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Unsolicited Rating Report

Mutlaq Al-Ghowairi Contracting Co. (MGC)

(CR No. 1010084223)

Date of Report: June 2026
Rating Assigned: BBB+ *(Unsolicited)*

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1. RATING OPINION SNAPSHOT

Financial Analytics Company (RATING) has assigned an unsolicited long-term rating of 'BBB+' (Triple B plus) to Mutlaq Al-Ghowairi Contracting Co. (MGC)

Rating Action	
Rating Assigned	BBB+ (Unsolicited)
Date of Report	June 2026

Mutlaq Al-Ghowairi Contracting Co ('MGC' or 'the Company') is assigned an unsolicited rating of BBB (Triple B plus). This assessment is grounded in a rigorous analysis of the company's financial results, strategic positioning, competitive environment, and forward-looking guidance.

The A- rating reflects MGC's strong market position within Saudi Arabia's infrastructure contracting sector, sizeable backlog supporting medium-term revenue visibility, conservative financial profile characterized by a debt-free balance sheet and net cash position, and established relationships with government and quasi-government counterparties. The rating is moderated by elevated backlog concentration, exposure to working capital and contract-asset conversion risk inherent in the EPC model, execution risk associated with rapid backlog growth, and the ongoing normalization of profitability as lower-margin projects enter execution. Governance considerations related to related-party exposures and the relatively recent formalization of key control functions also remain relevant rating factors.

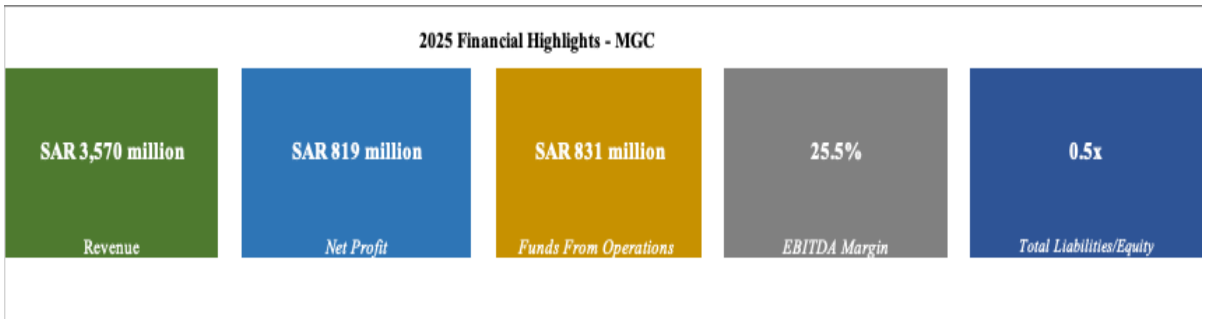
2. COMPANY OVERVIEW

Mutlaq Al-Ghowairi Contracting Co. ('MGC' or 'the Company') is a Saudi Arabia-based EPC contractor specializing in critical infrastructure for the water sector, transportation networks, and (historically) urban development. Founded in 1977 as a sole proprietorship with an initial capital of SAR 200,000, the Company has been transformed over nearly five decades into one of Saudi Arabia's most recognized infrastructure contractors with a dominant presence in water infrastructure projects.

The Company operates on an Engineer-Procure-Construct (EPC) model and has established deep technical competency in water transfer pipelines and pumping stations, sewage networks and environmental sanitation systems, road and bridge construction, and flood risk mitigation infrastructure. Operations & Maintenance activities provide recurring revenue through multi-year O&M contracts, primarily in transportation. The Company works predominantly with government and semi-government clients, with revenues primarily derived from projects aligned with Vision 2030 infrastructure targets.

MGC's corporate evolution mirrors Saudi Arabia's infrastructure development trajectory: from a small regional contractor in the 1970s, to a multi-billion-riyal EPC firm executing some of the kingdom's most complex water and transport infrastructure programs. The Company secured its largest contract to date through its 35%-owned associate, STREAM Water Transfer. As of March 2026, this contract represented 68% of the total backlog, resulting in a high degree of backlog concentration within a related-party entity. This concentration is a key rating consideration, as it heightens the Company’s exposure to the performance and execution of a single project despite the improved revenue visibility provided by the contract.

FY2025 Key Financial Highlights



3. OWNERSHIP STRUCTURE

Prior to the IPO, MGC is wholly family-owned by members of the Al-Ghowairi Al-Damouk family. The IPO involves the sale of 240 million existing shares (30% of capital) by existing shareholders, with no new shares being issued. Accordingly, the Company receives no proceeds from the IPO — the transaction serves as a liquidity event for the founding family rather than a capital raise for the business. The following table shows the shareholding structure of Almarai as on date:

Table 1: Shareholding Structure of MGC — Pre- and Post-IPO

Shareholder	Pre-IPO (%)	Post-IPO (%)	Notes
Mutlaq bin Damouk Al-Ghowairi	52.50%	32.00%	Founder - Chairman
Tarad Damouk Al-Ghowairi	22.50%	15.72%	Vice Chairman
Mutlaq bin Mohammad bin Damouk	4.24%	3.50%	Board Member
Heirs of Mohammad Damouk (16 heirs)	20.76%	~6.60%	30% classified as public
New Public Shareholders	—	30.00%	240 mn shares
Total Declared Float (incl. family)	—	42.18%	Includes 10 family members

Source: MGC IPO Prospectus

While the IPO involved the sale of 30.0% of the Company's share capital to new investors, the effective free float is likely higher from the listing date. In addition to the IPO shares, approximately 12.18% of the post-listing share capital was held by heirs of the late Mohammad Damouk, whose holdings were classified as public shareholders and were not subject to the six-month lock-up period applicable to the controlling shareholders. As a result, the immediately tradeable share base exceeded the headline IPO float, providing greater liquidity than implied by the 30.0% offering size alone.

Nevertheless, control remained concentrated, with the Chairman and Vice Chairman collectively retaining a 47.72% ownership stake following the IPO.

4. GOVERNANCE & MANAGEMENT

Governance Framework Supported by Founder Continuity, with Moderate Board Independence

MGC operates under a governance framework aligned with CMA requirements and overseen by a seven-member Board comprising three independent directors, representing 43% of total Board seats. While the Board benefits from the presence of independent members and a clear separation between executive and non-executive representation, the overall level of Board independence remains moderate relative to the Company's scale, growing public shareholder base, and exposure to large and complex infrastructure projects. Independent representation is also below the 50% threshold commonly observed among larger listed corporates and international governance benchmarks.

Ownership remains concentrated following the IPO, with the Chairman, Vice Chairman, and a related family Board member collectively holding approximately 51.22% of the Company's outstanding shares. While concentrated ownership may limit the influence of minority shareholders on strategic matters, it also supports continuity of leadership, long-term strategic alignment, and stability of decision-making. Founder involvement remains significant across both ownership and governance structures, with the founding family retaining effective influence over the Company's strategic direction following the IPO.

RATING notes the presence of related-party transactions involving STREAM Water Transmission Company. The related-party nature of the arrangement arises from the indirect ownership interests held by certain Board members through Bahoor Investment and Al Qanawat Al Ma'iyah. RATING takes comfort from the fact that the transaction was approved by both the Board and General Assembly, with the interested Board members abstaining from voting.

Nevertheless, the scale of STREAM-related contracts remains significant and continued transparency and independent oversight of related-party transactions remain important governance considerations.

Table 2: Board of Directors

Member	Role	Classification	On Board Since	Post-IPO Stake
Mutlaq Damouk Mutlaq Al-Ghowairi Al-Otaibi	Chairman	Non-Executive	Founder	32.00%
Terad Damouk Mutlaq Al-Ghowairi	Vice Chairman	Non-Executive	—	15.72%
Mutlaq Mohamed Damouk Al-Ghowairi	Member	Non-Executive	2019	3.50%
Ibrahim Ali Ibrahim Al-Mohsen	Member	Independent	2022	—
Emad Obaid Thawab Al-Otaibi	Member	Independent	2022	—
Sulaiman Abdulaziz Abdulrahman Al-Zaben	Member	Independent	Sep 2024	—
Omar Bijad Hudhali Al-Dalbahi	Member (CEO)	Executive	2019	—
BOARD TOTAL OWNERSHIP POST-IPO				**51.22%**

Source: MGC IPO Prospectus

Board oversight is supported through the Executive Committee, Audit Committee, and Nomination and Remuneration Committee. RATING views the Audit Committee as a key governance strength. The Committee is composed entirely of independent members, including external professionals with extensive experience across auditing, finance, listed companies, and public-sector institutions. The presence of external independent members enhances objectivity and provides an additional layer of oversight over financial reporting, internal controls, compliance, and audit matters.

Executive Committee — Formed November 2023

Table 3: Executive Committee

Member	Position	Status	Notes
Mutlaq Damouk Mutlaq Al-Ghowairi Al-Otaibi	Chairman	Non-Executive / Non-Independent	Board Chairman; founder
Omar Bijad Hudhali Al-Dalbahi	Member	Executive	CEO; with MGC since 2012
Saleh Mohamed Saleh Al-Juhayman	Member	Executive	VP Operations; with MGC since 2022

Source: MGC IPO Prospectus

Nomination and Remuneration Committee — Formed November 2023

Table 4: Nomination and Remuneration Committee

Member	Position	Status	Notes
Ibrahim Ali Ibrahim Al-Mohsen	Chairman	Independent (Board Member)	Also Board Director since 2022; academic & charitable sector background
Mutlaq Mohamed Damouk Al-Ghowairi	Member	Non-Executive / Non-Independent (Board Member)	Family shareholder; Board Director since 2019
Musa Assaf Hayyan Al-Shamrani	Member	Independent (External)	External committee member; not a board director

Source: MGC IPO Prospectus

Audit Committee — Formed November 2023; reconstituted September 2024

Table 5: Audit Committee

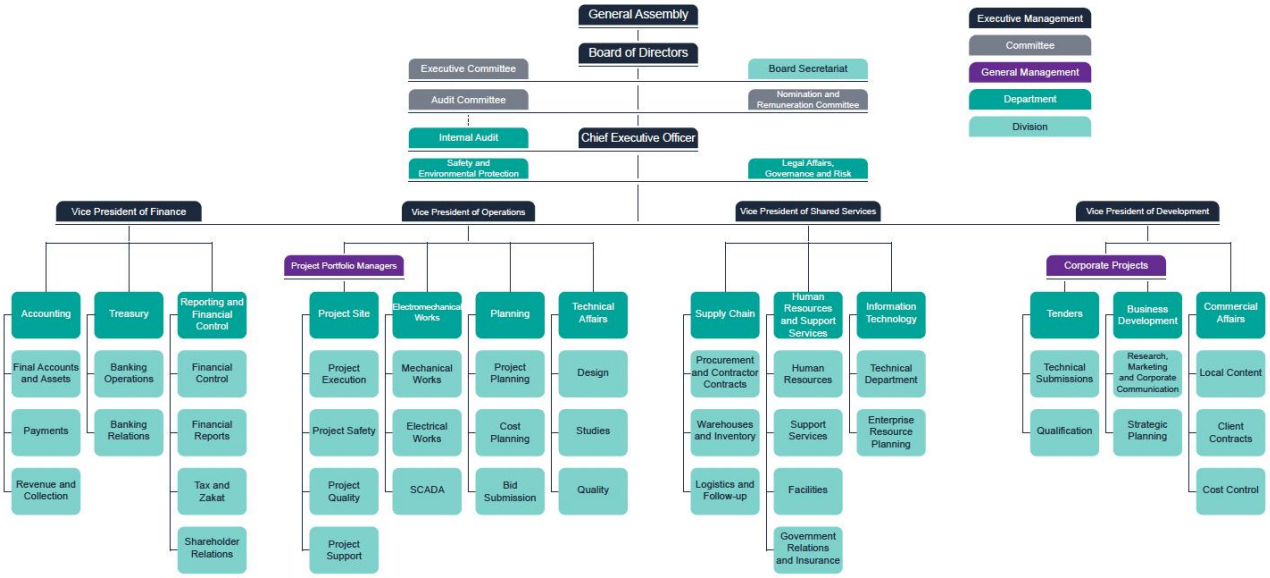
Member	Position	Status	Notes
Emad Obaid Thawab Al-Otaibi	Chairman	Independent (Board Member)	Also Board Director since 2022; ex-Ministry of Finance & Health
Nasser Abdullah Saleh Al-Ofi	Member	Independent (External)	Ex-SPIMACO CFO; extensive listed-co audit committee experience
Mohamed Omar Badghaish	Member	Independent (External)	Ex-Aramco, ex-PwC auditor; member since 2023

Source: MGC IPO Prospectus

The Company does not maintain a dedicated Board Risk Committee, with risk oversight currently embedded within management functions and broader governance structures. While this approach remains compliant with applicable regulatory requirements, RATING notes that the increasing scale of operations, execution of large government infrastructure projects, and backlog exceeding SAR 10 billion may support the establishment of more formalized Board-level risk oversight over time. Nevertheless, the recent appointment of a dedicated Legal, Governance and Risk Director and the existence of established governance functions provide a degree of mitigation.Overall, RATING views MGC's governance framework as adequate but still evolving. The principal governance considerations include concentrated ownership, moderate Board independence, the absence of a standalone Risk Committee, and the relatively recent development of several key governance and control functions. These factors are partially balanced by management continuity in core operational areas and the presence of an independent Audit Committee.

Management Continuity Supported by Evolving Governance and Control Functions

The organization structure, including board and main executive departments, is shown below:



Source: The Company.

At the executive level, management demonstrates a combination of institutional continuity and recent organizational development. The CEO has led the Company since 2012, while several senior executives have been promoted from internal operational roles. However, a number of key control and governance positions, including Internal Audit, Legal, Governance, Risk, and Shared Services, have been filled through relatively recent appointments. While these additions support the ongoing formalization of the management structure, the limited tenure of several control-function leaders means that the effectiveness of the enhanced governance framework remains to be demonstrated over a longer operating period.

Table 6: Senior Executive Management

Name	Position	Appointed	Origin	Prior Background
Omar Bijad Hudhali Al-Dalbahi	Chief Executive Officer	Jan 2012	Internal	ARTEC (1996-2006), Riyadh Municipality
Ayman Saleh Abdullah Al-Ghamdi	VP Finance	Mar 2024	Internal	CFO at MGC 2023-24; ex-National Water Company CFO
Saleh Mohamed Saleh Al-Juhayman	VP Operations	Mar 2024	Internal	Exec. VP at MGC 2022-23; promoted to VP Ops 2024
Abdullah Abdulrahman Mohammed Al-Rasheed	VP Shared Services	Nov 2024	External hire	Digital Future (consulting), Saudi Cable Company
Yahya Mohamed Yahya Al-Yousef	VP Development	Mar 2024	Internal	Project Manager at MGC 2021-23; ex-National Water Co.
Hatem Abdulaziz Mohammed Al-Morshed	Head of Internal Audit	Nov 2024	External hire	PwC (2022-24), EY (2018-22); no prior MGC experience
Mohamed Ayed Awdah Al Tazaa	Director, Safety & Environment	Apr 2021	External hire	Al Babtain Contracting (2015-21)
Moayyad Mohammed Aljohani	Director, Legal & Governance & Risk	Jan 2026	External hire	Appointed post-prospectus; most recent hire

Source: MGC IPO Prospectus

5. MARKET POSITION & SCALE

Revenue Growth Reflects Continued Project Execution and Expanding Operating Scale

MGC reported revenue of SAR 3.57 billion in FY2025, compared with SAR 3.24 billion in FY2024 and SAR 3.30 billion in FY2023. The 10.3% year-on-year increase in FY2025 was primarily driven by higher activity levels across transportation, environmental infrastructure, and recently awarded water-related projects. The continued revenue growth demonstrates MGC's ability to secure and execute large-scale infrastructure projects across multiple end-markets, supporting its position as an established participant within the Saudi infrastructure contracting sector.

In addition to supporting operating scale, the revenue trajectory indicates the Company's ability to replenish its project portfolio and maintain execution activity across multiple infrastructure categories. Revenue growth has also been accompanied by a gradual increase in the contribution of recurring O&M activities, which represented 17.3% of revenue during H1 2025 compared with 6.4% in FY2022, partially mitigating the inherent volatility associated with project-based EPC revenues.

Q1 2026 Performance Indicates Continued Revenue Momentum

Q1 2026 results indicate continued momentum in project execution and backlog conversion, with revenue increasing materially year-on-year. Revenue increased to SAR 967.3 million during Q1 2026 compared with SAR 608.9 million during Q1 2025, representing year-on-year growth of approximately 58.9%. The increase was primarily driven by the ramp-up of recently awarded projects, particularly within the Company's expanding water transmission portfolio.

Established Infrastructure Contractor with Expanding O&M Presence

MGC operates as a Saudi infrastructure contractor across two principal business lines: Construction and Operations & Maintenance (O&M). The Company's activities span water infrastructure, environmental and sanitation projects, transportation infrastructure, flood risk mitigation, urban development, and related maintenance services. Through its EPC and O&M capabilities, MGC participates across multiple phases of the infrastructure value chain, from engineering and construction to long-term asset maintenance and operational support.

Table 7: Revenue by Segment and Sub-Activity (SAR millions)

Segment / Activity	2022	2023	2024	H1 2024	H1 2025
CONSTRUCTION					
Water Infrastructure	1,304.5 (57.1%)	2,057.3 (62.3%)	1,981.1 (61.2%)	N/A	570.0 (38.1%)
Environmental & Sanitation	759.8 (33.2%)	910.3 (27.6%)	463.8 (14.3%)	N/A	442.5 (29.6%)
Transportation	26.6 (1.2%)	2.7 (0.1%)	114.2 (3.5%)	N/A	122.9 (8.2%)
Flood Risk Mitigation	1.2 (0.1%)	42.9 (1.3%)	278.1 (8.6%)	N/A	101.0 (6.8%)
Urban Development	48.7 (2.1%)	21.3 (0.6%)	— (0%)	N/A	— (0%)
Construction Sub-total	**2,140.8 (93.6%)**	**3,034.5 (91.9%)**	**2,837.1 (87.6%)**	**N/A**	**1,236.4 (82.7%)**
OPERATIONS & MAINTENANCE					
Water O&M	57.9 (2.5%)	32.2 (1.0%)	3.4 (0.1%)	N/A	3.2 (0.2%)
Transportation O&M	87.7 (3.8%)	233.6 (7.1%)	397.0 (12.3%)	N/A	256.3 (17.1%)
O&M Sub-total	**145.6 (6.4%)**	**265.8 (8.1%)**	**400.4 (12.4%)**	**N/A**	**259.5 (17.3%)**
TOTAL REVENUE (SAR mn)	**2,286.4**	**3,300.3**	**3,237.5**	**1,552.6**	**1,495.9**

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

Note: Orange shading indicates Urban Development — absent since 2024 with no explicit explanation in the prospectus.

Water Infrastructure remains the Company's largest operating activity and historical core competency. The segment includes water transmission pipelines, reservoirs, pumping stations, desalination-related infrastructure, treatment facilities, and associated utility projects. Although its revenue contribution declined to 38.1% during H1 2025 from more than 60% in FY2023 and FY2024, Water Infrastructure remains the Company's largest operating activity and principal source of revenue generation. Environmental and Sanitation Infrastructure represents the Company's second-largest activity category and includes sewage networks, wastewater systems, irrigation infrastructure, and

related environmental projects. The segment benefits from continued infrastructure investment across the Kingdom and remains an established component of MGC's project portfolio.

Transportation activities have expanded materially in recent years and now comprise both construction and maintenance services. The segment includes roads, bridges, road-safety enhancement works, and multi-year maintenance contracts. The increasing contribution from transportation projects reflects MGC's broader participation across infrastructure categories and supports its position within the Saudi contracting market.

Flood Risk Mitigation has emerged as a growing activity line, driven by drainage and flood-protection projects. While still smaller than the Company's core water infrastructure activities, the segment demonstrates MGC's capability to participate in specialized infrastructure projects requiring technical expertise and project execution capabilities.

Urban Development activities historically contributed a limited proportion of revenue and included site preparation, paving, hard landscaping, and related development works. Although no revenue was reported from the segment during FY2024 and H1 2025, the activity remains within the Company's stated scope of operations.

Table 8: 2025 Tender Activity (as at Prospectus Date)

Metric	2025 Result
Total tenders submitted in 2025	40 tenders
Total submitted value	SAR 33.6 billion
Tenders with decision issued	26 of 40
Total value of decided tenders	SAR 27,827 million
Tenders awarded to MGC	5 tenders
Win rate — by count (awarded / decided)	19.2%
Win rate — by value	30.5% (SAR 8,489mn won of SAR 27,827mn decided)
Tenders still pending decision	14 of 40
Company has ever withdrawn a submitted bid	Never
Ministry of Municipalities classification	First Class — no project value ceiling

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

MGC maintains a First-Class contractor classification issued by the Ministry of Municipalities and Housing, allowing participation in projects without value limitations. During 2025, the Company submitted 40 tenders with an aggregate value of SAR 33.6 billion. Of the 26 tenders for which decisions had been issued, MGC secured five awards totaling SAR 8.5 billion, resulting in a value-based win rate of 30.5% compared with a count-based win rate of 19.2%.

While the number of awarded tenders appears modest relative to total submissions, the significantly higher value-based success rate indicates that MGC remains more competitive in larger and more technically complex infrastructure projects than in smaller tenders. This is consistent with the Company's First-Class contractor classification, established execution track record, and focus on high-value infrastructure opportunities. The STREAM water transmission project accounted for a significant portion of awarded value during the period and highlights both the Company's participation in large-scale infrastructure projects and the concentration associated with a single related-party contract.

Stable Project Pipeline and Active Client Base

Table 9: Active Client Base by Period

Period	Clients	Projects	SWA Share	Govt/Semi	Private
FY2022	11	50	54.3%	74.8%	25.2%
FY2023	13	~54	31.4%	79.1%	20.9%
FY2024	12	~57	13.5%	92.1%	7.9%
H1 2025	13	59 (+18%)	7.3%	65.5%	34.5%
Dec 2025	13	59	—	—	—

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

MGC's operating scale has expanded steadily over the review period, with active projects increasing from 50 in FY2022 to 59 in H1 2025, while the active client base grew from 11 to 13 clients. The increase in project volume

demonstrates the Company's ability to manage multiple concurrent contracts across its operating segments and supports its established presence within the Saudi infrastructure contracting sector.

The decline in Saudi Water Authority's contribution from 54.3% of revenue in FY2022 to 7.3% in H1 2025 highlights the Company's ability to diversify revenue generation beyond its historical core client. While government and semi-government entities continue to represent the dominant source of business, the revenue base has become materially less dependent on a single customer, which RATING views positively from a business risk perspective.

Overall, RATING views MGC as an established infrastructure contractor with demonstrated capabilities across water, environmental, transportation, and utility-related projects. The Company's First-Class contractor classification, active portfolio of 59 projects, SAR 8.5 billion of awarded tenders during 2025, a value-based tender win rate of 30.5%, and demonstrated ability to secure sizeable infrastructure awards support its competitive position within the Saudi contracting market.

Strong Backlog Profile and Revenue Visibility; though remain concentrated

MGC's backlog increased materially from SAR 4.1 billion in December 2024 to SAR 10.6 billion in December 2025, equivalent to approximately 3.0x annual revenue and among the strongest backlog coverage levels observed during the review period.

Table 10: Backlog Evolution — 2020 to March 2026

Period	Backlog (SAR bn)	YoY Growth	Backlog / Revenue	Notes
December 2020	1.3	—	0.9x	
December 2021	2.9	+123%	2.4x	
December 2022	3.6	+24%	1.6x	
December 2023	4.4	+22%	1.3x	
December 2024	4.1	-7%	1.3x	Pre-STREAM
December 2025	10.6	+158%	3.0x	STREAM contracts added
March 2026	~10.6	Stable	~3.0x	Most recent

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

The increase was driven primarily by contracts awarded through STREAM Water Transmission Company. STREAM-related projects accounted for approximately 68% of the total value of ongoing contracts. As execution progressed and revenue was recognized, the residual STREAM backlog declined to approximately 46.5% of total backlog as of March 2026. While the enlarged backlog materially strengthens revenue visibility over the medium term, it also results in elevated concentration within the Company's order book.

Subsequent to Q1 2026, MGC terminated a subcontracting and procurement arrangement with a contractor participating in one of its EPC projects due to contractual non-compliance. The affected subcontract carried a value of approximately SAR 912 million, while advance payments made to the contractor amounted to SAR 3.5 million. As of the reporting date, the Company was evaluating alternative execution arrangements, including direct execution or replacement contractors, and had not yet determined the potential financial impact, if any.

RATING views the development as a monitorable execution risk given the size of the affected subcontract. However, the limited advance exposure and the Company's ongoing assessment of alternative execution solutions mitigate immediate financial concerns. The ultimate impact will depend on the timing of contractor replacement, project continuity, and any resulting cost or schedule implications. Furthermore, any dispute arising from the termination is subject to ICC arbitration under the laws of England and Wales, which could prolong resolution timelines and increase execution uncertainty. Accordingly, any delay in contractor replacement or dispute resolution could affect project completion schedules and the pace of backlog revenue conversion, representing a key execution monitorable for subsequent reporting periods.

STREAM is considered a related party due to the ownership structure associated with the project. In addition to MGC's indirect ownership interest through its subsidiary, Chairman Mutlaq bin Damouk Al-Ghowairi, Vice Chairman Tarad Damouk Al-Ghowairi, and Board Member Mutlaq bin Mohammed Al-Ghowairi hold indirect interests in the controlling shareholder of STREAM. Consequently, RATING views the backlog concentration associated with STREAM as a key analytical consideration within the assessment of MGC's business risk profile.

In addition to the existing backlog, the Company had approximately SAR 2.8 billion of awarded projects awaiting formal notice-to-proceed as of March 2026, including SAR 956.5 million from the Irrigation Authority and SAR 1.8 billion from National Water Company. Upon commencement, these projects are expected to provide additional support to backlog replenishment and future revenue visibility.

Overall, RATING views MGC's backlog profile as supportive of revenue visibility and operating scale. However, the quality of that visibility is moderated by concentration within a limited number of large contracts, particularly STREAM, which represented approximately 46.5% of total backlog as of March 2026, as well as the execution risks associated with timely delivery of these projects.

6. DIVERSIFICATION

REVENUE BASE DIVERSIFYING, THOUGH CONCENTRATION IN WATER AND KEY CLIENTS REMAINS ELEVATED

RATING views MGC's diversification profile as developing but still constrained by concentration across several dimensions. While the Company has broadened its operating activities beyond its traditional water infrastructure base and increased the contribution of recurring Operations & Maintenance (O&M) contracts, revenue generation remains concentrated in a limited number of infrastructure sectors, clients, and projects. Furthermore, all revenue is generated within Saudi Arabia, limiting geographic diversification. Nevertheless, the growing contribution of transportation-related activities and O&M contracts represents a positive development and partially supports the resilience of the Company's business profile.

Table 11: Revenue Mix by End-Market Sector (% of Total Revenue)

Sector	FY2022	FY2023	FY2024	H1 2025
Water-Related Activities (Water Infrastructure + Water O&M)	59.6%	63.3%	61.3%	38.3%
Environmental & Sanitation	33.2%	27.6%	14.3%	29.6%
Transportation (Construction + O&M)	5.0%	7.2%	15.8%	25.3%
Flood Risk Mitigation	0.1%	1.3%	8.6%	6.8%
Urban Development	2.1%	0.6%	0.0%	0.0%

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

MGC's sector diversification is broader than historical levels but remains concentrated within water and utility-related infrastructure. When combining Water Infrastructure, Water O&M, and Environmental & Sanitation activities, water-related projects represented approximately 95.3% of total revenue in FY2022, 90.9% in FY2023, 75.6% in FY2024, and 68.1% in H1 2025. Accordingly, despite operating across multiple reported sub-sectors, the Company's revenue profile has historically been heavily linked to a single underlying end-market: water, wastewater, and utility infrastructure.

A notable shift emerged during H1 2025 as transportation-related activities increased to 25.3% of revenue compared with only 5.0% in FY2022. The increase reflects growing participation in road construction and transportation maintenance contracts and represents the most meaningful improvement in sector diversification observed during the review period. While water-related activities remain the dominant contributor to revenue, the growing contribution from transportation projects has reduced dependence on a single infrastructure category and broadened the Company's end-market exposure.

RATING also notes that Urban Development, which contributed 2.1% of revenue in FY2022 and 0.6% in FY2023, did not generate revenue during FY2024 or H1 2025. As a result, the Company's diversification profile has increasingly been shaped by transportation and flood mitigation activities rather than urban development projects.

Overall, RATING views sector diversification as improving but still concentrated. The business profile remains primarily exposed to water and utility infrastructure spending, although the increasing contribution of transportation-related activities provides a degree of diversification and supports greater resilience against fluctuations in any single infrastructure segment.

Table 12: Revenue by Named Client — % of Total Revenue (FY2022 to H1 2025)

Client	Sector	FY2022	FY2023	FY2024	H1 2024	H1 2025
Saudi Water Authority	Public	54.3%	31.4%	13.5%	16.1%	7.3%
National Water Company	Semi-Gov	13.4%	11.7%	7.6%	4.2%	9.1%
Ministry of Transport	Public	5.0%	6.5%	11.2%	7.8%	14.9%
Royal Commission for Riyadh City	Public	—	1.6%	5.6%	3.3%	7.7%
Riyadh Municipality	Public	0.1%	1.3%	12.1%	8.4%	15.0%
MODON (Industrial Cities Auth.)	Public	1.9%	0.5%	—	—	—
Al Haer Environmental Services	Private	—	—	2.2%	—	17.7%
Stream Water Transmission	Related	—	—	—	—	11.5%
Client 1	Private	—	25.8%	40.8%	54.7%	7.2%
Client 2	Private	—	—	1.4%	—	4.4%
Client 3	Private	19.1%	12.1%	0.6%	1.3%	—
Client 4	Private	1.5%	2.4%	2.1%	1.2%	2.2%
Client 5	Private	2.9%	4.0%	0.8%	0.6%	0.3%
Client 6	Private	1.5%	1.7%	1.0%	1.0%	0.4%
Other clients	Mixed	0.2%	0.8%	1.1%	1.5%	2.3%
GOVERNMENT & SEMI-GOV		**74.8%**	**79.1%**	**92.1%**	—	**65.5%**
PRIVATE SECTOR		**25.2%**	**20.9%**	**7.9%**	—	**34.5%**

Source: MGC IPO Prospectus

MGC's client profile has evolved materially over the review period. Historically, Saudi Water Authority (SWA) represented the Company's dominant client, contributing 54.3% of revenue in FY2022. This concentration reduced progressively to 31.4% in FY2023, 13.5% in FY2024, and 7.3% in H1 2025, reflecting the Company's expansion across a broader range of infrastructure authorities and project owners.

The revenue base has become increasingly distributed across National Water Company, Ministry of Transport and Logistic Services, Royal Commission for Riyadh City, Riyadh Municipality, Al Haer Environmental Services, and Stream Water Transmission. The declining contribution from SWA indicates a reduced dependence on a single awarding authority and demonstrates the Company's ability to secure projects from multiple government, semi-government, and private-sector counterparties.

Despite this improvement, diversification remains constrained by the concentration of revenue among a limited number of large clients and projects. During FY2024, the largest disclosed client accounted for 40.8% of revenue, while Riyadh Municipality and the Ministry of Transport contributed a further 12.1% and 11.2%, respectively. As a result, the three largest contributors represented approximately 64% of total revenue during the year.

Government and semi-government entities remained the primary source of business throughout the review period, contributing between 65.5% and 92.1% of revenue. Accordingly, the Company's operating performance remains closely linked to public-sector infrastructure spending and project award activity within Saudi Arabia.

Overall, RATING views client diversification as improved relative to historical levels; however, revenue generation remains dependent on a limited number of large infrastructure counterparties and projects.

Table 13: Q1 2026 Revenue Concentration (31 March 2026, Unaudited)

Client	Q1 2026 Revenue (SAR)	Q1 2026 Share
Client A	**584,935,678**	**60.5%**
Client B	113,183,019	11.7%
Client C	63,474,062	6.9%
Client D	48,741,251	5.0%
Client E	41,391,060	4.3%
Client F	3,443,872	0.4%
Client A + B Combined	**698,118,697**	**72.2%**

Source: MGC IPO Prospectus

The Q1 2026 revenue profile highlights the extent of concentration that continues to characterize MGC's business model. Client A alone represented 60.5% of quarterly revenue, while the two largest clients collectively accounted for 72.2%. Such levels are elevated by infrastructure contracting sector standards and indicate that short-term financial performance remains heavily influenced by the execution progress, billing milestones, and continuity of a small number of major contracts.

The concentration profile suggests that improvements in client diversification at the institutional level have not yet translated into equivalent diversification of revenue generation. While the Company now serves a broader range of counterparties than in prior years, revenue remains disproportionately derived from a limited number of large projects.

RATING notes that this concentration is partly characteristic of large-scale EPC contractors, where individual projects can materially influence annual revenue. Nevertheless, the current level of concentration exposes the Company to project-specific execution risk, contract timing risk, variation-order risk, and potential delays in certification or payment associated with major contracts.

Overall, RATING views revenue concentration as elevated and considers it one of the principal constraints within MGC's business risk profile.

Geographic Diversification

MGC generates substantially all of its revenue within Saudi Arabia and does not currently maintain meaningful international operations. Although the Company has secured pre-qualification status in the UAE and Kuwait, no contracts have been awarded and no revenue has been generated from either market as of the prospectus date. Geographic diversification therefore remains limited, with the Kingdom representing the Company's sole revenue-generating market.

Overall, RATING views MGC's diversification profile as improving relative to historical levels; however, concentration across water-related infrastructure activities, major clients, and the domestic Saudi market remains elevated and continues to represent a key consideration within the Company's business risk assessment.

8. OPERATIONAL EFFICIENCY

RATING views MGC's operating efficiency as historically strong but volatile, with reported margins affected by project mix, cost-estimation updates under the percentage-of-completion method, and the transition into newer large-scale contracts with lower expected margins. FY2023 represents an exceptional peak rather than a sustainable margin base, while FY2024 and FY2025 indicate a normalization of profitability as high-margin legacy projects decline in contribution and newer contracts move through execution.

Table 14: Operating Efficiency Summary — FY2022 to Q1 2026 (SAR millions)

Metric	FY2022	FY2023	FY2024	FY2025	Q1 2026
Revenue (SAR mn)	2,286.4	3,300.3	3,237.5	3,569.9	967.3
Cost of Revenue (SAR mn)	(1,595.4)	(1,782.8)	(1,858.3)	(2,614.7)	(740.5)
Gross Profit (SAR mn)	**691.0**	**1,517.5**	**1,379.2**	**955.2**	**226.8**
Gross Margin (%)	30.2%	46.0%	42.6%	26.8%	23.4%
SG&A Expenses (SAR mn)	(50.2)	(18.6)	(102.3)	(72.1)	(12.9)
Operating Profit / EBIT (SAR mn)	**640.8**	**1,536.1**	**1,276.9**	**883.1**	**213.8**
Operating Margin (%)	28.0%	46.5%	39.4%	24.7%	22.1%
Depreciation & Amortization (SAR mn)	22.0	24.1	24.9	28.6	8.2
EBITDA (SAR mn)	**662.9**	**1,560.2**	**1,301.9**	**911.7**	**222.0**
EBITDA Margin (%)	29.0%	47.3%	40.2%	25.5%	23.0%
Interest Expense (SAR mn)	0.9	1.7	1.9	2.3	0.6
EBITDA / Interest Coverage (x)	**768x**	**921x**	**693x**	**391x**	**365x**

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

Gross margin expanded from 30.2% in FY2022 to 46.0% in FY2023 and remained elevated at 42.6% in FY2024 before declining to 26.8% in FY2025. The FY2023 margin uplift should not be treated as a recurring operating benchmark. The prospectus attributes the improvement primarily to the review of expected costs, completion percentages, and revenue estimates for existing projects, together with higher margins on two water transmission projects. These two projects carried margins materially above the rest of the portfolio, creating a temporary uplift in reported profitability.

The decline in FY2025 indicates a normalization of margin performance as high-margin legacy projects contributed less and newer projects entered execution at lower expected profitability. From a credit perspective, this is not a deterioration from a normal margin base; rather, it reflects the unwind of an exceptional margin period and the dilution effect of a larger lower-margin project mix. RATING therefore considers the FY2025 gross margin level more representative of current underlying profitability than the FY2023 peak.

The margin compression was also reflected in the Company's cost structure. While revenue increased by 10.3% during FY2025, cost of revenue increased by 40.7%, driven primarily by higher material consumption costs and subcontractor expenses associated with newly awarded projects. Together, materials and subcontracting continued to represent approximately 79% of total contract costs, broadly consistent with historical levels, indicating that margin pressure stemmed primarily from the profitability profile of projects under execution rather than a deterioration in cost discipline.

Operating profit broadly followed gross profit trends, increasing sharply in FY2023 before moderating in FY2024 and FY2025. Operating margin declined to 24.7% in FY2025 from 39.4% in FY2024 and 46.5% in FY2023, consistent with the lower gross margin profile. The Company continues to operate with a lean overhead structure, with SG&A representing a limited share of revenue, which supports operating efficiency when project margins are favorable.

However, the margin trajectory also highlights the sensitivity of earnings to project-level assumptions, execution costs, and contract mix. In an EPC business model, small changes in estimated completion costs or project margins can

have a material impact on reported operating profit. RATING therefore places greater analytical weight on margin sustainability across the active project portfolio than on the exceptional FY2023 operating margin.

EBITDA declined to SAR 911.7 million in FY2025 from SAR 1.30 billion in FY2024 and SAR 1.56 billion in FY2023, with EBITDA margin normalizing to 25.5%. Depreciation and amortization remain modest relative to revenue, consistent with the Company's asset-light EPC contracting model and reliance on project execution capabilities rather than a heavy fixed-asset base.

Despite the decline from peak profitability, EBITDA generation remains strong in absolute terms. Interest expense remains negligible at approximately SAR 2.3 million in FY2025, resulting in very high interest coverage. RATING views debt service risk as low; however, the key analytical focus for operating efficiency is not leverage capacity, but the sustainability of margins as the project mix shifts toward newer large-scale contracts.

Overall, RATING views MGC's operating efficiency as strong but normalizing. The Company benefits from a lean cost base, limited financial charges, and a historically high-margin project portfolio. However, reported profitability has been volatile and materially influenced by project-specific margin assumptions and completion estimates. The FY2025 margin profile is viewed as a more prudent reference point for normalized performance, particularly given the expected execution of large contracts with lower margins than the Company's historical peak levels.

Q1 2026 Results Reflect Lower Gross Margins but Improved Operating Profitability

Q1 2026 results provide further evidence that MGC's profitability profile is normalizing as newer projects with lower contractual margins enter execution. Gross margin declined to 23.4% from 35.1% in Q1 2025, reflecting the evolving project mix.

Despite the lower gross margin, operating margin improved to 22.1% from 20.6%, while EBITDA margin increased to 23.0% from approximately 21.8%. However, part of the improvement reflects the reversal of expected credit loss provisions during Q1 2026 and the absence of the elevated ECL expense recognized in Q1 2025.

Accordingly, RATING continues to view the sustainability of margins on newly awarded projects as the key monitorable rather than short-term fluctuations in reported operating profitability.

Operating Efficiency and Segment Profitability

MGC's operating efficiency is primarily influenced by project mix, contract pricing, and execution performance across its infrastructure portfolio. While profitability during FY2023 benefited from revisions to project completion estimates and cost assumptions, profitability levels reported during FY2024 and H1 2025 are considered more representative of the Company's normalized earnings capacity. The analysis below focuses on profitability by end-market sector to assess the sustainability, diversification, and quality of earnings generation.

Table 15: Revenue Mix by End-Market Sector — Operating Efficiency View

Sector	FY2022	FY2023	FY2024	H1 2025
Water (all)	92.8%	90.9%	75.6%	67.9%
Transportation (all)	5.0%	7.2%	15.8%	25.3%
Flood Risk Mitigation	0.1%	1.3%	8.6%	6.8%
Urban Development	2.1%	0.6%	0.0%	0.0%
Total	**100%**	**100%**	**100%**	**100%**

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

Table 16: Gross Margin by End-Market Sector

Sector	FY2022	FY2023	FY2024	H1 2025
Water (all)	30.5%	47.2%	45.6%	32.5%
Transportation (all)	25.5%	30.6%	33.6%	32.9%
Flood Risk Mitigation	50.0%	30.3%	32.1%	31.9%
Urban Development	29.2%	72.8%	—	—
Overall	**30.2%**	**46.0%**	**42.6%**	**32.5%**

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials (PwC-reviewed). All figures in SAR millions unless stated.

Water Activities Continue to Drive Earnings

Water-related activities remain the cornerstone of MGC's earnings profile. Water Infrastructure, Environmental & Sanitation, and Water O&M collectively represented 92.8% of revenue in FY2022, 90.9% in FY2023, 75.6% in FY2024, and 67.9% in H1 2025. Despite the gradual reduction in revenue concentration, the Company continues to derive the majority of its revenue and gross profit from water and utility-related infrastructure projects.

The most notable trend is the moderation in blended water-sector margins from 47.2% in FY2023 to 45.6% in FY2024 and 32.5% in H1 2025. In RATING's view, the decline reflects a transition from legacy projects carrying exceptionally high profitability toward newly awarded contracts with lower contractual margins. While water-related activities remain the Company's primary earnings engine, profitability is increasingly normalizing toward more sustainable levels.

Within the broader water segment, Environmental & Sanitation remains an important contributor to earnings generation. Although revenue contribution declined from 33.2% in FY2022 to 14.3% in FY2024, the segment recovered to 29.6% in H1 2025 and continued to generate healthy margins above 35%. The segment therefore provides both earnings support and diversification within the Company's broader water infrastructure portfolio.

Transportation Provides Meaningful Earnings Diversification

Transportation has evolved from a relatively small activity representing only 5.0% of revenue in FY2022 into a meaningful business line contributing 25.3% of revenue in H1 2025. Growth has been driven by both transportation construction projects and the rapid expansion of transportation-related O&M contracts.

Unlike the water segment, transportation has demonstrated an attractive combination of increasing scale and stable profitability. Following normalization from the FY2023 accounting adjustment, blended transportation margins improved from 25.5% in FY2022 to 33.6% in FY2024 and remained broadly stable at 32.9% in H1 2025. The segment is therefore generating a growing share of earnings without sacrificing profitability.

From a credit perspective, transportation represents the most significant improvement in MGC's diversification profile during the review period and has reduced the Company's historical dependence on water infrastructure projects.

O&M Activities Generate Higher-Quality Earnings

he growing contribution of Operations & Maintenance activities represents one of the most positive structural developments within MGC's operating profile. O&M activities increased from 6.4% of total revenue in FY2022 to 17.3% in H1 2025, reflecting the increasing importance of recurring maintenance contracts within the overall revenue mix.

The improvement is driven almost entirely by Transportation O&M, which expanded from 3.8% of revenue in FY2022 to 17.1% in H1 2025 while maintaining margins within a stable 30%-34% range. Unlike EPC projects, O&M contracts generally generate more predictable revenues, lower working-capital volatility, and reduced exposure to cost-estimation adjustments, resulting in higher-quality earnings and improved revenue visibility.

While Water O&M continues to generate some of the highest margins within the portfolio, its contribution has declined to approximately 0.2% of total revenue and is no longer a meaningful driver of consolidated profitability. Consequently, the improvement in earnings quality is primarily attributable to the expansion of Transportation O&M rather than the water maintenance business.

Other Activates

Flood Risk Mitigation remains a relatively small contributor to overall earnings, representing between 0.1% and 8.6% of revenue during the review period. Although margins have remained broadly stable at approximately 30%-37% since FY2023, the segment's limited scale restricts its influence on consolidated profitability.

Urban Development contributed modestly during FY2022 and FY2023 before ceasing to generate revenue from FY2024 onward. As a result, the segment no longer contributes meaningfully to the Company's earnings profile.

Overall Assessment

Overall, RATING views MGC's operating efficiency profile as supported by a historically profitable water infrastructure platform, improving diversification through transportation activities, and the growing contribution of recurring O&M contracts. While profitability has normalized from the exceptional levels reported during FY2023, earnings generation remains healthy and appears more sustainable at current margin levels.

The principal monitorable remains the margin profile of newly awarded large-scale projects, particularly as execution increasingly shifts toward the expanded backlog. Although backlog growth materially strengthens revenue visibility, recently awarded projects are generally expected to be executed at margins below those achieved on portions of the legacy portfolio. Nevertheless, the continued expansion of transportation activities, the growth of recurring O&M revenues, and the resilience of the Company's core water and environmental infrastructure operations provide support to MGC's medium-term earnings profile.

Accordingly, RATING does not view the FY2025 margin compression as evidence of operational weakness, but rather as a reflection of changing project mix and the normalization of profitability following the exceptionally strong margins reported during FY2023 and FY2024.

9. KEY FINANCIAL METRICS & ANALYTICAL

Table 17: Key Financial Indicators — FY2022 to Q1 2026

Particulars	FY2022	FY2023	FY2024	FY2025	Q1 2026
PROFITABILITY					
Turnover	2,286.4	3,300.3	3,237.5	3,569.9	967.3
Growth	—	44.3%	(1.9%)	10.3%	58.9%
Gross Profit	691.0	1,517.5	1,379.2	955.2	226.8
Gross Margin	30.2%	46.0%	42.6%	26.8%	23.4%
EBITDA	662.9	1,560.2	1,301.9	911.7	222.0
EBITDA Margin	29.0%	47.3%	40.2%	25.5%	23.0%
Net Profit	611.0	1,488.2	1,209.4	819.0	202.2
Net Profit Margin	26.7%	45.1%	37.4%	22.9%	20.9%
Dividends Declared / Distributed	452.0	600.0	400.0	650.0	—
Dividend Payout Ratio	74.0%	40.3%	33.1%	79.4%	—
FCFO	680.6	1,491.3	1,309.4	830.6	145.5
FFO	679.8	1,489.6	1,307.5	828.2	144.9
CFO	100.3	951.6	434.3	1,484.4	(0.3)
CFO / Revenue	4.4%	28.8%	13.4%	41.6%	0.0%
CAPEX	34.5	35.7	17.9	94.8	4.6
CAPEX / Revenue	1.5%	1.1%	0.6%	2.7%	0.5%
FCF	65.8	915.9	416.3	1,389.7	(4.8)
CAPITALIZATION					
Paid-up Capital	1.0	300.0	800.0	800.0	800.0
Shareholders' Equity	950.7	1,839.4	2,651.1	2,669.5	2,871.6
Sponsor Loan / Additional Contribution	314.9	29.7	9.0	41.4	36.0
Adjusted Equity	1,265.5	1,869.1	2,660.1	2,710.9	2,907.5
Short-Term Debt	0.0	0.0	0.0	0.0	0.0
Long-Term Debt	3.0	1.2	0.3	0.3	0.2
Total Debt	3.0	1.2	0.3	0.3	0.2
Net Debt	(142.7)	(170.5)	(189.9)	(779.3)	(520.9)
Cash	145.7	171.7	190.2	779.5	521.1
CAPITAL STRUCTURE & COVERAGE					
Total Liabilities / Equity	1.02x	0.30x	0.27x	0.52x	0.46x
EBITDA / Interest Coverage	768x	921x	693x	391x	365x
LIQUIDITY					
Current Ratio	1.83x	4.22x	4.62x	2.83x	3.10x
Cash Ratio	0.16x	0.34x	0.28x	0.59x	0.42x
Trade Receivables	746.5	758.1	998.7	1,279.9	1,453.9
Unbilled Revenue / Contract Assets	559.1	1,111.9	1,703.7	1,402.4	1,623.1
Receivables + Unbilled Revenue	1,305.6	1,870.1	2,702.3	2,682.2	3,077.0
Avg. Trade Debtors	119d	83d	99d	116d	137d
Avg. Unbilled Revenue	68d	85d	157d	147d	130d
Avg. Trade Creditors	55d	46d	40d	42d	58d
Net Working Capital Cycle	64d	37d	59d	75d	79d
Adjusted NWC Cycle inc. Unbilled	133d	122d	216d	222d	209d

Source: RATING analysis based on MGC financial and IPO prospectus disclosures

PROFITABILITY & CASH FLOW

Strong Cash Generation Despite Margin Normalization in 2025

MGC delivered FY2025 revenue of SAR 3.57 billion, representing growth of 10.3% compared with FY2024 and exceeding the SAR 3.30 billion reported in FY2023. Despite the continued expansion in revenue, profitability moderated materially during the year, with EBITDA declining to SAR 911.7 million in FY2025 from SAR 1.30 billion in FY2024 and SAR 1.56 billion in FY2023. EBITDA margin compressed to 25.5% from 40.2% and 47.3%, respectively, while net profit declined to SAR 819.0 million, equivalent to a net profit margin of 22.9%, compared with 37.4% in FY2024 and 45.1% in FY2023.

In RATING's view, the decline primarily reflects the normalization of profitability following the exceptionally strong margins reported during FY2023 and FY2024, rather than a deterioration in underlying operating performance. FY2025 profitability levels are considered a more representative indicator of the Company's sustainable earnings capacity, particularly as execution increasingly shifts toward recently awarded large-scale projects carrying lower contractual margins than portions of the legacy portfolio.

Q1 2026 profitability remained strong, with net profit increasing by 85.7% year-on-year to SAR 202.2 million from SAR 108.9 million in Q1 2025. Net profit margin also improved to 20.9% from 17.9%, supported by stronger operating profitability and the reversal of previously recognized expected credit loss provisions. While earnings growth was substantial, net profit margin remained below the FY2025 level of 22.9%, reflecting the lower margin profile of newly awarded projects currently under execution.

Funds from Operations (FFO) followed a similar trajectory, declining to SAR 828.2 million in FY2025 from SAR 1.31 billion in FY2024 and SAR 1.49 billion in FY2023. Nevertheless, the Company continued to generate an FFO margin of 23.2%, highlighting its ability to convert earnings into internally generated cash despite the normalization in profitability. For an EPC contractor, FFO is a particularly important analytical metric as it removes the effects of working-capital volatility and provides a clearer indication of recurring cash-generating capacity. Accordingly, RATING places greater emphasis on FY2025 FFO as the most relevant earnings benchmark for forward-looking credit analysis.

Cash Flow from Operations (CFO) improved significantly to SAR 1.48 billion in FY2025, compared with SAR 434.3 million in FY2024 and SAR 951.6 million in FY2023. CFO-to-revenue conversion reached 41.6%, the strongest level during the review period. While the improvement is viewed positively, it was primarily driven by favorable working-capital movements rather than stronger earnings generation, as both EBITDA and FFO declined during the year. As a result, reported operating cash flow remains highly sensitive to billing certifications, collection timing, advance payments, and milestone-based cash receipts associated with large EPC contracts. RATING therefore views CFO volatility as an inherent characteristic of the Company's operating model and places greater analytical weight on FFO when assessing recurring cash-generating capacity.

Free Cash Flow (FCF) remained positive throughout the review period and increased materially to SAR 1.39 billion in FY2025 from SAR 416.3 million in FY2024 and SAR 915.9 million in FY2023. Capital expenditure remained limited at SAR 94.8 million, equivalent to only 2.7% of revenue. The Company's asset-light operating model, which relies extensively on subcontracting, project procurement, and rented equipment rather than significant owned plant and machinery, results in low capital intensity and allows a substantial portion of operating cash flow to convert into free cash flow during periods of favorable collections.

Dividend distributions remain an important consideration within the credit assessment. The Company distributed SAR 452.0 million in FY2022, SAR 600.0 million in FY2023, SAR 400.0 million in FY2024, and SAR 650.0 million in FY2025, representing cumulative distributions exceeding SAR 2.1 billion over the review period. The FY2025 payout ratio increased to approximately 79.4% of net profit, compared with 33.1% in FY2024 and 40.3% in FY2023. While FY2025 free cash flow remained sufficient to support the distribution, the elevated payout absorbed a substantial portion of current-year earnings and reduced the pace of retained earnings accumulation.

RATING views the pre-IPO distribution profile as a key monitorable, particularly given the Company's working-capital-intensive EPC business model and the funding requirements associated with executing a materially

expanded backlog. While the Company continues to generate strong cash flow and maintains a conservative balance sheet, sustained distributions at elevated levels could constrain the accumulation of internal liquidity available to support future growth and working-capital requirements.

LEVERAGE & EQUITY

Near-Zero Leverage Supports Financial Flexibility

MGC maintains one of the most conservative capital structures among Saudi infrastructure contractors. As of FY2025, total debt stood at only SAR 0.3 million against shareholders' equity of SAR 2.67 billion and cash balances of SAR 779.5 million, resulting in a net cash position of approximately SAR 779 million. The Company has effectively operated without financial leverage throughout the review period, funding growth, project execution, and working capital requirements primarily through internally generated cash flows and customer-related funding rather than external borrowings.

The Company's equity base expanded materially from SAR 950.7 million in FY2022 to SAR 2.67 billion in FY2025, supported by cumulative earnings generation of more than SAR 4.1 billion over the period. However, equity growth slowed significantly during FY2025 despite continued profitability, as the SAR 650 million dividend distribution absorbed a substantial portion of annual earnings. While the current capital structure remains exceptionally strong, continued high distribution levels could gradually reduce the pace of balance sheet strengthening over time.

Coverage metrics remain largely academic given the absence of meaningful financial debt. EBITDA-to-interest coverage stood at 391x in FY2025, compared with 693x in FY2024 and 921x in FY2023. In RATING's view, the Company's credit profile is not constrained by debt servicing capacity; rather, the key financial considerations relate to working capital management, receivable collection, project execution, and liquidity support requirements associated with large-scale contracts.

Banking Facilities Support Execution Capacity Rather Than Funding Requirements

MGC maintains SAR 10.8 billion of banking facilities across multiple financial institutions, primarily for the issuance of performance guarantees, advance payment guarantees, and letters of credit required for EPC project execution. As of FY2025, outstanding guarantees totaled approximately SAR 4.2 billion, substantially exceeding the Company's financial debt position and highlighting the importance of banking relationships to ongoing operations.

While these facilities provide significant operational flexibility and support the Company's ability to pursue large-scale infrastructure projects, they should be viewed as execution support tools rather than sources of funding. Consequently, RATING considers guarantee utilization, contract performance, and working capital management to be more relevant credit considerations than leverage itself. Any material disputes, project delays, or guarantee calls could place pressure on liquidity despite the Company's otherwise strong balance sheet position.

Overall Assessment

Overall, RATING views MGC's leverage profile as a clear credit strength. The combination of a net cash balance sheet, negligible financial debt, strong equity capitalization, and substantial unused banking capacity provides significant financial flexibility. The principal monitorables are not leverage-related, but rather the Company's ability to maintain liquidity and working capital discipline while executing a materially larger backlog, alongside continued dividend distributions and growing guarantee requirements associated with large infrastructure contracts.

LIQUIDITY

Strong Cash Generation Supports Liquidity, Though Stretched Working Capital Metrics Remains the Primary Constraint

MGC's liquidity position improved materially during FY2025, with cash and bank balances increasing to SAR 779.5 million compared with SAR 190.2 million in FY2024 and SAR 171.7 million in FY2023. The current ratio remained adequate at 2.83x in FY2025, while the cash ratio improved to 0.59x from 0.28x in FY2024, supported by strong operating cash inflows and working capital release during the year.

Despite the stronger cash position, RATING views liquidity through the quality and convertibility of working capital rather than headline liquidity ratios. As an EPC contractor, MGC's operating cycle is inherently linked to the timing of project execution, certification, billing, and collection. This is reflected in the continued growth of both receivables and contract assets, which collectively remain the principal drivers of liquidity performance.

Table 18: Liquidity and Working Capital Metrics

Metric	FY2022	FY2023	FY2024	FY2025
Cash & Bank Balances (SAR mn)	145.7	171.7	190.2	779.5
Trade Receivables (SAR mn)	746.5	758.1	998.7	1,279.9
Contract Assets / Unbilled Revenue (SAR mn)	559.1	1,111.9	1,703.7	1,402.4
Total Receivables + Contract Assets (SAR mn)	1,305.6	1,870.0	2,702.4	2,682.3
Current Ratio (x)	1.83x	4.22x	4.62x	2.83x
Cash Ratio (x)	0.16x	0.34x	0.28x	0.59x
Trade Receivable Days	119	83	99	116
Contract Asset Days	68	85	157	147
Net Working Capital Cycle (Days)	64	37	59	75
Adjusted NWC Cycle incl. Contract Assets (Days)	**133**	**122**	**216**	**222**

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

The adjusted working capital cycle increased materially from 122 days in FY2023 to 222 days in FY2025. In RATING's view, this confirms that liquidity remains structurally exposed to the timing gap between work performed and cash collection. Accordingly, working capital management remains significantly more relevant to the credit profile than traditional refinancing risk, particularly given the Company's debt-free balance sheet. Total receivables and contract assets reached SAR 2.68 billion as at FY2025, equivalent to approximately 75.1% of annual revenue. RATING views this ratio as elevated, highlighting the extent to which cash generation remains dependent on working capital conversion despite the Company's strong profitability profile.

Trade Receivables — Aging Profile Continues to Improve

Issued trade receivables increased from SAR 804.3 million at FY2024 to SAR 1,050.2 million at FY2025 and further to SAR 1,195.9 million by Q1 2026, reflecting higher project activity and the ramp-up of recently awarded contracts.

Table 19: Aging of Issued Trade Receivables (SAR millions)

Aging Bucket	H1 2025	FY2025	Q1 2026
Not Yet Due	354.9	694.9	852.4
0–90 Days	263.8	177.2	211.7
91–180 Days	143.4	35.2	14.2
181–270 Days	18.6	—	7.2
271–365 Days	10.1	1.5	—
Over 365 Days	140.9	141.4	110.2
Gross Receivables	**931.6**	**1,050.2**	**1,195.9**
ECL Provision	(41.8)	(35.6)	(22.6)
Net Receivables	**889.8**	**1,014.6**	**1,173.3**
Overdue >90 Days (% Gross)	33.6%	17.0%	9.3%
Overdue >365 Days (% Gross)	15.1%	13.5%	9.2%

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

The aging profile improved meaningfully during Q1 2026. Receivables outstanding for more than 365 days declined from SAR 141.4 million at FY2025 to SAR 110.2 million at Q1 2026, while total overdue balances above 90 days fell to 9.3% of gross receivables from 33.6% at H1 2025.

The improvement was accompanied by a reduction in expected credit loss provisions from SAR 35.6 million to SAR 22.6 million. RATING views this positively, as it demonstrates continued collection of previously aged balances despite extended settlement periods common within large infrastructure projects.

Nevertheless, trade receivables remain elevated at 116 days of revenue in FY2025, indicating continued dependence on timely certification and payment by project owners.

Contract Assets Represent the Primary Liquidity Monitorable

While receivables remain important, RATING views contract assets (unbilled revenue) as the more significant liquidity consideration. Contract assets increased from SAR 559.1 million in FY2022 to SAR 1.7 billion in FY2024 and remained elevated at SAR 1.4 billion at FY2025.

The balance reflects revenue recognized under the percentage-of-completion method that has not yet been invoiced due to pending certification, contractual milestones, pricing approvals, or other billing requirements.

Table 20: Aging of Contract Assets — H1 2025 (SAR millions)

Aging Bucket	SAR mn	% of Total	RATING Commentary
0–90 Days	803.6	37.7%	Within normal EPC billing cycle
91–180 Days	567.6	26.6%	Delayed certification pending
181–270 Days	612.7	28.8%	Largest bucket — structural billing delay
271–365 Days	30.7	1.4%	Manageable in isolation
Over 365 Days	115.7	5.4%	—
Gross Contract Assets	**2,130.3**	**100.0%**	**62.3% overdue >90 days**
ECL Provision	(18.3)	(0.9%)	Low rate — govt/quasi-govt counterparties
Net Contract Assets	**1,861.8**	—	—

Source: MGC IPO Prospectus; audited financial statements FY2022–FY2025; unaudited Q1 2026 interim financials

The aging profile of contract assets is notably weaker than that of trade receivables. Only 37.7% of balances fall within the current bucket, while approximately 62.3% exceed 90 days. Most notably, SAR 612.7 million falls within the 181–270 day category, indicating a substantial volume of work completed but not yet converted into certified billings.

The prospectus attributes part of this balance to delayed pricing approvals and project certification processes, including SAR 84.8 million related to a Western Region water transfer project and SAR 527.3 million associated with the Company's largest contract exposure.

While ultimate recoverability appears supported by the predominantly government and quasi-government client base, these balances continue to create meaningful cash timing risk and represent the most important source of liquidity sensitivity within the financial profile.

RATING notes that detailed aging analysis for contract assets was disclosed only as at H1 2025 following the implementation of the Company's ERP system. Accordingly, no comparable aging breakdown was provided for FY2025 or Q1 2026, limiting period-on-period assessment of contract asset collection dynamics. Nevertheless, the balance remained elevated at SAR 1.4 billion as at FY2025, indicating that contract asset conversion remains a key liquidity monitorable.

Customer Concentration Remains a Liquidity Consideration

RATING notes that the five largest customers represented approximately 77.7% of receivables and contract assets at FY2025, increasing to 79.3% at Q1 2026. As a result, collection performance remains partially dependent on a limited number of major project owners, increasing exposure to certification delays and payment timing risk.

Overall Liquidity Assessment

Overall, RATING views MGC's liquidity profile as adequate and supported by a significantly improved cash balance, positive free cash flow generation, and the absence of financial debt.

However, liquidity quality remains dependent on the Company's ability to convert contract assets into billings and subsequently into cash collections. The elevated adjusted working capital cycle of 222 days, together with substantial contract asset balances and customer concentration, remain the principal liquidity monitorables.

Accordingly, RATING places greater analytical emphasis on working capital conversion, certification progress, collection discipline, and contract asset reduction than on traditional refinancing or leverage-related risks. The successful collection of aged balances during Q1 2026 is encouraging; however, sustained improvement in contract asset turnover will remain an important determinant of future liquidity strength.

RATING VIEW

The Company has not publicly disclosed detailed financial projections beyond the information contained in the Prospectus and published financial statements. Accordingly, RATING's forward-looking assessment is primarily based on the Company's backlog profile, recent operating performance, and key business and financial risk considerations.

As of March 2026, MGC reported a backlog of approximately SAR 10.6 billion, equivalent to around 3.0x FY2025 revenue. The backlog provides strong revenue visibility over the medium term and supports continued operating activity across the Company's core infrastructure segments. In addition, approximately SAR 2.8 billion of awarded projects remained pending formal notice-to-proceed, providing further support for future backlog replenishment and revenue generation.

RATING expects profitability to remain below the exceptional levels reported during FY2023 and FY2024, with FY2025 and Q1 2026 providing a more representative indication of the Company's normalized earnings profile. While revenue visibility remains strong, profitability is expected to be influenced by the execution of newer projects carrying lower contractual margins than portions of the legacy portfolio.

From a financial perspective, RATING expects the Company to maintain a conservative balance sheet supported by its net cash position and limited financial leverage. However, liquidity and cash flow generation will remain closely linked to working capital conversion, certification progress, receivable collections, and the timely conversion of contract assets into billings and cash collections.

Key monitorables include margin performance on newly awarded projects, backlog conversion rates, working capital discipline, contract asset reduction, dividend distributions, and the Company's ability to manage execution risks associated with its enlarged project portfolio. RATING will also continue to monitor customer concentration, backlog concentration, and any potential impact arising from delays in the execution of major contracts.

Overall, RATING views MGC's credit profile as supported by strong revenue visibility, a sizeable backlog, positive free cash flow generation, a debt-free balance sheet, and a solid liquidity position. These strengths are partially offset by margin normalization, elevated working capital requirements, concentration within a limited number of large projects, and the cash flow volatility inherent in large-scale EPC contracting.

11. INDUSTRY ANALYSIS

Saudi Infrastructure EPC Sector

The Saudi infrastructure sector continues to benefit from one of the largest public investment cycles globally, supported by Vision 2030, ongoing urban development initiatives, water security programs, transport expansion projects, and giga-project developments. For infrastructure contractors such as MGC, the operating environment remains supportive, underpinned by sustained government and government-related spending across water, transportation, environmental, and municipal infrastructure.

The Company's primary operating segments are directly aligned with several of the Kingdom's highest-priority investment programs. Water-related infrastructure remains central to Saudi Arabia's long-term development agenda, driven by population growth, rising water demand, desalination expansion, wastewater treatment requirements, irrigation projects, and the objectives of the National Water Strategy 2030. Transportation infrastructure is similarly supported by the National Transport and Logistics Strategy, which targets substantial investment in roads, logistics corridors, and urban connectivity projects. These structural demand drivers support a favorable medium-term operating environment for contractors with established execution capabilities and government-sector relationships.

MGC's activity profile is particularly aligned with these investment themes. Water, wastewater, and utility-related projects represented the majority of revenue throughout the review period, while transportation activities have increased materially in recent years. Consequently, the Company is positioned within infrastructure segments expected to remain among the most actively funded areas of public-sector expenditure over the coming years.

Market Size and Competitive Positioning

According to the market study disclosed in the prospectus, the Company's principal addressable markets comprise approximately SAR 204 billion of water infrastructure opportunities, SAR 499 billion of transportation infrastructure projects, and SAR 222 billion of urban development projects between 2025 and 2030. Against this backdrop, MGC's FY2025 revenue of approximately SAR 3.6 billion represents a relatively small share of the total addressable market, providing substantial headroom for future growth without requiring material gains in overall market share.

Competition within the Saudi infrastructure contracting sector remains intense; however, participation in larger infrastructure tenders is generally limited to contractors possessing the required technical qualifications, execution track record, financial strength, and banking capacity necessary to support large performance guarantees and advance payment bonds. MGC's First-Class contractor classification and established relationships with major government entities support its ability to compete within this segment of the market.

Sector Risks and Considerations

Despite the supportive long-term outlook, the infrastructure contracting sector remains exposed to several structural risks. Profitability can be affected by fluctuations in material costs, subcontractor pricing, labor availability, and execution delays associated with large-scale projects. Fixed-price contracts may expose contractors to margin pressure if project costs increase faster than anticipated.

The sector also remains highly dependent on government and government-related spending. While Vision 2030 and associated infrastructure programs provide significant visibility over future investment activity, project awards, funding schedules, and procurement timelines remain influenced by public-sector budget priorities and implementation schedules.

For MGC specifically, these sector risks are amplified by the Company's concentration within Saudi Arabia and its continued reliance on government and semi-government counterparties. However, the Company's sizeable backlog, established position within water and transportation infrastructure, and exposure to long-term national development programs provide meaningful support to future business activity.

Overall, RATING views the outlook for the Saudi infrastructure EPC sector as favorable, supported by sustained infrastructure investment, Vision 2030-related spending, and continued demand for water, transportation, and environmental infrastructure. While execution and concentration risks remain inherent to the sector, the underlying demand environment is expected to remain supportive over the medium term.

12. KEY STRENGTHS & RISK CONSIDERATIONS

Table 21: Key Strengths and Risk Considerations

Rating Strengths	Risk Considerations
Leading infrastructure contractor in the Saudi water sector with a long operating track record and demonstrated execution capability across large-scale EPC projects	Significant backlog concentration: STREAM Water Transmission — a related party in which a subsidiary of MGC holds a 35% interest — represents 46.5% of total backlog, while the four largest clients collectively account for 88.3% of the order book as of March 2026
Strong revenue visibility supported by SAR 10.6 billion backlog (c.3.0x FY2025 revenue) and an additional SAR 2.8 billion of awarded projects awaiting notice-to-proceed	Revenue and backlog remain heavily concentrated in water-related infrastructure projects, which accounted for approximately 67.9% of revenues in H1 2025, despite improving diversification through transportation activities
Debt-free balance sheet with net cash position of approximately SAR 779 million at FY2025 and exceptionally strong leverage metrics	Elevated execution risk associated with rapid backlog expansion, including the delivery of multiple large-scale projects and the replacement of a terminated subcontract valued at SAR 912 million relating to an EPC project, with potential implications for project timelines and costs
Minimal refinancing risk due to the absence of financial debt and substantial banking capacity of SAR 10.8 billion across nine institutions, primarily utilized for guarantees and letters of credit	Working-capital-intensive operating model, with contract assets and receivables exceeding SAR 2.7 billion at FY2025 and an adjusted working capital cycle of approximately 222 days
Historically strong profitability and cash generation, with positive free cash flow across the review period and robust FFO metrics	Earnings remain sensitive to project mix, completion-cost assumptions, and contract pricing, as evidenced by the material decline in gross margin from 46.0% in FY2023 to 26.8% in FY2025
Established relationships with government and quasi-government counterparties, supporting project pipeline visibility and reducing ultimate credit loss risk on receivables	High dependence on certification, billing, and collection cycles of major government counterparties, exposing liquidity to timing risk despite low ultimate default risk on the receivables base
Increasing contribution from recurring Transportation O&M activities, improving earnings quality and reducing reliance on one-off EPC project awards	Customer concentration remains elevated, with the five largest clients accounting for approximately 79.3% of combined receivables and contract assets as of Q1 2026
Experienced executive leadership led by a CEO with more than a decade of tenure, supported by increasing organizational formalization and sector-specific expertise	Governance framework remains relatively early-stage for a listed company of MGC's scale, with moderate Board independence of 43% and the absence of a dedicated Board Risk Committee

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