

Mekdam Holding Group (MKDM)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.880	Target Price	QR3.400
Implied Upside	18.1%		

2Q2025 Earnings Miss Despite Revenue Beat As Margins Contract; Maintain Accumulate

Mekdam's (MKDM) 2Q2025 bottom-line of QR7.5mn (+7.5% YoY/-34.4% QoQ) missed our estimate of QR9.9mn (variation of -24.9%). Revenue came in at QR157.5mn (+10.4% YoY/+12.6% QoQ), exceeding our estimated revenue of QR138.2mn (variation of +14.0%), steered by all revenue constituents with other services revenue carrying the bulk of the growth. Sequentially, other services revenue dipped the most (-23.6%) while technology services shot up to QR77.8mn (+29.6%). Cost of operations weighed on the top-line as cost of material and subcontractors jumped to QR89.4mn, registering a 94.0% YoY hike (+114.8% QoQ). With more costly operations, margins were placed under pressure leading to a GPM of 14.8% and an NPM of 4.7%. Furthermore, finance costs of QR761.5mn took a bite out of the bottom-line. However, given lower G&A expenses (-17.5%) and higher revenue, the company was able to achieve bottom-line growth on a YoY basis. EPS reported was QR0.047 in 2Q2025 compared to QR0.043 in 2Q2024. During the first half of 2025, MKDM signed new contracts totaling to QR456mn, with the value of work remaining under these contracts estimated at QR1.7bn. Mekdam reached a milestone in July when it registered its patent for the Centralized Alarm Monitoring System (CAMS) in the United States. Furthermore, the company is continuously signing new contracts in support of its growing reach while sustaining a 90% customer retention rate. **We maintain our rating of Accumulate and a price target of QR3.400.**

Highlights

- Earnings rose 7.5% YoY in 2Q2025 aided mainly by the 10.4% growth in revenue and growth in all constituents of revenue.** Revenue from other services expanded the most with an 87.9% increase to QR11.7mn from QR6.2mn, while technology services revenue followed with a 5.9% rise to QR77.8mn from QR73.5mn. Cost of operations deepened to QR134.3mn (+13.4% YoY), leading to a dip in gross profit of 4.3% to QR23.3mn; resulting in a compressed gross margin of 14.8%. G&A expenses shrunk 17.5% as other expenses came in 68.3% lower in 2Q2025 vs. 2Q2024.
- Contract assets ballooned swelling operating cash outflows.** A substantial build up in work recognized but not yet billed of QR30.4mn has put a strain on operating cash flows, resulting in an OCF outflow of QR14.7mn. The company recorded QR8.8mn in new debt to help keep its projects in motion. However, this movement in cash flows is natural given MKDM's focus on growth initiatives.
- Mekdam has a current pipeline value for evaluation of QR2.7bn with QR1.4bn accounted for by Mekdam Steel & Others and a 20-30% expected win rate.** The company has locked in strong ties with governmental, semi-governmental and top-tier companies with the majority of Mekdam Steel & Others contracts inked with the government. It has, over the years, built solid partnerships with leading global brands, which has resulted in a high customer retention rate of around 90%.

Catalysts

- Catalysts:** (1) Private and public sectors' rapid movement towards digital transformation (2) LNG expansion and other Q-companies' maintenance requirements (3) Announcement of new contracts (from submitted bids) (4) Margin expansion (5) Global companies selecting MKDM as a local partner (6) Regulations providing for Mandatory CAMS adoption from all private sectors and institutions (7) Entry into new business lines (8) AI opportunities gathering pace (9) Government spending.

Recommendation, Valuation and Risks

- Recommendation and Valuation:** **We maintain our Accumulate rating and a 12-month TP of QR3.400 implying a 18.1% upside.** Our TP is based on the DCF valuation model. Our primary thesis is that MKDM has a substantial runway of projects with a backlog of QR2.6bn (QR1.7bn yet to be completed) and even more in submitted bids, coupled with a high contract win/retention ratio, which provide a strong platform for revenue/earnings growth. Mekdam has a strong client base of mainly government, semi-government and top-tier companies, among others, with a high customer retention rate of around 90%.
- Risks:** (1) Execution risk (2) Interest rate risk (3) High capex (4) Customer concentration risk (5) Cyber-attacks (6) Seasonality (7) Geopolitics.

Key Financial Data and Estimates

	FY2023	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
EPS (QR)	0.27	0.29	0.26	0.27	0.27	0.27
P/E (x)	10.72	9.99	11.01	10.81	10.62	10.49
EV/EBITDA (x)	12.92	8.80	9.44	9.29	8.74	8.59
DPS (QR)	-	-	0.13	0.13	0.14	0.14
DY (%)	-	-	4.5%	4.6%	4.7%	4.8%

Source: Company data, QNBFS Research; Note: All data based on current number of shares

Key Data

Current Market Price	QR2.880
Dividend Yield (%)	N/A
Bloomberg Ticker	MKDM QD
ADR/GDR Ticker	N/A
Reuters Ticker	MKDM.QA
ISIN	QA000BDOVCK4
Sector*	Consumer Goods
52wk High/Low (QR)	3.279/2.591
3-m Average Vol.	741,627
Mkt. Cap. (\$ bn/QR bn)	0.1/0.5
EV (\$ bn/QR bn)	0.1/0.5
Shares O/S (mn)	160.0
FO Limit* (%)	77.8
FO (Institutional)* (%)	0.4
12-Month Total Return (%)	-6.0
Fiscal Year-End	December 31

Source: Bloomberg (as of July 29, 2025), *Qatar Exchange (as of July 29, 2025); Note: FO is foreign ownership

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2Q2025 Comparisons

Income Statement	(QR 000)	2Q 2024 A	1Q 2025 A	2Q 2025 A	2Q 2025 E	2Q 2025 A Vs E	YoY	QoQ
Revenue		142,738	139,887	157,518	138,163	14.0%	10.4%	12.6%
Cost of Operations		-118,447	-113,463	-134,263	-114,164	17.6%	13.4%	18.3%
As a % of Total Revenue (%)		83.0%	81.1%	85.2%	82.6%			
Gross Profit		24,291	26,425	23,255	23,998	-3.1%	-4.3%	-12.0%
Gross Margin (%)		17.0%	18.9%	14.8%	17.4%			
General and Administrative Expenses		-16,123	12,984	13,297	12,636	5.2%	-17.5%	2.4%
As a % of Total Revenue (%)		11.3%	9.3%	8.4%	9.1%			
EBITDA		8,169	13,534	10,118	11,362	-10.9%	23.9%	-25.2%
EBITDA Margin (%)		5.7%	9.7%	6.4%	8.2%			
Depreciation		-557	-589	-610	-544	12.3%	9.7%	3.8%
Right-of-use Assets		0	-624	-624	-616			
Amortization		0	-647	-661	-162			
EBIT		7,612	11,674	8,222	10,040	-18.1%	8.0%	-29.6%
EBIT Margin (%)		5.3%	8.3%	5.2%	7.3%			
Finance Cost		-1,225	-309	-762	-341	123.1%	-37.8%	146.1%
Interest Expenses		-1,225	-201	-663	-341			
Finance Cost on Finance Lease Arrangement		0	-109	-99	0			
Net Profit for the Period		6,387	11,365	7,461	9,699			
Shareholders of the Group		6,934	11,353	7,452	9,918	-24.9%	7.5%	-34.4%
Non-Controlling Interest		-547	13	9	-219			
Net Margin (%)		4.9%	8.1%	4.7%	7.2%			
EPS		0.043	0.071	0.047	0.062	-24.8%	7.6%	-34.3%

Source: Company data, QNBFS Research

Detailed Financial Statements

INCOME STATEMENT (QR 000)	FY2023	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
REVENUE	525,985	558,909	595,940	629,178	663,941	700,541
GROSS PROFIT	89,666	96,904	108,461	113,881	119,509	125,537
EBITDA	46,894	48,879	50,380	52,285	54,443	56,534
OPERATING PROFIT	44,870	41,578	47,322	49,057	51,037	52,939
NET PROFIT	36,272	38,909	41,866	42,625	43,406	43,930

Source: Company data, QNBFS Research

BALANCE SHEET (QR 000)	FY2023	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
Non-current asset						
Property and Equipment	39,507	44,029	48,478	51,182	54,010	56,987
Intangible Asset	-	2,170	364	364	364	364
Right of Use Assets	-	6,507	-	-	-	-
Retention Receivables	35,153	36,938	35,393	37,367	39,432	41,606
Total non-current assets	74,660	89,645	84,235	88,913	93,805	98,956
Current assets						
Inventories	12,467	18,630	8,620	9,111	9,627	10,139
Accounts Receivable and Other Debit Balances	164,666	123,920	145,283	151,662	158,223	164,575
Advance Payments to Suppliers and Subcontractors	35,057	17,982	37,896	38,845	39,759	40,637
Contract Assets	58,862	113,439	120,955	127,702	134,757	142,186
Due from Related Parties	2,709	50	50	50	50	50
Cash and Bank Balances	25,343	30,101	36,265	57,707	59,430	81,131
Total Current assets	299,104	304,122	349,069	385,077	401,845	438,718
Total assets	373,764	393,767	433,304	473,990	495,650	537,674

EQUITY AND LIABILITIES

Share Capital	105,000	135,000	160,000	160,000	160,000	160,000
Legal Reserve	54,908	58,799	62,986	67,248	71,589	75,982
Retained Earnings	31,791	35,837	47,470	63,833	80,501	97,237
Equity Attributable to Shareholders of the Group	191,699	229,636	270,455	291,082	312,090	333,219
Non-Controlling Interest	14	35	4,172	4,693	5,335	6,114
Total Equity	191,714	229,671	274,627	295,775	317,425	339,333
Non-current liability						
Due to Related Parties	3,000	2,596	2,596	2,596	2,596	2,596
Loans and Borrowings	-	18,056	-	-	-	-
Provision for Employees' End of Service Benefits	6,316	8,932	11,007	13,208	15,533	17,999
Lease Liability	-	4,464	-	-	-	-
Total non-current liability	9,316	34,048	13,603	15,804	18,129	20,595
Current liability						
Due to Related Parties	1,878	1,484	1,484	1,484	1,484	1,484
Loans and Borrowings	63,902	16,251	15,000	25,000	15,000	25,000
Accounts Payable and Other Credit Balances	106,954	109,901	128,589	135,927	143,612	151,263
Lease Liability	-	2,413	-	-	-	-
Total current liability	172,734	130,048	145,073	162,411	160,096	177,746
Total liabilities	182,050	164,096	158,676	178,215	178,225	198,341
Total equity and liabilities	373,764	393,767	433,304	473,990	495,650	537,674

Source: Company data, QNBFS Research

Growth Rates and Ratios	FY2023	FY2024	FY2025E	FY2026E	FY2027E	FY2028E
Growth Rates						
Revenue	-0.2%	6.3%	6.6%	5.6%	5.5%	5.5%
Gross Profit	14.0%	8.1%	11.9%	5.0%	4.9%	5.0%
EBITDA	15.7%	4.2%	3.1%	3.8%	4.1%	3.8%
EBIT	15.3%	-7.3%	13.8%	3.7%	4.0%	3.7%
NP	5.9%	7.3%	7.6%	1.8%	1.8%	1.2%
EPS	5.9%	7.3%	-9.2%	1.8%	1.8%	1.2%
DPS	-	-	-	1.8%	1.8%	1.2%
Operating Ratios						
Gross Margin	17.0%	17.3%	18.2%	18.1%	18.0%	17.9%
EBITDA Margin	8.9%	8.7%	8.5%	8.3%	8.2%	8.1%
EBIT Margin	8.5%	7.4%	7.9%	7.8%	7.7%	7.6%
Net Margin	6.9%	7.0%	7.0%	6.8%	6.5%	6.3%
Working Capital Ratios						
Receivable Days	114	81	89	88	87	86
Contract Asset Days	41	74	74	74	74	74
Payable Days	89	87	96	96	96	96
Finance Ratios						
Debt-to-Equity	33.3%	17.9%	5.5%	8.5%	4.7%	7.4%
Net Debt-to-Equity	20.1%	4.8%	-7.7%	-11.1%	-14.0%	-16.5%
Net Debt-to-Capital	36.7%	8.2%	-13.3%	-20.4%	-27.8%	-35.1%
Net Debt-to-EBITDA	82.2%	22.7%	-42.2%	-62.6%	-81.6%	-99.3%
Interest Coverage	5.5	13.3	38.2	42.9	44.7	46.4
Return Ratios						
RoIC	16.4%	16.0%	15.3%	13.7%	13.8%	12.6%
RoE	18.9%	16.9%	15.2%	14.4%	13.7%	12.9%
RoA	9.7%	9.9%	9.7%	9.0%	8.8%	8.2%
Earnings Yield	9.3%	10.0%	9.1%	9.3%	9.4%	9.5%
Dividend Yield	-	-	4.5%	4.6%	4.7%	4.8%
Liquidity Ratios						
Current Ratio	1.7	2.3	2.4	2.4	2.5	2.5
Quick Ratio	1.7	2.2	2.3	2.3	2.4	2.4
Cash Ratio	0.1	0.2	0.2	0.4	0.4	0.5
Valuation						
EV/Revenue	0.9	0.8	0.7	0.7	0.6	0.6
EV/EBITDA	10.6	9.7	8.7	8.2	7.6	7.2
EV/EBIT	11.1	11.3	9.3	8.7	8.2	7.6
P/E	10.7	10.0	11.0	10.8	10.6	10.5
P/CF	16.3	8.1	14.1	10.5	10.0	9.6
P/BV	2.0	1.7	1.7	1.6	1.5	1.4
Other Ratios						
Asset Turnover	1.41	1.42	1.38	1.33	1.34	1.30
Financial Leverage	1.95	1.71	1.58	1.60	1.56	1.58

Recommendations		Risk Ratings	
<i>Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price</i>		<i>Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals</i>	
OUTPERFORM	Greater than +20%	R-1	Significantly lower than average
ACCUMULATE	Between +10% to +20%	R-2	Lower than average
MARKET PERFORM	Between -10% to +10%	R-3	Medium / In-line with the average
REDUCE	Between -10% to -20%	R-4	Above average
UNDERPERFORM	Lower than -20%	R-5	Significantly above average

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