

FY18 Results Update

February 4, 2019

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	54.5
Target Price (SAR)	52.1
Upside/Downside (%)	(4.4%)

As of January 3rd February 2019

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	63.6
52 Wk High (SAR)	60.0
52 Wk Low (SAR)	40.9
Total Outstanding Shares (in mn)	1,168
Free Float (%)	34.2%

MAADEN vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	11.6%	2.2%
6m	(4.3%)	(7.5%)
12m	(2.8%)	(14.7%)

Major Shareholders (%)

Public Investment fund	65.43%
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Revenue (SAR bn) and Operating Profit Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of 3rd February 2019

Ma'aden reports record 4Q18 performance, yet misses consensus

Saudi Arabian Mining Co. (Ma'aden)'s net revenues jumped 17.3% Y/Y to SAR 14.2bn during FY18, driven by higher average realized prices of most of its products. The phosphate market performed well amid healthy demand and limited supply growth; segment sales grew 19.5% Y/Y. Aluminum sales rose 12.6% Y/Y to SAR 5.7bn despite some weakness in prices during 4Q18. Gold benefitted from its countercyclical nature in 4Q18, when prices recovered, and segment sales advanced 24.1% Y/Y to SAR 2.0bn for FY18. The company's EBITDA grew 23.5% Y/Y to SAR 7.2bn, with phosphate, aluminum and gold contributing 42%, 44% and 14%, respectively.

We believe escalating global trade tensions pose a downside risk but the company remains on track to maintain growth in profits in FY19. Commodity prices may stabilize at current levels but copper and aluminum prices are expected to fall. The company is well positioned to benefit from the recent announcement that KSA aims to invest SAR 100bn over the next two years in industrial strategy.

- Ma'aden's net revenues advanced 17.3% YoY to SAR 14.2mn in FY18, benefitting from the higher realized price and sales volume for ammonium phosphate fertilizer, ammonia, aluminum and alumina. For 4Q18, revenues jumped 16.8% Y/Y and 11.8% Q/Q to SAR 3.8bn.
- Production of ammonium phosphate fertilizer was up 11% to 3,170k tonnes, while that of alumina grew 20% Y/Y to 1,774k tonnes. Both commodities benefitted from sustained prices over the year. Gold production, too, was up 25% Y/Y to 415k tonnes.
- Revenue growth outpaced the increase in cost of sales that was up 11.2% Y/Y to SAR 9.1bn; this led to an improvement in gross profit margin, which rose to 36% in FY18 from 32.5% in FY17. Gross profits expanded 29.7% Y/Y to SAR 5.1bn. Consequently, operating profit came in higher, owing to higher revenues even though selling general and administrative expenses grew.
- EBITDA rose 23.5% Y/Y to SAR 7.2bn, with significant contributions from the phosphate and aluminum segments. EBITDA margin expanded by 254bps annually to 50.6% in FY18. For 4Q18, EBITDA grew 12.1% Y/Y, while declined 2.7% on a quarterly basis to SAR 1.7bn.
- Net profit attributable to equity shareholders for the year more than doubled to SAR 1.8bn vis-à-vis SAR 715mn last year. The increase in net profit was partially offset by increasing costs, especially exploration and technical services expenses that rose 53% Y/Y.
- During 4Q18, the automotive sheet asset was impaired and Ma'aden's share (74.9% in the JV with Alcoa) totaled SAR 281mn. Besides, SAMAPCO (a jointly controlled entity with Sahara Petrochemical Company), recorded a significant improvement in its operational profit, leading to the reversal of a previously recognized impairment to the amount of SAR 346mn.
- Ma'aden announced that no dividends will be paid for FY18, in line with FY17, owing to continued investments in existing and potential new projects.
- Recently, Ma'aden signed several deals on the sidelines of the launch ceremony of the National Industrial Development and Logistics Program (NIDLP); these include a memorandum of understanding (MoU) with US Boeing to develop the industry of aluminum used in airplane manufacturing.

Valuation: We have revised our target price upward to a fair value of SAR 52.1 per share to factor in the recent financial performance of the company. We have maintained our "Neutral" rating for the stock.

	4Q'18	4Q'17	% YoY	FY19E	FY18	% YoY
Revenues (SAR bn)	3.8	3.3	16.8%	18.1	14.2	27.4%
Gross Profit (SAR bn)	1.1	1.2	-5.1%	6.3	5.1	23.9%
EBITDA (SAR bn)	1.7	1.5	12.1%	8.3	7.2	16.3%
Net Profit (SAR bn)	0.3	-0.2	NM	2.6	1.8	42.9%
EPS basic (SAR)	0.24	-0.14	NM	2.26	1.58	42.9%
Gross Margin (%)	29.1%	35.8%	-6.7%	35.0%	36.0%	-1.0%
EBITDA Margin (%)	44.3%	46.1%	-1.9%	46.2%	50.6%	-4.4%
Net Profit Margin (%)	9.0%	-7.8%	16.8%	16.9%	15.8%	1.1%

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

FALCOM Financial Services 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 FALCOM Financial Services.

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