ADES delivers unprecedented growth in 9M 2023 results, with significant YoY growth in 3Q 2023 EBITDA and normalized net profit of 121.5% and 99.5% respectively, on track to complete the largest jackup rig deployment plan in a calendar year

Al-Khobar, KSA - 8 November 2023: ADES Holding Company (*"**ADES**", the "**Group**" or the "**Company**"*), a leading oil and gas drilling and production services provider in the MENA region and India, today announced financial results for the nine-month period ending 30 September 2023.

Key Financial Figures

SAR mn	Q3 2023	Q3 2022	% Δ	9M 2023	9M 2022	% Δ
Revenues	1,079	590	82.7%	3,060	1,670	83.2%
EBITDA	526	238	121.5%	1,458	701	108.0%
As % of Revenues	*48.8%*	*40.2%*	*+ 8.6pp*	*47.7%*	*42.0%*	*+5.7pp*
Net Profit	87.4	22.8	2.8x	283.1	175.7	61.1%
Normalized Net Profit	87.4	43.8	99.5%	283.1	203.2	39.3%
CF from Operating Activities before WC	523	234	123.5%	1,448	689	110.2%

- Total backlog was in excess of SAR 27.9 bn as at 30 September 2023 vs 27.4 bn in FY 2022
- Sustained strong utilization rates at 98.2% in 9M 2023
- Revenue up respectively 82.7% and 83.2% YoY in 3Q 2023 and 9M 2023 on the back of contribution from newly deployed rigs mainly in Saudi and Qatar coupled with higher effective utilization and daily rates
- Continued focus on operational excellence and higher contribution from the offshore segment led to strong profitability improvements with EBITDA margins of 48.8% in Q3 2023 (+8.6pp YoY) and 47.7% in 9M 2023 (+5.7pp YoY)
- Net profit was up YoY 2.8x and 61.1% in Q3 2023 and 9M 2023, respectively.
- Normalized net profit of SAR 87 mn in Q3 2023 and 283 mn in 9M 2023, respectively up 99.5% and 39.3% YoY
- On track to complete the largest jackup rig deployment plan in a calendar year, with 19 offshore rigs in Saudi Arabia, 6 onshore rigs in Kuwait, and 3 offshore rigs in India

Dr. Mohamed Farouk, CEO of ADES Holding said, "*Our strong performance this quarter is a continuation of the solid results exhibited since the beginning of the year. We successfully delivered on the Group's recent expansion plans whilst maintaining strong utilization rates and operational excellence, resulting in strong revenue growth and enhanced profitability thanks to the higher offshore segment contribution. We retain full confidence in the medium term as we expect the impact of our expansion strategy to fully materialize from next year onwards. To date, 13 rigs out of the 19-rig mega project have been delivered successfully to Aramco, whilst we are working towards deploying the remaining 6 before year end, a milestone that underpins our commitment and dedication to our clients even during tight market conditions. I believe that our leading operational excellence and commitment to deliver safe and healthy operations to our clients will pave the way to successful milestones in the future.*"

Operational Highlights

Maintaining focus on operational excellence and safety

- Through the Group's integrated health and safety management frameworks, it has maintained a Recordable Injury Frequency Rate[1] well below the industry average at 0.08 vs IADC standard of 0.57
- Consistently maintained higher-than-average utilization levels at 98.2% in 9M 2023, testifying to the quality and efficiency of the Group's operations
- Total backlog grew by SAR 482 mn or 1.8% in 9M 2023 vs FY 2022, which underpins ADES' focus on backlog replenishment despite the revenue burn-rate during the 9M 2023 of SAR 3,06 bn, as it remains committed to providing long-term and sustainable growth
- Weighted average remaining contract tenor stood at 5.4 years in 9M 2023 reflecting the Group's focus on long-term contracts as they underpin the predictability of financial performance and the sustainability of the business

Financial Highlights

Revenue was up respectively 82.7% and 83.2% YoY in 3Q 2023 and 9M 2023 on the back of contribution from newly deployed rigs mainly in Saudi Arabia and Qatar, coupled with higher effective utilization and daily rates.

The significant increase in revenue and contribution from the offshore segment led to strong profitability improvements with EBITDA up 121.5% YoY in Q3 2023 and 108.0% YoY in 9M 2023. This translated into EBITDA margins of 48.8% in Q3 2023 (+8.6pp YoY) and 47.7% in 9M 2023 (+5.7pp YoY).

Normalized net profit was up respectively 99.5% and 39.3% YoY in 3Q 2023 and 9M 2023 driven by the significant growth in revenue and EBITDA margin enhancements, partly offset by interest expenses incurred on the back of the refurbishment projects that will normalize once all rigs under project are deployed.

Solid operating cash flow generation of SAR 1,448 mn in 9M 2023 compared to SAR 689 mn a year earlier, representing a 110.2% growth reflecting the significantly expanded business size and substantial growth in top line and EBITDA generated during the period.

Aggregate capital expenditure during the 9M 2023 stood at SAR 2,955 mn, with the majority directed towards ongoing projects as part of the Company's rig deployment plan mainly in Saudi, Kuwait, and India.

Net debt stood at SAR 12,490 mn in 9M 2023, that doesn't take into consideration the primary IPO proceeds of SAR 3.1bn (credited during October) this is compared to SAR 10,357 mn in FY 2022, with the increase mainly due to the Company's ongoing projects and deployment plan. By year end 2023,

[1] Recordable Injury Frequency Rate per 200,000 working hours

net debt is expected to decrease considerably, thanks to the contribution from the Group's IPO primary proceeds and its targeted debt repayment.

Growth achieved across geographies

The significant increase in revenue of 83.2% YoY in 9M 2023 reflected a major increase in activity across all geographies, thanks to the Group's recent expansions.

In Saudi Arabia, the 89.2% rise in revenue is largely attributable to the contribution of Seadrill rigs that were acquired in Q4 2022, in addition to the partial contributions of 10 rigs that were operational as part of the 19-rig mega project award., This was also driven by higher daily rates and improved utilization. The full annualized impact of the of the 19-rig mega project will contribute to full year performance starting from 2024.

In Egypt, revenue increased c.77.1%, mainly driven by higher effective daily rates and utilization

In Kuwait, revenue increased by SAR 80 mn on the back of the commencement of 3 onshore rigs from the 6-rigs awarded contracts during last year.

As for Qatar, revenue generated was SAR 255 mn in 9M 2023 vs SAR 110 mn last year.

SAR mn	**9M 2023**	**9M 2022**	**% Δ**
Saudi Arabia	2,012	1,063	89.2%
Egypt	405	229	77.1%
Kuwait	316	237	33.6%
Qatar	255	110	130.9%
Tunisia and Algeria	71	31	132.6%

Increased contribution from offshore

The significant growth in revenue and gross profit was largely driven by the offshore segment with higher daily rate and profitability:

- Contribution from Seadrill rigs acquired in 4Q 22
- Revenues being generated from 10 deployed rigs out of the 19 additional rigs awarded in Saudi Arabia (Aramco mega project)
- Higher contribution from Qatar rigs during 9M 2023
- Higher utilization rate in Saudi Arabia and Egypt coupled with higher effective daily rates

The onshore segment benefited from the partial contribution of 3 rigs from the newly awarded 6-rig contracts in Kuwait.

As a result of that significant growth, the offshore segment represented nearly 73% of total revenues in 9M 2023, vs 62% during the same period last year.

SAR mn	9M 2023	9M 2022	% Δ
Offshore			
Revenue	2,227	1,033	115.6%
Gross Profit[2]	1,361	570	138.9%
Gross Profit Margin	*61.1%*	*55.2%*	*+5.9pp*
Onshore			
Revenue	832	637	30.7%
Gross Profit[2]	367	295	24.4%
Gross Profit Margin	*44.1%*	*46.3%*	*-2.2pp*

Rig Deployment Plan

Delivering against our rig deployment plan and expansion strategy

- 10 rigs out of the 19-rig mega tender in Saudi Arabia were operational during the period, with a total of 13 operational rigs to date and we are working towards delivering the remaining 6 before year end 2023
- 3 rigs started operations in Kuwait from the 6 recent awards with KOC, bringing the total number of operational rigs awarded to 4, and we are working towards deploying the remaining 2 before year end 2023
- During the 9M 2023 ADES secured additional 2 new contracts in India, in addition to the 1 secured in 2022, and we are working towards deploying the 3 rigs before year end
- The Group was awarded a 3-year contract for 4 rigs from its idle onshore fleet in Algeria, with commencement expected during 2024
- In aggregate, the Group's total number of operating rigs during the period increased from 39 in 9M 2022 to 60 rigs in 9M 2023, representing a 53.8% YoY increase. In line with the Group's strategic focus, this increase was driven by the offshore segment with a total of 14 rigs, along with 7 onshore rigs. The total number of operating rigs is expected to reach 79 rigs during 2024, taking into consideration the 2 new-build onshore rigs being delivered to the Company's client in Kuwait
- A main pillar of the Group's strategic roadmap is what ADES calls the beauty of the "And" which has allowed the Company to not only significantly grow its fleet, backlog, footprint and headcount, but also symbolizes its unwavering commitment to enhancing safety records. It represents ADES' ability to achieve remarkable expansion while concurrently maintaining a steadfast focus on safety and operational excellence. It underscores a holistic approach to growth, one that prioritizes both the quantitative and qualitative aspects of the business, ensuring that the Company grows in a sustainable and responsible manner

[2] Gross profit excludes depreciation

Results Documents

The results related documents can be found on ADES Holding Company's IR website section:
https://investors.adesgroup.com/

About ADES Holding

ADES Holding Company, headquartered in Al Khobar in the Kingdom of Saudi Arabia, is a leading oil and gas drilling and production services provider in the MENA region and India. The Company has over 7,500 employees and a fleet of 85 rigs across seven countries in the MENA region and India, including 36 onshore drilling rigs, 46 jackup offshore drilling rigs, two jackup barges, and one mobile offshore production unit ("MOPU").

For more information, visit https://investors.adesgroup.com/
For investor relation inquiries, please contact: investor.relations@adesgroup.com

Definitions and Abbreviations

Backlog	The total amount payable to the Group during the remainder of the current relevant contract in addition to any optional extension to the customer stipulated in the contract.
Weighted Average Remaining Contract Tenor	Represents the remaining contract tenor for our backlog, weighted by backlog value of each contract.
EBITDA	EBITDA is the revenues from contracts with customers after deducting the cost of sales and general & administration expenses while adding back depreciation expense.
Utilization rate	The Group's calculation of the utilization rate refers to its measure of the extent to which contracted assets available in the area of operation generate revenue from customer contracts. The Group calculates these rates for each rig by dividing the days of utilization by the potential days of utilization. Utilization rates depend mainly on the Group's ability to maintain related equipment in working condition and its ability to obtain replacement parts and other spare parts. Since the utilization rate calculation mechanism does not include inactive rigs or those that are being refurbished or equipped, the reported utilization rate does not reflect the overall utilization of the Group's fleet, but only those active and contracted rigs.
Net Debt	Interest-bearing loans and borrowings, excluding lease liabilities and less cash on balance sheet.
IADC	International Association of Drilling Contractors.
Normalized Net Profit	Calculated as the reported net profit after deducting the bargain purchase gain and adding back the Provision for impairment of trade receivables, Provision for impairment of inventories and Other provisions.
Operating Costs	Cost of sales and general and administrative expenses, excluding the cost of depreciation.
RIFR	Recordable Injury Frequency Rate is calculated per 200,000 working hours.
Year over Year (YoY)	A measure of a company's growth in one time period with the same time period one year earlier.

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