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NMDC Group 1Q25 Results Call

Thursday, 01 May 2025

Ahmed Hazem Hello. Good morning and good afternoon, ladies and gentlemen. This is Ahmed Hazem speaking from EFG Hermes Research. I'd like to welcome you all today to NMDC Groups First Quarter 2025 Results Call. We have with us on the line the entire group's management team, represented by Mr. Yasser Zaghloul, Group CEO; Sreemont Barua, Group CFO; Amjad Abdul Shakoor, Group Chief of Shared Services; Hanzada Nessim, Group Head of IR and Financial Communication; and Ms. Shaima Ali, Investor Relations Manager.

Without further delay, I'd like to hand over the call to Hanzada to begin the call. Please go ahead.

Hanzada Nessim Thank you, Ahmed. Good day, ladies and gentlemen. I will start today's call with the Safe Harbor statement. Then I will turn over the call to our Group CEO, who will give us an overview of the results and then we'll turn over the call to our Group CFO to give us more detailed financial review of our first quarter numbers.

In our discussions today, we may include prediction estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. The company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

I will now turn over the call to Engineer Yasser.

Yasser Zaghloul Good afternoon, everyone. Welcome to NMDC Group First Quarter 2025 Results Call. We are going today to explore together the first quarter performance and financial results for the group. We are so proud to continue our growth journey by a strong result of Q1. We have growth of revenue 16%. We achieved 6.2 billion dirham in the first quarter revenue and net profit growth 22% compared with last year first quarter for 784 million profit.

Our backlog keeps growing, which is the main factor for our growth strategy. So today, as we're end of Q1, which are 75.4 billion backlog and first quarter we have more than 14.8 billion. We continue to have a strong cash position and liquid balance sheet and in same time, we have always a strategy for bill curve filling for the backlog. And now we are busy with pipeline jobs, almost 75 billion dirham.

As per our strategy, we discussed it before that we keep growing. One key factor to keep growing to strength our resources and the position, we grow wide and same time would like to grow deep by strengthening our resources. That's why we are pleased to announce our partnership by creating a new company jointly with CCC. It's a global player related business as well in oil and gas onshore as well as marine and several contracting that will enhance our resources position. That will mitigate the risk of supply chain. That, as well, will add significant resources to make sure that we are delivering our backlog in successful ways.

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So it looks always, Hamdallah, very promising, and we'll keep growing by more diversification, vertical and horizontal, geographical and local market. We need to really make sure that we are in a very good position in our home market and to continue our growing strategy.

Sreemont Barua

Thank you, Yasser and thank you all for joining the call today. Engineer Yasser has already touched upon the key points, but I will dive a little bit more detail into the performance for the quarter.

Our revenues increased to 6.2 billion in this quarter, up about 16% year-on-year. Last year, at the same time, we had reported about 5.3 billion. And in Q1 '25, as you can see in this chart, 60% of our revenues were contributed by energy BU [sic 4:52], whereas in previous quarter, it was 40% from energy.

In terms of net profit, we achieved a 22% dirham increase at 784 million Q1 net profit, up from 641 million in Q1 '24. It was driven by strong operational performance and strategic expansion into new projects, both locally and internationally.

In terms of performance, operational performance, we earned a net profit margin of 12.6%, which is up from 12% a year ago, which is quite impressive, particularly considering the current market conditions.

In terms of key projects, there have been not many significant changes compared to what we were doing in December. We continued to make progress on our projects, with real estate sector, with Modon and in the energy and oil and gas sector, with ADNOC and Aramco. Our EBITDA came in at about 1 billion, 1.096 billion, showing again a 24% growth from the previous quarter.

So touching briefly on the cost and margin side of our performance, on a group wide basis, we continued to achieve efficiencies in the delivery of our projects with G&A expenses as a percentage of revenue decreasing from 1.53% to 1.09%. Due to this, our operating margins also improved by about 0.7% and net profit margins, as I mentioned earlier, improved by about 0.6% from 12.6%. We incurred tax expenses of about 116 million in the current year, current quarter, which is an effective tax rate of about 12.9%. Earnings per share rose by about 12% from 0.78 to 0.87 in Q1 '25.

In terms of our backlog, we closed the quarter with the current secured backlog of 75.4 billion. About 30% to 40% of this is expected to be consumed in the remaining 9 months of 2025 and the rest will unwind in a phased manner over the next few years, all the way to 2030. This 75 billion represents almost 3x our revenue for 2024, which is quite a good backlog position. As Engineer Yasser mentioned, we are currently working on a significant value of tender in the pipeline and we expect many of these to convert to wins, so that our backlog position in the future years also will improve as we go forward.

Moving now to some of the balance sheet items, again, not too much change in the last three months compared to the year-end other than what you may expect from the operational

results that we have just discussed. Total assets at Q1 '25 stands at 32.7 million as marginally reduced by over 2024 year-end balances, mainly due to reduction in receivables rising from good collections and the payment of dividends during the quarter.

Total equity also remained flat at 12.6 billion, with the profits for the quarter largely being offset by the dividends paid during the quarter. Cash [indiscernible 8:13] also decreasing, again marginally due to payment of dividends and other operating expenses. So, the good collections were somewhat offset by these payments.

In terms of free cash flow, we generated free cash flows of 777 million. It improves significantly, as you can see from the previous quarter, mainly due to improved cash from operations of 1.2 billion and offset by capex of about 500 million, which were mainly in the investments in capital work in progress for construction of certain vessels. Our net working capital also decreased in Q1 '25 primary due to decrease in receivables balance driven by collections offset by a reduction in contract liabilities due to work in the current period.

These are the main movements in the balance sheet side. I think that's it from the financial analysis side.

Hanzada Nessim

Thank you, Sreemont. Ahmed, can you please open the floor for Q&A?

Ahmed Hazem

Absolutely. So, just opening up the floor to Q&A for everyone, you can use the raise hand function and we can unmute your mic to ask your questions directly or you can send your questions in the Q&A box right away. We'll just give it a moment for everyone to start asking the questions.

Maybe I can get started and ask a question until people start asking their questions. I have a question related to NMDC Energy. We've seen a relatively slow start to the year. So are these projects that are already contracted in the backlog expected to ramp up throughout the year for NMDC Energy?

I have a second question related to the dredging part of the business. We've seen that margins have been very, very strong this quarter for the dredging part. Are these margins sustainable or should we expect some normalization in the dredging margins going forward?

Yasser Zaghloul

Ahmed, this is a really good question. Our nature of business, Ahmed, that we are a marine company. Our majority of revenue from marine. Normally, in Q1, you will find us facing the weather and the marine restrictions and all of this kind of things. Depends on the area we are working. If you look at our history, you will find always the Q1 is the lowest one during the year, but after that, you see the ramp up and our target by end of the year is well achieved.

So for energy wise, it's related to project life cycle because when the project starts, you find a lot of preparation, a lot of project setup. So, you will find the quarter result well related to the project life cycle, as you will find some project five years' time duration— four, three. It

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depends on all of that. But the main thing is you will find quarter to quarter, you will find the growth and at the end of the year, you will find the target achieved, Inshallah.

Ahmed Hazem Inshallah. Thank you, Engineer Yasser. Very clear answers.

Again, as a reminder for everyone, you can send your questions in the Q&A box and we can ask them for you or you can raise your hands to ask your questions directly.

We have our first question coming from Daniel. Daniel, please unmute locally and ask your questions.

Daniel Can you hear me?

Ahmed Hazem Yes, your line is open. You're audible. Please go ahead.

Daniel Perfect, perfect, perfect. Thank you so much for this presentation. I have a question. So we see that the company's cash flow generation is very strong these days. Is there any— and we also saw that the company, the management, did announce a very healthy dividend last year. So are there any [indiscernible 12:39] consistent policy for dividend that you think or is there going to be some payout ratio that you try to maintain going forward as well?

Yasser Zaghloul Yeah, our dividend policy, Daniel— thanks for the question. It's important, of course, for the investors. In the board, we discussed before, and we definitely will have year by year growth in the dividends as well. Our strategy, as you know, we establish new companies and whenever it's matured, it goes to IPO. So whenever we have IPO, you will find the interim dividend, but if we don't have IPO, we will have growth all the time. You can see last year and this year, it's about 11% [indiscernible 13:24] growth on the dividend. As far as we have growth in the profit, on the net profit, we will maintain the growth in the dividends as well.

Ahmed Hazem Again, as a reminder for everyone, you can use the raise hand function or send your questions in the Q&A box. We have a question coming from Eldar Hazaf [ph 13:54]. Eldar, please unmute locally and ask your questions.

Eldar Hazaf Just a quick question. Could you maybe comment on the geographical distribution of the new tenders you planning to participate and how the pipeline looks like from geography perspective?

Yasser Zaghloul Okay, as we are working now, as you know, our home market now is the GCC and North Africa and the India as well. But now we are participating in tenders. We are working Taiwan, and there is another tender in Taiwan. We have about few tenders as well in Africa, in different geographical area and in GCC. So at the moment, the current tenders now, we are active in Far East, which is Taiwan, Philippine, Malaysia as well, as well as India, GCC area, Egypt, of course, and Africa, a few countries as well. We are active there on different tenders.

Eldar Hazaf Interesting. Thank you.

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- Ahmed Hazem I see that Daniel still has his hand raised and Eldar as well. You have your hand raised as well. So Daniel, do you have a follow up question?
- So Daniel just lowered his hand.
- So we have a question in the Q&A box coming from Anuj. Are there any businesses within the umbrella, just like NMDC Energy, that could be listed in the next 12 to 24 months? If yes, which ones?
- Yasser Zaghloul We are establishing now new two companies, which is NMC Infrastructure, which this will be the main shareholder on the company, jointly with CCC and another interesting company as well, NMDC LTS Logistic and Technical Services. We are actively now looking for— and we are in advance discussion for more acquisition under these two verticals. Once we have enough maturity for these new branches or verticals, we'll be ready to go [indiscernible 16:13] market, we will straight away go to the market. But time wise, of course, it's difficult to define it now, but what I can confirm this is our intention.
- Ahmed Hazem Thank you, Engineer Yasser. Anuj just sent his regards as well.
- We don't really have any questions, so we'll give it one last moment for people to raise their hands or send their questions.
- We have a question coming from Najmul Hazzem [ph 16:47]. Najmul, please ensure that you are muted locally and ask your questions.
- Najmul Hazzem Just a quick question about the backlog. Can you provide some color around the backlog concentration in terms of clients, any color around that?
- Yasser Zaghloul Any color around the backlog competition, you are asking that question, Najmul?
- [Off mic talking]
- Yasser Zaghloul Clients. NOCs, basically. Clients, our clients, by name, I believe it's not appropriate to mention, but normally NOCs (National Oil Companies), developer, trading this our sector. So our sector is mainly energy, tourism, trade, development, real estate, creating new islands. Those are our sectors— all those, all the time. So you know very well who are the clients behind all of these sectors on the region and on our home market, and those are our clients.
- Ahmed Hazem We don't have any final questions or hands raised, so with that, Engineer Yasser, back to you for any closing remarks.
- Hanzada Nessim Thank you, Ahmed and thank you everyone for joining today's call. We don't have any closing remarks. I'll hand it over to you to close the call.

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US: +1 800 893 0568
Asia-Pacific: 852 2877 1422
Europe: +44 (0) 800-014-8131
www.netroadshow.com

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Ahmed Hazem	Thank you very much. I'd like to thank the entire NMDC Group management team for making time to give us this presentation. I'd like to thank everyone on the call for participating. Thank you very much. You may now disconnect.
Yasser Zaghloul	Thank you.
Sreemont Barua	Thank you.