First Look Note | 3Q26

UAE Equity Research | Sector: Industrial | Market: ADX

NMDC Group

Higher Costs and Muted Revenue Growth Weighed on Profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 24.22	AED 34.00	+40%	BUY

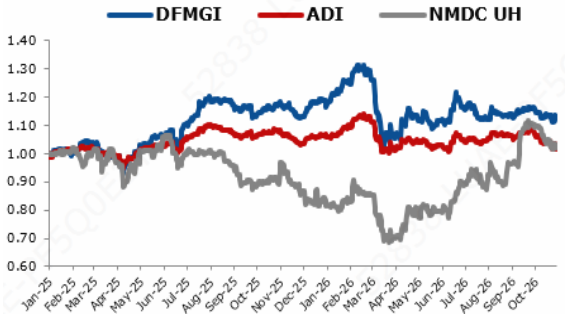
- The Group's backlog stood at AED 54.1 Bn as of 3Q26, supported by AED 9.7 Bn of project awards secured during 9M26, providing strong long-term revenue visibility.
- NMDC Group inaugurated Abu Al Bakhoush, a state-of-the-art self-propelled heavy-duty cutter suction dredger in 3Q26.
- Management highlighted an AED 104.4 Bn project pipeline, supporting backlog replenishment and revenue growth beyond 2028.
- NMDC Infra accounted for 6% of the Group's backlog after securing more than AED 2.2 Bn of new awards during 9M26.
- The Company distributed AED 844.4 Mn in dividend for 2025 translating to AED 1.0 per share.

3Q26 Net Profit lower than our estimate

NMDC Group (NMDC/The Group) reported a 22.0% YOY decline in net profit attributable to shareholders of AED 719 Mn in 3Q26, lower than our estimate of AED 868 Mn. The decrease in profit was primarily driven by higher direct costs and G&A expenses, lower share of profit from associates, higher depreciation and amortization expenses, lower other income and higher finance costs, partially offset by increase in revenue, lower foreign currency exchange loss, higher fair value gain and higher finance income coupled with lower contribution to NCI.

P&L Highlights

NMDC Group reported a 1.4% YOY increase in revenue to AED 7.3 Bn in 3Q26, supported by resilient performance across its business verticals. Domestic operations accounted for 75% of total revenue, while international operations contributed the remaining 25%. Revenue from the Dredging & Marine (D&M) segment increased 9.2% YOY to AED 2.5 Bn, whereas the Energy segment recorded a 2.3% YOY decline to AED 4.7 Bn. The Group's backlog stood at AED 54.1 Bn as of 3Q26, providing strong revenue visibility, while NMDC Energy secured additional orders worth AED 2.8 Bn in October 2026, further strengthening its order book. On the cost front, direct costs increased 5.4% YOY to AED 6.4 Bn, outpacing revenue growth. Consequently, gross profit declined 21.4% YOY to AED 839 Mn, with gross margin contracting by 335 bps to 11.5% in 3Q26. The share of net results from equity-accounted investees decreased to AED 3 Mn from AED 23 Mn in 3Q25, while G&A expenses increased 6.4% YOY to AED 120 Mn. Amortisation of intangible assets and depreciation of investment property amounted to AED 6 Mn, compared to nil in 3Q25, following the acquisition of EMDAD LLC. Foreign exchange losses narrowed to AED 8 Mn in 3Q26 from



Stock Information	
Market Cap (AED, Mn)	20,450.88
Paid Up Capital (Mn)	844.38
52 Week High	27.96
52 Week Low	16.64
3M Avg. daily value (AED)	5,257,915

3Q26 Result Review (AED, Mn)	
Total Assets	39,459
Total Liabilities	22,173
Total Equity	17,286
EBITDA	1,140
Net Profit	719

Financial Ratios	
Dividend Yield (12M)	4.13
Dividend Pay-out (%)	19.33
Price-Earnings Ratio(x)	6.11
Price-to-Book Ratio (x)	1.30
Book Value (AED)	18.69
Return-on Equity (%)	23.03

Stock Performance	
5 Days	-5.24%
1 Months	-10.56%
3 Months	1.00%
6 Months	26.81%
1 Year	1.51%
Month to Date (MTD%)	-5.02%
Quarter to Date (QTD%)	-11.28%
Year to Date (YTD%)	19.31%

AED 15 Mn in 3Q25. Meanwhile, fair value gains on financial assets at FVTPL increased 4.9% YOY to AED 126 Mn in 3Q26, while net other income of AED 30 Mn in 3Q25 turned into a net expense of AED 2 Mn in 3Q26. Reflecting the challenging operating environment amid regional unrest, EBITDA declined 17.7% YOY to AED 1.1 Bn in 3Q26, with EBITDA margin contracting by 364 bps to 15.7% in 3Q26. The margin pressure was primarily attributable to recognised cost overruns, including higher insurance, logistics and fuel costs, as well as operational disruptions affecting project execution. Accordingly, operating profit declined 27.8% YOY to AED 712 Mn in 3Q26, with operating margin narrowing by 395 bps to 9.8% during the same period. Finance income increased to AED 83 Mn in 3Q26 from AED 37 Mn in 3Q25, partially offset by a 15.1% YOY increase in finance costs to AED 29 Mn in 3Q26. Income tax expenses also increased 2.7% YOY to AED 118 Mn in 3Q26. Meanwhile, profit attributable to non-controlling interests (NCI) declined to AED 49 Mn in 3Q26 from AED 87 Mn in 3Q25.

Balance Sheet Highlights

NMDC Group's cash and bank balances stood at AED 4.6 Bn in 3Q26, compared with AED 5.6 Bn in 2Q26, while the Group maintained a net cash position of AED 3.9 Bn in 3Q26. Cash flow from operations declined to negative AED 658 Mn in 3Q26 from negative AED 1.8 Bn in 3Q25 owing to higher investment in working capital despite higher cash generated from operations before change in working capital. Free cash flow amounted to negative AED 831 Mn in 3Q26, compared with negative AED 2.1 Bn in 3Q25. Capex stood at AED 173 Mn in 3Q26, compared with AED 283 Mn in 3Q25, primarily related to maintenance activities. Moreover, NMDC Group's debt, including long-term lease liabilities, decreased to AED 1.2 Bn in 3Q26 from AED 1.3 Bn in 2Q26.

Target Price and Rating

We maintain our BUY rating on NMDC Group with a target price of AED 34.00. NMDC Group reported subdued performance in 3Q26, with marginal revenue growth, margin contraction and lower profitability on both a YOY and QOQ basis. Performance was impacted by a challenging operating environment amid regional unrest, alongside recognized cost overruns arising from higher insurance, logistics and fuel costs. Despite the near-term margin pressure, the Group maintained a sizeable order backlog of AED 54.1 Bn as of 3Q26, providing strong long-term revenue visibility. During 9M26, the Group secured project awards worth AED 9.7 Bn, reflecting continued business development activity across its operating verticals. In addition, NMDC Energy secured new orders worth AED 2.8 Bn in October 2026, further strengthening the order book beyond the reported 3Q26 backlog. The existing backlog is expected to unwind primarily over 2027–2028, with AED 23.2 Bn in 2027 and AED 15.4 Bn in 2028 scheduled for execution. The Group remains confident in replenishing the backlog to support revenue generation beyond 2028, underpinned by a sizeable project pipeline of AED 104.4 Bn, comprising submitted and upcoming tenders, expressions of interest (EOIs) and future prospects. In terms of project awards during 3Q26, NMDC D&M secured contracts worth AED 1.4 Bn from Abu Dhabi-based clients, Megha Engineering and Infrastructures Limited and other clients, while NMDC Infra secured contracts worth AED 0.1 Bn from multiple clients. NMDC Energy also secured an AED 0.3 Bn contract from Emirates Water and Electricity Company (EWEC) for EPC works relating to a diesel pipeline. Separately, the AED 9.7 Bn in cumulative project awards secured during 9M26 was distributed across the Group's operating verticals, with NMDC D&M accounting for 51% of the total, followed by NMDC Energy at 27% and NMDC Infra at 22%. The contribution from multiple business verticals highlights the diversification of the Group's order intake and its ability to secure projects across marine infrastructure, energy and related sectors. On the operational front, NMDC Group inaugurated Abu Al Bakhoush, a state-of-the-art self-propelled heavy-duty cutter suction dredger, at a ceremony held in Nantong, China. The addition expands the Group's fleet of more than 170 vessels and marine units, enhancing its capacity to undertake large-scale and complex dredging and marine infrastructure projects while supporting its expansion into international markets. During the period, the Group distributed 2025 dividends of AED 844.4 Mn, equivalent to AED 1.0 per share, reaffirming its commitment to shareholder returns while continuing to invest in fleet expansion, infrastructure capabilities and business growth. Thus, considering the above factors, we assign a BUY rating on the stock.

NMDC Group - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE	16.14	9.77	7.18	5.94	6.76
PB	3.22	2.45	1.68	1.36	1.17
EV/EBITDA	13.49	7.25	4.43	3.39	4.09
BVPS	7.928	10.429	15.155	18.808	21.748
EPS	1.580	2.610	3.554	4.294	3.771
DPS	-	0.750	0.841	1.000	1.050
Dividend yield	-	3.1%	3.4%	4.1%	4.3%

FABS Estimates & Co Data

NMDC Group – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY	QOQ	2025	2026F	Change
Contract revenue	7,173	7,488	7,275	7,596	-4.2%	1.4%	-2.8%	28,811	30,149	4.6%
Direct costs	-6,106	-6,032	-6,436	-6,456	-0.3%	5.4%	6.7%	-24,023	-26,079	8.6%
Gross profit	**1,067**	**1,456**	**839**	**1,139**	**-26.3%**	**-21.4%**	**-42.4%**	**4,788**	**4,070**	**-15.0%**
Share of net results of equity account investees	23	9	3	18	-85.7%	-88.6%	-72.0%	68	60	-11.7%
G&A Expenses	-112	-118	-120	-129	-7.3%	6.4%	1.4%	-398	-446	12.1%
D&A Expenses	0	-24	-6	0	NM	NM	-76.9%	0	-30	NM
Foreign exchange loss/Gain	-15	-4	-8	0	NM	-45.3%	86.3%	-65	-20	NM
Fair value gain/(loss) on financial assets at FVTPL	120	99	126	0	NM	4.9%	27.2%	62	142	NM
Other income, net	30	19	-2	23	NM	NM	NM	67	67	0.2%
EBIT	**985**	**1,333**	**712**	**1,033**	**-31.1%**	**-27.8%**	**-46.6%**	**4,457**	**3,691**	**-17.2%**
EBITDA	**1,385**	**1,735**	**1,140**	**1,308**	**-12.9%**	**-17.7%**	**-34.3%**	**5,605**	**4,786**	**-14.6%**
Finance income	37	33	83	35	138.1%	127.0%	152.5%	151	168	11.1%
Finance costs	-25	-14	-29	-16	85.6%	15.1%	99.8%	-101	-87	-14.3%
PBT from continuing operations	**1,124**	**1,455**	**886**	**1,070**	**-17.2%**	**-21.2%**	**-39.1%**	**4,573**	**3,925**	**-14.2%**
Income tax expense	-115	-236	-118	-139	-14.9%	2.7%	-49.8%	-571	-510	-10.7%
Profit for the year	**1,009**	**1,219**	**768**	**931**	**-17.6%**	**-23.9%**	**-37.0%**	**4,002**	**3,415**	**-14.7%**
NCI	87	39	49	63	-23.1%	-44.3%	24%	376	231	-38.6%
Net Profit attributable to shareholders	**922**	**1,180**	**719**	**868**	**-17.2%**	**-22.0%**	**-39.0%**	**3,626**	**3,184**	**-12.2%**

FABS estimate & Co Data

NMDC Group - Margins

	3Q25	2Q26	3Q26	YOY	QOQ	2025	2026F	Change
Gross Profit	14.9%	19.4%	11.5%	-335	-791	16.6%	13.5%	-312
EBITDA	19.3%	23.2%	15.7%	-364	-750	19.5%	15.9%	-358
Operating Profit	13.7%	17.8%	9.8%	-395	-802	15.5%	12.2%	-323
Net Profit	12.9%	15.8%	9.9%	-296	-587	12.6%	10.6%	-202

FABS estimate & Co Data

Key Developments:

- **9 October 2026:** NMDC Group inaugurated Abu Al Bakhoush, a 148-metre self-propelled heavy-duty cutter suction dredger with 30,040 kW of installed power, further expanding its fleet of over 170 vessels and enhancing its capacity to execute large-scale and complex dredging projects. The GREEN PASSPORT-certified vessel strengthens the Group's operational capabilities and supports its long-term strategy of international expansion and sustainable growth.

- **18 June 2026:** NMDC Group's subsidiary, NMDC Infra, signed an AED 288 Mn contract with TAQA Water Solutions to construct a 1 Mn cubic-meter emergency lagoon in Abu Dhabi. The project is expected to be completed over 24 months.

- **20 May 2026:** NMDC Group's subsidiary, NMDC Dredging & Marine, inaugurated the NMDC Coastal & Hydrodynamic Center, the Middle East and West Asia's first commercial hydraulic physical modelling facility, enhancing in-country marine infrastructure testing and reducing reliance on international laboratories.

- **05 May 2026:** NMDC Group's subsidiary, NMDC Infra, together with Lantania, signed an AED 1.046 Bn EPC contract with EtihadWE to construct a 60 MIGD seawater reverse osmosis desalination plant in Fujairah, with completion expected in c. 30 months.

- **29 January 2026:** NMDC Group announced the expansion of its 170+ vessel fleet with an AED 618 Mn self-propelled cutter suction dredger, which is expected to become operational by 1Q27, enhancing its marine dredging capacity to support its growing project backlog.

- **28 January 2026:** NMDC Group secured an AED 157 Mn contract from the Department of Municipalities & Transport (DMT) to execute dredging, reclamation, and related infrastructure works in the Rabdan area of Abu Dhabi. The project is expected to be completed by 4Q26.

- **19 January 2026:** NMDC Group's subsidiary, NMDC Infra, acquired a 51% stake in Spain's Lantania Aguas, marking the Group's first entry into the European market. The acquisition expands NMDC Infra's capabilities in desalination and water infrastructure, with the business to operate as Lantania NMDC Water.

- **13 January 2026:** NMDC Group's subsidiary, NMDC Infra, and Consolidated Contractors Company (CCC) established NMDCCC, a joint venture focused on delivering onshore oil and gas EPC solutions in the UAE, expanding NMDC Infra's energy infrastructure capabilities.

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (EV/ EBITDA), and Discounted Dividend Method (DDM) to value NMDC Group. We have assigned 70% weight to DCF, 15% each to DDM and Relative Valuation (RV).

Valuation Method	Target	Weight	Weighted Value
DCF	36.98	70.0%	25.89
DDM	16.71	15.0%	2.51
EV/EBITDA	37.35	15.0%	5.60
Weighted Average Valuation (AED)			**34.00**
Current market price (AED)			24.22
Upside/Downside (%)			+40%

1) DCF Method:

NMDC Group is valued using free cash flow to the equity. We have discounted the cash flows using a cost of equity of 9.8%. Cost of equity is calculated by using the 10-year government bond yield of 5.8%, the beta of 1.00 and the equity risk premium of 3.9%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	9,611
Terminal value (AED, Mn)	21,617
Equity Value to Share Holders (AED Mn)	**31,229**
No. of share (Mn)	844
Current Market Price (AED)	24.22
Fair Value per share (AED)	**36.98**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY2030E	FY 2031E
Net Profit Attributable to Equity Shareholders	3,184	3,323	3,655	4,078	4,413	4,701
(+/-) Depreciation & amortization	1,096	1,138	1,152	1,161	1,215	1,264
(+/-) CAPEX	-1,658	-1,608	-1,455	-1,408	-1,374	-1,363
(+/-) Working Capital	-2,004	-863	-1,040	-887	-1,387	-1,930
Free Cash Flow to Firm (FCFE)	**618**	**1,989**	**2,312**	**2,944**	**2,867**	**2,671**
Discounting Factor	*0.98*	*0.90*	*0.82*	*0.74*	*0.68*	*0.62*
Discounted FCFE	**152[1]**	**1,784**	**1,889**	**2,191**	**1,944**	**1,650**

Source: FAB Securities, [1]Partial year adjustment

2) Relative Valuation:

We have used local and international peers to value NMDC Group, and it is valued using the EV/EBITDA multiple. EV/EBITDA multiple is used to value the Energy and Dredging & Marine segments separately. The Group is valued on an SOTP basis, comprising NMDC Energy and NMDC Dredging & Marine, reflecting the distinct nature of their operations with corresponding peer groups. Each segment is valued independently using relevant comparables aligned with its business profile. Furthermore, as the Group holds a 77% stake in NMDC Energy, the valuation adjusts for the non-controlling interest to reflect the attributable equity value. It is valued at a 2027 EV/EBITDA multiple of 6.8x for Dredging & Marine and EV/EBITDA multiple of 4.8x for Energy.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Dredging & Marine					
Deme Group	4,753	4.8	4.9	10.8	12.3
Vinci SA	70,956	6.4	6.2	11.9	11.1
Penta-Ocean Construction Co., Ltd	2,539	7.8	7.3	9.7	9.1
Orion Group	370	10.1	8.5	34.8	22.5
Average		**7.3x**	**6.7x**	**16.8x**	**13.7x**
Median		**7.1x**	**6.8x**	**11.4x**	**11.7x**
Max		**8.3x**	**7.6x**	**17.7x**	**14.9x**
Min		**6.0x**	**5.9x**	**10.5x**	**10.6x**

Source: FAB Securities

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Energy					
TECNICAS REUNIDAS SA	2,691	5.2	4.3	12.4	9.0
MAIRE SPA	5,220	7.6	6.8	15.0	13.1
FLUOR CORP	6,915	9.0	8.0	19.2	15.2
TECHNIP ENERGIES NV	6,801	5.3	4.1	13.8	10.2
JGC HOLDINGS CORP	3,414	3.1	2.6	11.0	12.6
Offshore Oil Engineering Co Ltd	3,541	1.8	1.6	10.5	9.1
SUBSEA 7 SA	9,985	5.4	5.3	14.0	12.9
TECHNIPFMC PLC	28,711	13.9	12.3	24.1	20.0
Average		**6.4x**	**5.6x**	**15.0x**	**12.8x**
Median		**5.3x**	**4.8x**	**13.9x**	**12.7x**
Max		**7.9x**	**7.1x**	**16.0x**	**13.7x**
Min		**4.7x**	**3.7x**	**12.0x**	**9.9x**

Source: FAB Securities

3) DDM Method:

The Group paid AED 844.4 Mn, amounting to AED 1.0 per share in 2025. It also paid dividends through FY2023 to FY2025. We expect the Group to maintain an average payout ratio of 25.6% in the forecasted period. All forecasted dividends are discounted to present value using the cost of equity. The dividend is discounted at the cost of equity of 10.0%.

Sum of PV (AED, Mn)	4,597
Terminal value (AED, Mn)	9,516
FV to Common shareholders (AED, Mn)	**14,113**
No. of share (Mn)	844
Current Market Price (AED)	24.22
Fair Value per share (AED)	**16.71**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY2029E	FY 2030E	FY 2031E
Dividend Paid						
Dividend	886	831	914	1,019	1,103	1,175
Total Dividend	**886**	**831**	**914**	**1,019**	**1,103**	**1,175**
Discounting Factor	*0.98*	*0.90*	*0.82*	*0.74*	*0.68*	*0.62*
Present Value of Dividend	**873**	**745**	**747**	**759**	**748**	**726**

Source: FAB Securities

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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