Mekdam Holding Group (MKDM)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.070	Target Price	QR2.485
Implied Upside	20.0%		

2Q2026 Softer Revenue and Persistent High Costs Squeeze Margins; Maintain Accumulate

Mekdam's (MKDM) 2Q2026 net profit declined to QR3.7mn, down 50.7% YoY and 57.0% QoQ, missing our estimate of QR5.4mn. Revenue decreased 2.6% YoY and 12.3% QoQ to QR153.4mn, falling 7.0% short of our QR165.0mn estimate, as quarterly project execution remained soft. Cost of operations declined QoQ to QR134.4mn from QR148.6mn but remained broadly unchanged YoY, resulting in gross profit falling 18.5% YoY and 27.6% QoQ to QR19.0mn and the gross margin narrowing to 12.4% from 14.8% in 2Q2025 and 15.0% in 1Q2026. Management attributed the margin pressure primarily to higher procurement, logistics & subcontracting, rather than a weakening in underlying operations. EPS declined to QR0.022 from QR0.044 in 2Q2025 and QR0.050 in 1Q2026. **Despite the weaker quarter, 1H2026 revenue increased 10.3% YoY to QR328.1mn from QR297.4mn; however, bottom-line slipped to QR12.2mn in 1H2026 vs. QR18.8mn in 1H2025 (-35.1%).** Notwithstanding this short-term volatility in earnings, we note that Mekdam's medium-term outlook remains supported by QR3.1bn of projects on hand, including QR1.6bn of remaining work and QR254.8mn new contracts secured during 2Q2026 and a QR2.6bn pipeline under evaluation. Furthermore, the pipeline remains healthy, with win rates averaging 9.1% across the segments in 2Q2026 vs. an average win rate of 5.3% in 1Q2026. **We maintain our target price of QR2.485, implying 20.0% upside, and reiterate our Accumulate recommendation.**

Highlights

- **Revenue softness and cost rigidity drove a sharp margin contraction.** Revenue declined by 2.6% YoY and 12.3% QoQ to QR153.4mn in 2Q2026, falling 7.0% short of our QR165.0mn estimate. The decline reflected lower technology services revenue, which fell 9.0% YoY (-23.9% QoQ) to QR70.8mn, while other services revenue decreased 12.3% YoY (-3.1% QoQ) to QR10.3mn. Cost of operations remained broadly unchanged YoY at QR134.4mn despite the lower revenue base, although it declined 9.6% QoQ from QR148.6mn. Consequently, gross profit contracted by 18.5% YoY and 27.6% QoQ to QR19.0mn, with the gross margin narrowing to 12.4% from 14.8% in 2Q2025 and 15.0% in 1Q2026. The resulting margin pressure carried through to EBITDA, which declined to QR6.3mn from QR10.1mn a year earlier and QR11.1mn in the previous quarter, compressing the EBITDA margin to 4.1% (2Q2025: 6.4%/ 1Q2026: 6.3%). Finance costs rose 61.4% YoY and 23.6% QoQ to QR1.2mn; further impacting the bottom-line. As a result, net profit shrunk by 50.7% YoY to QR3.7mn vs. QR7.5mn in 2Q2025 and by 57.0% QoQ from QR8.5mn.
- **Liquidity tightened as cash generation turned negative and debt/payables were paid down.** Current assets shrank to QR429.3mn from QR477.8mn (-10.1% QoQ) as MKDM's cash position was drawn down substantially over the quarter. The reduction in accounts and other payables to QR180.9mn in 2Q2026 from QR215.7mn in 1Q2026 was mostly driven by the settlement of QR23.6mn FY2025 dividend payable in 2Q alongside a QR14.9mn decline in accrued expenses; specifically, trade accounts payable declined by a more modest QR6.2mn, suggesting the headline payables movement overstates any deterioration in supplier payment terms. Separately, total bank loans and financing declined 15.8% QoQ to QR77.2mn from QR91.8mn, mainly due to scheduled Murabaha amortization and repayments of Projects Finance facilities. The decline was partially offset by a new drawdown under the Projects Finance-Murabaha facility. Furthermore, MKDM utilized QR18.1mn in financing activities and QR2.9mn in investing activities. This tightening echoed in the liquidity ratios, which have dropped on a YoY basis, with the current ratio falling to 1.7x in 2Q2026 from 2.1x in 2Q2025 and the quick ratio declining to 1.6x from 2.0x over the same period.
- **Persistent regional geopolitical tensions continue to add uncertainty to Mekdam's near-term outlook.** The geopolitical situation in the Middle East continues to affect the region, leading to disruptions in the operating environment and business activity. The duration of the impact remains unknown, which places the company at risk given its reliance on timely project execution and supply chain continuity, particularly given its exposure to imported materials and subcontracting, and new contract initiation across the regional footprint. The regional overhang compounds the already elevated cost pressures from procurement, logistics and financing costs, reinforcing the importance of MKDM's diversified backlog and strong customer-retention rate as buffers against near-term disruption.
- **Strong backlog provides support despite high costs and geopolitical risks.** While the sizeable backlog and approximately 90% customer-retention rate continue to underpin the investment case, near-term margin recovery remains dependent on the normalization of procurement and logistics conditions, improved project execution and the realization of cost and operational efficiencies. Furthermore, regional tensions continue to pose a risk to project execution and contract initiation.

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 requiring mandatory CAMS adoption across private-sector entities 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 12-month TP at QR2.485, implying 20.0% upside.*** Our TP is based on a DCF valuation model. Our core investment thesis remains intact, underpinned by MKDM's sizeable and steadily growing contract base of around QR3.1bn, alongside a strong contract win and retention profile that supports medium-term revenue and earnings growth. However, ongoing regional geopolitical tensions may continue to create delays in project execution and business activity.
- **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	QR2.070
Dividend Yield (%)	6.71%
Bloomberg Ticker	MKDM QD
ADR/GDR Ticker	N/A
Reuters Ticker	MKDM.QA
ISIN	QA000BD0VCK4
Sector*	Consumer Goods
52wk High/Low (QR)	2.908/2.06
3-m Average Vol.	206,982
Mkt. Cap. ($ bn/QR bn)	0.1/0.4
EV ($ bn/QR bn)	0.1/0.5
Shares O/S (mn)	170.0
FO Limit* (%)	77.8
FO (Institutional)* (%)	0.1
12-Month Total Return (%)	(16.88%)
Fiscal Year-End	December 31

Source: Bloomberg (as of August 10, 2026), *Qatar Exchange (as of June 22, 2026); Note: FO is foreign ownership

Key Financial Data and Estimates

	FY2025	FY2026E	FY2027E
EPS (QR)	0.25	0.20	0.24
P/E (x)	8.42	10.15	8.50
EV/EBITDA (x)	10.87	13.60	11.53
DPS (QR)	0.12	0.12	0.15
DY (%)	6.7%	5.9%	7.0%

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

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Financial Statements & Forecasts

Income Statement (QR'000)

	2Q 2025 A	1Q 2026 A	2Q 2026 A	2Q 2026 E	2Q 2026 A Vs E	YoY	QoQ
Revenue	**157,518**	**174,790**	**153,356**	**164,986**	-7.0%	-2.6%	-12.3%
Cost of Operations	**-134,263**	**-148,598**	**-134,394**	**-142,944**	-6.0%	0.1%	-9.6%
As a % of Total Revenue (%)	85.2%	85.0%	87.6%	86.6%			
Gross Profit	**23,255**	**26,192**	**18,962**	**22,042**	-14.0%	-18.5%	-27.6%
Gross Margin (%)	14.8%	15.0%	12.4%	13.4%			
General and Administrative Expenses	**-13,297**	**-15,209**	**-12,851**	**-14,355**	-10.5%	-3.4%	-15.5%
As a % of Total Revenue (%)	8.4%	8.7%	8.4%	8.7%			
EBITDA	**10,118**	**11,057**	**6,273**	**7,756**	-19.1%	-38.0%	-43.3%
EBITDA Margin (%)	6.34%	6.3%	4.1%	4.7%			
Depreciation	**-611**	**-631**	**-549**	**-550**	-0.1%	-10.1%	-13.0%
Right-of-use Assets	-624	-624	-451	-624			
Amortization	**-661**	**-276**	**-369**	**-276**			
EBIT	**8,222**	**9,526**	**4,903**	**6,306**	-22.2%	-40.4%	-48.5%
EBIT Margin (%)	5.2%	5.4%	3.2%	3.8%			
Finance Cost	**-762**	**-995**	**-1,229**	**-959**	28.2%	61.4%	23.6%
Interest Expenses	-663	-926	-1,172	-648			
Finance Cost on Finance Lease Arrangement	-96	-69	-58	-311			
Net Profit for the Period	**7,461**	**8,531**	**3,674**	**5,347**			
Shareholders of the Group	**7,452**	**8,533**	**3,671**	**5,350**	-31.4%	-50.7%	-57.0%
Non-Controlling Interest	9	-2	3	-3			
Net Margin (%)	4.7%	4.9%	2.4%	3.4%			
EPS	**0.044**	**0.050**	**0.022**	**0.031**	-31.4%	-50.7%	-57.0%

Source: Company data, QNBFS Research.

Condensed Cash Flow Statement (QR'000)

	2024	2025	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	47,890	(12,345)	22,019	52,659	37,680	44,736
Cash Flow from Investing Activities	(11,456)	(19,087)	(1,355)	(3,094)	(5,400)	(6,238)
Cash Flow from Financing Activities	(34,143)	35,771	(5,370)	(38,402)	(19,346)	(24,066)
Change in cash	2,291	4,339	15,295	11,164	12,934	14,431
Cash Beginning of Period	24,807	27,098	31,437	46,731	57,895	70,829
Cash End of Period	**27,098**	**31,437**	**46,731**	**57,895**	**70,829**	**85,260**

Source: Company data, QNBFS Research

Balance Sheet (QR'000)

	FY2024	FY2025	FY2026E	FY2027E	FY2028E	FY2029E
Non-current asset						
Property and Equipment	44,029	50,203	49,191	49,884	52,746	54,677
Intangible Asset	2,170	8,107	7,093	6,312	5,287	4,688
Right of Use Assets	6,507	4,012	2,407	2,344	2,007	1,804
Retention Receivables	36,938	43,474	39,076	39,627	41,901	43,434
Total non-current assets	**89,645**	**105,795**	**97,767**	**98,167**	**101,940**	**104,604**
Current assets						
Inventories	18,630	15,834	17,419	17,375	18,321	19,044
Accounts Receivable and Other Debit Balances	123,920	154,079	146,117	146,382	152,465	156,512
Advance Payments to Suppliers and Subcontractors	17,982	56,107	44,127	36,000	38,066	39,459
Contract Assets	113,439	201,434	191,025	193,717	204,831	212,330
Due from Related Parties	50	70	70	70	70	70
Cash and Bank Balances	30,101	32,178	47,472	58,636	71,570	86,001
Total Current assets	**304,122**	**459,702**	**446,230**	**452,180**	**485,324**	**513,416**
Total assets	**393,767**	**565,497**	**543,997**	**550,347**	**587,263**	**618,020**
EQUITY AND LIABILITIES						
Share Capital	135,000	160,000	170,000	170,000	170,000	170,000
Legal Reserve	58,799	62,981	66,446	70,589	75,068	79,619
Retained Earnings	35,837	47,424	44,150	59,643	74,040	87,039
Equity Attributable to Shareholders of the Group	**229,636**	**270,404**	**280,597**	**300,231**	**319,108**	**336,658**
Non-Controlling Interest	35	35	62	97	157	94
Total Equity	**229,671**	**270,439**	**280,659**	**300,328**	**319,265**	**336,752**
Non-current liability						
Due to Related Parties	2,596	2,596	2,596	2,596	2,596	2,596
Loans and Borrowings	18,056	13,483	17,244	14,424	15,928	16,868
Provision for Employees' End of Service Benefits	8,932	13,398	15,177	17,092	19,117	21,216
Lease Liability	4,464	1,771	1,250	1,306	1,257	1,258
Total non-current liability	**34,048**	**31,249**	**36,266**	**35,417**	**38,897**	**41,938**
Current liability						
Due to Related Parties	1,484	2,058	2,058	2,058	2,058	2,058
Loans and Borrowings	16,251	58,230	74,469	62,290	68,785	72,845
Accounts Payable and Other Credit Balances	109,901	200,828	148,644	148,268	156,346	162,514
Lease Liability	2,413	2,693	1,900	1,986	1,911	1,913
Total current liability	**130,048**	**263,809**	**227,072**	**214,601**	**229,101**	**239,330**
Total liabilities	**164,096**	**295,058**	**263,338**	**250,019**	**267,998**	**281,268**
Total equity and liabilities	**393,767**	**565,497**	**543,997**	**550,347**	**587,263**	**618,020**

Source: Company data, QNBFS Research

Recommendations *Based on the range for the upside / downside offered by the 12-month target price of a stock versus the current market price*	
OUTPERFORM	Greater than +20%
ACCUMULATE	Between +10% to +20%
MARKET PERFORM	Between -10% to +10%
REDUCE	Between -10% to -20%
UNDERPERFORM	Lower than -20%

Risk Ratings *Reflecting historic and expected price volatility versus the local market average and qualitative risk analysis of fundamentals*	
R-1	Significantly lower than average
R-2	Lower than average
R-3	Medium / In-line with the average
R-4	Above average
R-5	Significantly above average

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