

Mekdam Holding Group (MKDM)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.835	Target Price	QR3.400
Implied Upside	19.9%		

1Q2025 Earnings In-Line Despite Revenue Miss As Margins Expand; Maintain Accumulate

Mekdam's (MKDM) 1Q2025 bottom-line of QR11.4mn (+8.0% YoY/-14.0% QoQ) was in-line with our estimate of QR11.4mn (variation of -0.1%). Revenue came in at QR139.9mn (-3.5% YoY/-2.8% QoQ), missing our estimated revenue of QR145.1mn (variation of -3.6%), as revenue from technology services dipped, even as revenue from other services (Steel) made big gains, with management reiterating that the boost had come from new contracts in Saudi Arabia. Overall sequential revenue went down by 2.8% for 1Q2025 as technology services came short by QR3.4mn for the quarter. Further, G&A expenses increased substantially QoQ in 1Q2025 as the large reversal/reimbursement recorded during 4Q2024 was a one-off. Pressure on the bottom-line also came from the continued amortization and depreciation costs extending from the fourth quarter. Finance costs have reduced significantly with the reduction in debt load. **EPS was at QR0.071 in 1Q2025 compared to QR0.066 in 1Q2024.** Mekdam (MKDM) has consistently exceeded its annual targets with an industry-leading contract win ratio between 20-30%. The group signed new contracts valued at QR250.0mn so far in 2025, with the value of ongoing contracts amounting to QR2.7bn and value of work remaining under these contracts estimated at QR1.6bn. MKDM's strong customer base and retention rates (90%), coupled with around QR2.7bn in submitted bids, provide for solid earnings growth in the year ahead. **Therefore, we maintain our rating of Accumulate and a price target of QR3.400.**

Highlights

- Earnings grew by 8.0% YoY during 1Q2025 driven mainly by a 7.0% drop in the cost of operations, resulting in an improving gross profit margin.** Revenue came in lower by 3.5% YoY with a 21.7% dip coming from technology services, while other services (Steel) supported with a YoY revenue growth of 244.3% in 1Q2025. G&A expenses increased by 13.2% YoY, which along with depreciation and amortization costs added further pressure to the bottom-line for 1Q2025.
- A significant increase in advance payments to suppliers and subcontractors during 1Q2025 has put pressure on operating cash flows and a net overall decline in cash for the quarter.** Net Debt was at QR23.1mn in 1Q2025, from QR11.1mn as at year-end 2024. In 2024, increased operating cash flows had provided for a large reduction in bank loans/external financing. Mekdam reduced its reliance on bank financing substantially by 46.3% as at year-end 2024 to QR34.3mn, from QR63.9mn as at year-end 2023. As a result interest expenses declined by 56.6% in FY2024.
- Mekdam has a very strong client base consisting of government, semi-government and premier/top-tier companies.** It has, over the years, built solid partnerships with leading global brands, which has resulted in a high customer retention rate of around 90%. Government contracts, as a percentage of revenue, has increased from 27% in 2021 to 60% in 2024, with new contracts coming mainly from the business segment Manpower Supply Services. Mekdam has acquired and maintained a steady client base, from the both public and private sectors, which in turn generates repeated business opportunities for the company. New contracts coming from Saudi Arabia have added an additional boost to overall emerging regional business opportunities.

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 19.9% upside.** Our TP is based on the DCF valuation model. Our primary thesis is that MKDM has more than sufficient contracts of around QR2.7bn on hand 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%. Government contracts, as a percentage of total revenue, currently stands at around 60%.
- 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)	10.48	9.77	10.76	10.57	10.38	10.25
EV/EBITDA (x)	12.92	8.62	9.24	9.09	8.55	8.41
DPS (QR)	-	-	0.13	0.13	0.14	0.14
DY (%)	-	-	4.6%	4.7%	4.8%	4.9%

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

Key Data

Current Market Price	QR2.835
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)	3.333/2.640
3-m Average Vol.	197,145
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)* (%)	0.1
12-Month Total Return (%)	(14.0)
Fiscal Year-End	December 31

Source: Bloomberg (as of April 24, 2025), *Qatar Exchange (as of April 24, 2025); Note: FO is foreign ownership

Roy Thomas

+974 4476 6542

roy.thomas@qnbfs.com.qa

Saugata Sarkar, CFA, CAIA

+974 4476 6534

saugata.sarkar@qnbfs.com.qa

1Q2025 Comparisons

Income Statement	(QR 000)	1Q 2024 A	4Q 2024 A	1Q 2025 A	1Q 2025 E	1Q 2025 A Vs E	YoY	QoQ
Revenue		144,910	143,968	139,887	145,129	-3.6%	-3.5%	-2.8%
Cost of Operations		-121,958	-115,886	-113,463	-117,893	-3.8%	-7.0%	-2.1%
As a % of Total Revenue (%)		84.2%	80.5%	81.1%	81.2%			
Gross Profit		22,952	28,082	26,424	27,235	-3.0%	15.1%	-5.9%
Gross Margin (%)		15.8%	19.5%	18.9%	18.8%			
General and Administrative Expenses		-11,469	-8,582	-12,984	-13,713	-5.3%	13.2%	51.3%
As a % of Total Revenue (%)		7.9%	6.0%	9.3%	9.4%			
EBITDA		11,483	19,873	13,534	13,522	0.1%	17.9%	-31.9%
EBITDA Margin (%)		7.9%	13.8%	9.7%	9.3%			
Depreciation		-551	-607	-589	-552	6.6%	6.8%	-3.1%
Right-of-use Assets		0	-2,496	-624	-624			
Amortization		0	-2,580	-647	-645			
EBIT		10,932	14,190	11,675	11,701	-0.2%	6.8%	-17.7%
EBIT Margin (%)		7.5%	9.9%	8.3%	8.1%			
Finance Cost		-519	-1,085	-309	-389	-20.5%	-40.4%	-71.5%
Interest Expenses		-519	-1,085	-201	-389			
Finance Cost on Finance Lease Arrangement		0	0	-109	0			
Net Profit for the Period		10,413	13,105	11,365	11,312			
Shareholders of the Group		10,513	13,207	11,353	11,359	-0.1%	8.0%	-14.0%
Non-Controlling Interest		-100	-102	13	-47			
Net Margin (%)		7.3%	9.2%	8.1%	7.8%			
EPS		0.066	0.083	0.071	0.071	-0.1%	8.0%	-14.0%

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

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

Contacts

QNB Financial Services Co. W.L.L.
 Contact Center: (+974) 4476 6666
info@qnbfs.com.qa
 Doha, Qatar

Saugata Sarkar, CFA, CAIA
 Head of Research
saugata.sarkar@qnbfs.com.qa

Shahan Keushgerian
 Senior Research Analyst
shahan.keushgerian@qnbfs.com.qa

Phibion Makuwerere, CFA
 Senior Research Analyst
phibion.makuwerere@qnbfs.com.qa

Roy Thomas
 Senior Research Analyst
roy.thomas@qnbfs.com.qa

Disclaimer and Copyright Notice: This publication has been prepared by QNB Financial Services Co. WLL (“QNB FS”) a wholly-owned subsidiary of Qatar National Bank Q.P.S.C. (“QNB”) QNB FS is regulated by the Qatar Financial Markets Authority and the Qatar Exchange QNB is regulated by the Qatar Central Bank. This publication expresses the views and opinions of QNB FS at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. QNB FS accepts no liability whatsoever for any direct or indirect losses arising from use of this report. Any investment decision should depend on the individual circumstances of the investor and be based on specifically engaged investment advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNB FS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. QNB FS does not make any representations or warranties as to the accuracy and completeness of the information it may contain, and declines any liability in that respect. For reports dealing with Technical Analysis, expressed opinions and/or recommendations may be different or contrary to the opinions/recommendations of QNB FS Fundamental Research as a result of depending solely on the historical technical data (price and volume). QNB FS reserves the right to amend the views and opinions expressed in this publication at any time. It may also express viewpoints or make investment decisions that differ significantly from, or even contradict, the views and opinions included in this report. This report may not be reproduced in whole or in part without permission from QNB FS

COPYRIGHT: No part of this document may be reproduced without the explicit written permission of QNB FS.