Zeina

Good afternoon, everyone. This is Zeina Fares from EFG-Hermes Research, and I'd like to welcome you all to NMDC Energy's first quarter 2025 results conference call. With us on the line today is engineer Ahmed Al Dhaheri, CEO, Hannah Dahdah, chief engineering and Commercial Officer, Sreemont Barua, Group CFO, Hanzada Nessim, Group Head of IR and financial communications, and Shaima Ali, Investor Relations Manager. We congratulate management on a solid set of results.

And without further delay, I'd like to hand hand over the call to manager.

W

Thank you. Thank you, Zeina, and good day, ladies and gentlemen. And welcome to NMDC Energy first quarter results conference call. I will start today's call with a safe harbor statement, and then I will hand over the call to our CEO engineer. 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 statement 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 CEO Engineer, Ahmed.

Ahmed

Hello. Good afternoon, everyone, and welcome to this call. I would like to start with the performance. When it comes to QHSE, it's really outstanding performance. We successfully achieved our targets, both for the LTI and the total recorder, total recordable entry, frequency, rate, maintaining rates significantly lower than the benchmarks. First quarter of 2025 has been a remarkable period of achievement for our organization. We had really an excellent start. We secured two major project, one of them in the UAE and another one in Taiwan, totaling more than 10 billion dirhams, and we have successfully also extended our long term agreement with Aramco for another three years. These are significant milestones that really strengthen our position in the EPC leader. Also, we managed to inaugurate our MDC Energy to fulfill our commitments on the active requirements and to support our operations in Saudi Arabia. We were also honored to be named the EPC Contractor of the Year by oil and gas Middle East for the third consecutive time, and this is reinforcing our industry leadership.

As of today, we are executing 24 projects with a total backlog of 56 billion term dirhams, demonstrating the strength and scale of our operations across key markets. Additionally, our KPI results for the first quarter exceeded all set targets, the financial ones that we will be covering shortly, which is really a true testament to the exceptional performance resilience of our organization.

I'd like to pass the mic now to my colleague, Sreemont, to take you through the financial results and performance.

Sreemont

Thank you, Engineer Ahmed for the highlights of NMDC Energy's performance during the first quarter of 2025, and thank you all for attending this call. So I will just dive into some specific

financial performance, just for Q1 '25 now. So NMDC Energy's revenue, so to $3.7 billion in this quarter, up 75% year on year from Q1 2024, which was at 2.1 billion. This increase was primarily driven by increased revenue generated from our existing projects, and also additional revenue generated from some of our new projects, like the Taiwan one mentioned by Engineer Ahmed. So this increase in revenue resulted in us achieving a 25% year on year, increase in net profit for Q1 '25, which went up from 174 million in Q1 '24 to 217 million in Q1 '25. Earnings per share also rose a remarkable 25%, up from three fils to four fils per share. Awarded projects in Q1 '25 reached 13.9 billion, with a backlog standing at 56.3 billion at the quarter end, which are due to be unwound over the next four to five years. We also have a healthy pipeline of projects under bidding of roughly about 50 billion. Backlog represents almost four times our revenue of 14.4 billion reported in our most recent annual results, which is therefore quite a solid position as far as backlog goes.

Moving quickly to the benefit now, some key metrics, total assets at the end of Q1 stands at about 16.3 billion, marginally lowered in december 2024, at 16.5 billion, total equity also stands at about 4.75 billion, marginally down from 5.2 at December '24. Both total equity and total asset balances have decreased marginally compared to December '24, mainly driven by the payment of dividends during Q1 2025. On the asset side, the payment of dividends had an impact of reducing cash balances, which decreased from about 4.2 billion at 31st December to around 2.97 billion as of 10 of Q1, and on the equity side, the dividend payment more than offset the increase from net profit for the period, resulting in a net decrease in equity by about 540 million. Our net working capital balance remains at a negative level, but it is at 81 billion negative compared to 1.6 billion as of 31st December '24. The decrease in this balance is mainly driven by an increase in our receivables balance, which in turn was driven by the significant value of revenue recognized during the quarter. In terms of free cash flow, we generated negative free cash flows of about 470 million during Q1 '25. It was negative in the quarter, again, due to the same reason, the increase in receivables balance due to recognition of significant revenues, also coupled with investment in capex of about 100 year in the quarter. With collections coming in from these receivables in the coming periods, we expect free cash flow to turn positive going forward in the upcoming quarters.

I think that is all I had in terms of quick review of the financials, but I hand over to—

W Zeina, please, can we open the floor for Q&A?

Zeina Sure. So as a reminder, to ask a question, please use the raise hand function or type your question through the Q&A box. We'll give it a few minutes. We have our first question coming in from Akash Tomar. Please unmute locally and ask your question

Akash I just wanted to understand what led to the decline in revenues and subsequent margins, or is it just based on like you have a contract that you need to deliver during this time lower and in the second quarter or the quarter will decline in revenue? Thank you.

M Did you say decline in revenues?

Akash	Yes.
M	Compared to?
Akash	Compared to the fourth quarter the rent rate that you had?
M	I think we have a cyclical business, and a lot of our business is dependent on marine activities. And in Q1, typically, we have a lot of bad weather. And therefore, if you look at our phasing of the budget, we always have lower revenues in the first quarter, and it picks up towards the end of the year. And that's why, if you compare Q4 to Q1, you will see a decline, but that is a trend you will observe over the years.
Akash	Okay, and specifically for the margins, what led to this rapidly, even if I want to compare year over year for the first quarter, '24 versus '25, the gross margins are like half of what they were in the first quarter of '24?.
M	It is also driven by the same reason. We had far more bad weather in Q1 '25 and there was a lot of idle time. And these idle time costs were included in the costs, but was not generating revenue. So there was a decline in the margins as well, accordingly.
W	Akash, can I add the also to what Sreemont was saying, that it depends on the lifecycle of the project, so projects at the beginning tend to have slower margins versus later on. So this also will impact the margin on a quarterly basis. So the best way to look at margins is not to look at it in a quarterly, but to look over the full year lifecycle.
Akash	Yeah, thanks so much.
Zeina	Our second question comes from Najim Al Hassan [ph]. Please unmute locally and ask a question.
Najim	Okay, great. So I was just saying thanks for the presentation. Have two quick questions from my side. You do have a very strong order backlog. I just want to understand what are the risks of potential cancelation or delays in this order backlog, given the changing economic environment that we see, of course, also related to oil? That's my first question. Second question is with regard to if you're able to perhaps provide us some color on your business and margin outlook for this year. Thank you
M	For your first question, the current indications that we have on all our projects, that they are all ongoing as planned, with no indication whatsoever from all our clients, potential suspension or even cancelation. This is even further supported by the extent of projects that are in the pipeline, whether it's from within UAE or from Saudi Arabia or even from Taiwan. Calls for projects are still coming, and awards are expected within the second quarter or third quarter. So all indications that we have from the market, it has no impact on our business, neither to suspend or cancel. For sure, no cancelation. On the contrary, we are being pushed

to achieve the completion dates and even improve, so everything will stay as ongoing, no chance of any stoppage.

Okay. And question two, I think it was related to the margin. Again, with the current projects that are ongoing, and with the potential projects and the requirement for demand, we are seeing many forthcoming projects, as was mentioned by my colleague Sreemont, we have more than 50 billion dirhams that are now in the pipeline. More than half of it is already submitted proposals that we expect to be awarded within the second and third quarter, and new ones to be submitted, again, worth nearly 25 billion, that are expected to be awarded by quarter four. So in principle, we don't see a risk on stoppage, no risk on profit margin. On the contrary, it's challenging to meet the demand and continue with the execution. So we believe that all will remain as anticipated, maybe better than anticipated.

Najim Thank you.

Zeina We'll give it a few more minutes until more questions come in. Najim, do you have another question, or is this your previously raised hand? It seems that we have no further questions, so I'd like to hand it back to management for any closing remarks.

W Thank you, Zeina, and thank you, everyone, for dialing in today's call. We don't have any closing remarks, and you can hang up. Thank you very much for participating.

Zeina Thank you, everyone.