Transcript

NMDC Energy FY25 Results Call

Wednesday, 04 February 2026

Ahmed Hazem

Good afternoon, ladies and gentlemen. We'd like to welcome you all today to the NMDC Energy Call. This is Ahmed Hazem speaking from EFG Hermes Research. With us on the line today is Eng. Ahmed Al Dhaheri, CEO of NMDC Energy; Eng. Hashem Awda, COO; Mr. Rahul Agarwal, Finance Director of NMDC Energy entity; and Hanzade Nessim, Senior Director of Investor Relations and Financial Comms.

So, after NMDC Energy's management takes us through the performance of the year and offer an update on the business, there will also be an opportunity for a Q&A session after that. And without further delay, I'd like to start off by congratulating the NMDC management team on an excellent set of results for the year and then hand over Hanzade. The line is yours.

Hanzade Nessim

Thank you, Ahmed. Good day, ladies and gentlemen, and welcome to NMDC Energy's full year results conference call. I will start today with a safe harbor statement, and then we'll turn over the call to Eng. Ahmed Al Dhaheri for an overview, and then to our Finance Director Rahul for further financial details.

In our discussion today, we may include prediction estimates and/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 defer materially. The company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may be no longer accurate or timely.

I will now turn over the call to Eng. Ahmed.

Eng. Ahmed Al Dhaheri

Good afternoon, ladies and gentlemen. Thank you for joining today's call.

I'll be starting with some good news. We talked up our dividends for the year as part of our new dividend policy. We increased our dividend to AED 800 million. This is exceeding our previous annual policy of AED 700 million, supported by our strong performance this year, together with our cash generation capabilities. This was earlier a comment that we received a number of times during these calls, and the management, along with the board, considered it carefully, and now we are progressing accordingly.

Moving to the details of the dividend policy, we are proposing at least a 50% payout ratio for three years, starting from 2025 and ending 2027. If you recall, the earlier one was 700 for three years, and now we are increasing it by 14%.

In terms of financial performance, the company reported strong growth in revenues to reach AED 18.7 billion, which is 29% increase year on year and net profit after tax increased 14% year on year to reach AED 1.6 billion. This is an unprecedented performance. It is actually a record high for our company.

Of course, we enjoy a strong liquid balance sheet with net cash position of AED 4.2 billion, boosted by our strong collection from our clients, which reached AED 18 billion. This is 97% of our total revenues in 2025.

Our project wins reached AED 13.9 billion in ‘25 with a backlog of AED 40 billion divided across 20 projects, and also we are enjoying today a healthy pipeline of AED 58.6 billion between international tenders and local tenders. The international ones are representing 59% of our pipeline.

The company’s strategy remains in place. We remain committed to our home market and to continue to look for opportunities in other markets to develop more capabilities that would be earnings assertive and synergetic to our existing business. Of course, you will be seeing as well that across the year we focused a lot on operational excellence. We managed to achieve significant industry recognitions, including EPC Contractor of the Year, multiple awards from prestigious bodies, and we maintained ranking as number one EPC contractor for the third consecutive year. We strengthened our regional and market presence through the inauguration of a new yard in Saudi and the extension of the long term agreement, as well as the inclusion in *Forbes* Middle East Top 100 list.

We have signed also many joint MOUs. This shows our drive to continue to develop more capabilities and to penetrate new markets to sustain our growth in the years to come.

Hanzade Nessim — Thank you, Eng. Ahmed. We will now turn over the call to Rahul. Please go ahead, Rahul.

Rahul Agarwal — Thanks. Good afternoon, everyone. Thank you for joining us on the call today to present the financial results for full year ’25. Our revenue growth is 29% from AED 14.4 billion to AED 18.237 billion. This represents a AED 4.2 billion growth, or 29% over the last year. In Q4 alone, we recorded AED 5.7 billion, which is the highest ever in terms of revenue, which represents a 21% growth year on year, and 17% in sequential [indiscernible 06:58].

In terms of the revenue mix, it was 70% local, which is UAE, and 30% International, mainly Saudi and Kuwait, Taiwan. In terms of the onshore/offshore mix, in the current year 55% was offshore and 45% was onshore. This is a change versus last year where 70% was offshore. So in the current year, we had significant growth in our onshore operations.

In terms of EBITDA, we dropped AED 2.2 billion EBITDA, 2.16 [indiscernible 07:40] which is 22% higher versus the last year. In quarter four, we recorded AED 895 million in EBITDA, which is 54% higher year on year. In terms of the EBITDA margin, we closed the year with 11.6% compared to 12.3% last year. Net profit after tax was AED 1.6 billion or 14% higher versus last year. In quarter four, we recorded AED 650 million of net profit, which represents a 30% growth year on year. Profit margin for the year was 8.6% compared to 9.7% in FY24.

In terms of the backlog, we stand today at AED 40 billion. And in 2026, we gradually expect it to unwind with most of it unwinding in the year 2026, which is a very strong AED 20 billion outlook, followed by another AED 10 billion, AED 11 billion in 2027. If you look at our backlog breakdown, local versus international, local market, which is UAE, would represent about 80% and 20% will be overseas. And in terms of the offshore/onshore mix, offshore, again, contributes 63% of our backlog versus onshore at close to 37%.

In terms of the balance sheet position, we closed the year with a strong cash position of AED 4.5 billion, which represents a 6% increase over the last year. Our total equity has increased 18% from AED 5.2 billion to AED 6.1 billion.

Net cash, which is net of debt, it increased by 15% from AED 3.6 billion to AED 4.2 billion, as we repaid close to AED 264 million in debt. Total assets have increased from AED 16.5 million to AED 20.4 billion, which represents an increase in receivables by about AED 3 billion investment in property [indiscernible 10:04] 3 billion. For free cash flow, free cash from operations was close to AED 1.9 billion in FY25, which represents almost a 90% cash conversion ratio, and the free cash flow was AED 1.3 billion.

Going to the next page. In terms of a quick update on the sustainability, health and safety environment, we are investing heavily in the AI ecosystem. As you can see, we've deployed close to 70 agents across key functions, including deployment of NMDC four platform to support analysis, summarization and discrepancy detection. On climate action, we have accelerated the transition to a lower carbon fleet with 15% of heavy equipment replaced with electric or hybrid models. In terms of resource efficiency, waste emissions, we implemented static waste compactors at our Hail and Gasha project, which has led to a 40% reduction in waste and reduction of 3.3 tons of carbon dioxide emissions.

Health and safety performance, this is a very important metric for us. We've delivered 107.3 million work hours with zero fatalities, which underscores a strong safety culture and operational discipline. In terms of resource efficiency, we have launched an energy efficiency program focusing on optimizing power systems leading to an estimated 5% reduction in fuel consumption.

Staff sustainability and capacity building, we have a strong sustainability and ESG training to foster a culture of care, learning and alignment with our ESG strategy.

In terms of GHG emissions management, we have achieved a 6% reduction in Scope One and Two GHG emissions intensity compared to 2024 baseline, largely driven by adoption of lower carbon feed models.

Risk and Compliance is at the heart of what we do. It's an implementation of an integrated risk and compliance platform to centralize internal audit findings, compliance monitoring, incident reporting, significantly improving our oversight efficiency.

That's it from our end.

Hanzade Nessim — Thank you, Raul. Ahmed, can we please open the floor for Q&A?

Moderator — Sure. Thank you for the presentation. We will now open the floor for Q&A. As a reminder, please use the raise hand function or type in your question in the chat box. We will wait a few minutes for questions to come in.

Ahmed Hazem — Maybe until some other questions come in, I'll take this chance to basically ask a question on my own. Could we get a sense of what is the awards expected for 2026 in the sense of how much bidding is taking place on projects right now in Abu Dhabi and in Saudi to the point that basically will we be seeing a growth in backlog from the AED 40 billion base that we are at right now?

Eng. Ahmed Al Dhaheri Yes, thank you for the question. Basically, if I look at the tenders that we have submitted, they are in the region of AED 11 billion. We're talking about here seven projects to Aramco and one project to OTC India. The ones to be submitted have a total value of roughly AED 46 billion. The majority of the tenders to be submitted to ADNOC, they are currently running a number of key programs for Umm Shaif and for Upper Zakum. They are planning to increase Upper Zakum production from 1 million barrels to 1.5 million barrels, so this is a major increase for ADNOC. And this is, by itself, a project that will be in the region of roughly $10 billion.

Also, we're talking about a project under [indiscernible 15:17], which is a Dorrah field. This is a joint field between Saudi and Kuwait, in addition to another five tenders to Saudi Aramco.

So, the pipeline is healthy. And when I say we have roughly AED 58 billion of, let's say pipeline, this is roughly AED 60 billion, so usually our win rate is between 20% to 30% here. And this means we would be around, let's say, AED 12 billion roughly, so AED 12 billion.

What we are targeting as our own internal target for us is $4.5 billion of projects in 2026. So you're talking about roughly around AED 17 billion to AED 18 billion.

Maybe something else that was not reflected in the wind down of our backlog, if you see in 2027 we are trying to also advance our activities to bring roughly AED 2 billion revenue from the current backlog. So, this will hopefully push our 2027 to the levels of AED 13 billion from the current backlog.

Moderator So we have a question in the chat box from Nitin Gard. "What is the revenue visibility after 2027 as 75% of the current backlog will unwind by 2027?"

Rahul Agarwal I think, as we just answered in the first page, we've got a pipeline of about AED 58 billion that we are working actively towards. And as you just said, we're expecting new order wins close to about $4.5 billion, that's a target for this year, which obviously would add on to the backlog, and that would automatically provide visibility for 2027, 2028 and maybe continuing into '29 as well.

Moderator Okay, we have a question from Shahrukh Nawaz. Please unmute locally.

Shahrukh Nawaz First of all, congratulations for the good set of results. I have three questions. The revenue mix, which is currently 70% local and 30% international, are you planning to change the mix going ahead?

The second is, what is the CapEx plan going ahead and how is the company planning to use it for the KSOP projects or for the UA projects?

The third question is, do you expect strong receivables in the coming years as well in '26 and for the period?

Rahul Agarwal: Okay. So in terms of the revenue mix, we believe UAE will continue to be the anchor in a way, in terms of holding the lion's share of the revenue mix. But strategically, we do plan to diversify our revenue mix, and that is part of our long-term strategy, so we will continue to see a larger pie from international markets, a larger share in the pie from international markets as we go forward.

To answer your second question, which was on the CapEx spending, we have invested quite a lot already in advancement of our yards, our capacity in Saudi; our Saudi yard went live this year, where we have invested heavily in cutting edge technology. And, therefore, we believe that the backlog that we have, the investment would start getting paid off now as we continue to execute our backlog there and build more backlog in Saudi.

We do have CapEx plans which includes, without going into too much details, buying of vessel, or dual purpose vessel, which would cater to not only oil and gas, but also renewable energy. It should be a dual purpose, heavy vessel. We would also continue to invest in building more cutting-edge technologies in our yard as we currently stand, and automating it even further, including robotics. So, in a nutshell, that is the plan that we have.

And the third one, to answer your question on receivables, our current DSO stands at about 120 days, and this has been consistent across all the last five quarters, and we would like to maintain that or if possible improve it further. One important point, actually, I would like to add is we have really ambitious M&A plans as well, and this would be global and, therefore, there will be heavy investment in that as well on the back of our CapEx expansion plans.

Shahrukh Nawaz: So you are expecting this to be in the 2026 later on, or in the start of ’27, or which period exactly?

Rahul Agarwal: The impact of M&A would probably be visible in quarter four, or, I would say, in 2027, because typically deals take time to complete. We are progressing quite well. We've identified quite a few targets, but typically from initiation to execution to completion to announcement obviously takes time, so 2027 would realistically see the uplift from M&A.

Eng. Ahmed Al Dhaheri: I can say also that we are very disciplined when it comes to our growth plans. We are working really hard to continue our growth journey year on year, and there are clear strategic objectives that we are addressing today. There are, first of all, let's say the onshore sector, you can see the contribution is increasing year on year. Today, the contribution of onshore is 45%, it used to be 34% in 2024. And this is only we're talking about one market, UAE. So, the plan is to expand into onshore in neighboring countries, and this will open up a big market for us.

Second, we're talking about offshore and how we can really expand in other markets. We are present today in the GCC in India, in Taiwan. We want really to move to North Africa, to Nigeria. And also, when it comes to offshore wind, then we are today in discussions with developers in Europe. We already received many tenders, we submitted some of them. Other tenders in relation to offshore wind coming from Southeast Asia, from Japan, so these are the areas we are focusing on moving forward. And it can be achieved organically or inorganically.

So, part of our M&A plans is to identify companies that will give us this edge, additional capabilities, and will enable us to penetrate new markets without really having an impact on our financial performance, on our margins.

Moderator Okay, we have another question coming from Abdul Aziz Sheir. Please unmute locally.

Abdul Aziz Sheir Hello, management. Thank you for the presentation. First of all, congrats on a great set of results for the quarter and the year. My first question is just a basic question. I just want to understand the business a little bit more. Do all of your projects mainly concentrate on the oil side, or do you also work on the gas expansions in the UAE?

Eng. Ahmed Al Dhaheri It's a mix of projects today. One of the largest projects being executed in the UAE is Hail and Gasha. This is a gas project. Our project value is $8.2 billion, which is being executed with a JV partner Saipan. Another gas project that we are executing today is Miram maximizing ethane recovery. This is for ADNOC gas, and the value of this product is roughly $3.2 billion. So, we are into gas, we are into oil. The pipeline we are today executing for Taiwan, for Thai Power is a gas pipeline, so it has also a good share of our portfolio.

Abdul Aziz Sheir Clear. Thank you so much. So I have a question on, I would say, the medium-term market outlook. I understand now the market is very healthy with a lot of projects because of the expansions in the region, and especially in the UAE, but when we get to the 5 million barrel plan, which is supposed to come next year in 2027, I understand there are talks to expand this further into 6 million. But in case the UAE decided not to expand further, what sort of revenue level would we get to after this up cycle? Just wanted to understand the medium-term fundamentals, in case there is no further expansion in the oil fields.

Eng. Ahmed Al Dhaheri Okay, so when it comes to the oil and gas, and this is I'm talking about addressable market between UAE and Saudi, we're talking about roughly in 2026, according to the outlook, around $33 billion. You mentioned about P5 which is the target to achieve 5 million barrels by ADNOC, this is 2027. All the projects have been awarded, and they are almost completed. These programs that I just spoke about in the pipeline, they have nothing to do with P5, so they are continuously moving ahead in more projects.

Now I mentioned during the call on our drive to maximize the share of onshore jobs. So, looking at not only GCC, but the wider market that is addressable for us, we're talking again about another roughly $35 billion worth of projects. This is in 2026. This basically is including projects in Iraq and North Africa, in addition to UAE and Saudi.

Mentioning what we are also working on, which is basically the offshore wind, offshore wind is another big sector. The outlook is very healthy. It is in the region of around $40 billion between Europe and Southeast Asia.

Now, in addition to these three sectors that I mentioned, we are working on developing a steady revenue stream for the company that is based on OpEx rather than CapEx. There are some projects that are being studied as we speak in relation to early production schemes, and this is following the boot mechanism. So, we will be building operating and transferring these assets after 10, 20 years' time, depending on the arrangement. This will enable a steady revenue stream for the company.

Abdul Aziz Sheir: Very clear, Mr. Ahmed. Thank you so much.

Just a follow up here on P6, we've been hearing more frequently recently about the plan to move forward with P6, but so far we didn't hear any official announcements from ADNOC. What do you think the state of this? Do you think we're going to see this soon or what should we expect when it comes to P6?

Eng. Ahmed Al Dhaheri: I mentioned about Upper Zakum, 1.5. Upper Zakum is the largest offshore field for ADNOC. It produces today 1 million barrels, and the intention is to increase it to 1.5 million barrels per day. This is not part of P5, and we are talking about here roughly $10 billion of investments. Technical proposals already submitted by us and commercial will be submitted very soon, in a month time or so. Why I'm saying they are moving ahead is because they are not willing to even give any extensions for the submission dates. They are adamant, and they want really to proceed with these projects.

Abdul Aziz Sheir: Is there a timeline from ADNOC on when would they get to the 6 million barrels, or is it just project by project and we'll see how it goes?

Eng. Ahmed Al Dhaheri: Well, they have announced, actually, the last few months ago their plans, around 150 billion. This covers not only upstream, but also covers downstream and the drilling activities. So, there was a plan, yes, issued by ADNOC a few months back.

Abdul Aziz Sheir: Very clear. Sorry for too many questions. Just one final question from my side. I understand also on the gas side, the UAE [ph] is expanding a lot, but I think it's difficult for us to really assess the market size on the gas front. Can just tell us a bit more, what do you expect? What's the current market size? And how would the market grow with the current expansion plans in the gas side?

Eng. Ahmed Al Dhaheri: It is part, actually, of the outlook I gave you when I mentioned about oil and gas, the $33 billion from UAE and Saudi in 2026, this is the outlook. But when it comes to ADNOC, part of the pipeline that we are working on right now is Umm Shaif gas cap. This is an important project for ADNOC. We're talking about roughly here AED 6 billion, but there's also another important gas project, which is Bab Gas. Bab Gas is, again, another mega development for ADNOC. It can reach up to AED 20 billion. So there are a few projects that are currently under tendering.

Of course, I did not mention about the KTO. KTO is a gas development, and already we are in close discussions with KTO. The first package was already awarded just to start with the seven jackets, but following packages are much bigger packages, and these packages are yet to be awarded.

Abdul Aziz Sheir: Thank you so much and best of luck.

Eng. Ahmed Al Dhaheri: Thank you. Thank you.

Moderator We have another question in the chat box. We understand that part of these questions were answered, but Nahida is asking about the specific breakdown of the project pipeline of the AED 56 billion in terms of geographies. He's also asking about longer term as ADNOC approaches the end of its expansion by 2028/2029, how should an investor think of a sustainable backlog?

Eng. Ahmed Al Dhaheri Well, I have to say that it has been always clear that with the increase in population, the increase in data centers, the increase of artificial intelligence usage, there'll be continuous increase in energy demand. So, we cannot say there are projects that will stop and nothing will continue, because all the developments that we've been seeing over the past, since the company started 50 years ago, require lots of maintenance. So even if there are no additional increasing capacities, maintain potential is a big element of what we do, and most of the projects today that we are executing for Aramco, they are maintained potential; replacements of platforms that are more than 50 years old, and the replacements of pipelines. So, this kind of activities projects will continue for years to come, as long as we have production going on. This is aside from what I started with, that there is always increase in energy demand.

Now, we are trying to tap into new sectors, and this is to diversify our revenues. So, by tapping into offshore wind, offshore wind by itself, the plans are really very ambitious and we're talking about here the world being our market.

There was a specific question about what is the breakup of our pipeline depending on the market. I would say around AED 20 billion is related to Saudi Aramco and the rest is roughly related to ADNOC jobs.

Moderator Okay, there's a follow up question from Nikhil about the CapEx earmarked for international M&A. He's asking about specific geographies and industry verticals you're looking at.

Eng. Ahmed Al Dhaheri I believe I touched on this in particular, so we're talking about any offshore wind opportunities, and usually offshore wind would be something in Europe or Southeast Asia. We're talking about improving our capabilities in onshore. This might be through the incorporation of a joint venture with a major player, or through an M&A, so these options are available to us.

You may have heard the group, NMDC Group, they joined hands with the CCC through a subsidiary, a sister company, NMDC for us. So these sorts of moves are expected. But also, when I talked about the recurring revenue streams, so when it comes to the ability to be part of the early productions teams for different projects when it comes also, we are looking at the artificial lift for the oil wells, whether offshore wells or onshore wells. So, this is basically in relation to production, its operation, no longer just CapEx, and you move on.

Moderator Okay, we have a question from Bilal Sabah in the chat box. “How should we think about margins or profitability of international markets or projects as compared with local?”

Rahul Agarwal I may take that. Our goal is to maintain or enhance our margins. So obviously, as we go about our international expansion, the idea is even on the M&A front to look at targets which will

	potentially match or enhance our margin, and with a view to achieve synergies on the back of backward integration where possible, which should overall result in an improvement in our margin profile. So, we're not going for essentially any margin dilution. Maybe, if it is strategic, initially, we might think of it. But otherwise, the overall goal is to at least maintain our margin profile.
Moderator	We will wait a few minutes for questions to come in. Please note, we will prioritize raised hands. You have another question coming from Abdul Aziz Sheir. Please, unmute locally.
Abdul Aziz Sheir	Hello, gentlemen. Just a follow up question. I believe you mentioned in the presentation that you're updating the dividend distribution policy to 50% of earnings going forward. Is there a possibility for a higher dividend distribution given the strength of the balance sheet right now?
Rahul Agarwal	I think we have significantly enhanced our dividends in the current year, and the policy that we currently have in mind is also quite solid at a 50% payout, which we believe will give a proper balance to achieve three goals. One is in terms of the yield; second, in terms of our having adequate investable cash for CapEx and also for M&A plans. So, this policy was designed, keeping all three goals, strategic goals in mind to provide a good return on investment for the investors, but also to enhance the return on equity by way of, let's say, pragmatic deployment of our spare cash.
Abdul Aziz Sheir	And when it comes to the possible M&A's that you've discussed, what's the ticket size that we're talking about? Is $100 million, $1 billion? I know nothing is finalized yet, but just want to understand general direction of what's in mind for M&A?
Rahul Agarwal	I hear where you're coming from. I would say it is sizable, because we're not looking at smaller acquisitions just to check a box. These will be sizable acquisitions. The ticket size could be up to $500 million, if I have to give a broad range, but then it would be dependent, honestly, on whether the target fits our profile, what we are looking for, and if it meets it, then yes.
Abdul Aziz Sheir	Could there be more than one acquisition, or would you concentrate on a single acquisition?
Rahul Agarwal	Yes, the goal is to do multiple acquisitions, and each of those will focus on the strategic areas which Eng. Ahmed mentioned, which is whether it's renewable energy, whether it is in terms of artificial lifting, whether it's in terms of backward integration, and also across geographies.
Abdul Aziz Sheir	Thank you, gentlemen.
Moderator	We will wait a few more minutes for any questions to come in, if any. Okay, it looks like we have no further questions. I'll hand over the call to management for closing remarks.
Hanzade Nessim	Thank you. Thank you, everyone, for dialing on today's call. We have no closing remarks. Thank you again. Have a good day.
Moderator	Thank you for the presentation. This end today's call. You may now disconnect.