

Mekdam Holding Group (MKDM)

Recommendation	Accumulate	Risk Rating	R-3
Share Price	QR2.275	Target Price	QR2.485
Implied Upside	9.2%	Old Target Price	QR2.998

1Q2026 Bottom-line Miss As Cost Pressures Mount; Lowering PT But Reiterate Accumulate

Mekdam's (MKDM) 1Q2026 bottom-line of QR8.5mn (-24.8% YoY/-39.0% QoQ) missed our estimate of QR11.9mn (variation of -28.2%). Revenue came in at QR174.8mn (+25.0% YoY/-23.2% QoQ), exceeding our estimated revenue of QR158.5mn (variation of +10.3%). While top-line growth remained robust, higher operating expenses weighed on profitability versus our expectations. Costs of operations rose to QR148.6mn from QR113.5mn recording a YoY rise of 31.0% (-24.4% QoQ), while finance costs were up 221.4% YoY to QR1.0mn vs. QR0.3mn (-18.4% QoQ). Gross margin landed at 15.0% in 1Q2026 (vs 18.9% in 1Q2025), while EBITDA declined to QR11.1mn (EBITDA margin 6.3%). EPS accordingly fell to QR0.050 in 1Q2026 compared to QR0.067 in 1Q2025. The group signed new contracts valued at QR120mn in 1Q2026, with the value of ongoing contracts amounting to QR3.1bn and value of work remaining under these contracts estimated at QR1.6bn. We lower our target price to QR2.485 with an implied upside of 9.2% but reiterate our accumulate rating. The lower target price is the result of primarily lowering our margin estimates due to geopolitical tensions that pose a potential threat to business activity in the region. Cost pressures reflect disruption to the Strait of Hormuz and the continued conflict in the region, leading to elevated shipping costs and more rigorous routes. In addition, Mekdam has contracts with several companies that were affected in Qatar and is also has exposure to the Saudi market.

Highlights

- Revenue beat overshadowed by cost inflation.** Revenue grew 25.0% YoY (-23.2% QoQ) to QR174.8mn, surpassing our estimate of QR158.5mn by 10.3%, supported by growth across operational segments. Technology services revenue hiked to QR93.1mn (54.9% YoY/ -18.4% QoQ), Manpower Supply Services revenue increased to QR65.0mn (+10.8% YoY/ -2.1% QoQ) and Centralized Alarm Monitoring System Services grew to QR6.2mn (+5.1% YoY/ -12.9% QoQ). Other Services revenue dropped to QR10.6mn (-30.8% YoY/ -73.5% QoQ) as a result of the slowdown to the oil & gas sector in Qatar. Cost pressure stunted earnings growth as cost of operations grew 31.0% YoY primarily because of higher labor costs of QR80.1mn vs. QR63.7mn in 1Q2025 (+25.8% YoY/ +1.3% QoQ). Furthermore, cost of materials and subcontractors was up to QR54.7mn vs. QR41.6mn in 1Q2025 (+31.5% YoY/ -38.3% QoQ) and other direct expenses expanded to QR13.8mn vs. QR8.2mn in 1Q2025 (+69.0% YoY/ -51.8% QoQ).
- Geopolitical tensions weighed on regional companies.** Mekdam faced some earnings pressure affected by geopolitical tensions, which delayed some contractual agreements and forced the company to put some site work on hold for a couple of months during 2026. Furthermore, costs have risen substantially since the conflict as it has become more difficult and more costly to import the materials needed for production.
- Notable pullback in upfront cash commitments protecting cash conversion.** Mekdam increased its cash and bank balances in 1Q2026 to QR45.9mn vs. QR32.2mn in 4Q2025, reflecting a cautious cash preservation stance amid prevailing regional geopolitical tensions. Positively, the company generated operating cash inflow of QR23.2mn during 1Q2026 vs. operating cash outflow of QR9.2mn in 1Q2025, underscoring resilience in the underlying cash generative nature of the business. However, net borrowings of QR20.0mn vs. QR14.9mn in 4Q2025 highlighted growing reliance on external financing to bridge working capital gaps.
- Mekdam benefits from a strong client base spanning government, semi-government, and top-tier private sector entities.** Over the years, the company has built durable relationships with leading global and regional partners, supporting a high customer retention rate of around 90%. The company has a healthy pipeline which continues to feed the top-line, but its costs could pose a threat if regional tensions are not resolved. This diversified and recurring client base continues to generate repeat 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 lower our 12-month TP to QR2.485, implying 9.2% 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	QR2.275
Dividend Yield (%)	6.10%
Bloomberg Ticker	MKDM QD
ADR/GDR Ticker	N/A
Reuters Ticker	MKDM.QA
ISIN	QA000BD0VCK4
Sector*	Consumer Goods
52wk High/Low (QR)	2.908/2.190
3-m Average Vol.	627,512
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 (%)	(4.08%)
Fiscal Year-End	December 31

Source: Bloomberg (as of June 22, 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	0.22	0.24
P/E (x)	9.25	10.55	9.55
EV/EBITDA (x)	10.87	12.99	11.72
DPS (QR)	0.14	0.13	0.14
DY (%)	6.1%	5.7%	6.3%

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)

	1Q 2025 A	4Q 2025 A	1Q 2026 A	1Q 2026 E	1Q 2026 A Vs E	YoY	QoQ
Revenue	139,887	227,464	174,790	158,488	10.3%	25.0%	-23.2%
Cost of Operations	-113,463	-196,485	-148,598	-136,780	8.6%	31.0%	-24.3%
As a % of Total Revenue (%)	81.1%	86.4%	85.0%	86.3%			
Gross Profit	26,424	30,979	26,192	21,708	20.7%	-0.9%	-15.5%
Gross Margin (%)	18.9%	13.6%	15.0%	13.7%			
General and Administrative Expenses	-12,984	-11,436	-15,208	-7,968	90.9%	17.1%	33.0%
As a % of Total Revenue (%)	9.3%	5.0%	8.7%	5.0%			
EBITDA	13,534	17,409	11,057	15,357	-28.0%	-18.3%	-36.5%
EBITDA Margin (%)	9.7%	7.7%	6.3%	9.7%			
Depreciation	-589	-1,965	-1,339	-1,304	2.7%	127.6%	-31.8%
Right-of-use Assets	-624	-624	-624	-624			
Amortization	-647	-1,044	-276	-405			
EBIT	11,675	15,187	9,526	13,023	-26.9%	-18.4%	-37.3%
EBIT Margin (%)	8.3%	6.5%	5.4%	8.2%			
Finance Cost	-309	-1,218	-995	-1,095	-9.1%	221.4%	-18.4%
Interest Expenses	-201	-1,143	-926	-1,025			
Finance Cost on Finance Lease Arrangement	-109	-75	-69	-69			
Net Profit for the Period	11,365	13,969	8,531	11,929			
Shareholders of the Group	11,353	13,990	8,533	11,880	-28.2%	-24.8%	-39.0%
Non-Controlling Interest	13	-3	-2	49			
Net Margin (%)	8.1%	6.1%	4.9%	7.5%			
EPS	0.067	0.067	0.050	0.070	-28.2%	-24.8%	-39.0%

Source: Company data, QNBFS Research.

QNBFS Estimates Revision (QR'000)

	2025	2026e		Change	2027e		Change	2028e		Change
		Current	Previous		Current	Previous		Current	Previous	
REVENUE	681,078	673,527	708,787	-4.97%	707,448	721,893	-2.00%	720,464	732,363	-1.62%
GROSS PROFIT	107,367	98,335	111,735	-11.99%	104,702	113,801	-8.00%	106,629	115,451	-7.64%
EBITDA	53,283	46,020	54,845	-16.09%	49,720	55,054	-9.69%	51,206	56,426	-9.25%
OPERATING PROFIT	45,217	42,349	47,860	-11.52%	46,266	48,236	-4.08%	47,713	49,313	-3.25%
NET PROFIT	41,814	36,667	42,895	-14.52%	40,508	44,311	-8.58%	42,121	46,343	-9.11%

Source: Company data, QNBFS Research

Condensed Cash Flow Statement (QR'000)

	2024	2025	2026e	2027e	2028e	2029e
Cash Flow from Operating Activities	52,639	(8,541)	18,794	49,741	52,727	47,550
Cash Flow from Investing Activities	(11,456)	(19,087)	(3,561)	(5,176)	(3,632)	(6,832)
Cash Flow from Financing Activities	(34,143)	35,771	(5,428)	(39,591)	(18,750)	(22,383)
Change in cash	2,291	4,339	2,854	(2,096)	23,488	11,039
Cash Beginning of Period	24,807	27,098	31,437	34,291	32,195	55,683
Cash End of Period	27,098	31,437	34,291	32,195	55,683	66,722

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	51,296	53,879	54,871	57,197
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	40,749	42,801	43,588	45,436
Total non-current assets	89,645	105,795	101,545	105,337	105,752	109,125
Current assets						
Inventories	18,630	15,834	18,164	19,034	19,331	20,206
Accounts Receivable and Other Debit Balances	123,920	154,079	152,371	158,106	158,607	163,726
Advance Payments to Suppliers and Subcontractors	17,982	56,107	46,015	39,781	40,513	42,231
Contract Assets	113,439	201,434	199,200	209,233	213,083	222,115
Due from Related Parties	50	70	70	70	70	70
Cash and Bank Balances	30,101	32,178	35,032	32,936	56,425	67,463
Total Current assets	304,122	459,702	450,853	459,161	488,029	515,811
Total assets	393,767	565,497	552,398	564,498	593,781	624,936
EQUITY AND LIABILITIES						
Share Capital	135,000	160,000	170,000	170,000	170,000	170,000
Legal Reserve	58,799	62,981	66,647	70,698	74,910	79,209
Retained Earnings	35,837	47,424	45,907	59,399	72,002	84,398
Equity Attributable to Shareholders of the Group	229,636	270,404	282,554	300,097	316,912	333,607
Non-Controlling Interest	35	35	67	109	181	105
Total Equity	229,671	270,439	282,622	300,207	317,093	333,713
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	15,253	17,201	19,185	21,252
Lease Liability	4,464	1,771	1,250	1,306	1,257	1,258
Total non-current liability	34,048	31,249	36,342	35,526	38,965	41,974
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	155,006	162,431	164,968	172,432
Lease Liability	2,413	2,693	1,900	1,986	1,911	1,913
Total current liability	130,048	263,809	233,434	228,765	237,723	249,249
Total liabilities	164,096	295,058	269,776	264,291	276,688	291,223
Total equity and liabilities	393,767	565,497	552,398	564,498	593,781	624,936

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

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