Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Energy | Market: ADX

NMDC Energy (NMDCENR)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.54	AED 3.80	+50%	BUY

3Q26 Net Profit lower than our estimate

- NMDC Energy's revenue declined 2.3% YOY to AED 4,732 Mn in 3Q26 amid ongoing operational challenges and regional geopolitical conflict.
- Direct costs rose 2.2% YOY to AED 4,451 Mn in 3Q26.
- Gross profit declined 42.6% YOY to AED 281 Mn in 3Q26, with the gross margin contracting from 10.1% in 3Q25 to 5.9% in 3Q26.
- Other operating expenses remained broadly stable at AED 57 Mn, while the G&A expenses fell 15.2% YOY to AED 37 Mn in 3Q26. Other expenses increased 3.3% YOY to AED 15 Mn in 3Q26.
- Operating profit declined from AED 367 Mn in 3Q25 to AED 163 Mn in 3Q26, with the operating margin contracting from 7.6% in 3Q25 to 3.4% in 3Q26.
- EBITDA declined 38.3% YOY to AED 291 Mn in 3Q26, with the EBITDA margin contracting by 359 bps YOY to 6.1% in 3Q26, reflecting cost overruns related to logistics, insurance and fuel prices.
- Finance income decreased 34.3% YOY to AED 23 Mn in 3Q26, while finance costs fell 29.5% YOY to AED 6 Mn in 3Q26.
- Income tax expense decreased from AED 25 Mn in 3Q25 to AED 10 Mn in 3Q26, while profit attributable to non-controlling interest holders rose from AED 0.3 Mn in 3Q25 to AED 0.6 Mn in 3Q26.
- NMDC Energy's net profit attributable to equity shareholders declined from AED 367 Mn in 3Q25 to AED 168 Mn in 3Q26. The net profit decline was primarily due to lower revenue and finance income, higher direct costs, other operating expenses, net other expenses, and higher profits attributable to non-controlling interest holders partially offset by lower G&A expenses, finance costs and income tax expense.
- The Company's order backlog stood at AED 29.8 Bn as of 3Q26, comprising 71% offshore and 29% onshore projects.
- Cash and bank balances stood at AED 3.0 Bn in 3Q26, lower than AED 3.3 Bn in 2Q26.

Earnings Call Summary

- Backlog unwinding for 2027 was reduced to AED 15.7 Bn compared to previous figures of AED 15.9 Bn, reflecting revised project revenue phasing, with some revenue shifted to 2028 due to regional disruptions.
- NMDC Energy did not recognize reimbursement revenue in 3Q26, and cost recovery claims remain under discussion with the customer. However, the Company recognized additional costs as incurred.
- The project pipeline increased to AED 80.4 Bn in 3Q26 from AED 55.2 Bn, comprising ongoing tenders and identified prospects expected to be awarded over the next 18-20 months.
- UAE continues to remain NMDC Energy core market, while the company is pursuing additional opportunities in other geographies, including India.
- 4Q26 margins benefit from project closures and finalization of customer variations. However, the extent of recovery in 4Q26 remains uncertain, with regional geopolitical disruptions likely to constrain improvement.
- Margin dilution primarily reflects direct costs arising from the regional conflict and indirect operational disruption in 3Q26, including reduced execution pace and the deployment of additional resources to maintain project schedules.
- Annual capex is expected at AED 500-700mn, compared with AED 314 Mn spent in 9M26, primarily on yards, equipment and maintenance.

- Margins are expected to gradually return towards pre-disruption levels, supported by the backlog, although recovery is expected to be moderate.
- Around 30-40% of the AED 80.4 Bn pipeline has reached the preliminary stage, while the remaining opportunities are in progression from customer.
- Quarterly tax rates vary with geographic profit mix, taxes on undistributed Indian earnings, Saudi withholding taxes and annual tax-return adjustments, including eligible tax credits.
- Aramco contract of AED 2.8 Bn for three offshore EPC projects is incorporated into the AED 33 Bn backlog, with the award currently at the letter-of-intent stage.
- The Qatar opportunity remains preliminary, with contract value, revenue contribution, award timeline and further details expected as the opportunity progresses.
- Higher unbilled revenue reflects the timing of customer approvals and project milestones, with the expected conversion of most unbilled revenue into billed receivables by year-end, although some projects may take 3-6 months.

NMDC Energy – P&L

AED Mn	**3Q25**	**2Q26**	**3Q26**	**3Q26F**	**Var**	**YOY**	**QOQ**
Contract revenue	4,846	4,519	4,732	4,813	-1.7%	-2.3%	4.7%
Direct costs	-4,356	-4,205	-4,451	-4,428	0.5%	2.2%	5.9%
Gross profit	**490**	**315**	**281**	**385**	**-27.0%**	**-42.6%**	**-10.8%**
Other operating expenses	-57	-68	-57	-72	-20.4%	1.0%	-15.7%
G&A expenses	-44	-18	-37	-48	-22.8%	-15.2%	NM
Other income, net	-14	1	-15	8	NM	3.3%	NM
Operating profit	**367**	**223**	**163**	**273**	**-40.4%**	**NM**	**-27.1%**
EBITDA	**472**	**351**	**291**	**397**	**-26.7%**	**-38.3%**	**-17.1%**
Finance income	34	20	23	21	5.3%	-34.3%	14.4%
Finance costs	-9	-8	-6	-8	-23.5%	-29.5%	-15.6%
Profit before tax	**392**	**235**	**179**	**286**	**-37.4%**	**NM**	**-23.9%**
Tax	-25	-64	-10	-43	NM	NM	NM
Profit for the year	**368**	**171**	**169**	**243**	**-30.6%**	**NM**	**-1.3%**
NCI	0	1	1	0	NM	NM	-1.5%
Net profit to shareholders	**367**	**170**	**168**	**243**	**-30.7%**	**NM**	**-1.3%**

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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