

3Q22 Results Update

December 9, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	68.6
Target Price (SAR)	68.0
Upside/Downside (%)	(0.9%)
As of December 8, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	168.8
52-wk High (SAR)	86.6
52-wk Low (SAR)	35.2
Total Outstanding shares (in bn)	2.5
Free Float (%)	32.8%

MAADEN vs. TASI (Rebased)

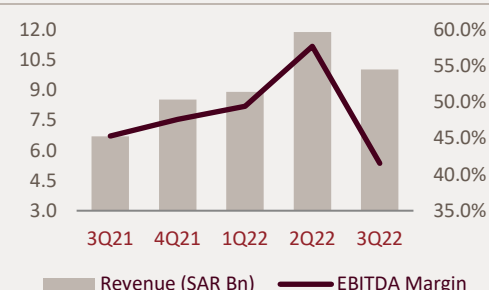


Price Performance (%)	Absolute	Relative
1m	(6.3%)	4.5%
6m	12.3%	30.9%
12m	90.6%	97.3%

Major Shareholders (%)

Public Investment Fund (PIF)	67.18%
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Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital;
Data as of December 8, 2022

Bottom line improved on income from one-off insurance claim and rise in selling prices and volumes

Saudi Arabian Mining Co. (Ma'aden)'s revenue advanced 49.5% YoY to SAR 10.0bn in 3Q22, driven by an increase in the average realized selling prices of all products, except gold, and an increase in the sales volumes of all products, except alumina. Cost of sales grew at a slower pace (up 45.3% YoY to SAR 6.4bn) than top line, leading to a 57.6% YoY surge in the company's gross profit to SAR 3.6bn. Consequently, gross margin expanded to 35.7% in 3Q22 from 33.8% in 3Q21. The increase in top line offset the rise in selling, general, and administrative (SG&A) expenses, resulting in a 57.7% YoY jump in operating profit to SAR 3.0bn in 3Q22. Subsequently, operating margin advanced to 29.5% in 3Q22 from 28.0% in 3Q21. A decline in the share in net profit of joint ventures and a rise in finance expenses were offset by a one-off insurance claim income and helped Ma'aden record a 65.3% YoY increase in net profit to SAR 2.1bn in 3Q22. Meanwhile, net margin stood at 21.0% in 3Q22 vis-à-vis 19.0% in 3Q21.

Ma'aden reported yet another robust performance in 3Q22 compared with the same period last year, as top line and bottom line rose. The performance was driven by an increase in the average sales prices of all its products, except gold, with a rise in the sales volumes of all products, except alumina. However, a jump in raw material costs and increased production led to an increase in the cost of sales. Additionally, the cost of personal and contracted services rose during the quarter, which led to a rise in general and administrative expenses. Nevertheless, an increase in investments placed and deposits rate led to a surge in income from time deposits. Moreover, a decline in technical service expenses and a rise in non-operating income due to an insurance claim led to a surge in net income during the quarter. Phosphate sales accounted for nearly 66.6% of the company's total sales, while aluminum and gold accounted for 27.7% and 5.0%, respectively. The company continues to deleverage its balance sheet and decrease its net debt. Ma'aden recently launched commercial operations at the third ammonia plant in Ras Al-Khair. Additionally, Maaden inked a 20-year agreement with Gulf Cryo to construct and operate a CO2 plant in its phosphate complex in Ras Al Khair. Commercial production at the Mansorah and Massarah gold mines, which is the company's largest gold project to date, is expected from 1H23. This would support earnings going forward. However, the company may face headwinds on a rise in raw material prices and an inflationary and high interest rate environment, which may impact earnings. Considering these factors, we maintain our "Neutral" rating on the stock.

- Ma'aden's revenue climbed 49.5% YoY to SAR 10.0bn in 3Q22 on the improved average selling prices of all products, except gold, with the rise in the volumetric sales of all products, except alumina.
- Gross profit advanced 57.6% YoY to SAR 3.6bn despite a 45.3% YoY surge in cost of sales to SAR 6.4bn. Consequently, the company's gross margin expanded 184bps YoY to 35.7% in 3Q22.
- The rise in SG&A expenses was offset by an increase in top line and a fall in exploration and technical expenses, leading to a 57.7% YoY rise in the company's operating profit to SAR 3.0bn in 3Q22. Subsequently, EBIT margin expanded to 29.5% during the quarter from 28.0% in 3Q21.
- The company reported a 65.3% YoY rise in net profit to SAR 2.1bn, supported by improved other income. Meanwhile, net margin surged to 21.0% in 3Q22 from 19.0% in 3Q21.
- On October 29, 2022, KSA's Ministry of Industry and Mineral Resources announced that Ma'aden and Barrick Gold T7 Ltd consortium won Umm Al-Damar exploration license.

Valuation: We revise our target price to a fair value of SAR 68.0 per share and maintain our "Neutral" rating on the stock.

	3Q22	3Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	10.0	6.7	49.5%	40.1	26.8	49.8%
Gross Profit (SAR bn)	3.6	2.3	57.6%	17.5	9.2	91.6%
EBITDA (SAR bn)	4.2	3.0	37.1%	19.8	12.0	64.8%
Net Profit (SAR bn)	2.1	1.3	65.3%	10.4	5.2	99.3%
EPS Basic (SAR)	1.71	1.03	65.3%	4.23	2.12	99.3%
Gross Margin (%)	35.7%	33.8%	1.8%	43.8%	34.2%	9.6%
EBITDA Margin (%)	41.5%	45.3%	(3.8%)	49.5%	44.9%	4.5%
Net Profit Margin (%)	21.0%	19.0%	2.0%	26.0%	19.5%	6.5%

Source: Company Financials, Yaqeen Capital

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Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10% .

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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