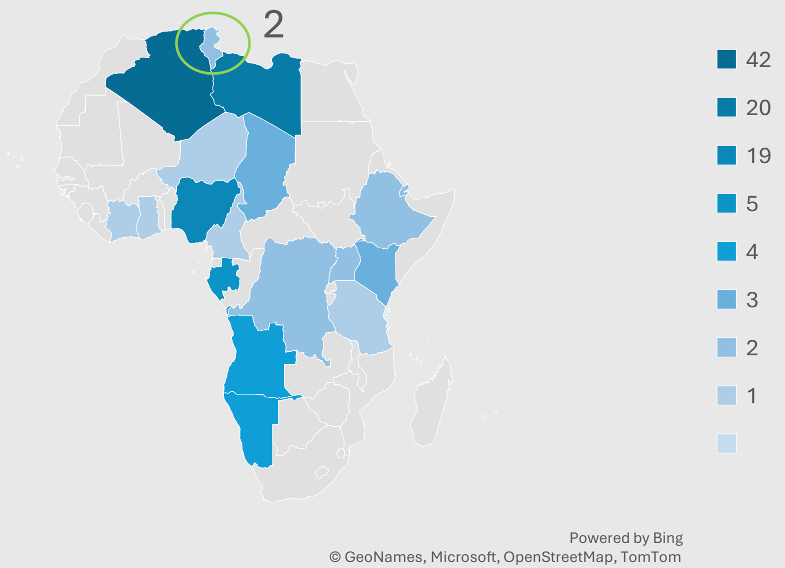
Impact on Oil Drilling Day Rates in Algeria

Algeria's onshore drilling day rates are expected to remain stable, supported by steady production of 1,000 thousand barrels per day. Increased exploration efforts will sustain demand for drilling services, ensuring pricing stability and enabling Algeria to meet its production goals effectively.

Source: Mordor Intelligence, Rystad Energy, Team Assessment

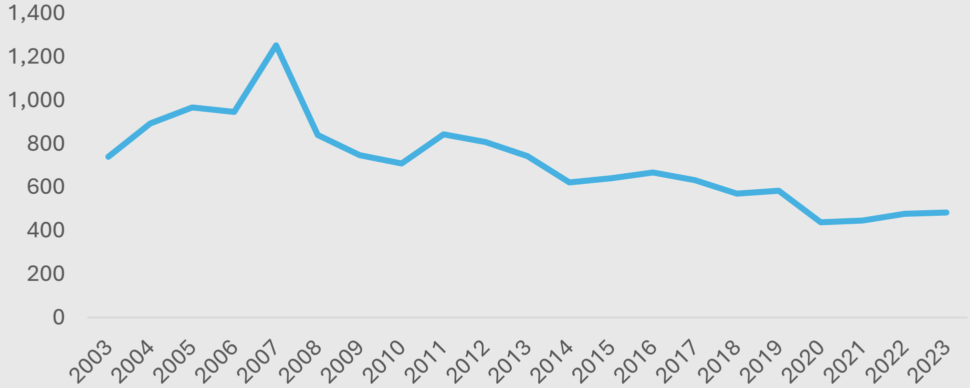
Tunisia's Market Outlook

Active Oil and Gas Rigs in Africa in 2024



Volume of crude oil exported from Algeria

(in 1,000 barrels per day)



Tunisia's oil and gas market is expected to decline at a **CAGR of -0.22%** from 2025 to 2029

Driven by several key factors:

- **Limited Production Capacity**

Tunisia, a small oil and gas producer, saw its oil production peak at 118,000 barrels per day (bpd) in 1980, falling to just 29,200 bpd by September 2024.

- **Limited Refining Capacity**

Tunisia's sole refinery in Bizerte has a capacity of 36,000 bpd and produced only 1.5 million tons of oil products in 2022, meeting just 33% of domestic needs.

- **Exploration Challenges**

Exploration has contracted, with licenses dropping from 20 in 2021 to 16 in 2023, limiting new investment opportunities.

- **Economic Pressures**

Oil smuggling and increased imports of Russian diesel further strain the economy, while a complex regulatory environment creates uncertainty for investors.

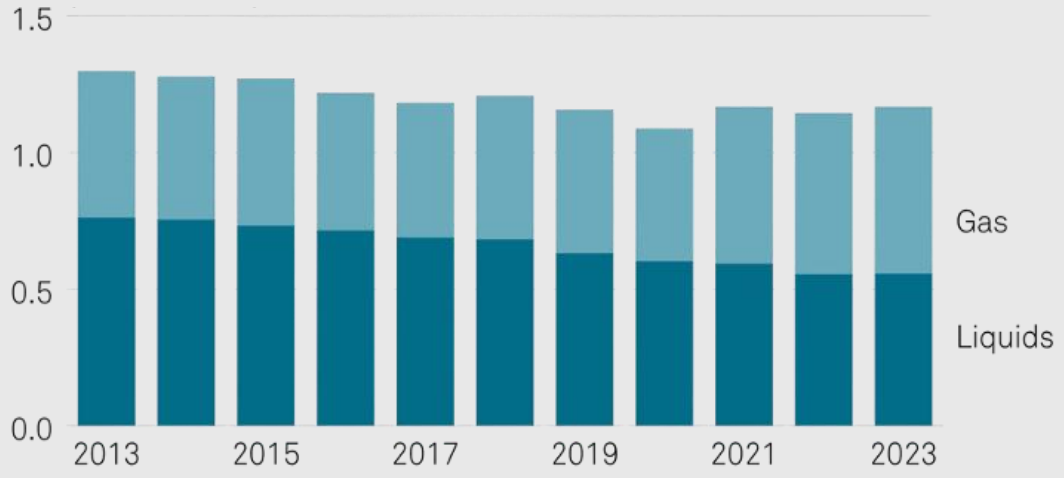
As a result, ADES has ceased operations in Tunisia due to declining demand and reduced day rates.

Source: Mordor Intelligence, Statista, Team Assessment

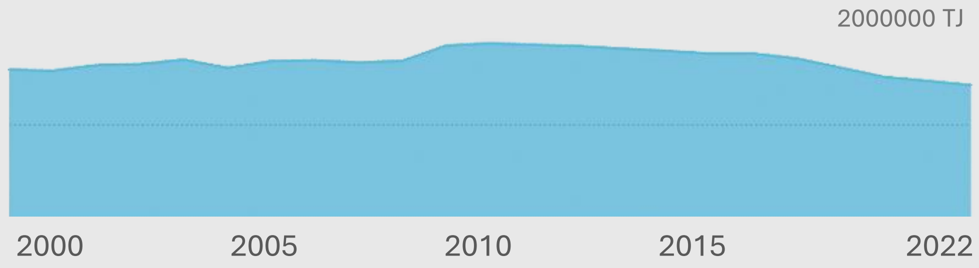
India’s Market Outlook

India’s Oil and Gas Production Trend

In million boe/d



Evolution of Crude Oil Production in India



India’s oil and gas market is expected to decline at a **CAGR of 1.4%** from 2025 to 2029

Driven by several key factors:

- **Rising Demand for Domestic Production**

India is the third-largest oil consumer, with demand expected to increase by **4%** in late 2024. This growth emphasizes the need for enhanced domestic production to reduce reliance on imports, currently at **93%** of total needs.

- **Import Dependency and Domestic Challenges**

The government's goal is to cut import dependence from **88%** in FY2023 to **50%** by 2030. However, stagnation in domestic crude oil production, which reached only **33 Mt** in 2023, poses a significant challenge.

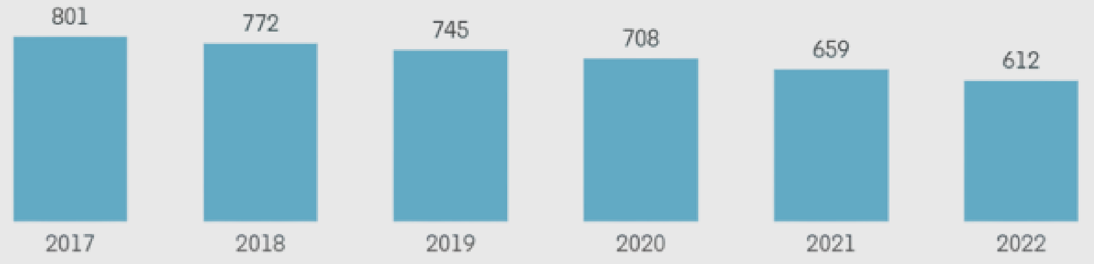
Impact on Oil Drilling Day Rates in India

As exploration and production activities ramp up, demand for drilling services is expected to increase, pushing day rates higher in the upstream sector. The focus on new projects and regulatory support positions India for growth in this area.

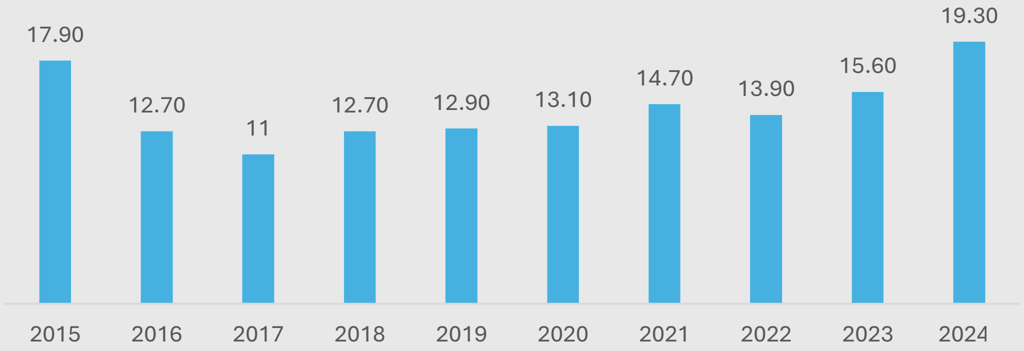
Source: S&P Global IQ, Mordor Intelligence, Team Assessment

Indonesia's Market Outlook

Crude Oil Production in Indonesia
In Thousands of barrels/day



Value of investments in the oil and gas sector in Indonesia
in billion U.S. dollars



Indonesia's oil and gas market is expected to grow at a **CAGR of 2%** from 2025 to 2029

Driven by several key factors:

- **Investment in Exploration and Production**

The Indonesian government is focused on revitalizing its upstream sector to counter declining production from aging fields. Plans include offering 54 onshore and offshore oil and gas blocks from 2024 to 2028, with half designated for exploration. This initiative aims to attract investment and enhance production capabilities.

- **Rising Demand and Production Capacity**

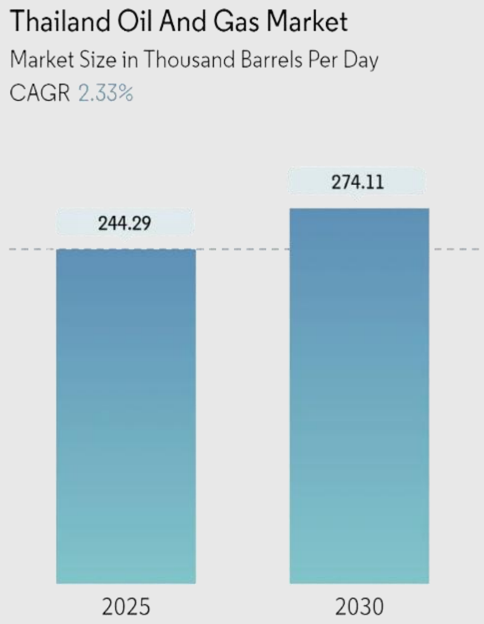
With an expected increase in domestic petroleum demand driven by economic growth, Indonesia aims to stabilize its production levels. Crude oil production was 612,000 bpd in 2022, and while current projections show modest growth, the focus on enhancing exploration could lead to higher output in the future.

Impact on Drilling Day Rates in Indonesia

As exploration and production activities ramp up, drilling day rates for both offshore and onshore operations are expected to rise. Increased activity in regions like East Kalimantan, driven by recent discoveries, indicates a growing demand for drilling services.

Source: Mordor Intelligence, Statista, Team Assessment

Thailand's Market Outlook



Impact on Drilling Day Rates in Thailand

With the anticipated ramp-up in exploration and production activities, drilling day rates for offshore operations are likely to rise. Increased activity in key offshore fields and the introduction of new technologies will drive demand for drilling services.

Thailand's oil and gas market is expected to grow at a **CAGR of 2.33%** from 2025 to 2029

Driven by several key factors:

- **Investment in Exploration and Production**

The Thai government is actively working to revitalize its upstream sector, focusing on increasing production from both existing and new fields. Plans include offering new exploration licenses in the Gulf of Thailand to stimulate investment and enhance production capabilities.

- **Rising Demand and Production Capacity**

As Thailand's economy continues to grow, domestic demand for petroleum products is expected to increase. The market size is valued at 244.29 thousand barrels per day in 2025 and is projected to reach 274.11 thousand barrels per day by 2030.

- **Market Value Growth**

The oil and gas upstream market is expected to reach USD 7.1 billion by 2031, up from USD 5.10 billion in 2025, highlighting significant growth in investment and activity across the sector.

Source: Mordor Intelligence, Statista, Team Assessment

Malaysia's Market Outlook

Malaysia's oil and gas market is expected to grow at a **CAGR of 3%** from 2025 to 2029

Driven by several key factors:

- **Investment in Exploration and Production**

The Malaysian government is prioritizing revitalization of its upstream sector to boost production from existing fields and explore new opportunities. Plans include offering multiple offshore and onshore exploration blocks to attract investment and enhance production capabilities.

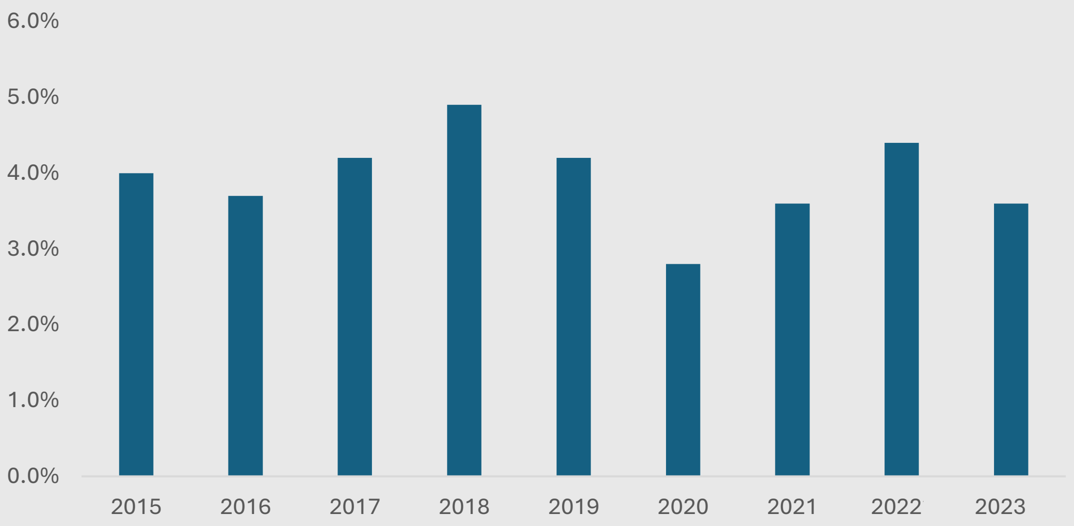
- **Strategic Partnerships**

Collaborations with international oil companies (IOCs) are crucial for advancing technology and sharing financial resources. Recent policy changes allowing higher equity participation for foreign investors are expected to stimulate exploration activities and attract more partnerships.

- **Rising Demand and Production Capacity**

As crude oil has represented a 3.6% of Malaysia's GDP in 2023 and as Malaysia's economy grows, domestic demand for petroleum products is projected to rise.

Share of crude oil and condensate sector to the GDP in Malaysia

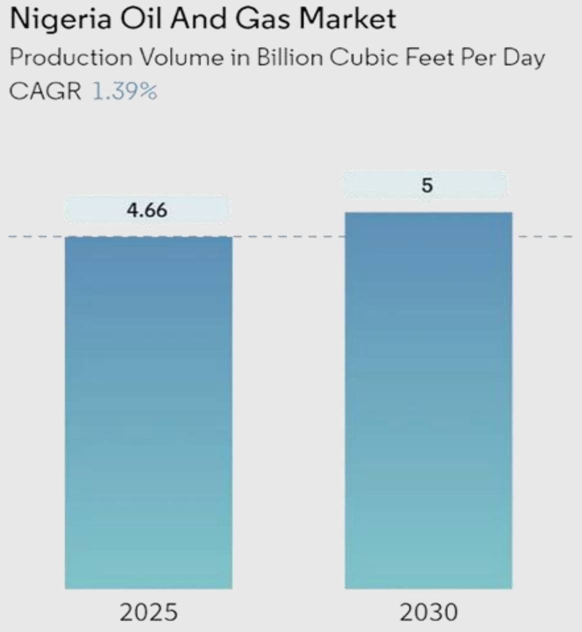


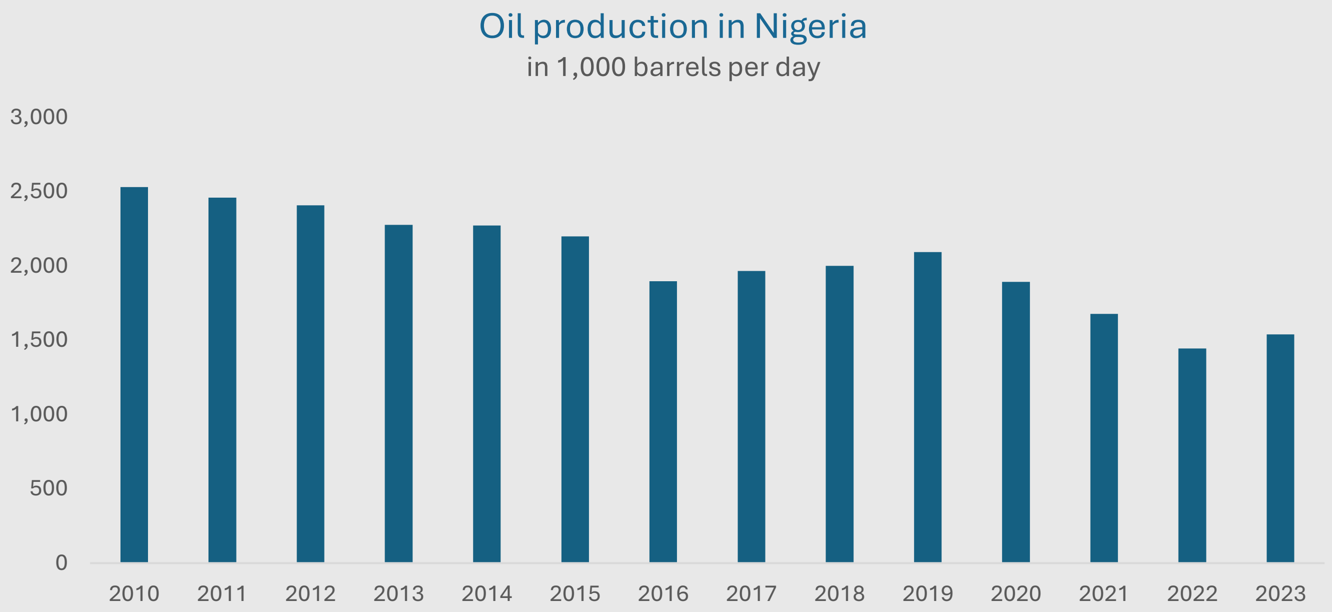
Impact on Drilling Day Rates in Malaysia

Malaysia's 3% CAGR in the oil market is supported by strategic investments, partnerships, and initiatives to stimulate exploration, all contributing to an expected increase in drilling offshore day rates as production capacity expands.

Source: Mordor Intelligence, Statista, Team Assessment

Nigeria's Market Outlook





Nigeria's oil and gas market is expected to grow at a **CAGR of 1.39%** from 2025 to 2029

Driven by several key factors:

- **Abundant Resources and Foreign Investment**

Nigeria's extensive oil and gas reserves, along with increasing foreign investments, are expected to drive market growth. The availability of untapped hydrocarbon resources provides significant opportunities for exploration and production.

- **Upstream Sector Growth**

The upstream sector is poised for substantial growth, generating considerable revenue through taxes and royalties. Recent technological advancements have improved exploration efficiency, enabling access to previously unreachable reserves.

Impact on Drilling Day Rates in Nigeria

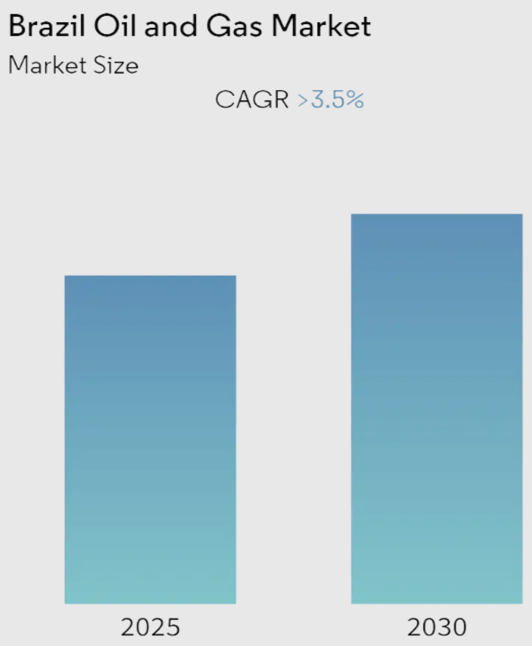
Nigeria's 1.39% CAGR is supported by resource abundance, strategic investments, and regulatory reforms, all contributing to the expected growth in the oil and gas market is expected to increase offshore drilling day rates.

Source: Mordor Intelligence, Statista, Team Assessment

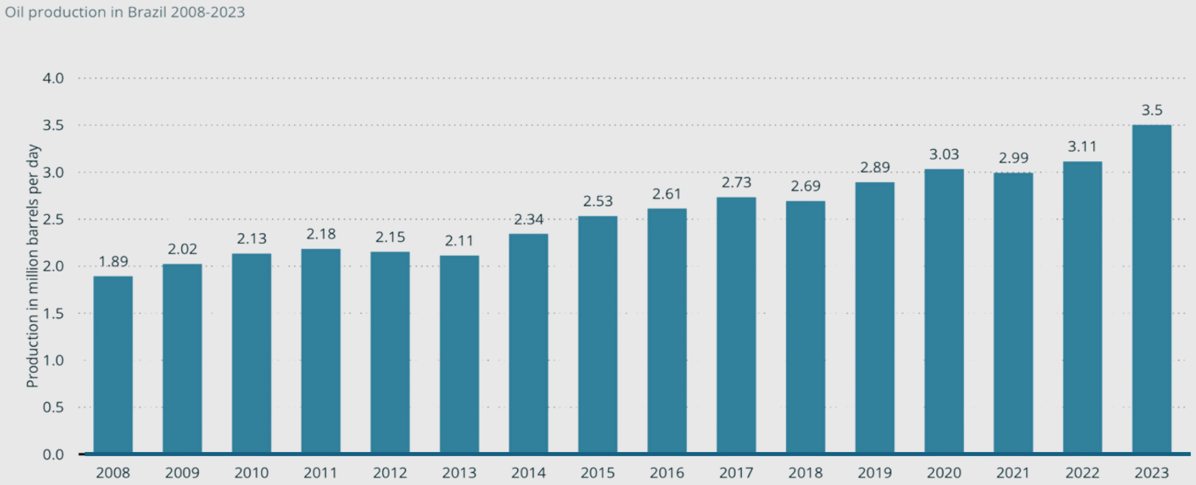
Brazil Market Outlook

April 3rd, 2025

ADES Signs 4.5 Years Tenor Charter Agreement with Constellation for Petrobras Contract in Brazil.



Oil production in Brazil from 2008 to 2023 (in million barrels per day)



Brazil's oil and gas market is expected to grow at a **CAGR of 3.5%** or greater from 2025 to 2029

Driven by several key factors:

- **Abundant Resources and Foreign Investment**

Brazil possesses the largest recoverable ultra-deep oil reserves globally, with 97.6% of its oil production coming from offshore. The Brazilian government aims to be among the top five oil and gas producers, attracting significant foreign investments to tap into its extensive hydrocarbon resources.

- **Upstream Sector Growth**

The upstream sector is poised for substantial growth, generating considerable revenue through taxes and royalties. Recent technological advancements have enhanced exploration efficiency, providing access to previously unreachable reserves. In 2023, Brazil produced an impressive 3.5 million barrels per day, showcasing the country's robust production capabilities.

Source: Mordor Intelligence, Statista, Team Assessment

Southeast Asia: Region Outlook

Jack-up Offshore Day Rates in Southeast Asia

•**Current Day Rates**:
Approximately at $130,000 with expectations to increase in the upcoming years.

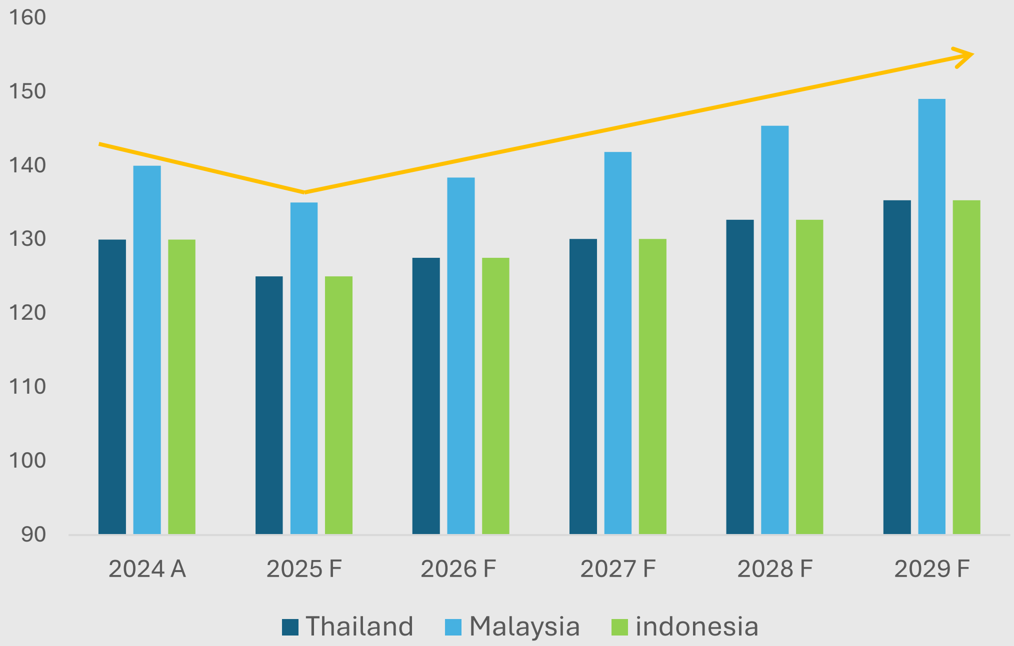
•**Utilization Rate**: Declined to **92.8%** in November from **97%+** previously.

•**Saudi Aramco Impact**: Three waves of rig releases have led to oversupply in the region.

•**Contracting Activity**: Only **26 contracts** year-to-date, down from **45** (FY23) and **42** (FY22).

•**Future Projections**: Rates expected to drop in 2025 but rebound based on demand forecasts of **125,000–150,000** over the next five years.

Southeast Asia Jack-up Day Rates
In USD'000



Reasons for Expected Rate Drop in 2025

•**Impact of Saudi Aramco**:
- Three waves of rig releases by Saudi Aramco have increased the supply of suspended jack-ups in Southeast Asia.
- This oversupply pressures day rates as more rigs compete for limited contracts.

•**Lower Utilization:**
- Lower utilization rates (92.8% in November) indicate less operational need for rigs.

Source: Westwood Global Energy Group, Company Data, Team Assessment

Cost Structure (1/2)

Staff Cost Break Down

Staff Costs (SAR in Millions)	2025 E	2026 E	2027 E	2028 E	2029 E
Cost of Revenue:					
Number of Active Offshore Rigs	52	55	56	58	58
Rig average Crew Number	87	87	87	87	87
Average Monthly Salary	16,633	17,631	18,600	19,623	20,801
Working Months	12	12	12	12	12
Total Offshore Staff Cost	**945**	**1,051**	**1,124**	**1,188**	**1,260**
% of Total Staff Cost	*75%*	*74%*	*73%*	*73%*	*71%*
% Change in Average Monthly Salary	*6%*	*6%*	*6%*	*6%*	*6%*
Number of Active Onshore Rigs	29	32	35	36	39
Rig average Crew Number	62	62	62	62	62
Average Monthly Salary	13,858	14,689	15,497	16,349	17,330
Working Months	12	12	12	12	12
Total Onshore Staff Cost	**315**	**364**	**417**	**438**	**503**
% of Total Staff Cost	*25%*	*26%*	*27%*	*27%*	*29%*
% Change in Average Monthly Salary	*6%*	*6%*	*6%*	*6%*	*6%*
Average Total Number of Staff	6,414	6,804	7,042	7,278	7,464
Blended Average Monthly Salary	15,839	16,767	17,644	18,619	19,676
Total Staff Cost	**1,260**	**1,415**	**1,541**	**1,626**	**1,762**

- Staff Cost represent is the highest with an average **45%** of total cost of revenue.
- Staff monthly salaries expected to grow at **6% CAGR.**
- Offshore staff cost **higher** due to harsher work environments.

Source: Company Data, Team Assessment

Cost Structure (2/2)

Cost Related to New Market Entry

1. Rig Mobilization

Cost of transporting and install rigs and associated equipment to a new site.

2. Rig Upgrades

Cost of refurbishing rigs to comply with client specifications.

3. Qualifications

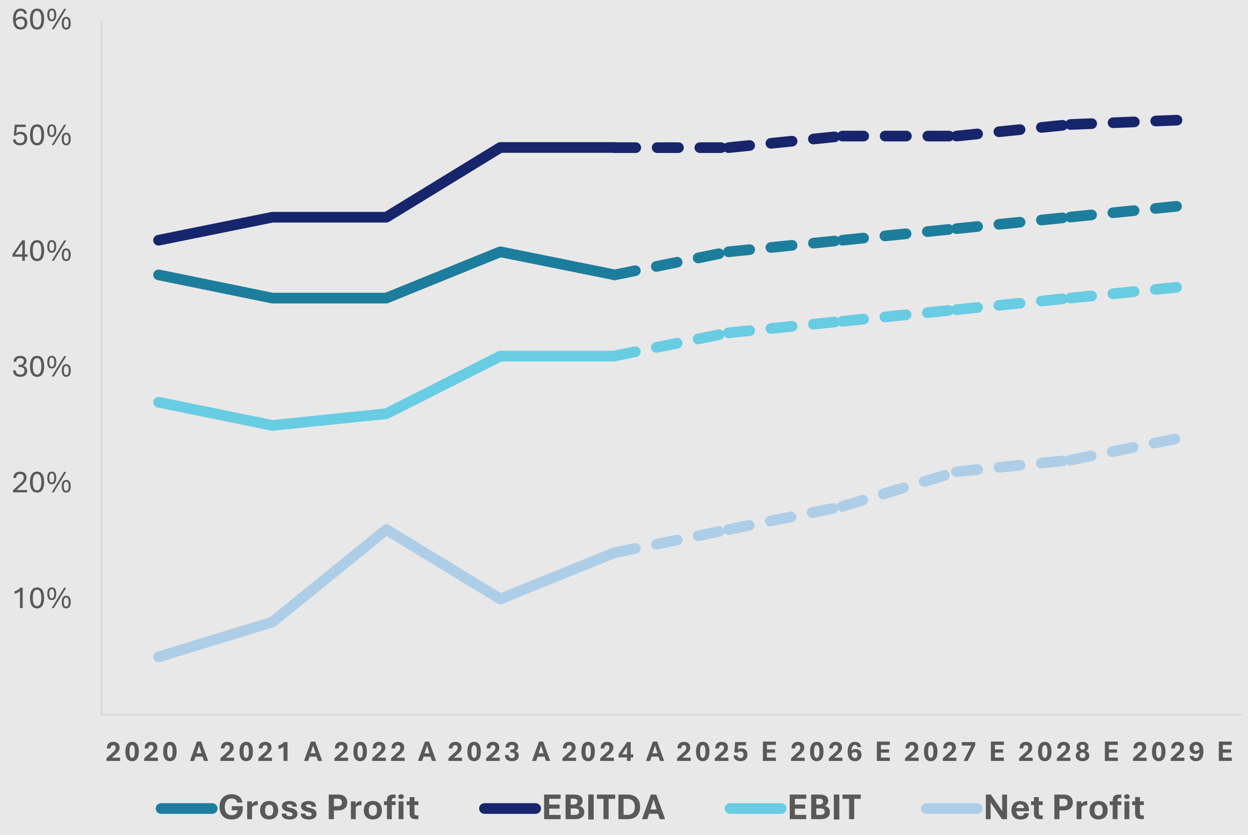
Cost related to permits and licenses to operate legally in the new market.

4. Staff Training Cost

Cost of training local workforce in emerging markets to operate rigs.

Source: Company Data, Team Assessment

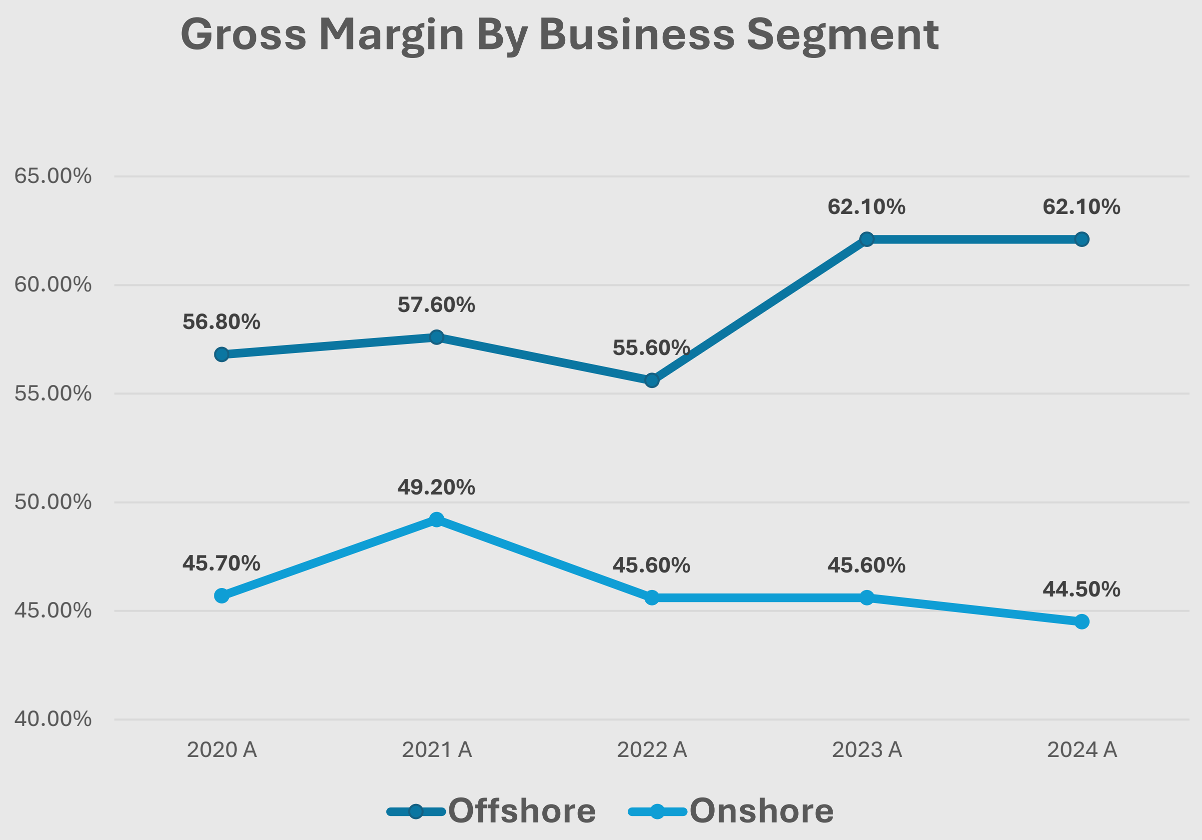
Profitability Margins (1/2)



- ADES expected to enhance its top line margins over the forecast period with EBITDA margin reaching **51%** in FY29 with offshore segment influencing margins.
- ADES bottom line margin expected to increase to exceed **20%** in FY29 with ADES cost efficiency and lower interest expenses driving net earnings.

Source: Company Data, Team Assessment

Profitability Margins (2/2)



Offshore Margins:

Influenced by:

- Higher effective daily rates backed by unwavering demand.
- Favorable market dynamics with limited supply pushing higher utilization rates.

Onshore Margins:

Influenced by:

- Relatively stable daily rates over the past.
- Market dynamics limit opportunity for premium pricing with larger supply.

Source: Company Data, Team Assessment

Acquisition Details (1/3)

Nonspeculative Acquisitions Strategy:

1. **"Buy to Contract" method:**
   Where a contract is secured on the rig before finalizing the acquisition with the seller

2. **"Contract Acquisition" method:**
   Where a rig with an ongoing contract is acquired and can be novated to ADES for operations.

Rig Acquisition Targets:

1. Payback Period
   5 - 7 Years

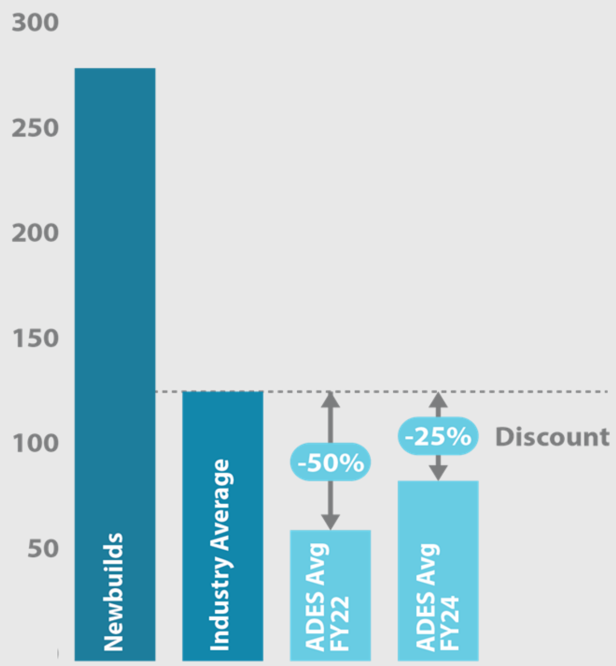
2. Minimum unlevered IRR of
   18% to 22%

3. Backlog to Net Debt Ratio to be minimum of
   2x

Source: Company Data, Team Assessment

Acquisition Details (2/3)

Jack-up Acquisition Cost



ADES Key Acquisitions in the last five years

	2019	2021	2022	2022	2024
Seller	Weatherford	Noble	Vantage	Seadrill	Vantage
Num of Rigs	31 Onshore Rigs	4 Jack-up Rigs	3 Jack-up Rigs	7 Jack-up Rigs	2 Jack-up Rigs
Strategic Rationales	Entered Kuwait	Access KSA offshore gas drilling market	Entered Qatar	Solidify Presence in KSA	Strengthen presence in Southeast Asia

Historically, ADES was able to **capitalize** on attractively priced jack-up rigs **below** industry average.

Source: Company Data, Team Assessment

Acquisition Details (3/3)

New Build Jack-ups:

Investment Requirements:

Rig Cost: USD 250 -300M

Delivery Time: 3-5 Years

Upfront Payment: 60%-70%

To achieve a 15% ROI day rates must be significantly high, between USD 200K and USD 230K over a 25-year rig lifespan.

Source: Company Data, Team Assessment

Capital Expenditures

CAPEX Break Down

Capital Expenditures (SAR in Millions)	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
Growth CapEx:						
CapEx per Additional Offshore Rig (USD m)	95	102	110	118	127	136
% Change in Rig CapEx		*8%*	*8%*	*8%*	*8%*	*8%*
CapEx per Additional Onshore Rig (USD m)	30	31	32	33	34	35
% Change in Rig CapEx		*3%*	*3%*	*3%*	*3%*	*3%*
Fleet Additions:						
Offshore Rigs	2	2	3	2	1	0
Onshore Rigs		1	1	1	0	0
Total	**713**	**882**	**1,354**	**1,008**	**476**	-
Refurbishment CapEx:						
Projects Cost (SARm)	1,308	191	123	104	74	47
Total	**1,308**	**191**	**123**	**104**	**74**	**47**
% of Net Cashflow from Invesment	*41%*	*12%*	*6%*	*6%*	*6%*	*6%*
Maintenance CapEx:						
Annual CapEx per Offshore Rig (SARm)	6.0	6.3	6.6	6.9	7.3	7.7
Annual CapEx per Onshore Rig (SARm)	4.0	4.2	4.4	4.6	4.9	5.1
% Change in Rig CapEx		5%	5%	5%	5%	5%
Active Rigs:						
Offshore	49	52	55	56	58	58
Onshore	27	29	32	35	36	39
Total	**444**	**454**	**505**	**551**	**598**	**643**
Maintenance CapEx % of Revenue	*7.16%*	*6.57%*	*6.64%*	*6.65%*	*6.72%*	*6.78%*

1. Growth CAPEX:

Rig Additions:

- Represent rigs acquisition costs, with offshore rigs costing **USD 95M** and onshore rigs **USD 30M**.
- Offshore cost expected to increase at an **8%** CAGR effected by secondhand market tight supply.
- Onshore cost expected to increase at a lower rate of **3%** CAGR, with more supply in market.

Rig Refurbishment:

- Represent ongoing rig upgrading to previses acquisitions before deployment to the market.

2. Maintenance CAPEX:

- Annual cost for maintaining operating rigs in the fleet.
- Offshore rigs cost **SAR 6M**, and onshore rigs cost **SAR 4M**.
- Expected to increase at an **5% CAGR**.

Source: Company Data, Team Assessment

Debt Evolvement (1/2)

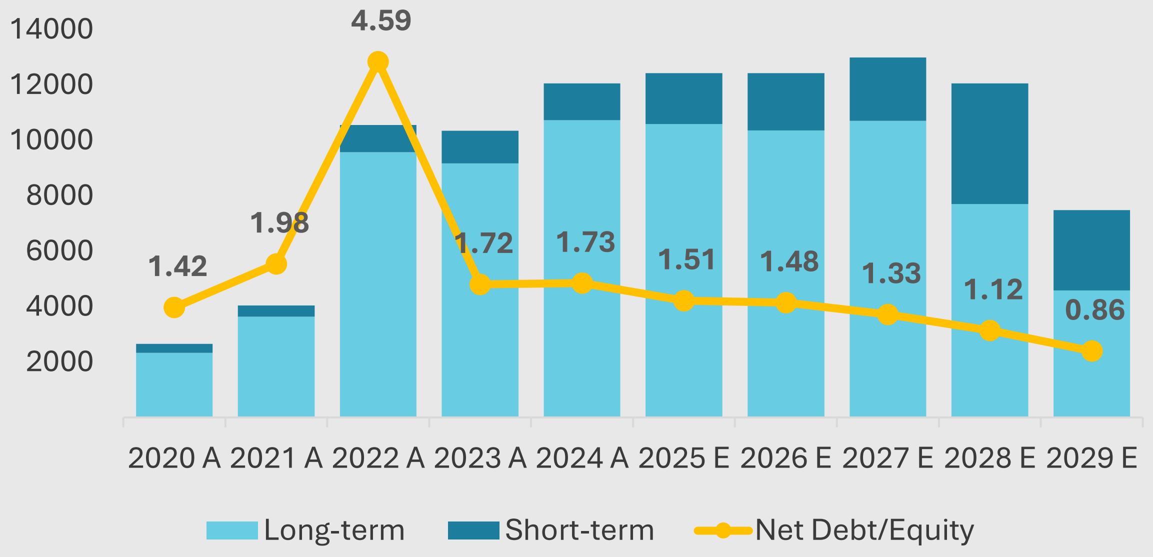
Key Characteristics:

5-8 Years
Average Tenor

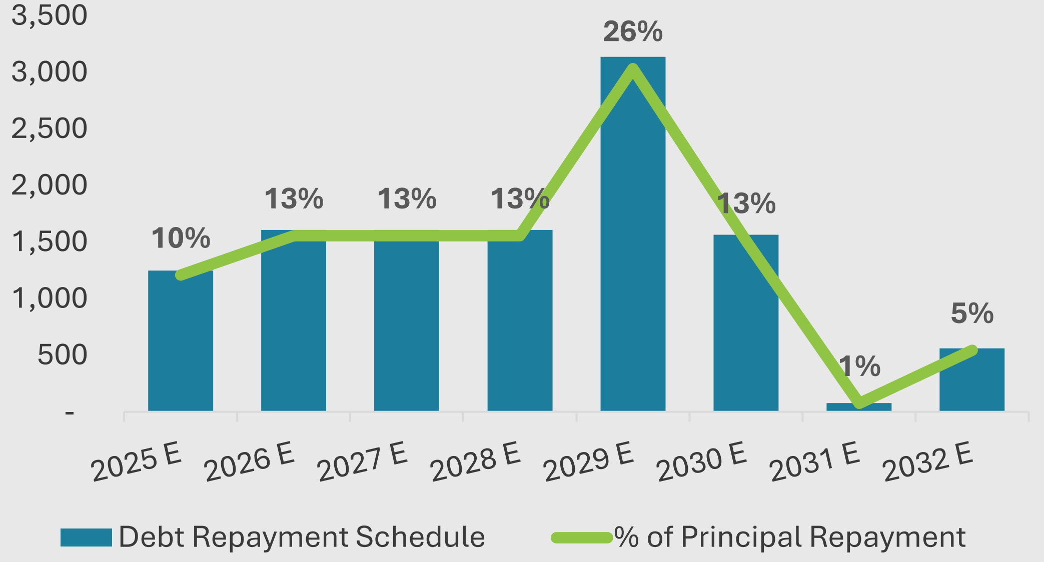
SAR 11.25B
Available funds for expansion plans

SAIBOR + 0.5 -1.5%
Interest Rate

Debt Breakdown by Term



Debt Repayment Schedule



Source: Company Data, Team Assessment

Debt Evolvement (2/2)

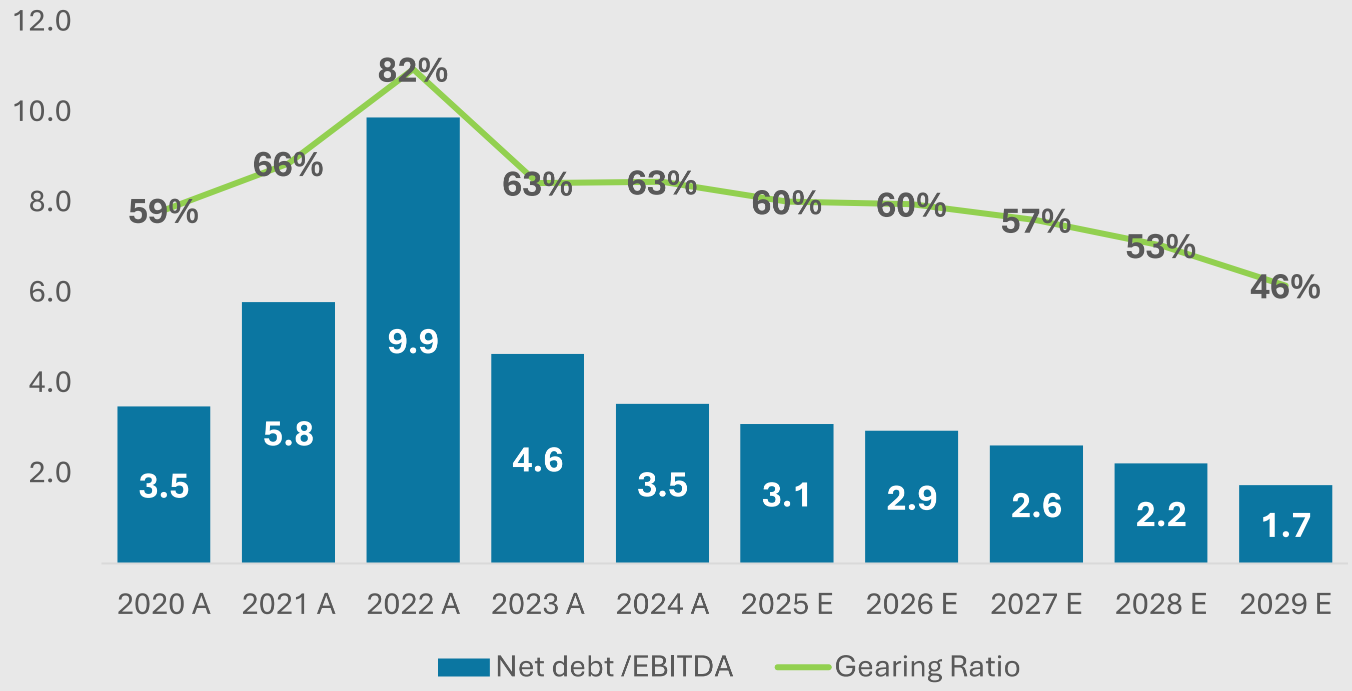
Targets

Minimal 2x
Backlog / Net Debt

Below 2.5 - 3.0x
Net Debt / EBITDA

Between 30% - 85%
Gearing Ratio

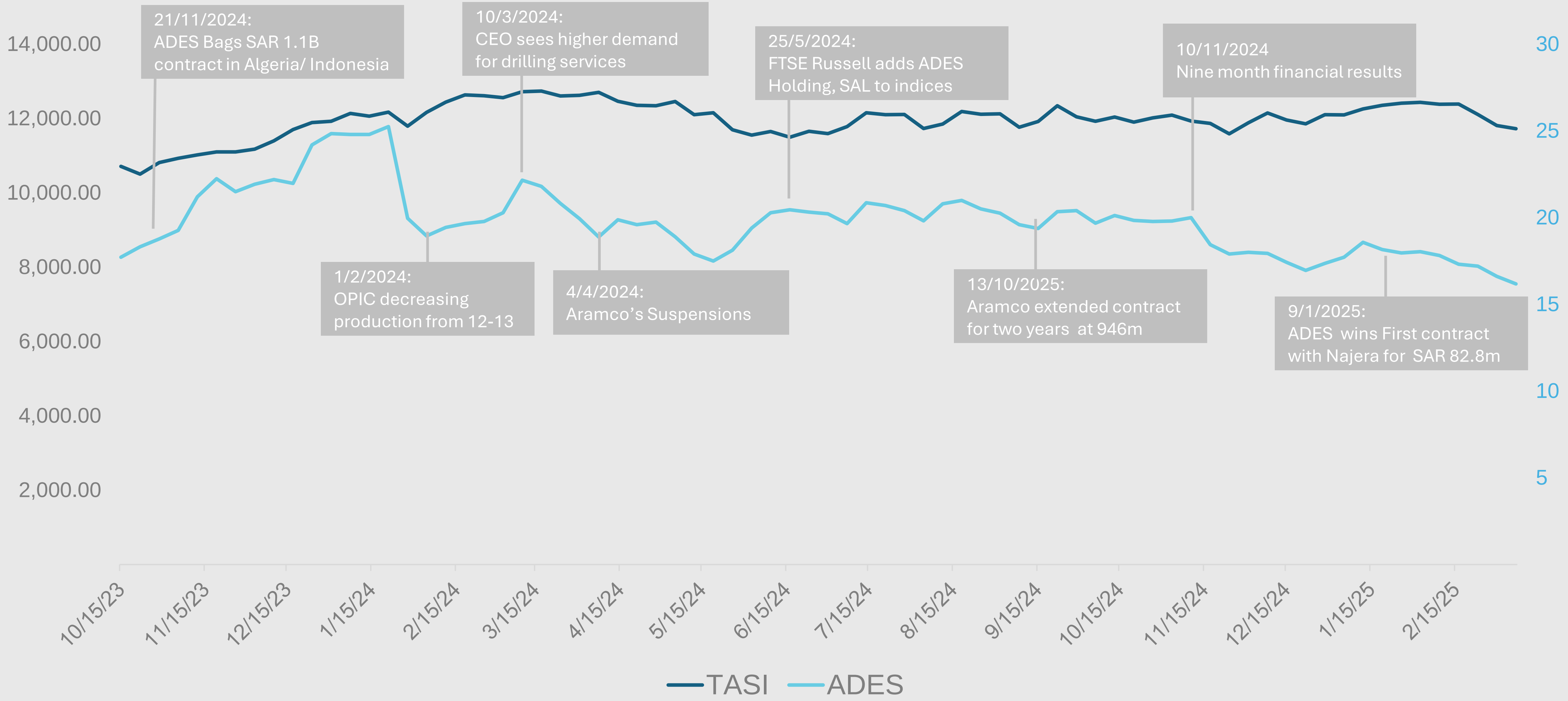
Debt Management



ADES's Management have **committed** to maintain key financial ratios at or below specified thresholds, limiting its exposure and ensuring its growth does not come at the expense of present or future financial stability.

Source: Company Data, Team Assessment

ADES's Stock Performance



Source: Tadawul, Team Assessment

Appendix (C)

Thesis I

A local champion with global ambitions

ADES's Operational Excellence

ADES combines operational excellence with a strong commitment to safety, ensuring steady returns for shareholders.

ADES's 14 Prequalification:

ADES' prequalification status with leading NOCs and IOCs in the region alongside its world-class qualifications are invaluable in ensuring the Group's success in bidding processes across
its countries of operation. Today, ADES boasts prequalification status from more than 30 clients or potential clients in 14 different markets.

Some of ADES' prequalification clients include Saudi Aramco, KOC, ENI, TotalEnergies, ONGC, EGPC, KJO, PEMEX, Sonatrach, PTTEP, Qatar Energy.


ISO IADC

Elite Qualifications

ADES' prequalification status with leading NOCs and IOCs in the region alongside its world-class qualifications are invaluable in ensuring the Group's success in bidding processes across its countries of operation. Today, ADES boasts prequalification status from more than 30 clients or potential clients in 14 different markets.

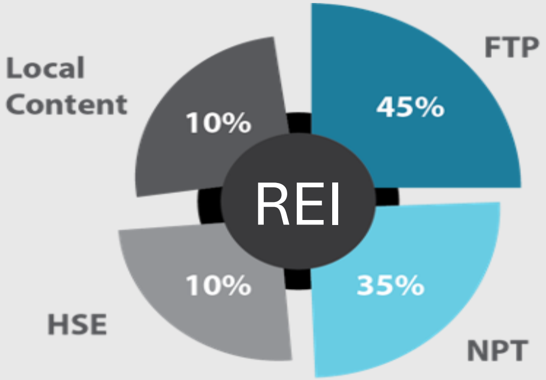
ADES' Prequalifications
Some of ADES' prequalification clients include Aramco, KOC, ENI, TotalEnergies, ONGC, EGPC, KJO, PEMEX, Sonatrach, PTTEP, Qatar Energy

ABS
The Group's operational drilling offshore fleet is certified by the American Bureau of Shipping "ABS" or currently pending recertification.

ISO Certifications
ISO 9001:2015, ISO 14001:2015 and 45001:2018 Certifications

Memberships
IADC: International Association of Drilling Contractors

Saudi Aramco's rig efficiency index (REI) composition



90/100

Average REI Score

With flat time performance (FTP) and non-productive time (NPT) accounting for 80% of the REI score, ADES demonstrates strong operational excellence, especially with utilization rates of 98%.

Source: Company Data, Saudi Aramco

Saudi Aramco's Suspensions (1/2)

Saudi Aramco's ambitious jack-up fleet expansion program:

49 Jack-ups → **90 Jack-ups**

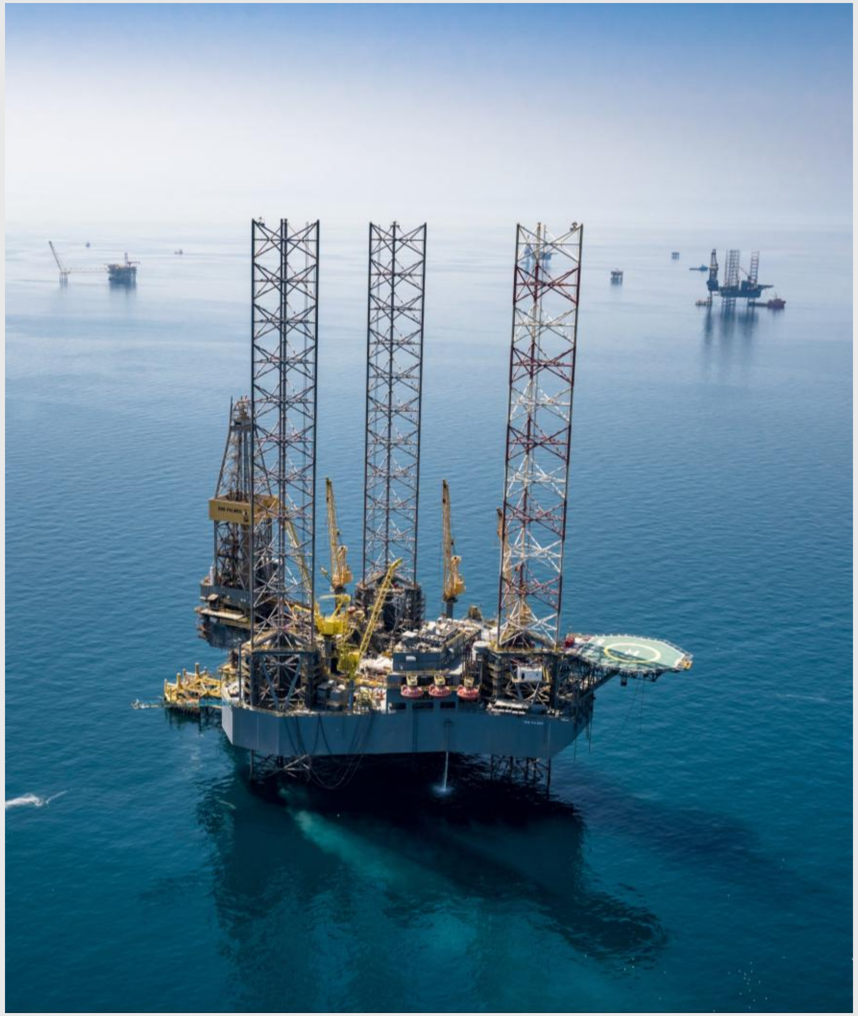
In June 2022 → Targeted in June 2024

In January 2024, the Saudi Ministry of energy ordered Saudi Aramco to keep its capacity at **12 million bpd**

1 million bpd below the announced target

= **22 Jack-up suspensions** across 8 different contractors since April 2024

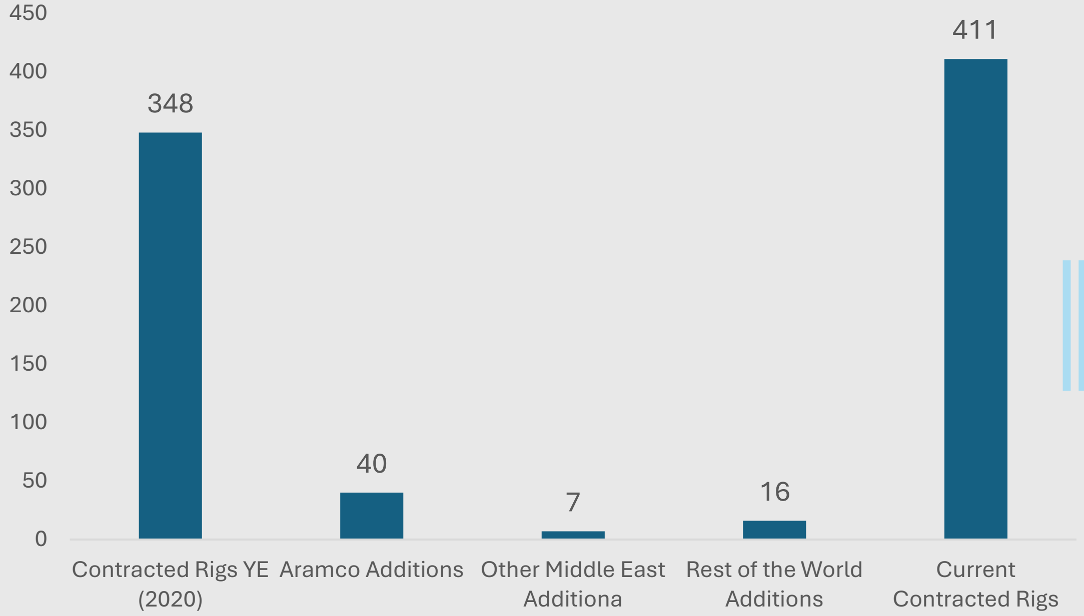
6 Jack-up suspensions for ADES, an **18% jack-up fleet decrease** with Saudi Aramco



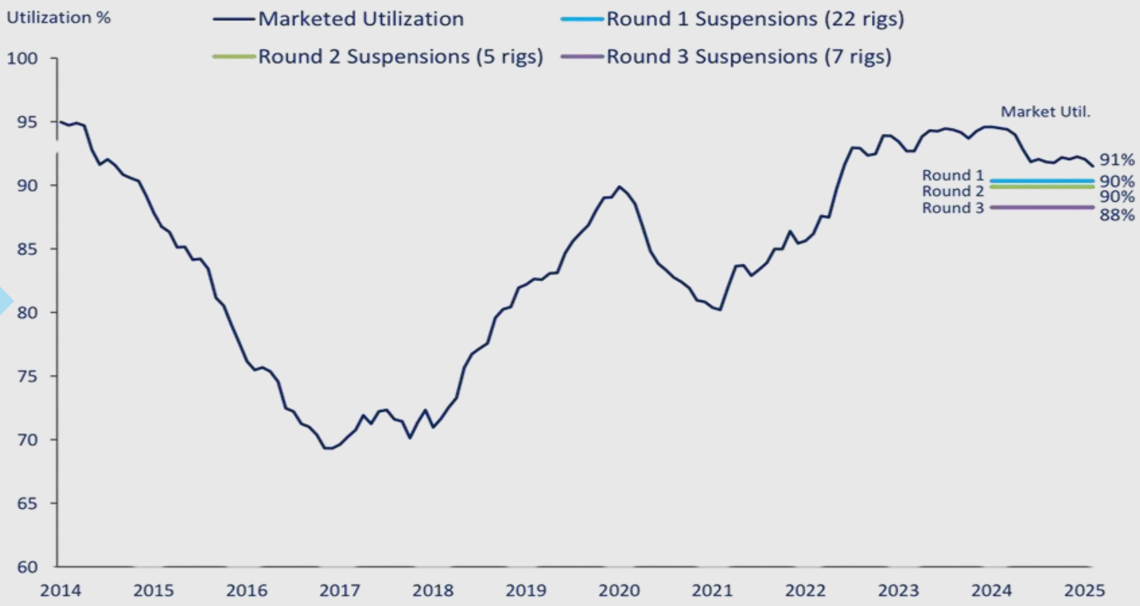
Source: Westwood Global Energy Group, Saudi Aramco

Saudi Aramco’s Suspensions (2/2)

Jack-up count increase prior to Saudi Aramco’s rig suspensions



Impact of Saudi Aramco releases on jack-up utilization

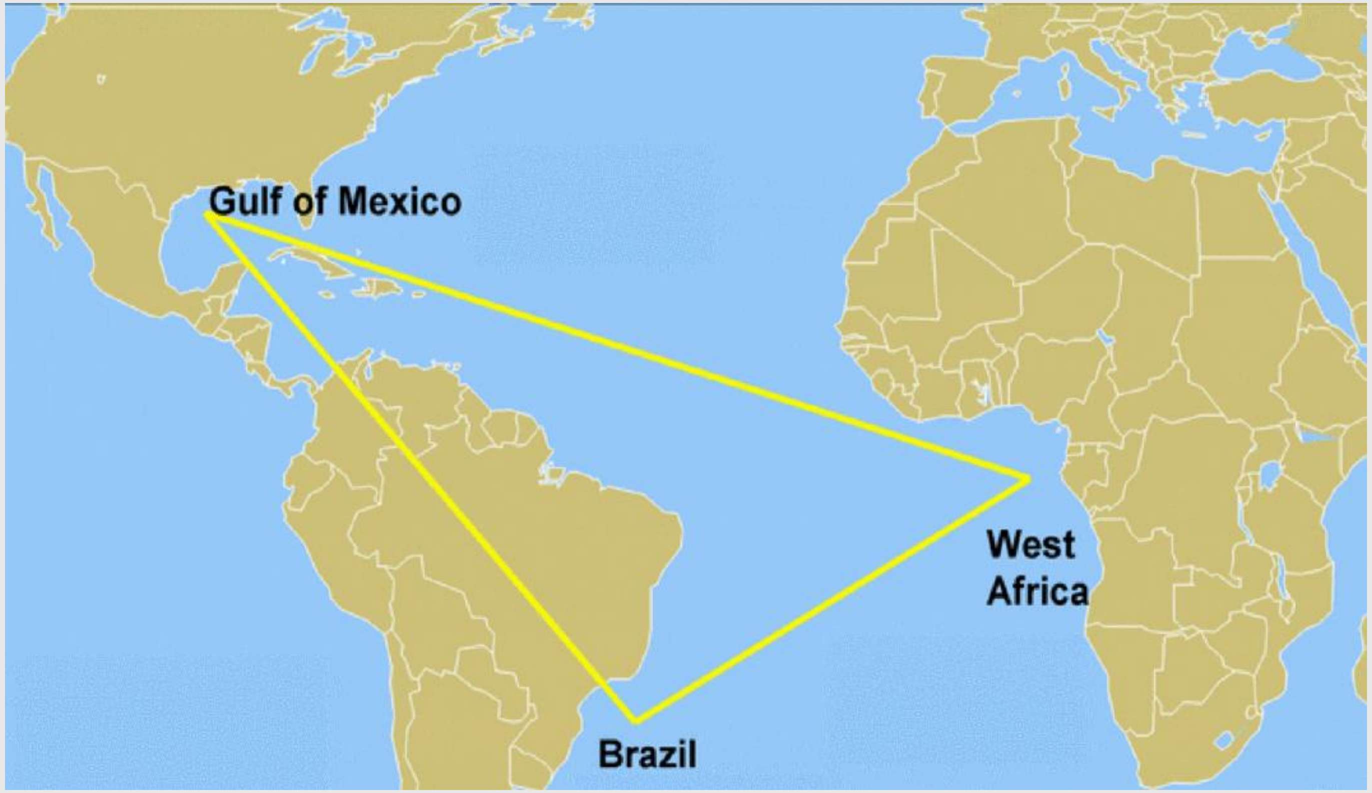


- Aramco has suspended operations for a total of **31** jack-up rigs across three rounds.
- The initial two rounds involved 28 suspensions
- The third round has confirmed three additional suspensions.

Round 1 suspensions impacted 22 rigs, contributing to dips in utilization. Despite these challenges, market utilization is expected to remain tight, stabilizing around 88% to 91% by 2025.

Source: S&P Global IQ, DNB Markets

Golden Triangle Area



- The "Golden Drilling Triangle" signifies high-yield exploration regions in the oil and gas sector.
- ADES has already entered the Southeast Asian golden triangle, of Thailand, Malaysia, and Indonesia.
- With its recent entry to West Africa and given the positive upward trend in drilling activity across the Gulf of Mexico, West Africa, and Brazil, we potentially see ADES expanding in these promising markets.

Source: Team Assessment, OilNOW

Appendix (D)

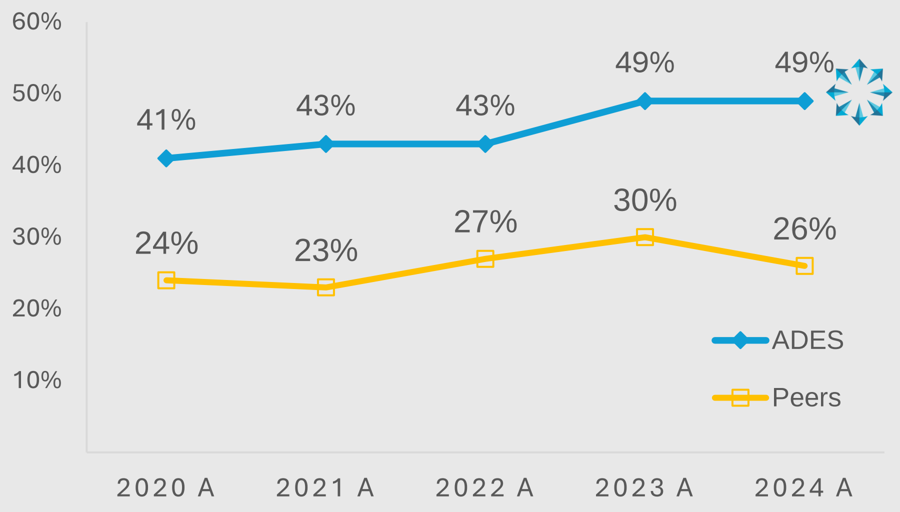
Thesis II

Resilience through oil price cycles

ADES's Efficient Cost Structure

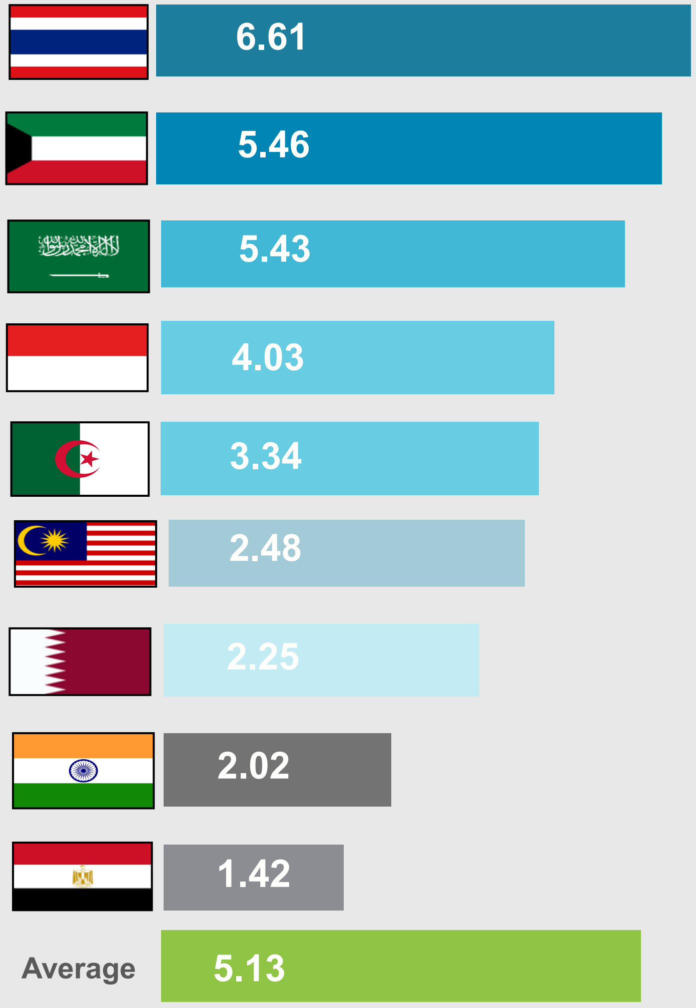
- **In-House Maintenance:**
  - Manages most maintenance internally, reducing third-party reliance.
  - On-site work minimizes rig downtime and costs.
- **Local Staff Costs:**
  - Employs local talent for cost savings and efficiency.
  - Maintains support staff below seven per rig.
- **Low G&A:**
  - G&A/revenue ratio at 6.6%, down from 8.2% in FY 2023.
  - Projected FY 2025 EBITDA of SAR 3.28-3.39 billion, indicating 8% - 12% growth.

ADES's EBITDA Margins compared to Peers



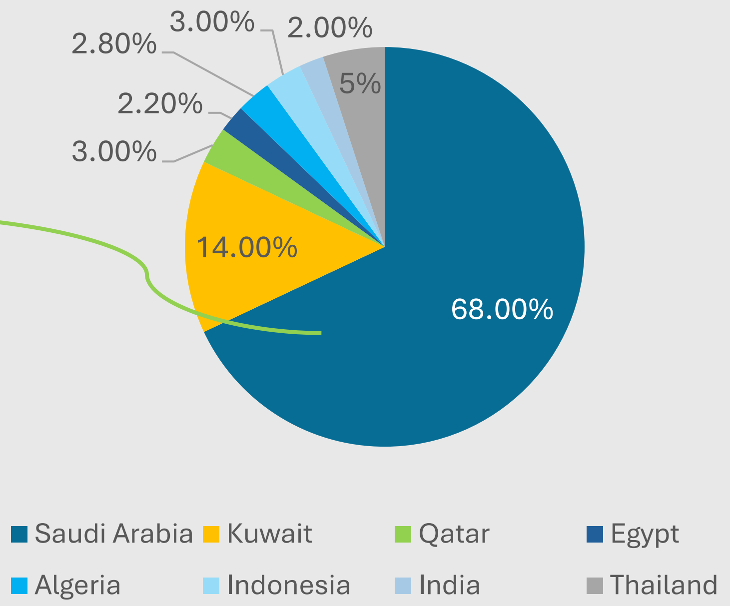
Source: Company Data, Team Assessment

Average Contract Maturity by Region



- An average contract maturity of 5 years indicates a stable revenue stream and strong planning potential, especially in Thailand.
- Kuwait's investments in energy projects support solid contract durations.
- Saudi Arabia's Vision 2030 plans also contribute to stable contract lengths.

Over 85.3% of the backlog comes from GCC countries.



Source: Company Data

Appendix (E)

Thesis III

A robust backlog fuels steady cash flows

ADES's Main Clients

- **Saudi Aramco:** Saudi Arabia's state oil company, one of the largest producers globally, known for its vast reserves and advanced technology.
- **KOC:** Kuwait's state-owned oil producer, recognized for its significant reserves and advanced extraction technologies
- **PTTEP**: Thailand's national petroleum exploration and production company, focusing on sustainable energy development and regional expansion.
- **ONGC**: India's largest oil and gas company, involved in exploration, production, and refining, playing a crucial role in India's energy security.
- **PERTAMINA**: Indonesia's state-owned oil and gas corporation, engaged in upstream and downstream activities, driving the country's energy sector.

Source: Company Data, Aramco, PTTEP, KOC, ONGC, Pertamina

Saudi Aramco's Mega Project

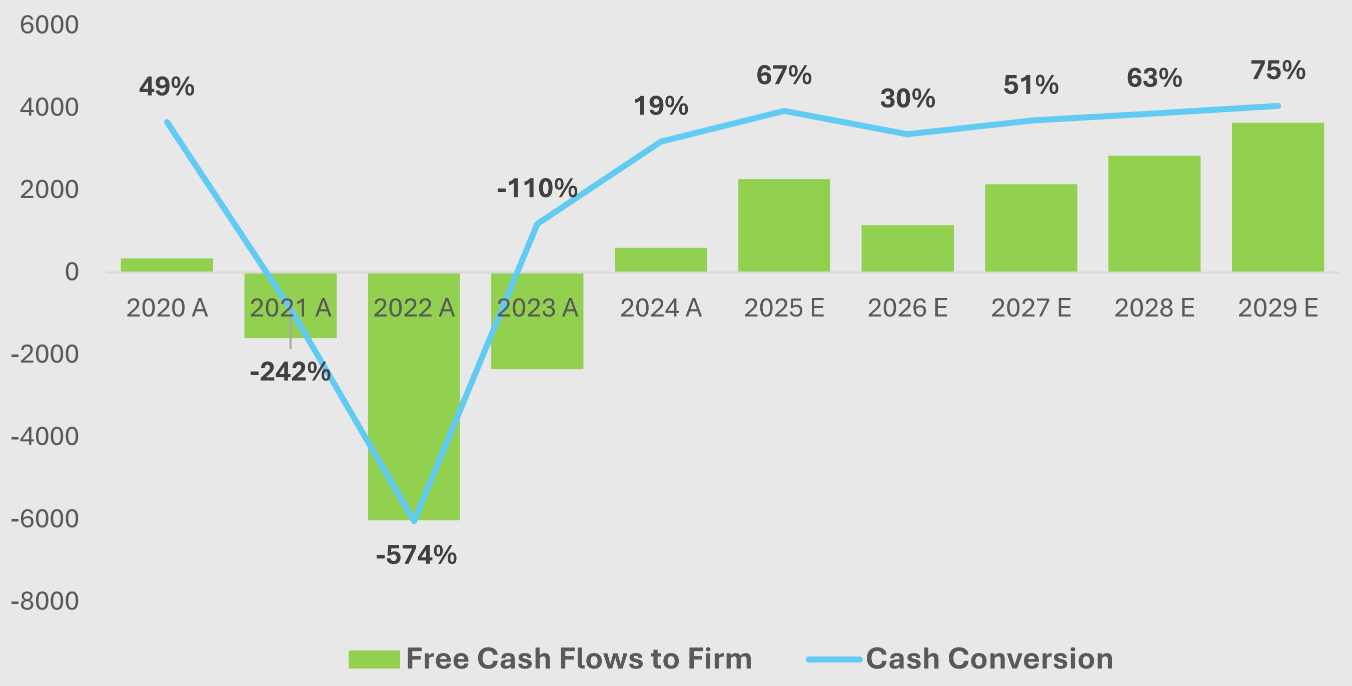
aramco

Oct 2022	Dec 2022	Feb 2023	Mar 2023	Apr 2023	May 2023	H2 2023
• 1 Rigs	• 2 Rigs	• 3 Rigs	• 4 Rigs	• 5 Rigs	• 7 Rigs	• 19 Rigs

In FY22, ADES made a substantial investment of SAR 6.7 billion to secure a significant portion of Saudi Aramco's mega project by acquiring 19 offshore rigs, with 16 obtained through direct tender and 3 through acquisition from Seadrill. By FY23, 14 of these rigs were deployed, and all 19 were operational by Q1 FY24, transforming free cash flow from negative in FY22 to positive in FY24.

Source: Company Data, Team Assessment

Free Cash Flow

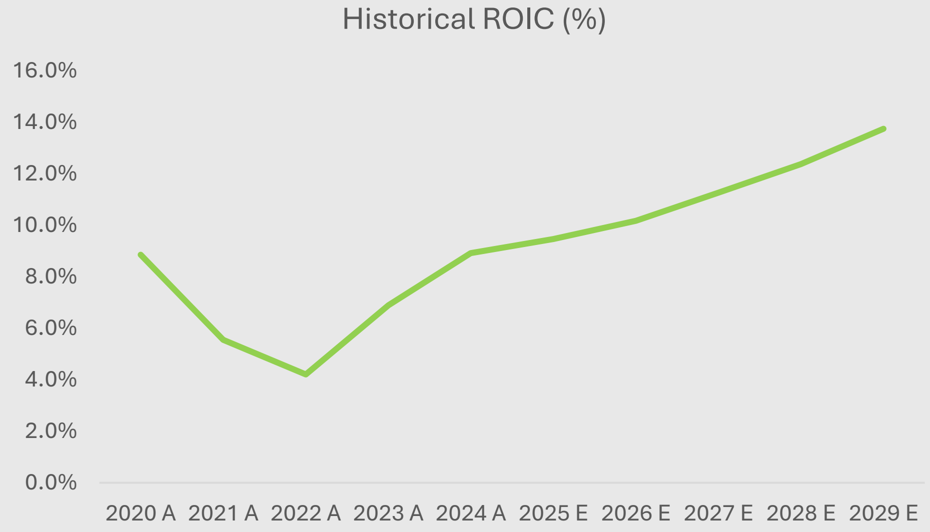


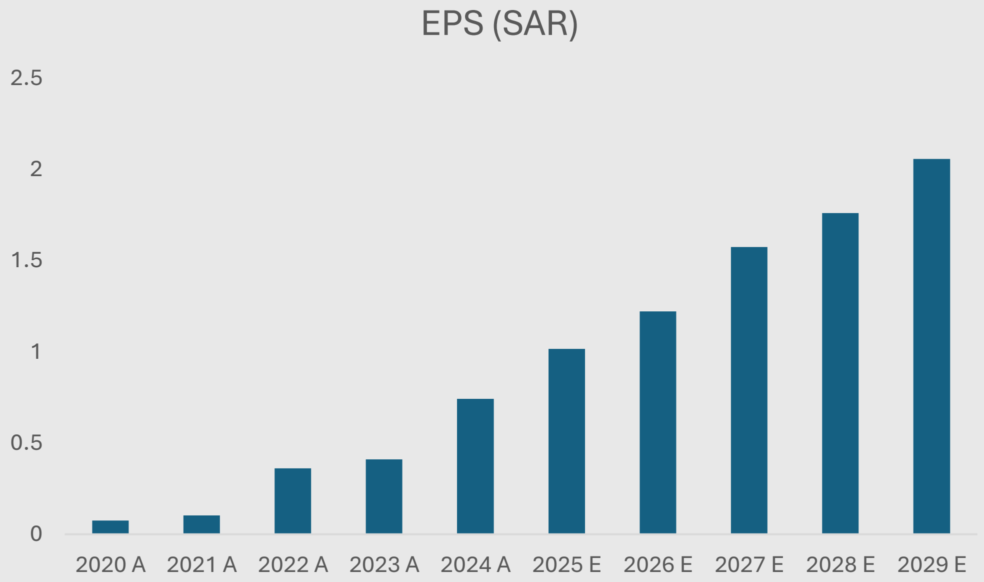
- Saudi Aramco’s mega project rig deployment transformed free cash flow from negative in FY22 to positive in FY24 and is expected to continue driving free cash flow growth over the next five years, strengthening ADES's financial position.
- The cash conversion rate is projected to increase in FY25, then to decrease in FY26, due to three forecasted rig additions. By 2029, no rig additions or capex is anticipated, hence the year is representing the highest cash conversion rate.
- Ongoing improvements in refurbishment and maintenance efficiencies, along with normalized maintenance capex, will ensure healthy cash conversion rates while scaling operations.

Saudi Aramco’s mega project: In FY22, ADES invested SAR 6.7 billion to acquire 19 offshore rigs, securing long-term contracts for Aramco's mega projects. By FY23, 14 of these rigs were deployed, with all 19 operational by Q1 FY24.

Source: Company Data, Team Assessment

Shareholder's Returns





The board of directors have committed to distribute a cash dividend equivalent to:

60%

Source: Company Data, Team Assessment

Appendix (F)

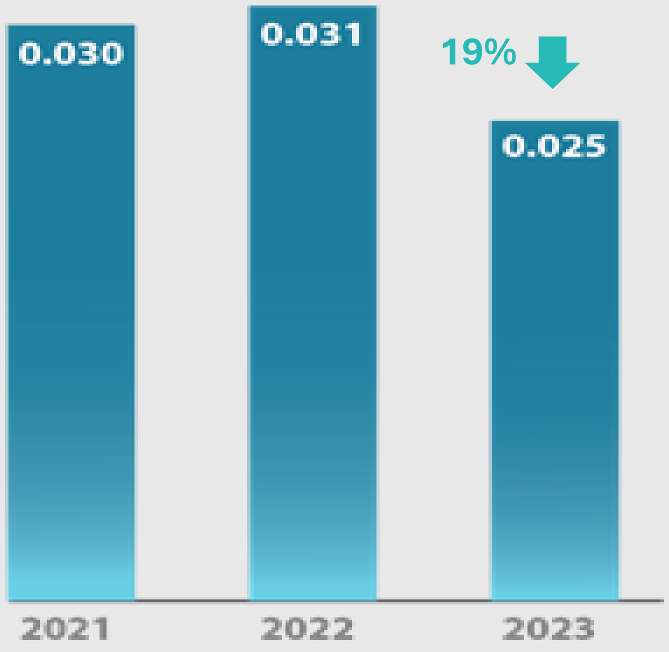
ESG

ADES Environmental Pillar

SUSTAINABLE DEVELOPMENT GOALS

ADES's Emission Intensity

tCO2e/worked man-hour

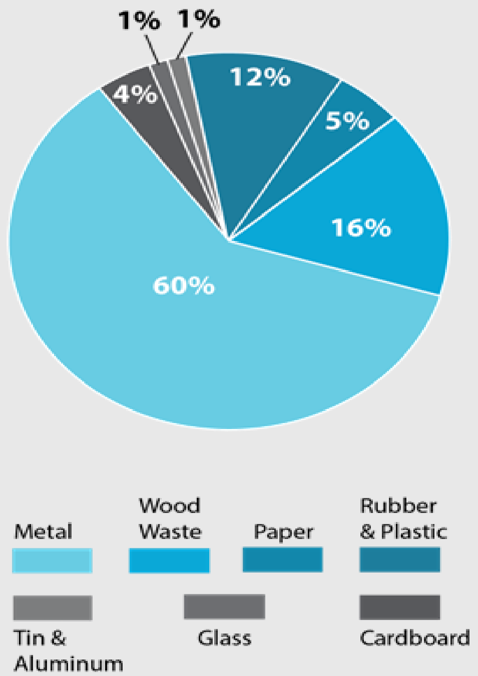


"We Only Have One **Earth**"

19% reduction in GHG emissions intensity from 2022 (0.031) to 2023 (0.025), reflecting significant progress in Ades's sustainability efforts.

This reduction aligns with the company's long-term environmental commitment, as Ades targets a 6% total emissions reduction by 2030.

Recycling Break down



The chart highlights the composition of waste, with metal being the largest contributor at (60%), followed by wood Waste (16%) and paper (12%).

Source: Company Data

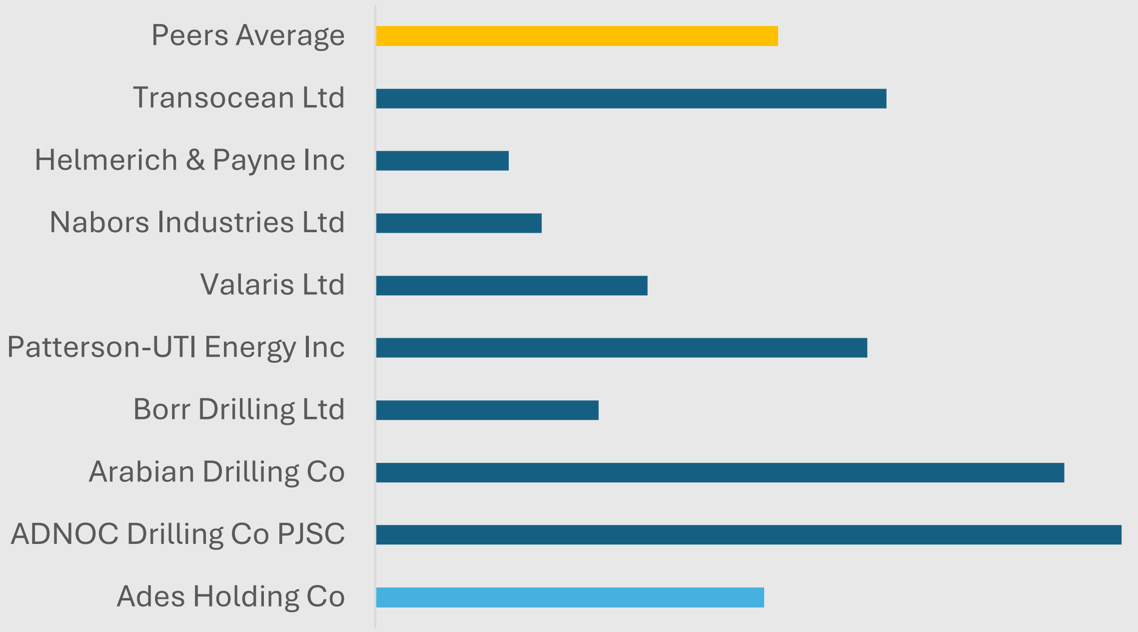
Peers Environmental Issues

SUSTAINABLE DEVELOPMENT GOALS

"We Only Have One **Earth**"

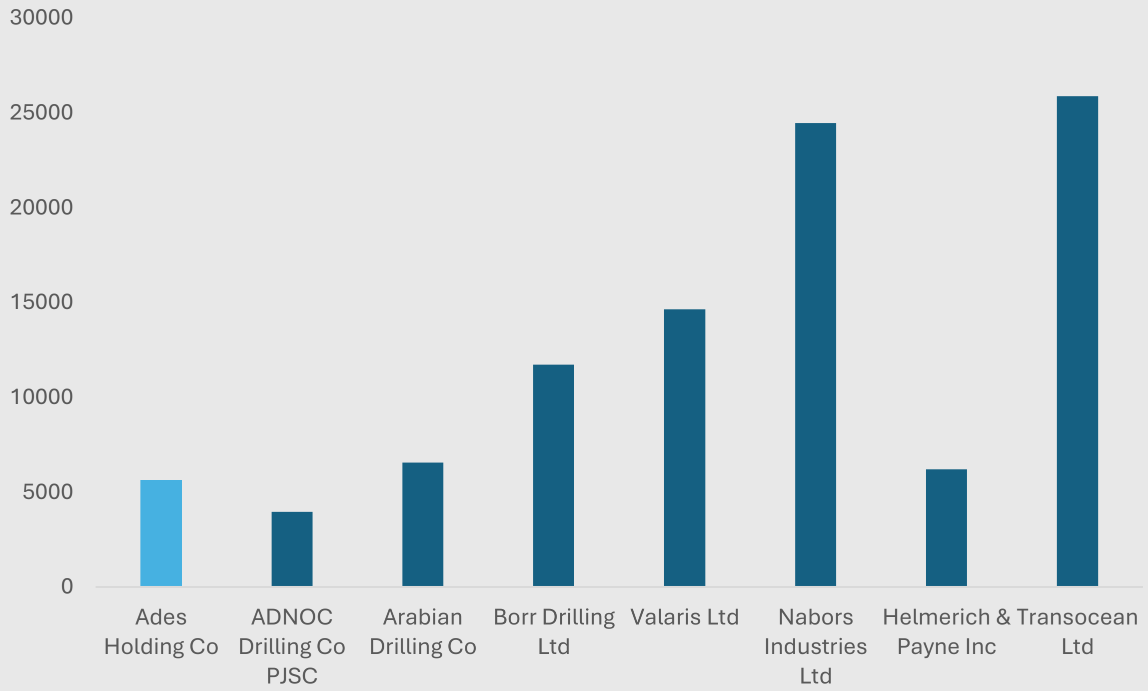
Energy Consumption

MWh per Rig



Direct GHG Emissions per Rig

tCO_2e

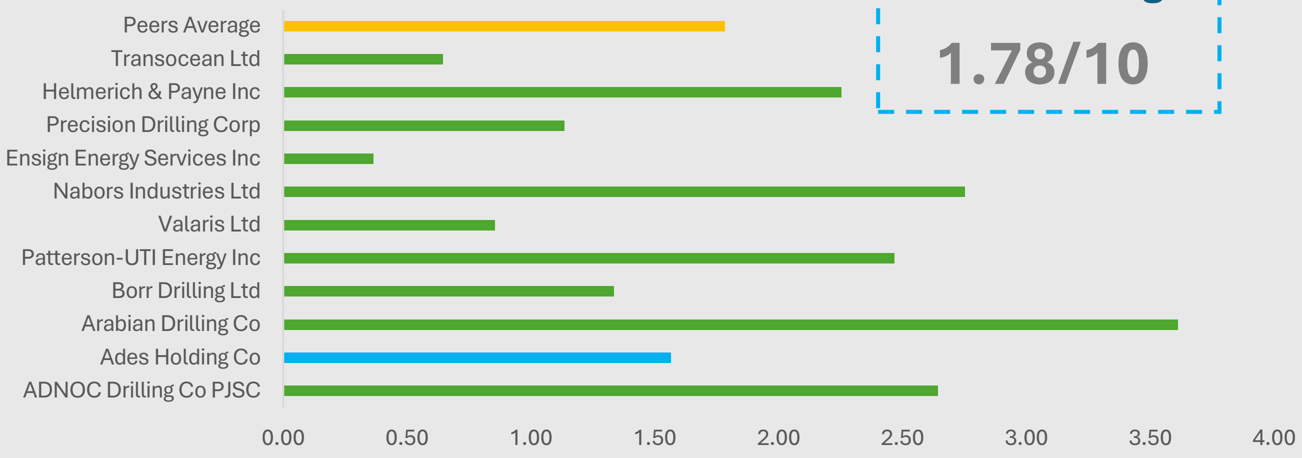


Source: Company Data, Team Assessment

Environmental Pillar compared to Peers

SUSTAINABLE DEVELOPMENT GOALS

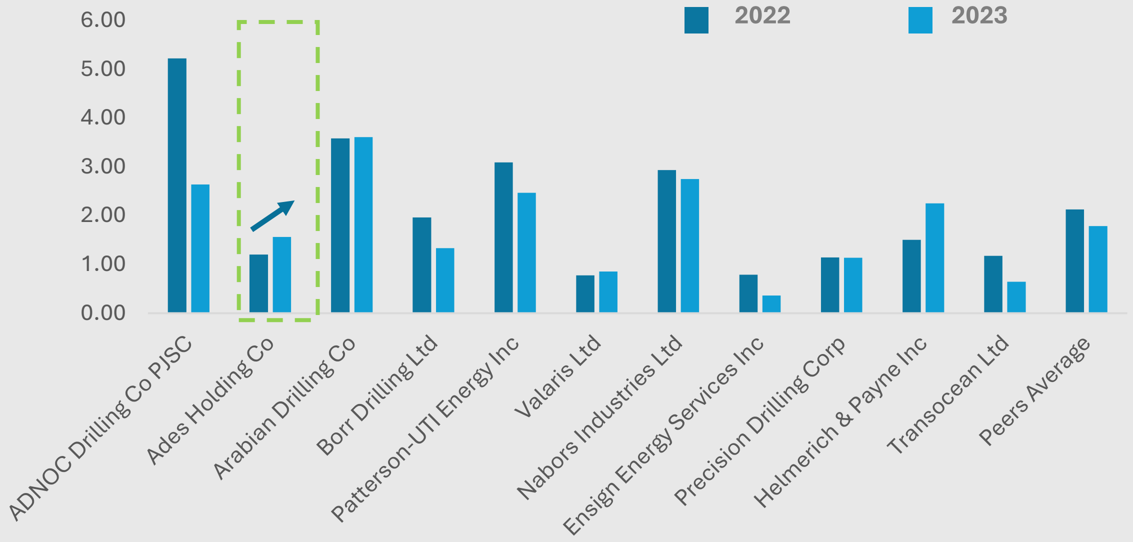
Environmental Pillar Score



Peers Average

1.78/10

Historical Performance



Several key factors contribute to Ades's position Includes:

- Limited Scope of Emissions Reporting → ADES does not currently report Scope 2 and Scope 3 emissions
- Decarbonization Target Lacks Sufficient Detail→ Although ADES has a declared decarbonization target, it is not considered in MSCI's Implied Temperature Rise calculation due to insufficient underlying data.
- Strong Misalignment with Net-Zero Goals→ MSCI's Implied Temperature Rise model places ADES in the "Strongly Misaligned" category (>3.2°C).

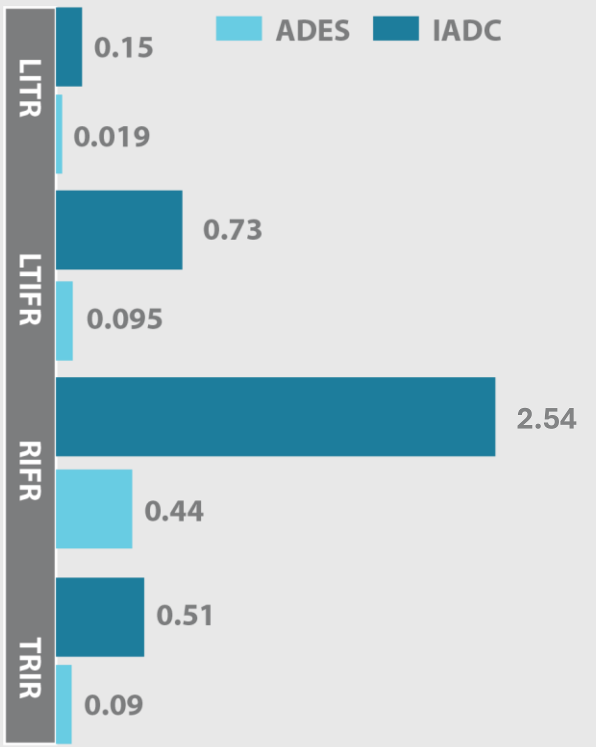
- ADES Holding Company demonstrated a notable upward trajectory, with its score rising from 1.20 in 2022 to 1.56 in 2023, marking a 30% year-on-year improvement.
- The peer group average declined from 2.13 to 1.78 over the same period, highlighting a broad-based regression across the sector.

Source: Company Data, Bloomberg, Team Assessment

ADES Social Pillar

ADES Health and Safety Performance

ADES continued to deliver best -in -class operational performance, with sustained high utilization rates and industry beating safety metrics.

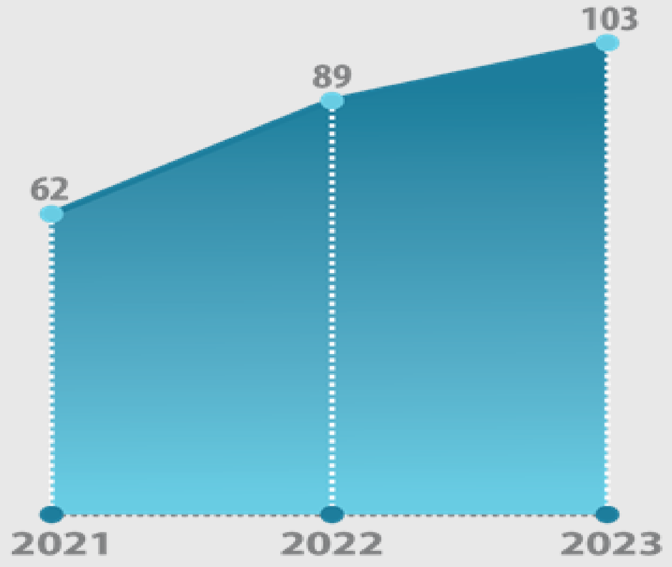


Outperforming the industry in all safety metrics

RIG

•ADES has an exceptional safety record, with all indicators significantly below the global average set by the IADC (International Association of Drilling Contractors).
•This reflects a strong safety culture, training programs, and the use of innovative tools like RIGEYE AI monitoring system.

Female workforce trend



1.29% of Total Workforce

This upward trajectory reflects the company's commitment to fostering diversity in the workforce, which aligns with global ESG (Environmental, Social, and Governance) goals and can enhance organizational performance through varied perspectives.

VISION 2030 KINGDOM OF SAUDI ARABIA

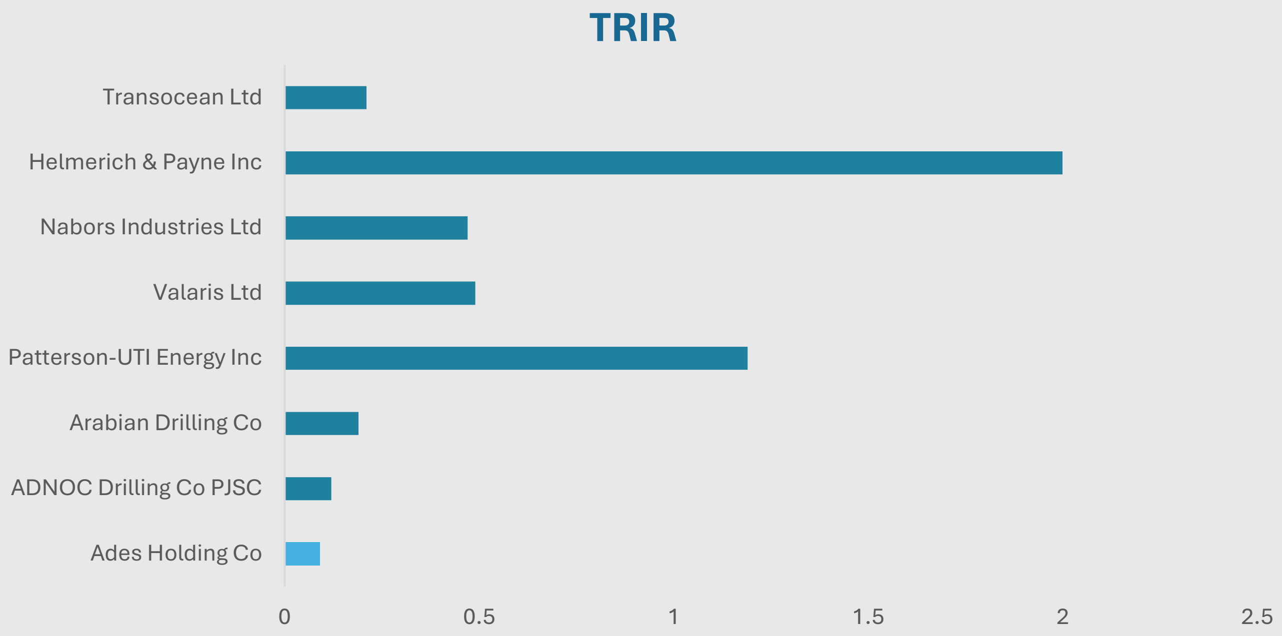
SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

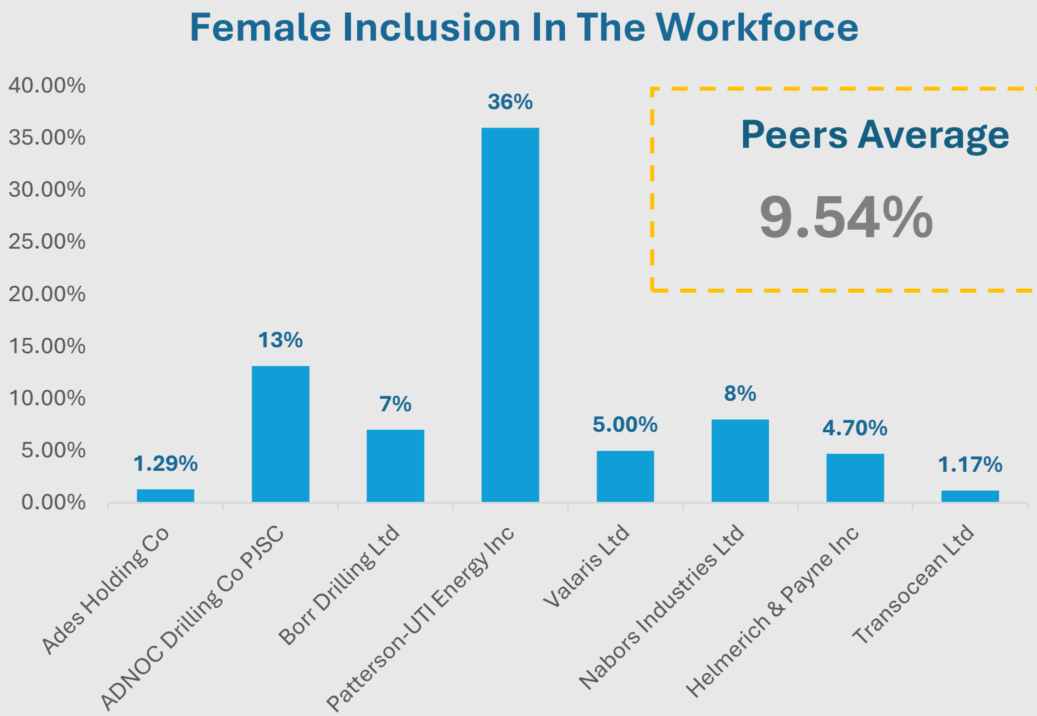
Source: Company Data, Team Assessment

Peers Social Issues

Health and Safety Performance



Diversity and Inclusion



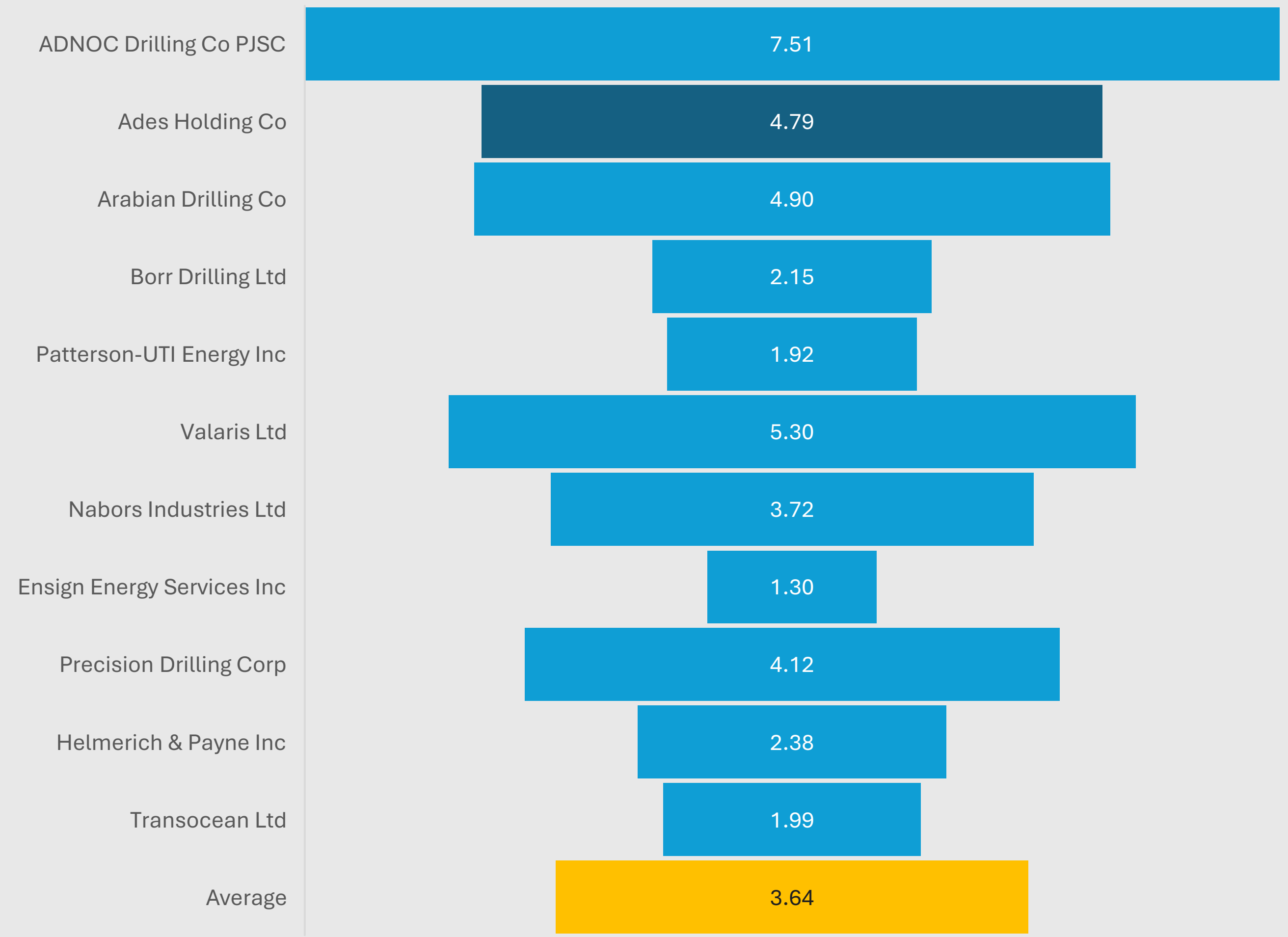
Peers Average

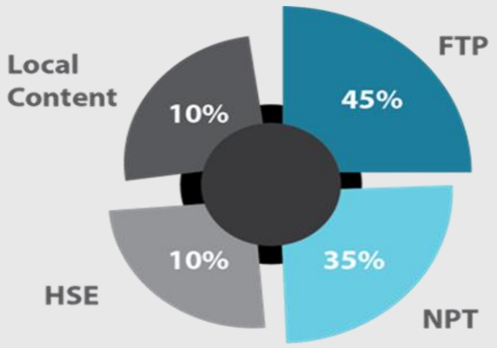
9.54%

Source: Company Data, Bloomberg, Team Assessment

Social Pillar Compared to Peers

Peers Social Pillar Score





90/100

Average REI Score

ADES

REI Performance

91 / 100

Average REI Score

VISION 2030 KINGDOM OF SAUDI ARABIA

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

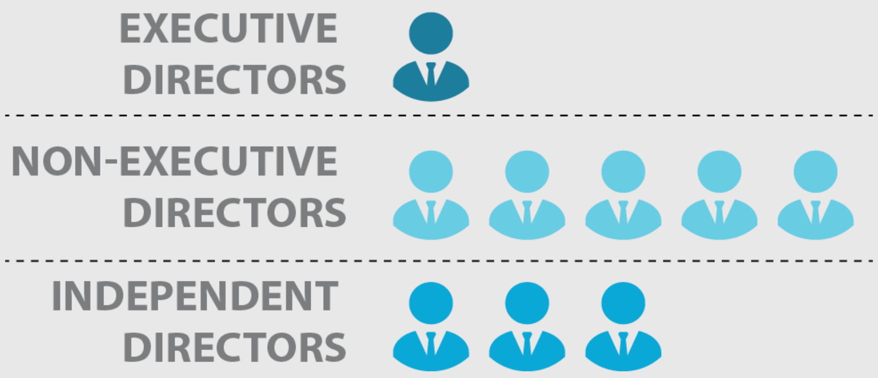
Source: Company Data, Bloomberg, Team Assessment

ADES Governance Pillar

Transparency Metrics

Metric	Practice at ADES
Financial Reporting	Fully compliant with CMA regulations and audited by independent external auditors.
Non-Financial Reporting	Detailed ESG performance aligned with UN SDGs and Saudi Vision 2030.
Governance Disclosures	Published governance statement, committee charters, and policies.
Shareholder Communication	Annual reports, General Assembly updates, and IPO-related disclosures.
Compliance with CMA Regulations	ADES strictly follows CM guidelines, including financial and governance reporting

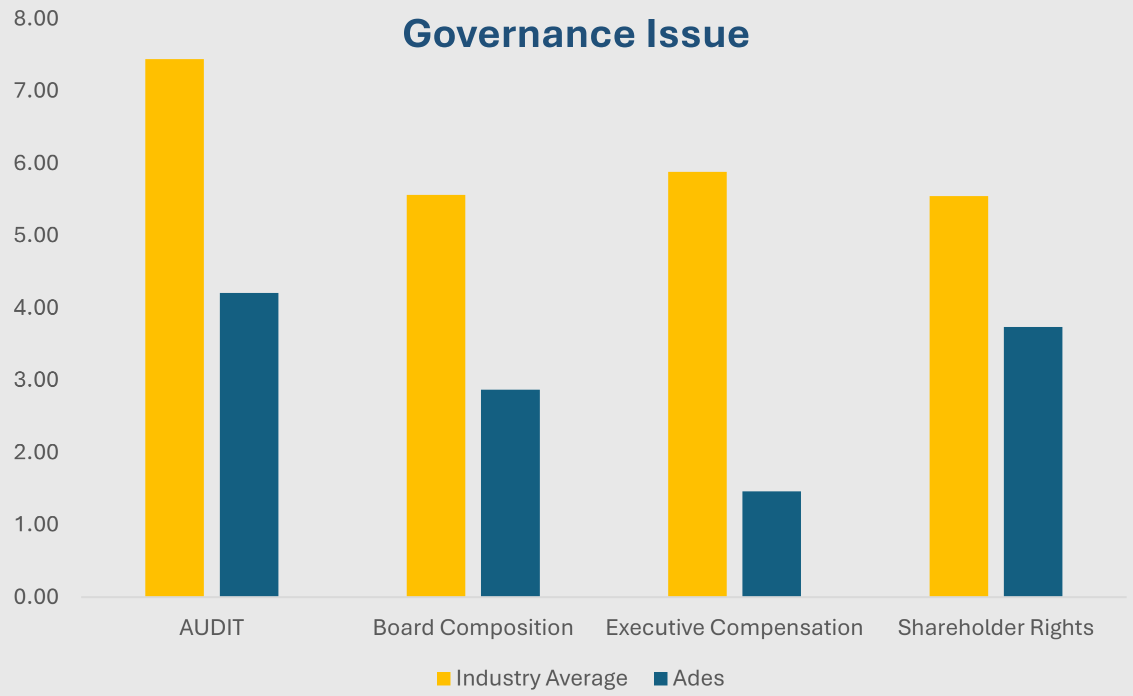
Board Composition

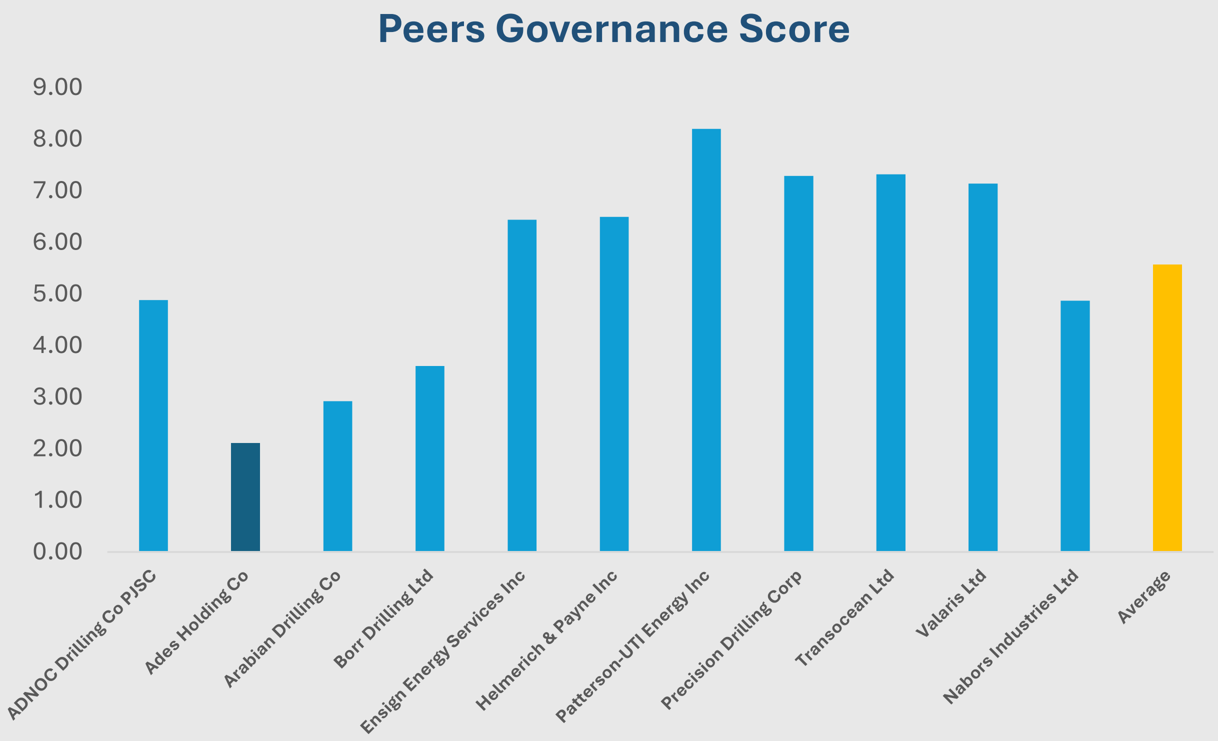


Name	Title	Membership Classification	Date of Appointment
Mr. Ayman Mamdouh Mohamed Fathy Abbas	Chairman	Non-executive	26/12/2022
Dr. Mohamed Farouk Abdelmeguid Abdelkhalek	Vice-chairman	Executive	26/12/2022
Mr. Hatem Ahmed Elsayed Soliman	Member	Non-executive	26/12/2022
Mr. Muteb Mohammed Saad Alshathri	Member	Non-executive	09/03/2023
Mr. Fadi Adel Mohamed Al Said	Member	Non-executive	09/03/2023
Mr. Abdulrahman Khalid Abdullah Al Zamil	Member	Non-executive	26/12/2022
Mr. Kamel Bennaceur*	Member	Independent	20/02/2024
Mr. Haitham Muhammed Abdulrhman AlFayez*	Member	Independent	20/02/2024
Mr. Mohamed Walid Taoufik Cherif*	Member	Independent	20/02/2024

Source: Company Data, Team Assessment

Governance Pillar Compared to Peers





Governance Weaknesses Behind ADES's Below-Average Scores

Two major factors contributing to these scores include:

1-**The CEO also serving as Vice Chairman**, which compromises board independence and accountability.

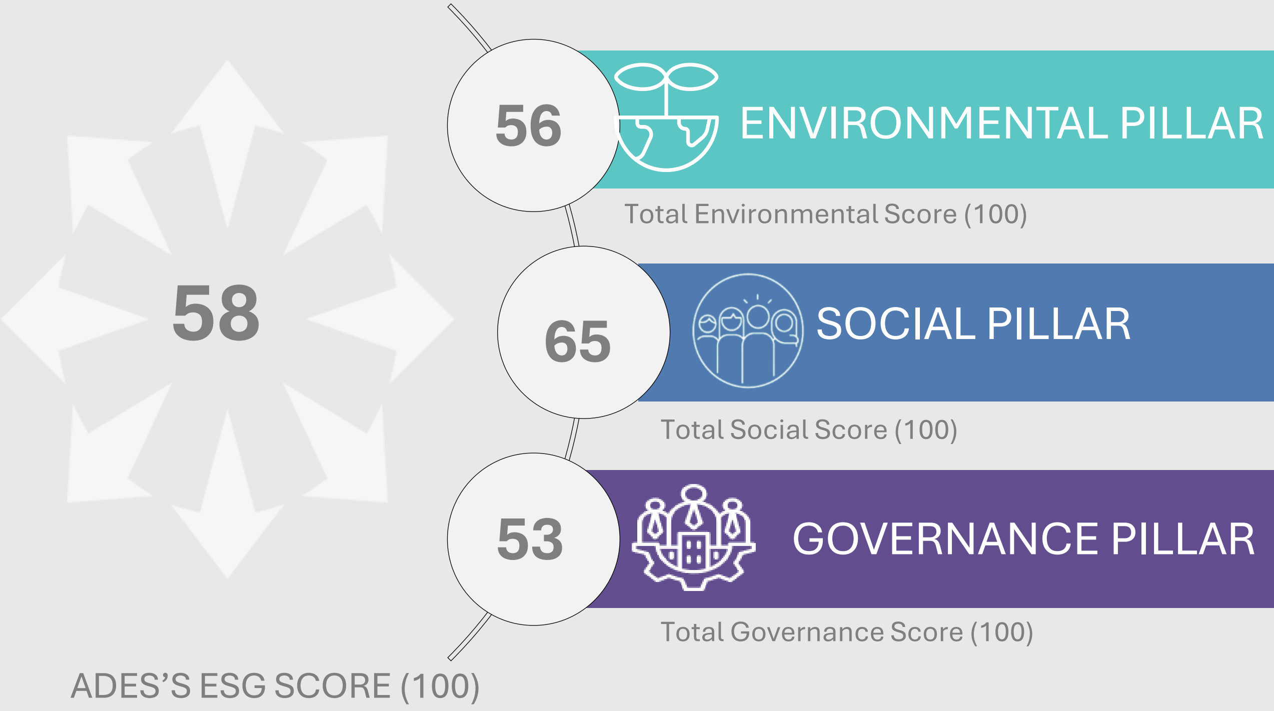
2-**Lack of female representation** on the Board of Directors, which reflects poorly on diversity and inclusivity metrics.

ADES still trails its peers significantly in governance, with a 2023 score of 2.11 versus a peer average of 5.57. This is mainly due to board structure, lack of diversity. However, the company showed the highest year-on-year improvement, suggesting positive momentum post-IPO.

Source: Bloomberg, Company Data, Team Assessment

Criteria	Score
GHG Emissions Management	
Scope 1 Emissions	9
Emissions intensity	11
Emissions reporting	4
Energy Efficiency	
Battery Energy Storage Systems (BESS)	4
Energy Consumption	2
Water Consumption	4
Spill & Waste Management	
Spills	15
Waste Recycling	3
Climate Strategy & Innovation	
Alignment with UN SDGs and Saudi Vision 2030	2
Biodiversity Restoration	2
RIGEYE	2
Total Environmental Score	56
Health, Safety, and Security	
Recordable Injury Frequency Rate (RIFR)	12
Lost Time Injury Rate (LTIR)	13.1
Lost Time Injury Frequency Rate (LTIFR)	9
Total Recordable Incident Rate (TRIR)	8
Workforce	
Localization	6
Female Workforce	1
Talent Acquisition and Retention	0.75
Training (Hours per Employee)	4
Community	
IKTVA	7
Community Investments	10
Total Social Score	65
Board Independence	
Non-executive members	10
Independent Members	6
CEO-Chair Separation	2
Board Diversity & Inclusion	
female board members	0
diversity policy	0
Transparency & Disclosure	
reporting of financial and non-financial information.	7
Adherence to Capital Market Authority regulations.	5
Shareholder Rights	3
Audit & Risk Management	
audit committee	2.5
internal control policies	4
External auditor independence	5
Ethics & Conflict of Interest	
Whistleblowing mechanism.	9
Total Governance Score	53
Ades's ESG	58

ESG Final Score



Source: Team Assessment

ESG Final Score Break Down

Environmental Pillar		Actual Value	Min Value	Max Value	Normalized Score	Weight	Weighted Score
Scope 1 Emissions	tCO_2e	511,820	116,153	31,100,000	60	15%	9
Emissions intensity	tCO2e/Man-hour Worked	0.0250			70	15%	11
Energy Consumption	kWh	*6,657,639	664,020	527,444,200	40	10%	4
Spills	NO.	0	0	20	100	15%	15
Waste Recycling	%	0.47%	0.47%	55.60%	20	15%	3
Water Consumption	m^3	429,334	429,334	2,913,000	100	5%	5
Biodiversity Restoration	Projects	1.0	0.0	5.0	50.0	5%	3
Alignment with UN SDGs and Saudi Vision 2030					40	5%	2
Emissions reporting					40	10%	4
RIGEYE					40	5%	2
Total Environmental Score						100%	56

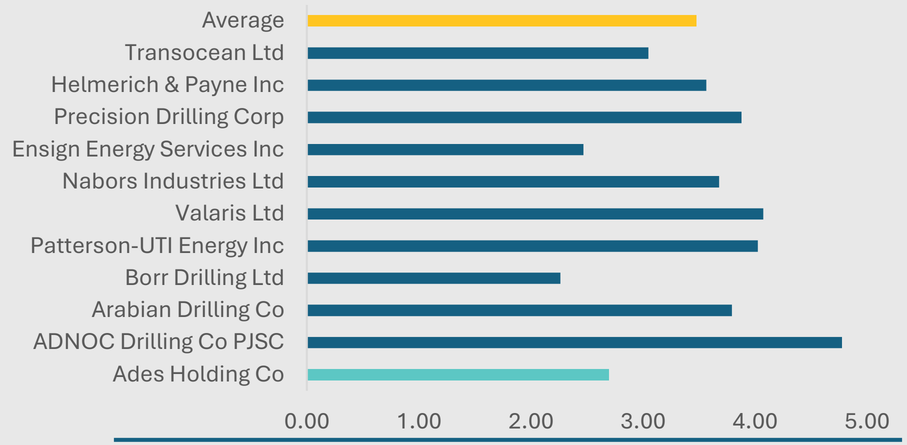
Social Pillar		Actual Value	Min Value	Max Value	Normalized Score	Weight	Weighted Score
Talent Acquisition and and Retention	NO.	8,000	678	73,311	15	5%	1
Women in Workforce	%	1.29%	1.29%	7.22%	5	10%	1
SAUDIZATION/ Localaization	%	0.74	0.663	0.903	30	10%	3
Training Hours per Employee	Hours per Employee	106	12.09	145.1	71	5%	4
Community Investments	% of Revenues	0.40%	0.06%	0.40%	100	10%	10
IKTVA	%	0.5	0.3	0.6	71.0	10%	7
Health & Safety Pillar		**Actual Value**	**IADC Benchmark**		**Normalized Score**	**Weight**	**Weighted Score**
Recordable Injury Frequency Rate (RIFR)		2.54	0.44		83	15%	12
Lost Time Injury Rate (LTIR)		0.15	0.019		87	15%	13
Lost Time Injury Frequency Rate (LTIFR)		0.73	0.095		87	10%	9
Total Recordable Incident Rate (TRIR)		0.51	0.09		82	10%	8
Total Social Score						100%	65

Source: Team Assessment

ESG Scoring Compared to Peers

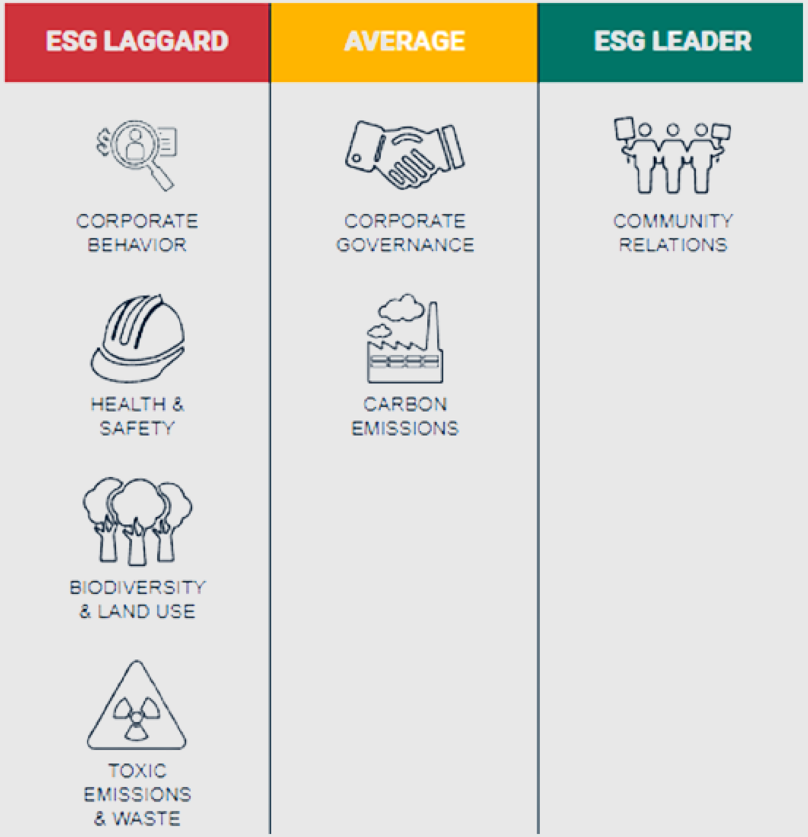
Company	Bloombreg				CSRHUB	Morningstar
	Environmental 10	Social 10	Governance 10	ESG 10	100	ESG Risk Rating
Ades Holding Co	1.56	4.79	2.11	2.70	52	32.3
ADNOC Drilling Co PJSC	2.64	7.51	4.88	4.78	62	23.6
Arabian Drilling Co	3.61	4.90	2.92	3.79	50	30.4
Borr Drilling Ltd	1.33	2.15	3.61	2.26	51	33.1
Patterson-UTI Energy Inc	2.47	1.92	8.20	4.02	60	22.8
Valaris Ltd	0.85	5.30	7.14	4.07	57	22.1
Nabors Industries Ltd	2.75	3.72	4.87	3.68	73	23.8
Ensign Energy Services Inc	0.36	1.30	6.44	2.47	45	N/A
Precision Drilling Corp	1.14	4.12	7.29	3.88	51	22.6
Helmerich & Payne Inc	2.25	2.38	6.50	3.57	68	18.6
Transocean Ltd	0.65	1.99	7.32	3.05	54	25.1
Average	1.78	3.64	5.57	3.48	56.64	25.44

ESG Performance



key Issues

A strategic overview of the key ESG issues impacting the Energy Equipment & Services industry, highlighting how ADES Holding Company compares to its peers across critical environmental, social, and governance dimensions.



Source: Team Assessment, Bloomberg, Morningstar, CSRHUB

Appendix (G)

Valuation

Offshore Revenue Build-Up

		Offshore Revenue Projections	2025 E	2026 E	2027 E	2028 E	2029 E
	Egypt	Active Oil Rigs	11	11	11	11	11
		Day Rates (SAR)'000	155	160	165	170	175
		Revenue (SAR) M	742	768	795	819	857
	Saudi Arabia	Active Oil Rigs	28	28	28	28	28
		Active Gas Rigs	1	1	1	1	1
		Oil Day Rates (SAR)'000	234	243	253	263	274
		Gas Day Rates (SAR)'000	276	287	301	311	325
		Revenue (SAR) M	2790	2935	3145	3241	3438
	Qatar	Active Gas Rigs	4	4	4	4	4
		Gas Day Rates (SAR)'000	276	287	299	311	323
		Revenue (SAR) M	283	292	305	314	324
	India	Active Oil Rigs	3	3	3	3	3
		Day Rates (SAR)'000	123	125	127	128	130
		Revenue (SAR) M	193	199	207	213	219
	Indonesia	Active Oil Rigs	2	2	2	2	2
		Day Rates (SAR)'000	281	287	293	298	304
		Revenue (SAR) M	141	148	156	161	168
	Thailand	Active Oil Rigs	2	2	2	2	2
		Day Rates (SAR)'000	281	287	293	298	304
		Revenue (SAR) M	71	18	156	161	169
	Malaysia	Active Oil Rigs	2	2	2	2	2
		Day Rates (SAR)'000	304	311	319	327	335
		Revenue (SAR) M	151	159	169	174	183
	Nigeria	Active Oil Rigs	1	1	1	1	1
		Day Rates (SAR)'000	128	131	135	138	142
		Revenue (SAR) M	57	79	83	86	90
Expansions	Southeast Asia	Active Oil Rigs		1	1	2	2
		Day Rates (SAR)'000		299	306	313	320
		Revenue (SAR) M		76	79	165	173
	West Africa	Active Oil Rigs			1	1	1
		Day Rates (SAR)'000			155	158	160
		Revenue (SAR) M			67	69	146
	Other New Markets	Active Oil Rigs		1	1	2	2
		Day Rates (SAR)'000		236	242	248	255
		Revenue (SAR) M		77	82	168	176
		Total Offshore Revenue (SAR) M	**5539**	**6128**	**6694**	**7316**	**7864**

	2025 E	2026 E	2027 E	2028 E	2029 E
Days	360	360	360	360	360
Offshore Utilization (%)	98%	98%	99%	100%	100%

In forecasting offshore revenue, we considered all the countries where ADES provides offshore drilling services, as well as anticipated market expansions in the coming years.

Our revenue projections were developed on a quarterly basis to accurately reflect the number of active rigs according to the contract timeline from ADES's utilization schedule.

Most of ADES’s revenue is derived from oil drilling, with gas drilling operations limited to Saudi Arabia and Qatar.

The day rates provided reflect ADES’s 40% discount, and we assume 360 operational days per year for calculations.

Source: Company Data, Team Assessment

Onshore Revenue Build-Up

	Onshore Revenue Projections	2025 E	2026 E	2027 E	2028 E	2029 E
Egypt	Active Oil Rigs	1	1	1	1	1
	Day Rates (SAR)'000	68	68	69	70	70
	Revenue (SAR) M	48	49	50	51	54
Saudi Arabia	Active Oil Rigs	7	6	6	6	5
	Active Gas Rigs	7	7	7	7	7
	Oil Day Rates (SAR)'000	95	95	96	97	98
	Gas Day Rates (SAR)'000	206	209	210	211	215
	Revenue (SAR) M	1033	1096	1081	1103	1081
Kuwait	Active Oil Rigs	10	11	12	12	14
	Day Rates (SAR)'000	117	118	119	121	122
	Revenue (SAR) M	705	819	943	962	1185
Algeria	Active Oil Rigs	6	7	7	8	8
	Day Rates (SAR)'000	81	82	83	83	84
	Revenue (SAR) M	343	417	435	507	529
Expansions: Southeast Asia	Active Oil Rigs			1	1	1
	Day Rates (SAR)'000			69	70	70
	Revenue (SAR) M			45	46	48
Expansions: West Africa	Active Oil Rigs	1	2	2	2	2
	Day Rates (SAR)'000	79	80	80	81	82
	Revenue (SAR) M	50	52	53	56	58
	Total Onshore Revenue (SAR) M	**1368**	**1478**	**1588**	**1577**	**1625**

Days	360	360	360	360	360
Onshore Utilization (%)	98%	98%	98%	98%	98%

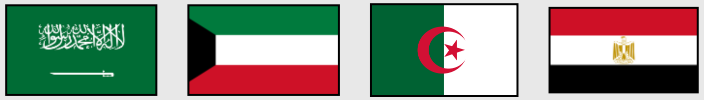
In forecasting onshore revenue, we considered all the countries where ADES provides onshore drilling services, as well as anticipated market expansions in the coming years.

To estimate revenue, we multiplied the number of active rigs in each quarter by the number of days and the utilization rates. This method yielded results that closely aligned with ADES's actual revenue for FY23.

Source: Company Data, Team Assessment

Rig Additions Assumptions

ADES’s Mature Countries:



ADES views these markets as mature rather than high-potential growth areas, as they are characterized by a significant fleet size or have reached a critical mass necessary for profitability and stable operations. Countries like **Saudi Arabia, Kuwait, Algeria, and Egypt** continue to strengthen ADES's position by extending contracts, which ensures long-term stability for the company.

Which is why we do not anticipate any fleet additions in these mature markets.

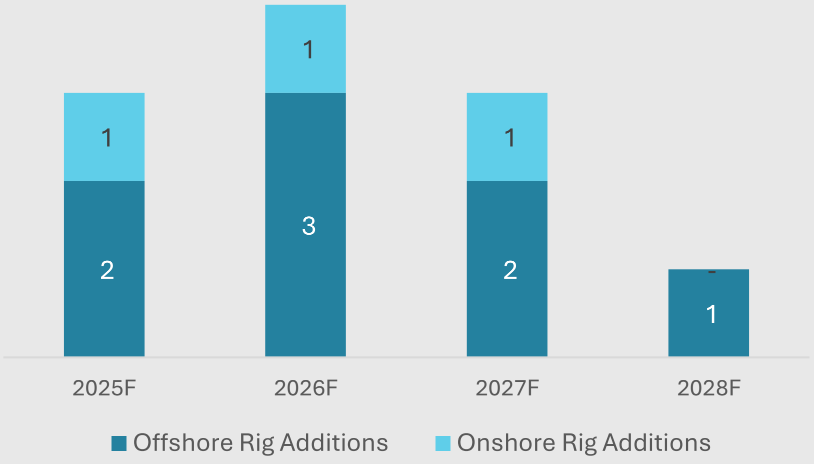
ADES’s Growth Countries:

South East Asia

West Africa

New Markets

As supported by management guidance to add 10 offshore rigs from FY2024 to FY2029, with two additions already completed in 2024—one contracted in Malaysia and another in Indonesia—we forecast the remaining eight offshore additions to be focused on ADES’s growth countries.
We also forecast that there will be 3 onshore rig additions, as they offer lower costs therefore higher ROA. ADES can capitalize on onshore demand by offering their services, further diversifying their portfolio of markets, leveraging onshore assets that meet the needs of specific markets.



Source: Company Data, Team Assessment

DCF Valuation

Discounted Cash Flow (SARm)	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
EBIT	459	382	645	1,341	1,935	2,263	2,555	2,916	3,214	3,500
Tax	(34)	(35)	(71)	(77)	(155)	(340)	(383)	(437)	(482)	(525)
NOPAT	**425**	**347**	**575**	**1,264**	**1,780**	**1,924**	**2,171**	**2,478**	**2,732**	**2,975**
Depreciation and Amortization	235	276	403	797	1,269	1,143	1,235	1,254	1,327	1,377
Change in Net Working Capital	10	(277)	200	217	(72)	729	(273)	77	(72)	(27)
CAPEX	(330)	(1,938)	(7,199)	(4,628)	(2,375)	(1,526)	(1,982)	(1,663)	(1,147)	(690)
Free Cash Flows to Firm	**340**	**(1,592)**	**(6,021)**	**(2,350)**	**602**	**2,270**	**1,152**	**2,146**	**2,838**	**3,636**
PV FCFF						2,072	960	1,632	1,969	2,302

Terminal Value Using Terminal Growth	
Terminal Cash Flow, SARm	3,672
WACC	9.6%
Terminal Growth Rate	1.0%
Terminal Value, SARm	**42,849**

The terminal growth rate for oil and gas industry is sensitive to the demand and availability of a limited energy sources. The abandonment of oil and gas as a primary source might result in a lower growth in the industry.

Target Share Price	
Cumulative PV of FCF, SARm	8,934
PV of Terminal Value, SARm	27,133
Enterprise Value, SARm	**36,067**
Debt, SARm	12,057
Leases, SARm	515
Minority Intrest, SARm	45
Cash, SARm	744
Equity Value, SARm	**24,193**
Shares Outstanding in M	1,099
Share Price	**22.01**

Base Case Upside 57%

Source: Company Data, Team Assessment

DCF Scenario Analysis Weights

	Extreme Case	Bear Case	Base Case	Bull Case
Target Price	SAR 12.67	SAR 16.58	SAR 22.01	SAR 26.08
	10% Downside	18% Upside	57% Upside	86% Upside
Recommendation	HOLD	HOLD	BUY	BUY
Scenario Probability	10%	25%	60%	5%

DCF Blended Target Price

SAR 19.92

42% Upside

Source: Company Data, Team Assessment

DCF Scenario Analysis – Extreme Case

Factor	Scenario	Assumption
Day Rates	lower growth by 70% in ADES's markets.	Pricing pressure with increased competition.
Effective Utilization	Average of 96%	Reduction in drilling activity and inefficiency
Operational Rigs (Max in FY29)	Offshore: 51 Onshore: 29	Lower demand due to economic slow down.
Fleet Additions	Offshore: 7 Onshore: 0	Capture distressed assets at lower cost.
Revenue	**5.2% CAGR**	A lower growth reflecting significant drop in drivers.
Direct Costs	Drop in profit Margins to **36-40%**	Tariffs increase cost of drilling materials and labor.
Capital Expanse	**Higher** Maintenance Capex with a **10% CAGR**	Increase cost of related machinery imported parts.

We Examined an **Extreme Case** with a possibility of a recession and slow growth in the world economy, that slow demand for ADES services, create pricing pressure, and drive costs up.

Target Price: SAR 12.67

10% Downside

Sensitivity Analysis - CAPEX

Growth CAPEX Acquisition:

Onshore Cost (USDm) \ Offshore Jack-up Cost (USDm)	70	80	95	100	110
10	22.84	22.58	22.19	22.07	21.81
20	22.75	22.49	22.10	21.97	21.71
30	22.66	22.40	**22.01**	21.88	21.62
40	22.57	22.31	21.92	21.79	21.53
50	22.48	22.22	21.83	21.70	21.44

Maintenance CAPEX:

Onshore Maintenance (SARm) \ Offshore Jack-up Maintenance (SARm)	4	5	6	4	8
2	24.52	23.76	23.01	24.52	21.49
3	24.03	23.27	22.51	24.03	20.99
4	23.53	22.77	**22.01**	23.53	20.50
5	23.03	22.28	21.52	23.03	20.00
6	22.54	21.78	21.02	22.54	19.51

To assess rigs acquisitions costs and annual maintenance effects on the DCF base case target price of 22.01 we conducted a sensitivity analysis to ADES's **average rig acquisition** costs and **maintenance cost per rig** for both offshore jack-up rigs and onshore rigs.

Source: Company Data, Team Assessment

Sensitivity Analysis – Staff Cost

Offshore Staff Cost:

Crew Size per Offshore Rig	Offshore Staff Salary Growth (%)				
	8%	**7%**	**6%**	**5%**	**4%**
93	20.46	20.90	21.32	21.73	22.12
90	20.84	21.26	21.67	22.06	22.44
87	21.21	21.62	**22.01**	22.40	22.77
85	21.46	21.86	22.25	22.62	22.98
82	21.84	22.22	22.59	22.95	23.30

Onshore Staff Cost:

Crew Size per Onshore Rig	Onshore Staff Salary Growth (%)				
	8%	**7%**	**6%**	**5%**	**4%**
67	21.37	21.54	21.71	21.86	22.02
65	21.51	21.67	21.83	21.98	22.13
62	21.71	21.86	**22.01**	22.16	22.30
59	21.91	22.05	22.20	22.34	22.47
56	22.11	22.25	22.38	22.52	22.65

To assess ADES's cost structure specifically the largest direct cost effects on the DCF base case target price of 22.01 we conducted a sensitivity analysis to each business segment cost for **salary CAGR** and average **crew size per operating rig**.

ADES's target price is more sensitive to offshore segment due to the larger fleet and cost associated in compared to onshore segment.

Source: Company Data, Team Assessment

Sensitivity Analysis – Key Factors

Key Factors Simulation on DCF Base Case Target Price of SAR 22.01:

Factor	Scenario	Valuation Impact
Day Rates	Offshore jack-up market experience lower growth by 20% from FY25-29	**-8%**
Day Rates	ADES offer a 10% higher discount on day rates	**-12%**
Operational Rigs	An additional round of suspension by Aramco for three jack-ups in FY25	**-1%**
Operational Rigs	A 30% lower demand on onshore rigs from FY25-29	**-3%**
Utilization Rate	ADES failure to exceed 98% utilization on offshore rigs	**-3%**
EBITDA Margin	ADES failure to grow their EBITDA margin beyond 49%	**-7%**
Working Capital	A five days increase in receivables due to new market client's credit	**-1%**
Tax Rate	An increase in effective tax rate to reach 18%	**-2%**

Source: Company Data, Team Assessment

Sensitivity Analysis – New Market

New Market Simulation:

Scenario Summary				
New Market Entry Focus:	**Base Case**	**West Africa**	**Southeast Asia**	**GCC**
Revenue CAGR	8.3%	6.7%	8.7%	9.4%
Implied Equity Risk Premium	6.08%	6.42%	5.99%	5.56%
ESG Adjusted WACC	9.6%	9.7%	9.5%	9.2%
Target Price	SAR 22.01	SAR 19.52	SAR 22.66	SAR 24.97
Recommendation	**Buy**	**Buy**	**Buy**	**Buy**

To assess the effects of ADES's new market entries, a scenario simulation was conducted to assess **day rates** effects on revenue growth and **risk profile** differences to our Implied Equity Risk Premium.

Source: Company Data, Team Assessment

WACC Calculations

WACC

WACC Inputs	
Capital Structure	
Weight of Equity	65%
Weight of Debt	35%
Total	**100%**
Risk Free Rate (1)	4.29%
Levered Beta (2)	1.12
Implied Equity Risk Premium (3)	6.08%
Cost of Equity	**11.10%**
Pre-tax Cost of Debt	6.59%
Effective Tax Rate	15%
After Tax Cost of Debt	**5.60%**
WACC	**9.1%**
ESG Adjested WACC	**9.6%**

Capital Structure

- Current capital structure was selected as management does not have a targeted Debt/Equity ratio.

Cost of Equity

- Calculated utilizing CAPM model.

Cost of Debt

- Calculated based on ADES estimated credit rating.
- Effective Tax Rate of 15% based on operating countries.

ESG Adjusted WACC

- Include discount based on ADES ESG Score.

Source: Company Data, Team Assessment, Damodaran

Cost of Equity

Cost of Equity

Cost of Equity Inputs		
Risk Free Rate (1)		
Saudi Arabia 10Y Government Bond		4.88%
Country Default Spread		0.59%
Risk Free Rate		**4.29%**
Levered Beta (2)		
Unlevered Industry Beta		0.86
ADES Debt/Equity		35%
Levered Beta		**1.12**
Implied Equity Risk Premium (3)		
Market Risk Premium		**MRP**
Market Premium		4.33%
Country Risk Premium	**Revenue FY24 (%)**	**CRP**
Saudi Arabia	67%	0.80%
Egypt	8%	10.01%
Kuwait	10%	0.94%
Qatar	6%	0.66%
India	3%	2.93%
Algeria	3%	4.02%
Southeast Asia	3%	2.34%
Weighted Average CRP		1.75%
Implied ERP		**6.08%**

Risk Free Rate

- YTM on a ten-year Saudi Government bond.
- Saudi Arabia country default premium was excluded.

Beta

- Oil and gas production and exploration Industry Beta based on a global set of 107 peer.
- Releveled at ADES capital structure.

Equity Risk Premium

- Market Risk Premium.
- Weighted Average Country Risk Premium based on FY24 geographic revenue break down.

Source: Company Data, Team Assessment, Damodaran

Cost of Debt

Cost of Debt

Cost of Debt Inputs	
ADES Estimated Credit Rating	BBB
SAIBOR Rate	5.39%
Credit Spread	1.20%
Pre-tax Cost of Debt	**6.59%**

Credit Rating of Comparables			
Company	**Rating**	**ICR**	**Net Debt / EBITDA**
ADNOC	AA	11.3	1.0
Weatherford	BB-	5.9	0.6
Patterson-UTI Energy	BBB-	2.0	0.9
China Oilfield	A	6.6	0.6
Noble	BB-	10.4	0.3
Borr	B	1.8	3.9
Valaris	B+	4.3	1.5
Shelf	B	1.2	4.5
Nabors	B-	1.2	2.4
Presision Drilling	BB-	2.9	1.6
ADES		**2.5**	**3.5**

ADES Credit Rating

- Estimated based on FY24 set of peers rating by Fitch Ratings.
- Upgraded from FY21 latest rating, as ADES risk profile has enhanced.

Credit Spread

- Based on large non-financial service companies rating of BBB with interest coverage of 2.50-2.99.

SAIBOR Rate

- The current six-month interest on commercial loans from Saudi local banks.

Source: Company Data, Team Assessment, Damodaran, S&P Global IQ, Fitch Ratings

WACC - ESG Adjusted

ESG Adjustment

ESG Discount Inputs	
ADES ESG Score Rating	58/100
ESG Perfect Score	Above 90
WACC Basis Points (Max)	100
ESG Discount	**0.42%**

ADES ESG Score

- Calculated Based on set of matrix for each ESG pillar relatively to Energy Sector.

ESG Perfect Score

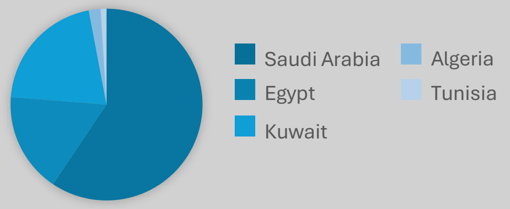
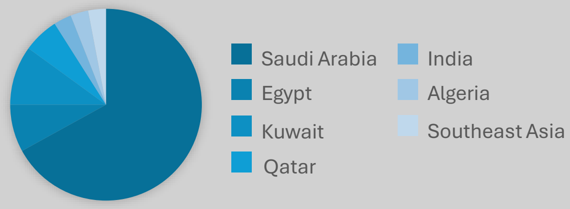
- A full committed company with perfect ESG practices earn a score of 90 and above.

ESG Discount

- ESG discounts range by 25-100 basis points.
- Given ADES score a 0.42% ESG discount was inputted into the WACC.

Source: Company Data, Team Assessment, MSCI

Credit Rating Overview

Matrix:	FitchRatings 2021	Team's Estimated Rating 2024
Backlog Value	SAR 6.7 Billion	SAR 28.3 Billion
Consumer Constraining		
EBITDA Margin	43%	49%
Net Leverage	5.8x	3.5x
Shareholders	Institutional Only	Include Strategic, as PIF
Market Stability	COVID-19 Effects, lower E&P Levels, Price Fluctuations	Rebounding Demand, Renewed Investment Activity
Credit Rating	B+	BBB

Source: Company Data, Team Assessment, Fitch Ratings

Beta Calculation

Regression Beta

Liner Regression of ADES and TASI

Data Output	
Time Horizon	IPO to March 27th.
Observations	77
Frequency	Weekly
Raw Beta	**0.89**
R square	0.12
Standard Error	0.04
P-value	0.002

Sector beta

Oil/Gas (Production and Exploration) Sector in Emerging Markets

Data	
Unlevered Sector Beta	0.86
ADES Debt/Equity	35%
Effective Tax Rate	15%

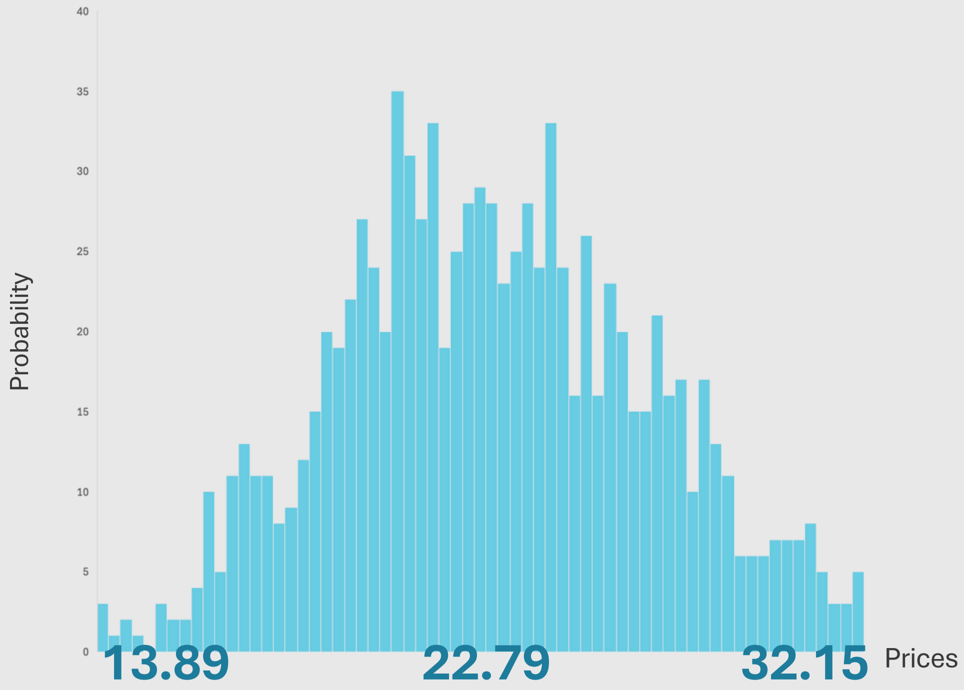
Levered Beta = 1.12

Source: Company Data, Team Assessment, Bloomberg

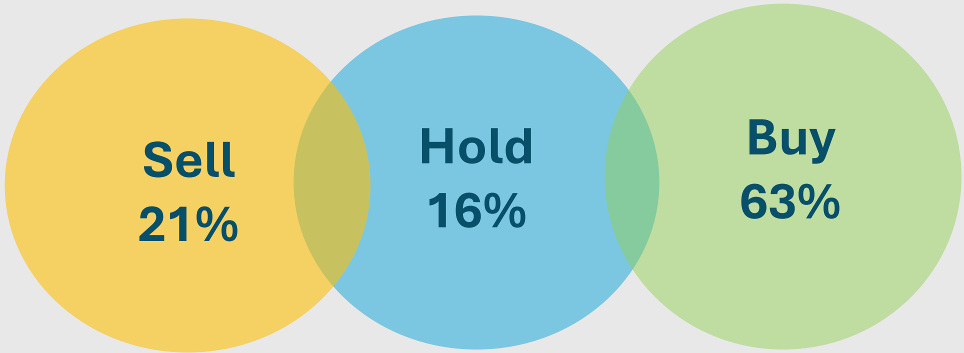
Monte Carlo Stimulation

Variables	STDEV
Revenue Growth	5%
NOPAT Margin	4%
Cost of Equity	5%

Statistical Measure	Outcome
Maximum	SAR 32.15
Mean	SAR 22.79
Minimum	SAR 13.89
Current Price	SAR 14.56
STDEV	SAR 4.89
Skewness	0.00
Kurtosis	2.97
Iterations	10,000



Monte Carlo DCF



Source: Company Data, Team Assessment

Relative Valuation Criteria (1/2)

OFFSHORE SEGMENT

- BORR
- VALARIS
- SHELF
- ARABIAN
- ADNOC
- NABORS
- ADES

Main Criteria:

- Operating Regions
- Fleet Size

- Ensured that all comparable have a regional match with ADES.
- ADES operates 51 offshore rigs and 40 onshore rigs, we chose companies with similar fleet sizes, allowing for a margin of no less than 20.

ONSHORE SEGMENT

- NABORS
- ENSIGN
- PRECISION DRILLING
- ABRAJ
- ARABIAN
- ADNOC
- HELMERICH PAYNE (H&P)
- ADES

Source: S&P Global IQ, Team Assessment

Relative Valuation Criteria (2/2)

Peers were Excluded Due to:

Fleet Size

SAIPEM
odfjell drilling
Seadrill
SFL
VANTAGE
NDC NATIONAL DRILLING COMPANY
الخليج الدولية للخدمات Gulf International Services
DOLPHIN DRILLING
JINDAL DRILLING & INDUSTRIES LTD.
Paratus Energy
Constellation.
VELESTO energy
Ventura Offshore
PETROVIETNAM PV Drilling
NORTHERN OCEAN

Geographic Coverage

NOBLE
PATTERSON-UTI
ONGC

Special Exclusions

Transocean
COSL

Source: S&P Global IQ, Team Assessment

Relative Valuation Multiples

Offshore Peers	Market Cap, SARm	EV, SARm	EV/EBITDA				P/CFO			
			FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Borr	2,729	10,422	17x	10x	6x	6x	17x	N/A	11x	8x
Valaris	11,307	13,943	46x	39x	8x	8x	48x	19x	9x	7x
Shelf Drilling	518	5,117	6x	5x	4x	4x	15x	4x	7x	4x
Arabian Drilling	8,958	11,399	10x	13x	9x	9x	9x	13x	6x	7x
ADNOC	82,085	92,034	12x	12x	12x	11x	9x	12x	13x	11x
Nabors	7,049	14,963	6x	4x	4x	4x	5x	3x	3x	2x
Average			16x	14x	7x	7x	17x	10x	8x	6x
Median			11x	11x	7x	7x	12x	12x	8x	7x
Weighted Average						8x				8x
Weighted Average Adjusted to ESG						8x				7x

Onshore Peers	Market Cap, SARm	EV, SARm	EV/EBITDA				P/CFO			
			FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Ensign	834	3,504	5x	3x	3x	4x	2x	1x	1x	2x
Presision Drilling	2,880	4,807	8x	3x	4x	4x	6x	2x	2x	3x
Helmerich & Payne	12,005	16,773	9x	5x	5x	4x	16x	5x	4x	4x
Abraj	1,813	2,719	N/A	6x	6x	6x	N/A	9x	6x	5x
Arabian Drilling Company	8,958	11,399	10x	13x	9x	9x	9x	13x	6x	7x
ADNOC	82,085	92,034	12x	12x	12x	11x	9x	12x	13x	11x
Nabors	7,049	14,963	6x	4x	4x	4x	5x	3x	3x	2x
Average			8x	7x	6x	6x	8x	6x	5x	5x
Median			8x	5x	5x	4x	7x	5x	4x	4x
Weighted Average						6x				6x
Weighted Average Adjusted to ESG						6x				5x

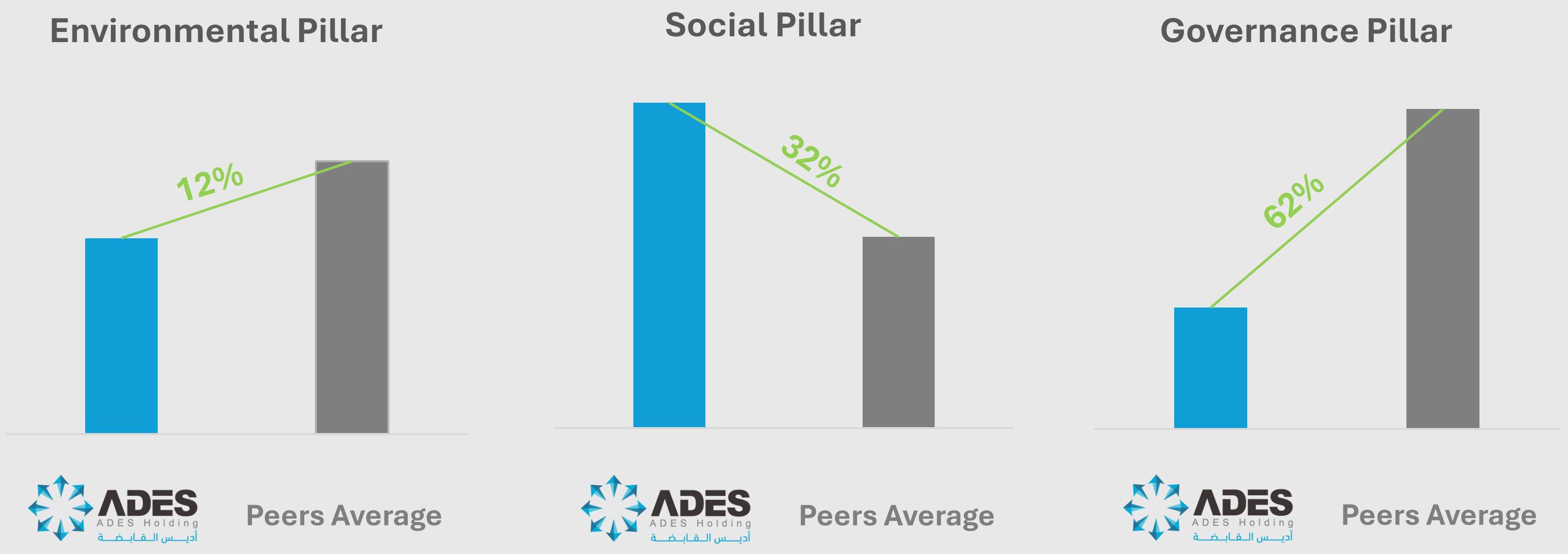
SAR 15.99
Target Price

80% Offshore
20% Onshore

Source: S&P Global IQ, Team Assessment

Relative Valuation – ESG Adjustments

ESG Score:



Total ESG Score 2.69 3.48

ADES is **20% below** its peer group ESG performance, thus a **10% discount** was applied on the relative valuation multiples.

Source: S&P Global IQ, Bloomberg, Team Assessment

Valuation Methodology Overview

Valuation Models		
Valuation Methodology	**DCF**	**Relative Multiples**
Target Price	**SAR 19.92**	**SAR 15.99**
Recommendation	**BUY**	**HOLD**
Weight	60%	40%
Reason	Enable detailed market segmentation to reflect future expected market dynamics and company specific growth potentials.	Bunch mark with industry peers, however if fail to fully capture ADES unique growth potential.

Source: Company Data, Team Assessment

Appendix (H)

Financials

Income Statement

Income Statement (SARm)	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
Total Revenue	1,695	1,514	2,467	4,332	6,199	6,907	7,606	8,282	8,893	9,490
Cost of Revenue (excluding D&A)	(829)	(707)	(1,181)	(1,836)	(2,588)	(3,026)	(3,316)	(3,566)	(3,778)	(4,002)
Gross Profit	**866**	**808**	**1,286**	**2,496**	**3,611**	**3,881**	**4,290**	**4,716**	**5,115**	**5,488**
General and Aministrative Expenses (excluding D&A)	(172)	(150)	(237)	(357)	(408)	(474)	(500)	(546)	(575)	(611)
EBITDA	**694**	**657**	**1,049**	**2,139**	**3,203**	**3,406**	**3,790**	**4,170**	**4,540**	**4,877**
Depreciation and Amorization	(235)	(276)	(403)	(797)	(1,269)	(1,143)	(1,235)	(1,254)	(1,327)	(1,377)
EBIT	**459**	**382**	**645**	**1,341**	**1,935**	**2,263**	**2,555**	**2,916**	**3,214**	**3,500**
End of Service Employment Benefits	(20)	(17)	(18)	(43)	(52)	(59)	(68)	(75)	(82)	(91)
Bargain Purchase Gain		491	422		8					
Finance Cost	(245)	(305)	(303)	(711)	(804)	(768)	(779)	(673)	(718)	(609)
Provision for Impairment	(35)	(382)	(278)	(5)	(30)					
Share-based payments expense	(14)	(0)			(111)	(122)	(127)	(130)	(134)	(138)
Net Others	(29)	(19)	(0)	(53)	25					
Profit Before Tax	**116**	**149**	**468**	**529**	**971**	**1,315**	**1,581**	**2,038**	**2,279**	**2,662**
Income Tax Expanse	(34)	(35)	(71)	(77)	(155)	(197)	(237)	(306)	(342)	(399)
Net Profit	**83**	**114**	**398**	**452**	**816**	**1,117**	**1,344**	**1,732**	**1,937**	**2,263**

Source: Company Data, Team Assessment

Balance Sheet (1/2)

Balance Sheet (SARm)	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
ASSETS										
Property and Equipment	3,795	5,358	12,188	16,150	17,568	18,103	19,014	19,523	19,451	18,879
Intangible Assets	1	1	1	0	4	4	4	4	4	4
Righ of Use Assets	73	64	391	644	494	404	309	284	258	228
Investment in an Associate and a Joint Venture	12	7	6	0	25	25	25	25	25	25
Trade Receivables	215	106	0	0	0	0	0	0	0	0
Prepayments and Other Receivables	6	2	320	221	215	211	232	253	271	290
Derivative Instruments	0	0	26	52	62	62	62	62	62	62
Deferred Tax	3	3	0	0	0	0	0	0	0	0
Total Non-current Assets	**4,105**	**5,541**	**12,932**	**17,067**	**18,368**	**18,809**	**19,646**	**20,151**	**20,071**	**19,488**
Bank Balances and Cash	234	233	191	432	744	1,908	1,287	2,080	1,996	(994)
Inventories	179	148	184	332	527	464	508	547	579	613
Trade Receivables	262	262	235	845	858	923	1,038	1,130	1,238	1,334
Contract Assets	124	172	256	389	525	553	644	580	623	664
Prepayments and Other Receivables	272	301	644	352	502	411	452	493	529	564
Due from Related Parties	14	34	10	5	1	1	1	1	1	1
Other Comprehensive Income (FVOCI)	0	0	0	0	103	103	103	103	103	103
Derivative Instruments	0	0	50	0	0	0	0	0	0	0
Total Current Assets	**1,084**	**1,151**	**1,569**	**2,356**	**3,261**	**4,363**	**4,033**	**4,933**	**5,068**	**2,286**
Total Assets	**5,190**	**6,692**	**14,501**	**19,422**	**21,629**	**23,172**	**23,680**	**25,085**	**25,139**	**21,774**

Source: Company Data, Team Assessment

Balance Sheet (2/2)

EQUITY										
Share Capital	0	0	1	1,129	1,129	1,129	1,129	1,129	1,129	1,129
Share Premium	0	0	0	2,890	2,890	2,890	2,890	2,890	2,890	2,890
Treasury Shares	0	0	0	(34)	(28)	(28)	(28)	(28)	(28)	(28)
Capital Contribution	741	857	857	0	0	0	0	0	0	0
Legal Reserve	24	24	0	0	0	0	0	0	0	0
Cash Flow Hedge Reserve	(26)	(13)	62	41	52	52	52	52	52	52
Fair Value Reserve of Financial Assets at FVOCI	0	0	0	0	2	2	2	2	2	2
Share-based Payment Reserve	0	0	0	0	0	0	0	0	0	0
Retained Earnings	928	1,025	1,302	1,722	2,447	2,894	3,431	4,124	4,899	5,804
Equity Attributable to Equity Holders of the Parent	**1,667**	**1,894**	**2,222**	**5,748**	**6,493**	**6,940**	**7,477**	**8,170**	**8,945**	**9,850**
Non-controlling Interests	35	30	36	29	45	45	45	45	45	45
Total Equity	**1,702**	**1,923**	**2,258**	**5,777**	**6,538**	**6,985**	**7,522**	**8,215**	**8,990**	**9,895**
LIABILITIES										
Interest-bearing Loans and Borrowings	1,145	3,638	9,575	9,170	10,725	10,584	10,361	10,700	7,695	4,589
Bonds Payable	1,183	0	0	0	0	0	0	0	0	0
Lease Liabilities	52	38	270	487	352	244	156	86	80	121
Provisions	62	83	118	199	189	173	159	144	130	117
Derivative Financial Instruments	23	6	0	0	0	0	0	0	0	0
Deferred Revenue	65	27	70	580	680	914	1,006	1,096	1,176	1,255
Deferred Tax	0	0	44	61	94	94	94	94	94	94
Other Payables	0	0	5	1	0	0	0	0	0	0
Total Non-current Liabilities	**2,531**	**3,792**	**10,082**	**10,498**	**12,040**	**12,009**	**11,776**	**12,120**	**9,176**	**6,176**
Trade and Other Payables	560	497	1,054	1,483	1,107	1,666	1,637	1,775	1,881	2,021
Deferred Revenue	0	0	0	288	359	468	515	561	602	643
Lease Liabilities	16	18	107	156	163	113	72	40	37	56
Income Tax Payable	36	31	10	30	82	82	82	82	82	82
Interest-bearing Loans and Borrowings	321	401	972	1,180	1,331	1,842	2,067	2,284	4,364	2,893
Provisions	2	21	15	10	7	7	7	7	7	7
Due to Related Parties	0	1	2	0	0	0	0	0	0	0
Derivative Financial Instruments	21	7	0	0	0	0	0	0	0	0
Total Current Liabilities	**956**	**977**	**2,160**	**3,147**	**3,050**	**4,178**	**4,382**	**4,750**	**6,973**	**5,703**
Total Liabilities	**3,487**	**4,769**	**12,243**	**13,646**	**15,091**	**16,187**	**16,157**	**16,869**	**16,149**	**11,879**
Total Equity and Liabilities	**5,190**	**6,692**	**14,501**	**19,422**	**21,629**	**23,172**	**23,680**	**25,085**	**25,139**	**21,774**

Source: Company Data, Team Assessment

Cash Flow Statement

Cash Flow (SARm)	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
Profit Before Tax	116	149	468	529	971	1,315	1,581	2,038	2,279	2,662
Adjustments:										
Depreciation and Amortization	235	276	403	797	1,269	1,143	1,235	1,254	1,327	1,377
Cash Flow Before Working Capital Change	**670**	**645**	**1,032**	**2,104**	**3,168**	**2,458**	**2,816**	**3,292**	**3,606**	**4,039**
Change in Working Capital	10	(277)	200	217	(72)	729	(273)	77	(72)	(27)
Changes in Non-Current						238	71	69	62	61
Cash Flow from Operations	**679**	**368**	**1,233**	**2,321**	**3,097**	**3,425**	**2,615**	**3,438**	**3,595**	**4,073**
Income Tax Paid	(36)	(39)	(47)	(27)	(74)	(197)	(237)	(306)	(342)	(399)
Provisions Paid	(23)	(12)	(40)	(11)	(24)	(15)	(15)	(14)	(14)	(14)
Net Cash from Operations	**620**	**317**	**1,146**	**2,283**	**2,999**	**3,212**	**2,363**	**3,118**	**3,240**	**3,660**
Cash Flow from Investment:										
Purchase of Intangible Assets	(0)	(0)	(0)		(1)					
Purchase of Property and Equipment	(441)	(355)	(3,923)	(4,048)	(2,375)	(1,526)	(1,982)	(1,663)	(1,147)	(690)
Other Investments	3	(1,109)	(2,515)	312	(809)	(63)	(69)	(75)	(80)	(86)
Net Cash from Investment	**(438)**	**(1,464)**	**(6,438)**	**(3,736)**	**(3,185)**	**(1,589)**	**(2,051)**	**(1,738)**	**(1,228)**	**(776)**
Cash Flow from Financing:										
Changes in the loans and borrowings	(67)	2,562	5,667	(203)	1,766	369	2	556	(925)	(4,577)
Payment of lease liabilities	(21)	(22)	(38)	(164)	(201)	(159)	(128)	(103)	(9)	61
Dividend payments	(9)	(9)	(7)	(7)	(247)	(670)	(806)	(1,039)	(1,162)	(1,358)
Other Finances	(299)	(1,385)	(373)	2,260	(819)					
Net Cash from Finance	**(397)**	**1,145**	**5,250**	**1,886**	**498**	**(460)**	**(932)**	**(586)**	**(2,096)**	**(5,874)**
BOP Cash	449	234	233	432	432	744	1,908	1,287	2,080	1,996
Net Change	(214)	(1)	(42)		312	1,163	(621)	793	(85)	(2,990)
EOP Cash	**234**	**233**	**191**	**432**	**744**	**1,908**	**1,287**	**2,080**	**1,996**	**(994)**

Source: Company Data, Team Assessment

ADES's Financial Analysis

ADES Key Financials	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
Profitability Ratios:										
Gross Profit Margin (%)	37.5%	35.5%	36.1%	39.6%	38.2%	40.0%	40.5%	42.1%	42.9%	43.6%
EBITDA Margin (%)	40.9%	43.4%	42.5%	49.4%	49.0%	49.3%	49.8%	50.4%	51.1%	51.4%
EBIT Margin (%)	27.1%	25.2%	26.2%	31.0%	31.2%	32.8%	33.6%	35.2%	36.1%	36.9%
Net Profit Margin (%)	4.9%	7.6%	16.1%	10.4%	13.2%	16.2%	17.7%	20.9%	21.8%	23.8%
EPS (SAR)	0.1	0.1	0.4	0.4	0.7	1.0	1.2	1.6	1.8	2.1
ROE (%)	4.9%	6.3%	19.0%	11.3%	13.3%	16.5%	18.5%	22.0%	22.5%	24.0%
ROA (%)	1.6%	1.9%	3.8%	2.7%	4.0%	5.0%	5.7%	7.1%	7.7%	9.6%
ROIC (%)	8.9%	5.6%	4.2%	6.9%	8.9%	9.5%	10.2%	11.3%	12.4%	13.8%
Operating Efficiency:										
Total Asset Turnover	0.33x	0.25x	0.23x	0.26x	0.30x	0.31x	0.32x	0.34x	0.35x	0.40x
DPO	140	150	155	182	129	128	128	127	127	126
DSO	56	63	37	45	50	49	50	50	51	51
DIO	79	84	51	51	61	56	56	56	56	56
CCC	(5)	(2)	(67)	(86)	(18)	(23)	(22)	(21)	(20)	(19)
Solvency Ratios:										
Net Debt/EBITDA	1.77	5.79	9.88	4.64	3.53	3.09	2.94	2.61	2.22	1.74
Total Debt / Equity	0.86	2.10	4.67	1.79	1.84	1.78	1.65	1.58	1.34	0.76
Interest Coverage	5.81	4.62	2.63	2.01	2.54	2.95	3.28	4.34	4.48	5.75
Liquidity Ratios:										
Current Ratio	1.13	1.18	0.73	0.75	1.07	1.04	0.92	1.04	0.73	0.40
Quick Ratio	1.59	1.95	1.26	1.14	1.86	1.83	1.64	1.88	1.81	0.63

Source: Company Data, Team Assessment

DuPont Analysis

ADES has potential for strong financial performance

DuPont Analysis	2020 A	2021 A	2022 A	2023 A	2024 A	2025 E	2026 E	2027 E	2028 E	2029 E
Gross Profit Margin (%)	37.5%	35.5%	36.1%	39.6%	38.2%	40.0%	40.5%	42.1%	42.9%	43.6%
EBITDA Margin (%)	40.9%	43.4%	42.5%	49.4%	49.0%	49.3%	49.8%	50.4%	51.1%	51.4%
Net Profit Margin (%)	4.9%	7.6%	16.1%	10.4%	13.2%	16.2%	17.7%	20.9%	21.8%	23.8%
Asset Turnover	0.33x	0.25x	0.23x	0.26x	0.30x	0.31x	0.32x	0.34x	0.35x	0.40x
Return on Assets	1.6%	1.9%	3.8%	2.7%	4.0%	5.0%	5.7%	7.1%	7.7%	9.6%
Financial Leverage (A/E)	3.05x	3.48x	6.42x	3.36x	3.31x	3.32x	3.15x	3.05x	2.80x	2.20x
Return on Equity	4.9%	6.7%	24.1%	9.0%	13.2%	16.5%	18.1%	21.7%	21.6%	21.2%

$$\text{Return on Equity (ROE)} = \underbrace{\frac{\text{Net Income}}{\text{Revenue}}}_{\text{Net Profit Margin}} \times \underbrace{\frac{\text{Revenue}}{\text{Average Total Assets}}}_{\text{Asset Turnover Ratio}} \times \underbrace{\frac{\text{Average Total Assets}}{\text{Average Total Equity}}}_{\text{Financial Leverage Ratio}}$$

Source: Company Data, Team Assessment

Peer Profile Overview (1/2)

Arabian Drilling is a leading Saudi company specializing in onshore and offshore oil and gas drilling services. The company is a key partner for national and international energy firms, enhancing its role in the regional energy market.

Shelf Drilling is a Dubai-based company specializing in offshore drilling services, primarily in shallow water. The company maintains a strong presence in the Middle East, particularly in Saudi Arabia, and focuses on serving national oil companies and independent operators.

The Abu Dhabi National Oil Company (ADNOC) is one of the world's largest energy firms, based in Abu Dhabi, UAE. ADNOC Drilling operates across the energy value chain, including exploration, production, refining, and petrochemicals. With strong government backing, it has an advantage in securing contracts within the UAE and beyond.

Valaris is a global leader in offshore drilling services, headquartered in Houston, Texas. The company operates a diverse fleet of land and offshore rigs, enabling it to serve clients worldwide. Valaris focuses on innovation and technology to enhance drilling efficiency and reduce operational risks

Borr Drilling Limited is a leading international jack-up drilling contractor specializing in offshore shallow-water drilling services for the oil and gas industry. They own and operate a modern fleet of jack-up rigs, primarily in water depths up to 400 feet, and provide drilling services globally.

Abraj Energy Services, based in Muscat, Oman, is a subsidiary of OQ that specializes in oil and gas services, including drilling and well management. The company operates advanced rigs and offers integrated fracking services. It plans to expand across the MENA region, with prequalifications in Kuwait, Saudi Arabia, and Algeria.

Source:, Arabian Drilling, Shelf Drilling, ADNCO, Valaris, Abraj, Borr

Peer Profile Overview (2/2)

This table shows the main characteristics of ADES's peers that operate in MENA region.

Company	ADES	ADNOC	Arabian Drilling	Shelf	Borr	Valaris	Abraj
Fleet							
Offshore Rigs	51	37	12	33	24	49	-
Onshore Rigs	40	95	47	-	-	-	34
Total	**91**	**142**	**59**	**33**	**24**	**49**	**34**
Backlog	28.3 SAR bn	Undisclosed-	10.3 SAR bn	92.4 SAR bn	71.3 SAR bn	158.4 SAR bn	
Revene contribution							
Offshore	78%	53%	41%	100%	100%	100%	-
Onshore	23%	47%	59%	-	-	-	100%
Offshore Margin (%)	62%	69%	41%	33%	56%	25%	25%
Onshore Margin (%)	45%	52%	12%	-	-	-	
Markets	Middle East - South East Asia - West Africa - Brazil	UAE	KSA	Middle East - South East Asia - West Africa - Norway	Middle East - West Africa - Brazil - South East Asia - Mexico	South East Asia - West Africa - Brazil - Mexico - Middle east	Oman - KSA - Kuwait

Source:, Arabian Drilling, Shelf Drilling, ADNCO, Valaris

Peer Financial Analysis (1/2)

Period End Date	2020 A	2021 A	2022 A	2023 A	2024 A	5-Yr Avg
Gross Profit Margin (%)						
ADES	37.4%	34.5%	35.1%	39.5%	38.1%	36.9%
Arabian Drilling Co.	20.7%	21.6%	29.6%	28.1%	21.0%	24.2%
ADNOC	38.4%	39.0%	35.3%	39.5%	42.1%	38.8%
Valaris	-3.0%	13.4%	13.7%	13.5%	25.5%	12.6%
Shelf	33.6%	31.1%	34.1%	34.8%	33.4%	33.4%
Abraj	23.7%	25.6%	24.4%	22.8%	25.1%	24.3%
Nabors	37.4%	36.2%	37.2%	40.4%	40.5%	38.4%
Peer Average	26.9%	28.8%	29.9%	31.2%	32.2%	29.8%
EBITDA Margin (%)						
ADES	35.3%	23.6%	28.6%	44.4%	46.1%	35.6%
Arabian Drilling Co.	44.5%	41.3%	42.0%	40.8%	41.7%	42.1%
ADNOC	45.2%	44.7%	45.5%	47.6%	48.9%	46.3%
Valaris	-8.3%	7.3%	9.7%	8.0%	20.7%	7.4%
Shelf	26.2%	22.4%	26.8%	29.1%	25.4%	26.0%
Abraj	33.0%	35.7%	32.7%	30.7%	32.1%	32.8%
Nabors	26.3%	23.9%	26.7%	30.4%	30.1%	27.5%
Peer Average	28.6%	27.9%	30.5%	34.0%	35.0%	30.2%
EBIT Margin (%)						
ADES	22.6%	6.5%	13.6%	29.0%	28.6%	20.1%
Arabian Drilling Co.	15.8%	16.5%	22.9%	23.1%	15.6%	18.8%
ADNOC	28.2%	27.4%	30.9%	35.4%	38.2%	32.0%
Valaris	-46.7%	-11.0%	4.0%	2.3%	15.5%	-7.2%
Shelf	14.2%	9.9%	18.8%	21.2%	18.0%	16.4%
Abraj	15.7%	21.5%	18.4%	17.3%	18.7%	18.3%
Nabors	-14.9%	-10.5%	1.7%	9.0%	8.5%	-1.3%
Peer Average	5.0%	8.6%	15.7%	19.6%	20.4%	13.9%

Period End Date	2020 A	2021 A	2022 A	2023 A	2024 A	5-Yr Avg
Net Profit Margin (%)						
ADES	4.3%	7.1%	15.8%	10.2%	13.0%	10.1%
Arabian Drilling Co.	11.6%	12.4%	20.6%	17.4%	8.9%	14.2%
ADNOC	27.1%	26.6%	30.0%	33.8%	32.3%	30.0%
Valaris	NA	NA	11.0%	48.5%	15.8%	25.1%
Shelf	-47.0%	-14.9%	-4.2%	-0.9%	8.3%	-11.7%
Abraj	10.7%	14.8%	12.1%	11.5%	11.1%	12.0%
Nabors	-37.8%	-28.2%	-13.2%	-0.4%	-6.0%	-17.1%
Peer Average	-5.2%	3.0%	10.3%	17.2%	11.9%	7.4%
Gearing (Net Debt/Equity)						
ADES	58.7%	66.4%	82.1%	63.2%	63.4%	66.8%
Arabian Drilling	34.1%	24.9%	32.8%	34.9%	33.7%	32.1%
ADNOC	32.1%	35.5%	34.4%	40.1%	37.9%	36.0%
Valaris	N/A	34.0%	30.4%	36.7%	34.2%	33.8%
Shelf	78.4%	85.0%	82.1%	76.9%	76.1%	79.7%
Abraj	44.3%	44.7%	41.4%	38.5%	39.4%	41.6%
Nabors	63.9%	70.2%	67.9%	71.2%	67.8%	68.2%
Peer Average	51.9%	51.5%	53.0%	51.6%	50.3%	51.7%

Source: S&P Global IQ, Team Assessment

Peer Financial Analysis (2/2)

Period End Date	2020 A	2021 A	2022 A	2023 A	2024 A	5-Yr Avg
Total Asset Turnover (x)						
ADES	0.32x	0.26x	0.23x	0.26x	0.30x	0.27x
Arabian Drilling Co.	0.35x	0.33x	0.34x	0.34x	NA	0.34x
ADNOC	0.39x	0.43x	0.51x	0.50x	0.56x	0.48x
Valaris	0.10x	0.16x	0.59x	0.50x	0.54x	0.38x
Shelf	0.36x	0.34x	0.37x	0.43x	0.47x	0.39x
Abraj	N/A	0.47x	0.48x	0.52x	0.52x	0.50x
Nabors	0.35x	0.37x	0.52x	0.60x	0.60x	0.49x
Peer Average	0.31x	0.34x	0.43x	0.45x	0.50x	0.41x
Current Ratio (x)						
ADES	1.13x	1.18x	0.73x	0.75x	1.07x	0.97x
Arabian Drilling Co.	1.17x	1.23x	3.52x	2.57x	1.30x	1.96x
ADNOC	3.56x	2.53x	0.63x	1.50x	0.93x	1.83x
Valaris	0.15x	2.86x	2.67x	1.71x	1.59x	1.80x
Shelf	2.28x	2.75x	1.96x	1.34x	1.41x	1.95x
Abraj	2.13x	1.36x	1.62x	1.57x	1.45x	1.63x
Nabors	2.20x	2.86x	1.68x	1.36x	1.75x	1.97x
Peer Average	1.80x	2.11x	1.83x	1.54x	1.36x	1.73x
ROE (%)						
ADES	4.9%	6.3%	19.0%	11.3%	13.3%	10.9%
Arabian Drilling Co.	7.8%	6.8%	11.4%	10.5%	5.4%	8.4%
ADNOC	17.2%	20.0%	28.0%	33.3%	36.9%	27.1%
Valaris	-71.0%	-164.8%	15.3%	52.6%	17.4%	-30.1%
Shelf	-64.6%	-31.3%	-9.2%	-4.8%	12.7%	-19.4%
Abraj	N/A	14.6%	11.9%	11.4%	11.6%	12.4%
Nabors	-36.5%	-35.2%	-23.6%	4.0%	-7.1%	-19.7%
Peer Average	-23.7%	-26.2%	7.6%	16.9%	12.9%	-2.5%

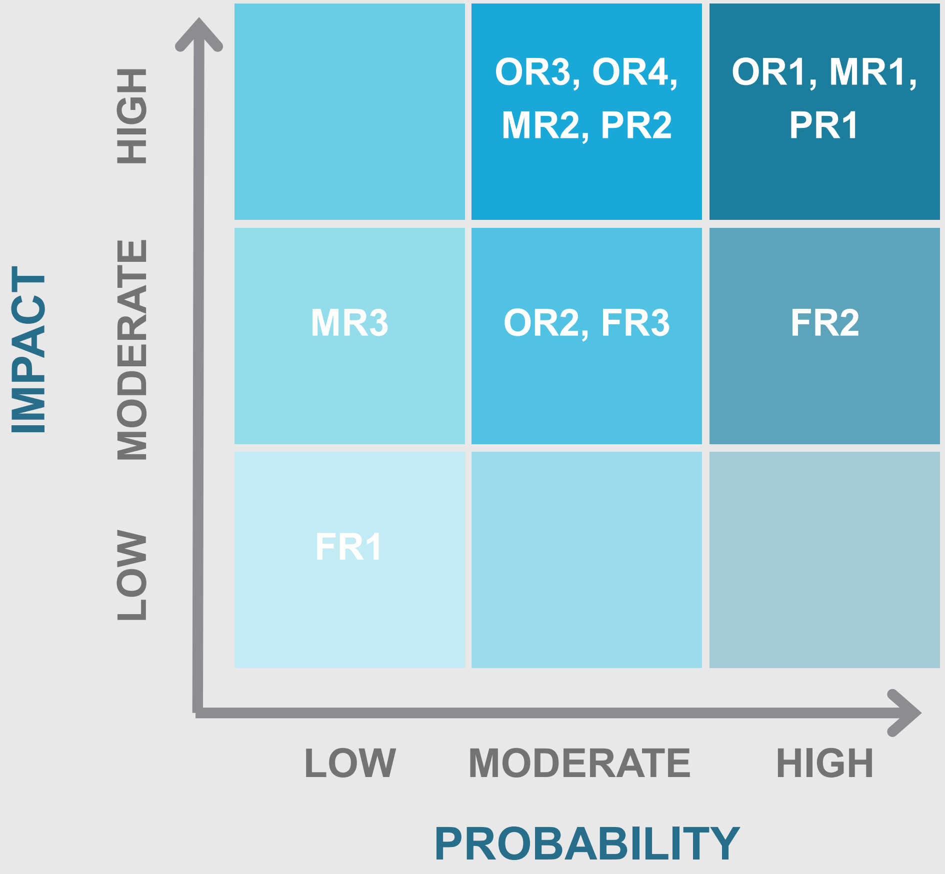
Period End Date	2020 A	2021 A	2022 A	2023 A	2024 A	5-Yr Avg
ROA (%)						
ADES	4.5%	1.0%	2.0%	4.6%	5.4%	3.5%
Arabian Drilling Co.	3.5%	3.4%	4.8%	5.0%	3.3%	4.0%
ADNOC	6.8%	7.3%	9.8%	11.1%	13.3%	9.6%
Valaris	-2.8%	-1.1%	1.5%	0.7%	5.2%	0.7%
Shelf	3.2%	2.1%	4.4%	5.6%	5.3%	4.1%
Abraj	N/A	6.3%	5.5%	5.6%	6.3%	5.9%
Nabors	-3.2%	-2.4%	0.5%	3.4%	3.2%	0.3%
Peer Average	2.0%	2.4%	4.1%	5.1%	6.0%	4.0%
Net Debt/EBITDA						
ADES	3.48	5.79	9.88	4.64	3.53	5.46
Arabian Drilling Co.	1.23	1.07	0.79	1.24	1.83	1.23
ADNOC	0.62	1.07	1.00	1.26	1.00	0.99
Valaris	2.60	-0.59	-1.03	3.76	1.64	1.28
Shelf	6.34	8.27	7.10	4.80	4.80	6.26
Abraj	2.50	2.03	1.78	1.87	1.84	2.00
Nabors	4.49	4.77	2.99	2.29	2.64	3.44
Peer Average	3.04	3.20	3.22	2.84	2.47	2.95

Source: S&P Global IQ, Team Assessment

Appendix (I)

Risks

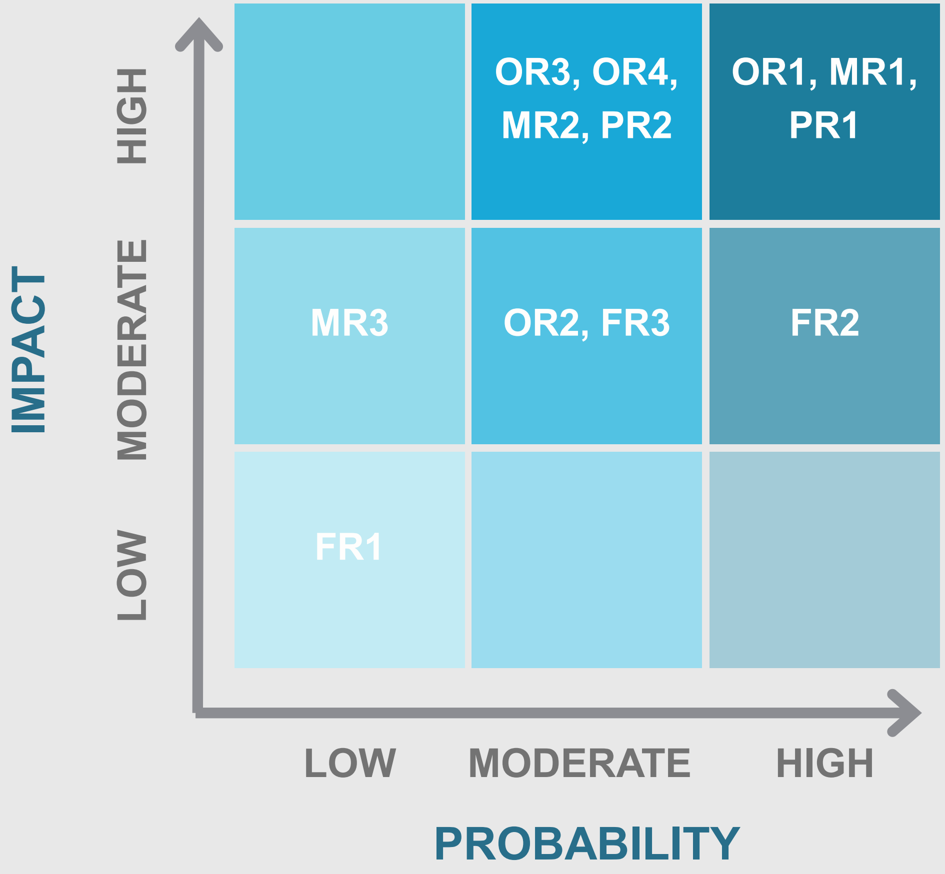
Investment Risks



Operationl Risk	
OR1	Dependence on Key Clients
OR2	Fleet Modernization and Maintenance
OR3	Operational Delays and Logistical Challenges
OR4	Environmental and Safety Risks
Market Risk	
MR1	Fluctuations in Oil and Gas Production Levels
MR2	Intense Market Competition
MR3	Transitions to Renewable Energy
Political Risk	
PR1	Geopolitical Instability
PR2	Regulatory and Compliance Challenges
Financial Risk	
FR1	Currency Exchange Volatility
FR2	Rising Cost Pressures
FR3	Taxation Risks

Source: Company Data, Team Assessment

Operational Risks



OR1: Dependence on Key Clients (High Impact | High Probability)
Risk: 80% of backlog comes from Saudi Aramco, creating revenue concentration risk.
Mitigation: Expanding into Southeast Asia & West Africa, reducing reliance to 51% by 2029, and securing long-term contracts.

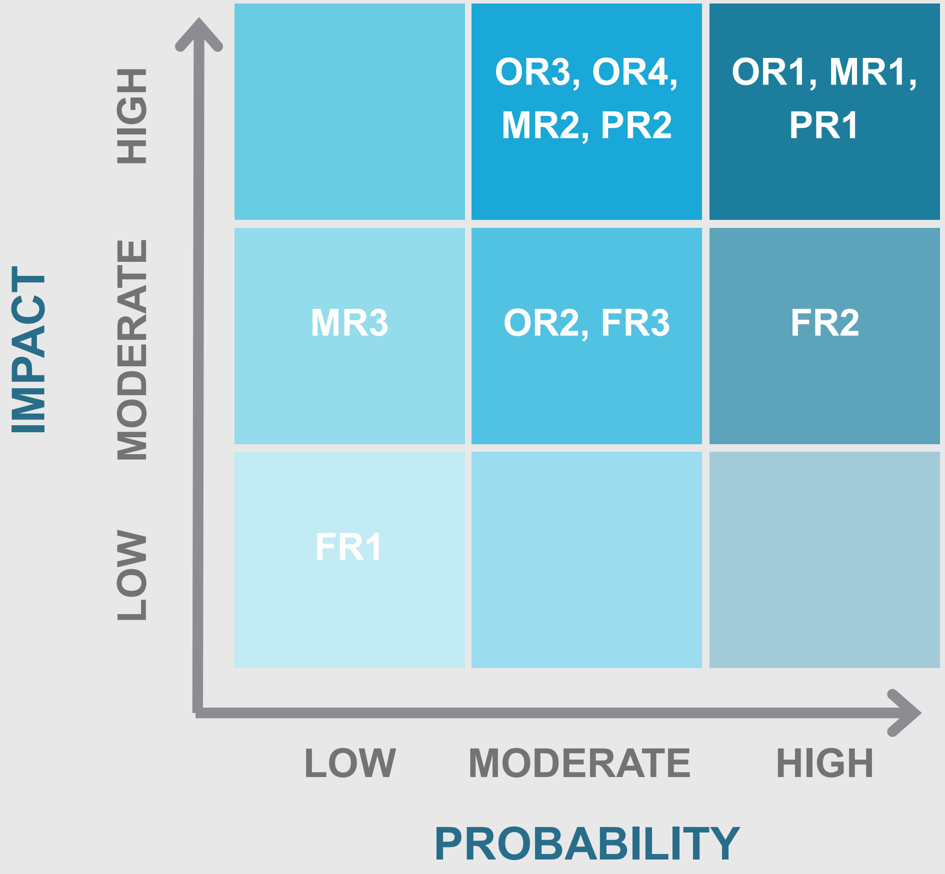
OR2: Fleet Modernization & Maintenance (Moderate Impact | Moderate Probability)
Risk: Aging fleet leads to higher costs & potential downtime.
Mitigation: Proactive maintenance, purchasing secondhand rigs, and targeted upgrades to reduce costs.

OR3: Operational Delays & Logistics (High Impact | Moderate Probability)
Risk: Expanding operations increases supply chain & workforce challenges.
Mitigation: AI-driven logistics, local partnerships, and skilled workforce training.

OR4: Environmental & Safety Risks (High Impact | Moderate Probability)
Risk: Oil spills, accidents, and regulatory non-compliance could impact operations.
Mitigation: Strict safety protocols, RIGEYE monitoring, and low TRIR (0.07) ensuring best-in-class safety standards.

Source: Company Data, Team Assessment

Market Risks



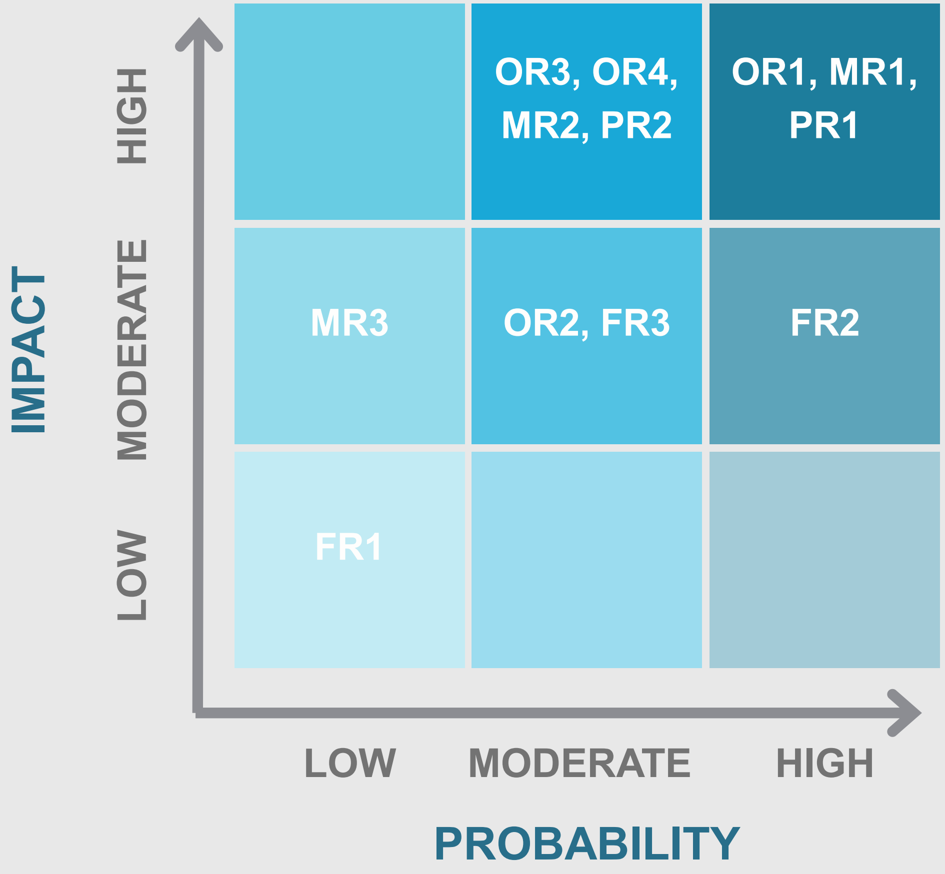
MR1: Fluctuations in Oil & Gas Markets (High Impact | High Probability)
Risk: Oil price volatility affects drilling demand and day rates.
Mitigation: Securing long-term contracts, ensuring stable revenue despite price swings, and relocating rigs to higher-paying markets when demand drops.

MR2: Intense Market Competition (High Impact | Moderate Probability)
Risk: Competing with major players like Valaris & Transocean creates pricing pressure.
Mitigation: Low-cost operations, regional expansion, and securing underserved markets provide a sustainable competitive edge.

MR3: Transition to Renewable Energy (Moderate Impact | Low Probability)
Risk: A shift towards renewables may reduce long-term oil demand.
Mitigation: Oil remains essential, covering 50% of global energy needs by 2050. ADES monitors energy trends and explores diversification opportunities.

Source: Company Data, Team Assessment

Political Risks

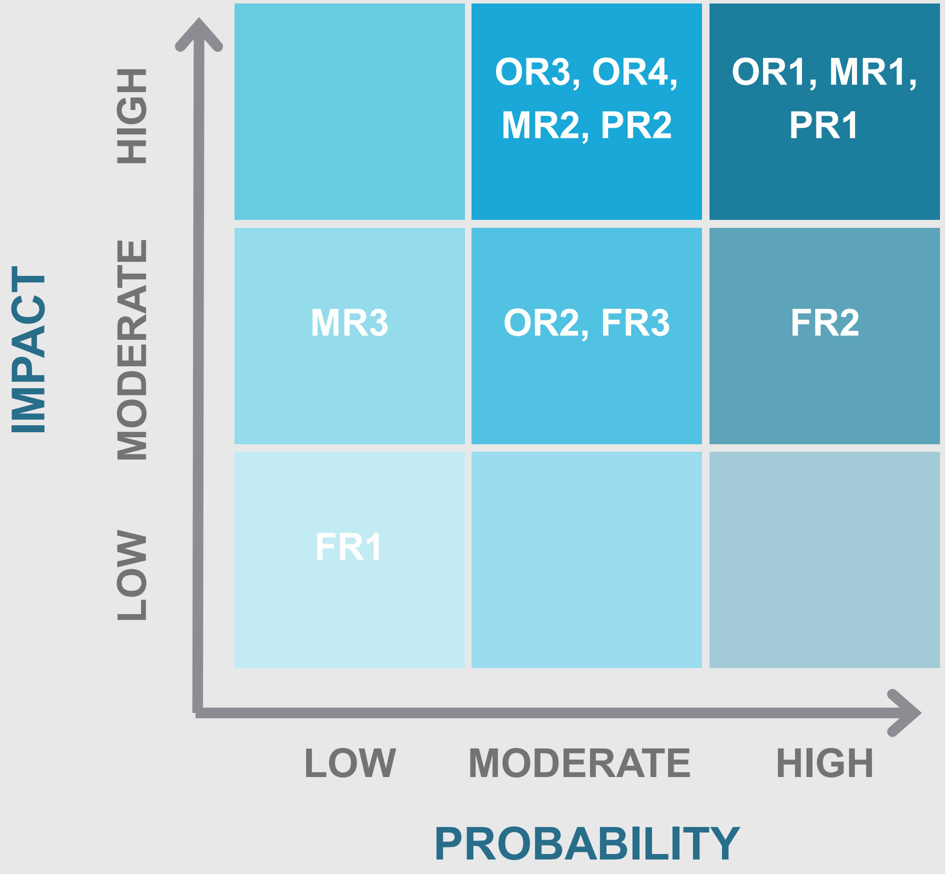


PR1: Geopolitical Instability (High Impact | High Probability)
Risk: ADES operates in politically sensitive regions like the Middle East and North Africa, where conflicts or policy changes could disrupt operations.
Mitigation: Diversifying operations across multiple regions to reduce reliance on any single market and maintaining strong relationships with local governments to ensure stability.

PR2 : Regulatory & Compliance Challenges (High Impact | Moderate Probability)
Risk: Different countries have complex and changing regulations (e.g., Saudization, environmental laws) that may impact ADES's operations.
Mitigation: Strict compliance programs, proactive legal oversight, and adaptability to new regulations help ensure smooth operations.

Source: Company Data, Team Assessment

Financial Risks



FR1: Debt Management (Moderate Impact | High Probability)
Risk: High debt levels can strain cash flow and limit financial flexibility.
Mitigation: ADES reduced net debt from SAR 10.4B to SAR 9.2B post-IPO and maintains a low debt-to-EBITDA ratio (1.04x by 2029), ensuring financial stability.

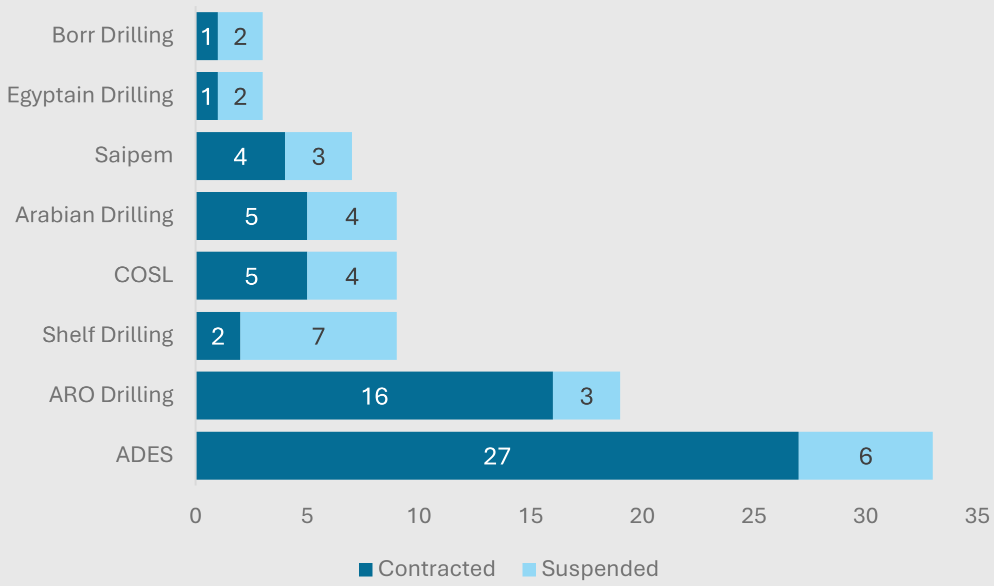
FR2: Rising Cost Pressures (Moderate Impact | High Probability)
Risk: Inflation, labor costs, and interest rate hikes can reduce profitability.
Mitigation: ADES maintains strict cost control, leverages efficient capital spending, and optimizes fleet investments to protect margins.

FR3: Currency Exchange Volatility (Low Impact | Low Probability)
Risk: Exposure to currency fluctuations could impact earnings.
Mitigation: Most of ADES's contracts are in USD, minimizing FX risks. Non-USD revenue (e.g., from Kuwait) has limited financial impact.

Source: Company Data, Team Assessment

Suspension Risks

Jack-up rig status following Saudi Aramco's rig suspensions

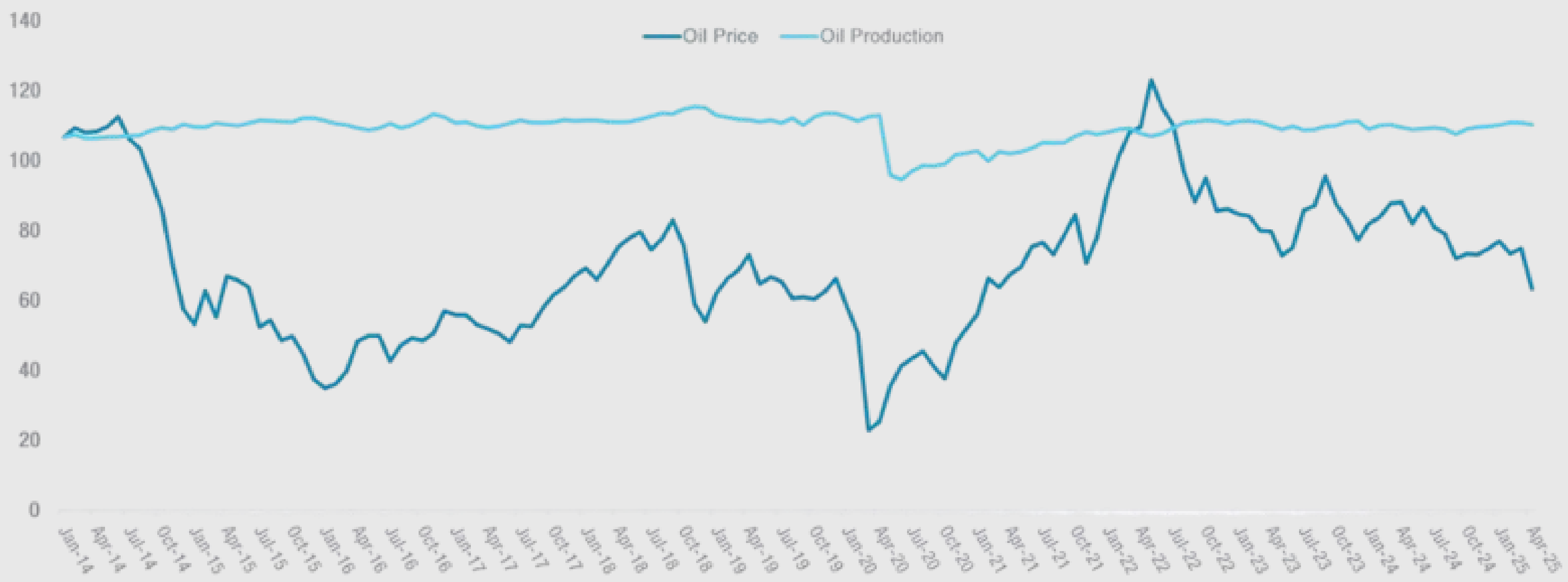


- Recent suspensions occurred due to an order from Saudi Aramco to halt operations, reducing production capacity by 1 million bpd.
- In the event of a similar situation, ADES can quickly redeploy rigs to attractive markets, supported by 14 pre-qualifications.

Source: Westwood Global Energy Group, Team Assessment

Oil and Gas Prices Risk

Oil Prices vs. Production Levels (Rebased on Oil Price)



Oil and Gas Price Risk

Volatility in oil and gas prices directly impacts clients' capital spending on drilling. A drop below $50/barrel—as noted by ADES's CEO—may affect operational feasibility, especially in shallow offshore. Prolonged low prices could lead to lower rig utilization, reduced day rates, and pressure on revenue.

Mitigation:

- Focus on long-term contracts to stabilize revenue.
- Maintain cost flexibility to adjust during downturns.
- Diversify client base and regions to reduce price dependency.

Source: Company Data, Team Assessment

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“ADES has well placed bets, and we predict high-stakes rewards.”

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