

# NMDC Group 2Q25 results call hosted by International Securities

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## **Afaq Nathani, International Securities**

Hello everyone. Welcome to NMDC Group 2Q25 and 1H25 results conference call hosted by International Securities. My name is Afaq Nathani, Senior Research Analyst at International Securities and today I have the pleasure of introducing, The CEO of NMDC Group, Engineer Yasser Zaghloul, the Group CFO, Mr. Sreemont Barua, the Chief Officer of Shared Services, Mr. Amjad Abdul Shakur, the Senior Director of Investor Relations and Financial Communication, Hanzada Nessim and Investor Relations Manager, Shaima Ali. NMDC Team, I thank you all for joining the call today. Following a presentation of NMDC Group's financial performance by their team, the floor will then be open to a Q&A session.

In order to ask a question, please tap the Raise Hand button. Once it is your turn, your name will be announced and your mic will be enabled. You will then be able to unmute locally and speak directly with the company's management. I now give the floor to NMDC Group's Head of Investor Relations and Financial Communication. Hanzada, please go ahead.

## **Hanzada Nessim, NMDC Group**

Thank you, Afaq. Good day, ladies and gentlemen and welcome to 2Q2025 results conference call. I will start today with a short statement, a forward-looking statement and then we'll hand it over to our group CEO. In our discussion today, we may include prediction estimates or other financial 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 our group CEO, Engineer Yasir.

**Engineer Yasser, NMDC Group**

Thank you, Hanzada. Good afternoon, everyone. I would like to begin by welcoming everyone here on today's call. Today, the company reported its second quarter and first half results for the year, reporting a strong set of results. With revenues reaching AED13bn and net profit after tax increasing 20% years to years to AED1.8bn and with profit margins reaching 13% and first half of 2025.

The company is clear that it's continue to enjoy a strong liquid balance sheet with a net cash position of AED3.7bn, posted by our strong collections from our clients which reached AED13.3bn.

Our projects wins reaches AED15.1bn in first half with a backlog of more than AED66bn and we are actively tendering now working on tenders for total amount around AED100bn. The result of first half of 2025 is a testament of our resilience business model and reflects the flexibility and our operation efficiency. The company's strategy remains intact. We remain committed to our home markets and continue to expand, to expand horizontal and vertical and new markets, horizontally and vertically and different verticals and activities.

We have an optimistic expansion plan into new markets as we continue to build on our verticals we have created through M&A and growing our existing businesses.

Thank you.

**Hanzada Nessim, NMDC Group**

Thank you, Engineer Yasser. And now we will hand over the call to our Group CFO for further financial review.

**Sreemont Barua, NMDC Group**

Thank you, Hanzada, and thank you, Engineer Yasser for the introduction and the NMDC Group and our key achievements in 1H2025. Now diving into some specifics of our financial performance for the financial period ended 30th June 2025. As already mentioned, NMDC Group's revenues reached AED13.4bn in H12025, marking a 10% year-on-year increase, up from AED12.1bn H124. We also achieved a 20% increase in net profit, which increased to AED1.8bn in H125 from AED1.5bn in H124. This was driven by strong operational performance and strategic expansion into new projects in both local and International markets. As disclosed in our MD&A, the major portion of our increase of in our revenues came from the NMDC Energy entity, while larger portion of net profits came from the D&M business unit. The key

projects that drove revenue and net profit comprise our projects in the real estate sector with Modon in the D&M view. And in the energy and oil and gas - sector with ADNOC and Aramco. Additionally, our results in this half year included revenue net profit from our Taiwan project that we announced at the beginning of the year, marking a significant operational milestone and demonstrating a successful market entry into this strategic geography. EBITDA at AED2.5bn showed a 25% increase from half year 24, reflecting improved operational efficiencies and project execution. Touching briefly on the cost and margin side of our performance, we were able to achieve efficiencies in the delivery of our projects supported by cost optimizations due to which our 1H25 operating margins improved by almost about 1.9%, from 13.1% to 15%. G&A expenses as a percentage of revenue also decreased from 1.17% to 1.13%. All these factors combined to contribute an enhancement of net profit margin from 12.1% to 13.1%. As a result, earnings per share also rose by about 8.2% to AED1.92 in 1H25 versus 1.77 in 1H24. Just touching briefly on the performance for the 2Q25 as compared to the 1Q25, the group achieved a 15% growth with revenues at about AED7.1bn in Q225, up from AED6.2bn in Q1. We reported 2Q25 net profit of AED971mn, reflecting a 24% increase compared to the Q125.

Turning to the balance sheet briefly, again in terms of our balance sheet, the total assets increased by about 11% from AED33.2bn at year end 2024 to AED36.7bn at 30th June 2025, driven largely by increased receivables balances arising from increased revenue.

Total equity also increased by about 8% from AED12.6bn at the year end 2024 to AED13.6bn at 30th June 2025. This was driven by the addition of a net profit for the period offset by dividends paid during the period. In other significant developments, we completed the acquisition of a 70% stake in Emdaad LLC on 1st June 2025 for an acquisition price of AED300mn million, AED298mn. In terms of free cash flows, we generated positive free cash flows of about AED916mn during H125 as compared to negative of AED1.7bn in H124. This was largely attributed to significant collections of about AED13.3bn during 1H25 and higher cash generated from operations before working capital changes. Net Working capital stood at AED1.3bn as of 30th June 2025, influenced by increases in receivables and advances to suppliers, partially offset by increase in client advances received and other payables. In terms of backlog, we ended 1H25 with a secured backlog of AED66.2bn with AED16.2bn to be in 1H25 and the remainder through 2030. Despite consuming AED13bn in 1H25, we secured AED15.1bn in new demonstrating sustained growth momentum and maintaining our

back backlog. We are also working currently on almost AED100bn of tenders in the pipeline which we expect will convert into a good portion of these will convert into awards which will keep adding to our backlog as we go forward.

In summary, NMDC Group has delivered another strong financial performance in H1 2025, supported by revenue growth, margin expansion and disciplined cash flow management. With a solid backlog and strategic project wins, we remain well positioned for continued success in the coming periods. Thank you.

**Hanzada Nessim, NMDC Group**

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

**Afaq Nathani, International Securities**

Sure. Thank you, NMDC's team. Participants, we will now open the floor to questions. As a reminder, please tap the raise hand button to ask a question. Once it is your turn, your mic will be enabled and your name will be announced. You will then be able to unmute locally and ask a question. We have received some questions via e-mail, but we will give a moment here for any questions online to come in.

OK. While we wait, we can start with the questions we've received beforehand. The first one reads, the 2Q25 results had Forex losses of AED33mn. Could you elaborate where these are coming from as our understanding is that the major business is in Saudi and UAE where the currency is stable?

**Sreemont Barua, NMDC Group**

It is true that a significant portion of our business operates in stable currency environments such as Saudi Arabia and the UAE, but we do have forex losses incurred in the first half of 2025, primarily due to payments made in Euros to suppliers for ongoing dredging and marine construction projects. So with the increase in our D&M project operations, we have been paying an average of about EUR20mn every month to Europe, European dredging companies in Europe. And as you may be aware, the euro appreciated significantly against the dirham during the during this period leading to forex losses when converting local currency to make payments to euro denominated obligations. In addition to that, there is a small element of foreign currency translation related to our intercompany balances and other receivables relating to our Egyptian operations where you know that the

Egyptian currency has devaluated a little bit over the period. So these are the main drivers for Forex losses.

**Afaq Nathani, International Securities**

Thank you. Thank you, Sreemont. We'll take another question we've received via e-mail. So this one reads, most of the projects awarded during first half 25 appear to be for the energy business. Is it fair to assume that the dredging side is slowing down? When can we expect pickup of the dredging business and are there any upcoming projects in 2025?

**Engineer Yasser, NMDC Group**

Yeah, actually dredging business is not going down, but it's a project cycle for energy. Normally the project cycle is much longer and as well now we are actively tendering in many jobs for dredging and we expect before end of Q3, we expect significant as well award of dredging and marine projects.

**Afaq Nathani, International Securities**

Thank you. Thank you, Engineer Yasser. Participants, just a reminder, if you would like to ask a question, please tap the raise hand button and we'll come back to you. Meanwhile, the other question we received is the segmental revenue for the dredging business has declined year on year. What is the reason for this and could we expect the trend to change going forward?

**Engineer Yasser, NMDC Group**

Yeah. But again, this is related to the project cycle and this is a beauty of diversification by the way, you can find some revenue going down in one vertical, but profit is going up in the other vertical and so on. And this is a beauty of diversification by adding as well NMDC Infra and NMDC logistics. You will find a lot of mitigation to keep our trend going up.

**Afaq Nathani, International Securities**

Very clear, very clear. Another one on similar lines for the dredging side. This one is this one says. Are there any plans for listing the dredging business separately and converting the current NMDC stock as a holding company?

**Engineer Yasser, NMDC Group**

This is a good idea. However, we are focusing of course now our priorities now to focus on established companies like NMDC Infra and the NMDCLTS. NMDC Infra I believe will be even quicker because already we start to build up the backlog for the company and the end of this year you will find a good result for that. So we are focusing now on the current verticals, but for your question, why not we will study this idea.

**Afaq Nathani, International Securities**

Fair enough, Fair enough. Participants, just a reminder again, in case if there are any questions online, you can click the raise hand button now and we'll come back to you. OK. We can take the other question we received. This is on your dividend policy. What are the company's plans regarding issuing an official dividend policy? Is this something in the works and will be communicated to the market?

**Engineer Yasser, NMDC Group**

This is our plan, yes to by end of Q3. So during Q4 we are going to propose for the board as well dividend policy, but definitely the dividend will grow to match the growth of our profits.

**Afaq Nathani, International Securities**

Very clear, very clear. The other question we have again is on the revenues. It says looking at the backlog unwinding schedule, we can see the 2025 revenues around AED30bn while the backlog suggests 2026 revenues of AED28bn. Should we assume revenues should decline in 2026 or new projects would cover up for the difference?

**Amjad Abdul Shakoor, NMDC Group**

Yeah, good afternoon. This particular aspect of the backlog unwinding is only considering the projects which we have secured already. We have still another two quarters to go this year and those projects which will be awarded during this year and which we are expecting also will really pick up the backlog from 2027 up to let's say 2030, which is what we have as prospects. We have a total of AED100bn of tenders in pipeline and therefore we are confident that at least AED10bn will be

added up for 2026 revenues. So what you see as AED28bn is only considering what we have in hand.

**Afaq Nathani, International Securities**

Understood. Very clear. We have one last question from that we've received beforehand. So we'll go to this one. What is the plan for M&A spend going forward? Are there any major transactions being looked at and which geography is the focus for the business?

**Engineer Yasser, NMDC Group**

For M&A, we follow the active markets because M&A for us it's safe entrance for new market. So we have two drivers for M&A, one to create new activities or mitigate the supply chain, but the other one to as well to be safe entrance for the active markets around us or in the globe. That's why we have many targets now under study and hopefully inshallah during 2025 we will announce something coming as well.

**Afaq Nathani, International Securities**

Thank you, Engineer Yasser. Participants, a final reminder, if there are any questions, you can tap the raise hand button now and speak directly to the company's management. We'll wait for a few seconds here just to see if there are any questions online.

NMDC team, we have no further questions at this point. Thank you for taking us through the second quarter and first half results and for taking the questions. I also would like to thank all the participants for joining the call today. A recording will be available and in case you need access, you can get in touch with International Securities or NMDC.

Have a nice day everyone. You may not disconnect.

**NMDC Team**

Thank you. Thank you, everybody.

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