FAB أبوظبـي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Industrials | Market: ADX

NMDC Group

Current Price	Target Price	Upside/Downside (%)	Rating
AED 22.12	AED 34.00	+54%	BUY

2Q26 Net Profit higher than our estimate

- NMDC Group's revenue increased 4.7% YOY to AED 7.5 Bn in 2Q26, supported by resilient performance across its business verticals, with local operations contributing 80% of revenues and international operations accounting for the remaining 20%.
- NMDC Group's net profit attributable to equity shareholders increased 33.3% YOY to AED 1.2 Bn in 2Q26, higher than our estimate of AED 719 Mn. The increase in profit was primarily driven by higher revenue, fair value gains on financial assets at FVTPL, higher other income, lower foreign exchange losses, lower finance costs and NCI, partially offset by higher direct costs, G&A expenses, D&A expenses, and income tax expense, and a lower income contribution from equity-accounted investees.
- Gross profit increased from AED 1.2 Bn in 2Q25 to AED 1.5 Bn in 2Q26, with the gross margin expanding 258 bps YOY to 19.4% in 2Q26.
- EBITDA increased 27.5% YOY to AED 1.7 Bn in 2Q26, with the EBITDA margin expanding 413 bps YOY to 23.2% in 2Q26, driven by higher profitability at NMDC D&M, operational savings from execution efficiencies, and contingency releases on projects nearing completion during the quarter.
- Operating profit increased 18.3% YOY to AED 1.3 Bn in 2Q26, with the operating margin increasing 204 bps YOY to 17.8% in 2Q26.
- The Company's order backlog stood at AED 56.1 Bn as of 2Q26, supported by AED 7.8 Bn of new project awards secured during 1H26, providing strong long-term revenue visibility.
- Cash and bank balances stood at AED 5.6 Bn in 2Q26, compared with AED 6.9 Bn in 1Q26, while the Group maintained a net cash position of AED 4.8 Bn in 2Q26.
- Capital expenditure amounted to AED 673 Mn in 1H26, compared with AED 693 Mn in 1H25, primarily related to advance payments for a cutter suction dredger for NMDC D&M, the development of NMDC Energy's KSA yard, UAE yard upgrades, maintenance activities, and the acquisition of barges, pipelines, and technical equipment.

Earnings Call Summary

- The current geopolitical situation impacted multiple businesses in the region, including NMDC through supply chain disruption, fuel and material price escalation, higher insurance costs, idle operating hours from GPS constraints, restricted site access and reduced vessel mobility, resulting in lost productivity, delayed revenue recognition and potential project timeline extensions.
- The cost escalation and disruptions were prudently and conservatively recognised in 1H26 costs, including updates to cost-to-complete under the POC methodology, with the profitability impact falling particularly on the energy business.
- The Company is currently evaluating potential claims on customers arising from project delays and cost escalations, and has conservatively recognised revenue based on contractual arrangements and preliminary estimates.
- NMDC Infra secured over AED 2 Bn of awards in 1H26 and now represents 6% of group backlog, management described it as an increasingly important growth engine.
- Infra's scope extends beyond water security to special projects mirroring the Group's onshore capability, marine-related infra including underwater ways, and discussions on bridges and special (non-standard) roads, leveraging the Group's marine experience.
- The Company expects international to be a growth focus, with NMDC Infra bidding for multiple projects in Africa and further international contribution expected in the next year.

- The 51% acquisition of Spain's Lantania Aguas from Grupo Lantania was completed on 11 June 2026 for a provisional consideration of AED 82 Mn, marking entry into the water infrastructure business; fair value adjustments recognised additional net assets of AED 174 Mn and reduced goodwill at initial recognition by c.AED 124 Mn.
- The company expects similar win rate in infra business compared to D&M segment.
- Management guided to a D&M margin baseline of at least c.15% historically, with anything above that dependent on project mix and stage of completion; higher margins are recognised as projects near completion, and contingencies are released, lower margins at early stages, so volatility is inherent and current levels were explicitly not guaranteed to repeat.
- The effective tax rate increase was attributed to the revenue mix shift toward international jurisdictions, specifically Zakat in KSA and a 23% tax rate in Taiwan.
- The management indicated capex serves all markets including international, with new equipment being built for international markets that can also serve the home market.
- The Company confirmed 2026 dividends will not be impacted by the geopolitical situation given the cash position, and stated a Group dividend policy will be announced in 4Q26.
- Management expressed full confidence in replenishing backlog to support revenues from 2028 onwards, citing the AED 76 Bn pipeline, regional infrastructure requirements, and the UAE's exit from OPEC, which it expects to open opportunities across all business units rather than energy alone.

NMDC Group – P&L

AED Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var.**	**YOY Ch**	**QOQ Ch**
Contract revenue	7,149	6,645	7,488	7,250	3.3%	4.7%	12.7%
Direct costs	-5,943	-6,099	-6,032	-6,307	-4.4%	1.5%	-1.1%
Gross profit	**1,206**	**546**	**1,456**	**942**	**54.5%**	**20.8%**	**NM**
Share of net results of equity account investees, net	20	29	9	15	-39.0%	-53.1%	-68.4%
G&A expenses	-83	-80	-118	-167	-29.3%	42.9%	46.9%
D&A expense	0	0	-24	0	NM	NM	NM
Foreign currency exc. loss/gain	-33	-7	-4	0	NM	-86.5%	-33.6%
Fair value gain/(loss) on financial assets at FVTPL	-22	-83	99	0	NM	NM	NM
Other income, net	3	3	19	24	-23.8%	NM	NM
EBIT	**1,127**	**469**	**1,333**	**800**	**66.6%**	**18.3%**	**NM**
EBITDA	**1,361**	**684**	**1,735**	**1,073**	**61.6%**	**27.5%**	**NM**
Finance income	37	25	33	47	-29.0%	-11.4%	32.3%
Finance costs	-24	-29	-14	-14	4.3%	-38.8%	-50.2%
Profit before tax	**1,105**	**404**	**1,455**	**848**	**71.6%**	**31.7%**	**NM**
Tax	-134	-17	-236	-114	NM	76.2%	NM
Profit for the year	**971**	**387**	**1,219**	**733**	**66.2%**	**25.6%**	**NM**
NCI	86	22	39	15	NM	-54.4%	74%
Profit for the period	**885**	**365**	**1,180**	**719**	**64.2%**	**33.3%**	**NM**

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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