FAB أبوظبي الأول للأوراق المالية SECURITIES

First Look Note | 2Q26

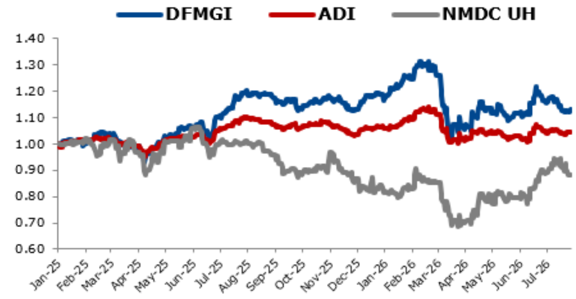
UAE Equity Research | Sector: Industrials | Market: ADX

NMDC Group

Margin expansion and execution efficiencies drive earnings growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 23.98	AED 34.00	+41.8%	BUY

- The Group's backlog stood at AED 56.1 Bn as of 2Q26, supported by AED 7.8 Bn of project awards secured during 1H26, providing strong long-term revenue visibility.
- EBITDA increased 27.5% YOY to AED 1.7 Bn in 2Q26, with the EBITDA margin expanding 413 bps YOY to 23.2%.
- Management highlighted an AED 76 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 2.0 Bn of new awards during 1H26.
- Management reiterated that the 2026 dividend will remain unchanged despite the current geopolitical situation, with a dividend policy to be announced in 4Q26.



Stock Information	
Market Cap (AED, Mn)	20,248.22
Paid Up Capital (Mn)	844.38
52 Week High	24.92
52 Week Low	16.64
3M Avg. daily value (AED)	2,863,442

2Q26 Result Review (AED, Mn)	
Total Assets	39,432
Total Liabilities	22,904
Total Equity	16,528
EBITDA	1,735
Net Profit	1,180

Financial Ratios	
Dividend Yield (12M)	4.17
Dividend Pay-out (%)	19.33
Price-Earnings Ratio(x)	5.70
Price-to-Book Ratio (x)	1.34
Book Value (AED)	17.85
Return-on Equity (%)	25.87

Stock Performance	
5 Days	9.70%
1 Months	6.77%
3 Months	25.55%
6 Months	10.10%
1 Year	-3.07%
Month to Date (MTD%)	4.90%
Quarter to Date (QTD%)	9.00%
Year to Date (YTD%)	18.13%

2Q26 Net Profit is higher than our estimate

NMDC Group (NMDC/The Group) reported a 33.3% YOY increase in net profit attributable to shareholders of AED 1.2 Bn in 2Q26, higher than our estimate of AED 719 Mn. The increase in net 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 lower NCI, partially offset by higher direct costs, G&A expenses, D&A expenses, income tax expense, and a lower income contribution from equity-accounted investees.

P&L Highlights

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%. Revenue from the Dredging & Marine (D&M) segment grew 9.2% YOY to AED 3.0 Bn, while revenue from the Energy segment increased 2.0% YOY to AED 4.5 Bn in 2Q26. The Company's backlog stood at AED 56.1 Bn as of 2Q26, providing strong long-term revenue visibility. NMDC's direct costs rose 1.5% YOY to AED 6.0 Bn in 2Q26. Consequently, gross profit increased 20.8% YOY to AED 1.5 Bn in 2Q26, with gross margin expanding by 258 bps YOY to 19.4% in 2Q26. The share of net results of equity-accounted investees decreased from AED 20 Mn in 2Q25 to AED 9 Mn in 2Q26, while G&A expenses rose 42.9% YOY to AED 118 Mn in 2Q26. Amortization of intangibles and depreciation of investment property expenses rose from nil in 2Q25 to AED 24 Mn in 2Q26 owing to acquisition of EMDAD LLC. Foreign exchange losses declined from AED 33 Mn in 2Q25 to AED 4 Mn in 2Q26. The Company reported a fair value gain of AED 99 Mn on financial assets at FVTPL in 2Q26, compared with a fair value loss of AED 22 Mn in 2Q25. Other income increased from AED 3 Mn in 2Q25 to AED 19 Mn in 2Q26. NMDC Group's EBITDA increased 27.5% YOY to AED 1.7 Bn in 2Q26, with the EBITDA margin expanding by 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. NMDC Group's operating profit grew 18.3% YOY to AED 1.3 Bn in 2Q26, with the operating margin increasing by 204 bps YOY to 17.8% in 2Q26. The Company's finance income declined 11.4% YOY to AED 33 Mn in 2Q26, while finance costs decreased 38.8% YOY to AED 14 Mn in 2Q26. Additionally, income tax expenses increased from AED 134 Mn in 2Q25 to AED 236 Mn in 2Q26, primarily due to a shift in the revenue mix toward higher-tax international jurisdictions. Profit attributable to NCI decreased from AED 86 Mn in 2Q25 to AED 39 Mn in 2Q26.

Balance Sheet Highlights

NMDC Group's 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. Cash flow from operations declined to AED 172 Mn in 2Q26 from AED 334 Mn in 2Q25 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 305 Mn in 2Q26, compared with positive AED 139 Mn in 2Q25 owing to higher capex in 2Q26. Capex stood at AED 477 Mn in 2Q26, compared with AED 195 Mn in 2Q25, 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. Moreover, NMDC Group's debt, including long-term lease liabilities, decreased to AED 1.2 Bn in 2Q26 from AED 1.3 Bn in 1Q26.

Target Price and Rating

We maintain our BUY rating on NMDC Group with a target price of AED 34.00. NMDC Group demonstrated strong growth momentum in 2Q26, delivering higher revenues, margin expansion, and improved profitability on both a YOY and QOQ basis. The performance was driven by operational resilience, execution efficiencies, disciplined cost management, and high-margin project delivery. This reflects the Group's ability to execute complex regional infrastructure projects at scale through the efficient deployment of its specialized engineering and marine assets. The Group's order backlog increased to AED 56.1 Bn as of 2Q26, supported by AED 7.8 Bn of project awards secured during 1H26, providing strong long-term revenue visibility. Management expressed confidence in replenishing backlog to support revenues beyond 2028, supported by a stated AED 76 Bn project pipeline, ongoing regional infrastructure requirements, and expected opportunities following the UAE's exit from OPEC. During 1H26, NMDC Infra secured over AED 2 Bn of project awards, representing 6% of the Group's backlog, with management identifying the business as an increasingly important growth engine. Management also indicated that international markets will remain a key growth focus, with NMDC Infra actively bidding for multiple projects across Africa and expecting a higher international contribution over the coming year. The group also stated that the current geopolitical environment affected operations through supply chain disruptions, higher fuel and material costs, increased insurance expenses, restricted vessel mobility, and project execution delays. These impacts were prudently incorporated into 1H26 cost estimates under the percentage-of-completion methodology, particularly within the Energy business. The Group is currently evaluating potential customer claims relating to project delays and cost escalations, while revenue recognition has remained based on contractual arrangements and conservative preliminary estimates. During the quarter, NMDC Infra secured an AED 288 Mn contract from TAQA Water Solutions to construct a 1 Mn cubic metre emergency lagoon in Abu Dhabi and, together with Lantania, signed an AED 1.046 Bn EPC contract with EtihadWE to develop a 60 MIGD seawater reverse osmosis desalination plant in Fujairah. In addition, NMDC Dredging & Marine inaugurated the NMDC Coastal & Hydrodynamic Center, the first commercial hydraulic physical modelling facility in the Middle East and West Asia, enhancing local marine infrastructure testing capabilities and strengthening the UAE's engineering ecosystem. The Group also confirmed that its 2026 dividends will not be impacted by the current geopolitical situation given its strong cash position, and stated that a Group dividend policy will be announced in 4Q26. Thus, considering the above factors, we assign a BUY rating on the stock.

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NMDC Group - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE	14.47	8.76	6.43	5.32	6.37
PB	2.88	2.19	1.51	1.22	1.06
EV/EBITDA	12.02	6.41	3.90	2.99	3.63
BVPS (AED)	7.928	10.429	15.155	18.808	21.470
EPS (AED)	1.580	2.610	3.554	4.294	3.591
DPS (AED)	-	0.750	0.841	1.000	1.000
Dividend yield	-	3.1%	3.5%	4.2%	4.2%

FABS Estimates & Co Data

NMDC Group – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY	QOQ	2025	2026F	Change
Contract revenue	7,149	6,645	7,488	7,250	3.3%	4.7%	12.7%	28,811	30,266	5.0%
Direct costs	-5,943	-6,099	-6,032	-6,307	-4.4%	1.5%	-1.1%	-24,023	-26,180	9.0%
Gross profit	**1,206**	**546**	**1,456**	**942**	**54.5%**	**20.8%**	**NM**	**4,788**	**4,086**	**-14.7%**
Share of net results of equity account investees	20	29	9	15	-39.0%	-53.1%	-68.4%	68	75	10.3%
G&A Expenses	-83	-80	-118	-167	-29.3%	42.9%	46.9%	-398	-448	12.6%
D&A Expenses	0	0	-24	0	NM	NM	NM	0	-72	NM
Foreign exchange loss/Gain	-33	-7	-4	0	NM	-86.5%	-33.6%	-65	-11	-82.6%
Fair value gain/(loss) on financial assets at FVTPL	-22	-83	99	0	NM	NM	NM	62	16	NM
Other income, net	3	3	19	24	-23.8%	NM	NM	67	67	0.3%
EBIT	**1,127**	**469**	**1,333**	**800**	**66.6%**	**18.3%**	**NM**	**4,457**	**3,705**	**-16.9%**
EBITDA	**1,361**	**684**	**1,735**	**1,073**	**61.6%**	**27.5%**	**NM**	**5,605**	**4,801**	**-14.3%**
Finance income	37	25	33	47	-29.0%	-11.4%	32.3%	151	128	-15.4%
Finance costs	-24	-29	-14	-14	4.3%	-38.8%	-50.2%	-101	-75	-26.0%
PBT from continuing operations	**1,105**	**404**	**1,455**	**848**	**71.6%**	**31.7%**	**NM**	**4,573**	**3,838**	**-16.1%**
Income tax expense	-134	-17	-236	-114	NM	76.2%	NM	-571	-490	-14.3%
Profit for the year	**971**	**387**	**1,219**	**733**	**66.2%**	**25.6%**	**NM**	**4,002**	**3,348**	**-16.3%**
NCI	86	22	39	15	NM	-54.4%	74%	376	244	-35.2%
Net Profit after NCI	**885**	**365**	**1,180**	**719**	**64.2%**	**33.3%**	**NM**	**3,626**	**3,105**	**-14.4%**

FABS estimate & Co Data

NMDC Group - Margins

	2Q25	1Q26	2Q26	YOY	QOQ	2025	2026F	Change
Gross Profit	16.9%	8.2%	19.4%	258	1123	16.6%	13.5%	-312
EBITDA	19.0%	10.3%	23.2%	413	1288	19.5%	15.9%	-359
Operating Profit	15.8%	7.1%	17.8%	204	1074	15.5%	12.2%	-323
Net Profit	12.4%	5.5%	15.8%	338	1027	12.6%	10.3%	-233

FABS estimate & Co Data

Key Developments:

- **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	36.27	70.0%	25.39
DDM	18.40	15.0%	2.76
EV/EBITDA	39.03	15.0%	5.85
Weighted Average Valuation (AED)			**34.00**
Current market price (AED)			23.98
Upside/Downside (%)			+41.8%

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 10.0%. Cost of equity is calculated by using the 10-year government bond yield of 5.2%, the beta of 1.00 and the equity risk premium of 4.8%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, we assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	7,096
Terminal value (AED, Mn)	23,529
Equity Value to Share Holders (AED Mn)	**30,625**
No. of share (Mn)	844
Current Market Price (AED)	23.98
Fair Value per share (AED)	**36.27**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Profit Attributable to Equity Shareholders	3,033	3,413	4,040	4,686	5,456
(+/-) Depreciation & amortization	1,096	1,144	1,175	1,207	1,292
(+/-) CAPEX	-1,665	-1,700	-1,623	-1,636	-1,666
(+/-) Working Capital	-2,027	-1,244	-1,611	-1,403	-2,275
Free Cash Flow to Firm (FCFE)	**437**	**1,612**	**1,980**	**2,854**	**2,807**
Discounting Factor	*0.96*	*0.87*	*0.79*	*0.72*	*0.66*
Discounted FCFE	**210**[1]	**1,409**	**1,573**	**2,061**	**1,843**

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 6.9x for Dredging & Marine and EV/EBITDA multiple of 4.6x for Energy.

Company	Market Cap	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Dredging & Marine					
Deme Group	4,715	4.9	4.8	12.0	11.2
Vinci SA	71,124	6.4	6.1	13.1	11.9
Penta-Ocean Construction Co., Ltd	2,422	13.1	7.8	15.2	10.9
Orion Group	368	9.7	7.9	38.1	24.4
Average		**8.5x**	**6.7x**	**19.6x**	**14.6x**
Median		**8.0x**	**6.9x**	**14.2x**	**11.6x**
Max		**10.6x**	**7.8x**	**20.9x**	**15.0x**
Min		**6.0x**	**5.8x**	**12.8x**	**11.1x**

Source: FAB Securities

Company	Market Cap	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Energy					
TECNICAS REUNIDAS SA	2,436	4.7	4.1	10.6	8.7
MAIRE SPA	4,768	7.3	6.6	14.2	12.7
FLUOR CORP	6,541	7.7	6.8	18.2	14.3
TECHNIP ENERGIES NV	6,379	4.4	3.4	13.5	10.0
JGC HOLDINGS CORP	3,288	6.1	3.5	18.6	12.4
Offshore Oil Engineering Co Ltd	3,624	2.2	1.9	11.2	9.6
SUBSEA 7 SA	9,343	5.2	5.1	13.8	12.9
TECHNIPFMC PLC	28,599	13.5	12.1	24.0	20.3
Average		**6.4x**	**5.4x**	**15.5x**	**12.6x**
Median		**5.7x**	**4.6x**	**14.0x**	**12.6x**
Max		**7.4x**	**6.6x**	**18.3x**	**13.3x**
Min		**4.6x**	**3.5x**	**12.9x**	**9.9x**

Source: FAB Securities

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3) DDM Method:

The Group approved a recommendation to pay AED 844 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)	4,101
Terminal value (AED, Mn)	11,434
FV to Common shareholders (AED, Mn)	**15,535**
No. of share (Mn)	844
Current Market Price (AED)	23.98
Fair Value per share (AED)	**18.40**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
Dividend	844	853	1,010	1,172	1,364
Total Dividend	**844**	**853**	**1,010**	**1,172**	**1,364**
Discounting Factor	0.96	0.87	0.79	0.72	0.66
Present Value of Dividend	**811**	**746**	**802**	**846**	**896**

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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