Mekdam Holding Group (MKDM)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.554	Target Price	QR3.400
Implied Upside	33.1%		

3Q2025 Earnings Beat On Account Of Higher-Than-Expected Revenue; Maintain Accumulate

Mekdam's (MKDM) 3Q2025 bottom-line reached QR9.0mn (+9.3% YoY/+21.0% QoQ) exceeding our estimate of QR7.6mn (variation of +18.9%). Top-line was reported at QR156.2mn (+22.7%/ -0.8% QoQ), exceeding our estimate of QR146.2mn (variation +6.8%). Sequentially, revenues inched down 0.8% from lower recorded technology services (-1.6%) to QR76.6mn and other services (-23.1%) to QR9.0mn. Cost of operations hiked 22.7% YoY but dropped 3.4% QoQ; however, given the strong top-line, gross profit grew 23.0% YoY/ 14.1% QoQ. Consequently, margins improved, landing at a gross margin of 17.0% and a net profit margin of 5.8%. General & administrative expenses deepened to a figure of QR15.8mn in 3Q2025 vs. QR12.2mn in 3Q2024 (QR13.3mn in 2Q2025) from higher employees' expenses of QR10.0mn (+27.9% YoY/ +14.5% QoQ). EPS was reported at QR0.056 in 3Q2025 compared to QR0.052 in 3Q2024 and QR0.047 in 2Q2025. During the first three quarters of 2025, MKDM signed new contracts totaling to QR832mn, with the value of work remaining at QR1.8bn. Towards the end of September, the company secured a letter of award from QAFCO for a strategic contract valued at QR203.9mn for the supply of Tier-1 manpower to support major industrial projects, including the Carbon Capture and Storage (CCS) project and the Qatar Energy Urea project. In light of MKDM's long standing impressive customer retention rate of 90% and 20-30% contract success rate; **we maintain our rating of Accumulate and a price target of QR3.400.**

Highlights

- **Earnings rose 9.3% YoY (+21.0% QoQ) in 3Q2025 supported by a strong top-line, despite 22.7% higher cost of operations.** All sources of revenue rose with a 37.3% growth seen in technology services to QR76.6mn and a 12.3% rise in manpower supply services to QR64.1mn. The company's revenue supported its hefty cost of operations, which were steered by a 75.0% rise in cost of labor and significant growth in other direct expenses of QR13.6mn in 3Q2025 vs. only QR1.8mn in 3Q2024.
- **Mekdam's balance sheet shows improved liquidity, driven by higher current assets from a drop in accounts receivables and other debit balances and a rise in cash and bank balances.** Receivables reached QR131.5mn and cash grew to QR21.3mn. Although the company's short-term loans and borrowings grew to QR43.1mn, they remained relatively stable as the company seems to mainly rely on internal sources of funding. Operating cash flow flipped to a net inflow of QR4.4mn after 2 quarters of outflows, reinforcing improved collections and tighter working capital management.
- **Mekdam received a letter of award from Qatar Fertiliser Company (QAFCO) for the execution of a contract valued at QR203.9mn on the 24th of September 2025.** The contract entails the supply of Tier-1 manpower to support major industrials projects including the Carbon Capture and Storage (CCS) project as well as, the Qatar Energy Urea Project. The contract will run for 5 years, and it started on the 1st of October 2025 with the expectation for the contract to end on the 30th of September 2030 and an option to extend for a further 5 years.
- **Mekdam has a current pipeline value under evaluation of QR2.5bn with QR1.1bn accounted for by Mekdam Steel & Other and QR636.4mn from Mekdam Technology.** 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 33.1% 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 QR3.0bn (QR1.8bn 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 Data

Current Market Price	QR2.554
Dividend Yield (%)	N/A
Bloomberg Ticker	MKDM QD
ADR/GDR Ticker	N/A
Reuters Ticker	MKDM.QA
ISIN	QA000BD0VCK4
Sector*	Consumer Goods
52wk High/Low (QR)	3.279/2.539
3-m Average Vol.	619,141
Mkt. Cap. ($ bn/QR bn)	0.1/0.4
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 (%)	-15.9
Fiscal Year-End	December 31

Source: Bloomberg (as of October 28, 2025), *Qatar Exchange (as of October 28, 2025); Note: FO is foreign ownership

	FY2024	FY2025E	FY2026E
EPS (QR)	0.29	0.26	0.27
P/E (x)	9.99	11.01	10.81
EV/EBITDA (x)	8.80	9.44	9.29
DPS (QR)	-	0.13	0.13
DY (%)	-	4.5%	4.6%

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

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3Q2025 Comparisons

Income Statement (QR 000)	3Q 2024 A	2Q 2025 A	3Q 2025 A	3Q 2025 E	3Q 2025 A Vs E	YoY	QoQ
Revenue	**127,293**	**157,518**	**156,210**	**146,199**	6.8%	22.7%	-0.8%
Cost of Operations	**-105,715**	**-134,263**	**-129,677**	**-124,337**	4.3%	22.7%	-3.4%
As a % of Total Revenue (%)	83.0%	85.2%	83.0%	82.5%			
Gross Profit	**21,578**	**23,255**	**26,533**	**21,862**	21.4%	23.0%	14.1%
Gross Margin (%)	17.0%	14.8%	17.0%	17.5%			
General and Administrative Expenses	**-12,224**	**-13,297**	**-15,839**	**-12,281**	29.0%	29.6%	19.1%
As a % of Total Revenue (%)	9.6%	8.4%	10.1%	8.3%			
EBITDA	**9,354**	**10,118**	**12,045**	**9,677**	24.5%	28.8%	19.0%
EBITDA Margin (%)	7.3%	6.4%	7.7%	9.3%			
Depreciation	**-510**	**-611**	**-645**	**-569**	13.5%	26.4%	5.6%`
Right-of-use Assets	**0**	**-624**	**-624**	**-599**			
Amortization	**0**	**-661**	**-661**	**-484**			
EBIT	**8,844**	**8,222**	**10,115**	**8,025**	26.0%	14.4%	23.0%
EBIT Margin (%)	6.9%	5.2%	6.5%	7.6%			
Finance Cost	**-837**	**-762**	**-1,047**	**-432**	142.5%	25.0%	37.5%
Interest Expenses	**-837**	**-663**	**-957**	**-355**			
Finance Cost on Finance Lease Arrangement	**0**	**-99**	**-89**	**-77**			
Net Profit for the Period	**8,007**	**7,461**	**9,068**	**7,594**			
Shareholders of the Group	**8,255**	**7,452**	**9,019**	**7,588**	18.9%	9.3%	21.0%
Non-Controlling Interest	**-248**	**9**	**49**	**5**			
Net Margin (%)	6.5%	4.7%	5.8%	7.1%			
EPS	**0.052**	**0.047**	**0.056**	**0.053**	18.9%	9.3%	21.0%

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

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 *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*		**Risk Ratings** *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
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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