

3Q20 Results Update

December 25, 2020

Recommendation Neutral

Previous Recommendation	Neutral
Current Price (SAR)	41.4
Target Price (SAR)	40.0
Upside/Downside (%)	(3.4%)

As of December 20, 2020

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	50.9
52-Wk High (SAR)	46.5
52-Wk Low (SAR)	27.8
Total Outstanding Shares (in bn)	1.2
Free Float (%)	32.8%

MA'ADEN vs. TASI (Rebased)



Price Performance (%)

	Absolute	Relative
1m	(0.1%)	(1.4%)
6m	12.5%	(5.6%)
12m	(2.2%)	(7.0%)

Major Shareholders (%)

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



Source: Bloomberg, Company Financials, FALCOM Research; Data as of December 20, 2020

Ma'aden swings to profit in 3Q20 on higher profit share from joint ventures and lower finance costs

Saudi Arabian Mining Co. (Ma'aden)'s net profit attributable to shareholders improved to SAR 6.5mn in 3Q20 from a net loss of SAR 92.0mn in 3Q19 and SAR 434.1mn in 2Q20. Revenue scaled up 8.4% YoY to SAR 4.7bn on higher prices for gold and ammonia products. Sales volume for all products increased, except for alumina and gold. Gross profit declined 7.3% YoY to SAR 668.4mn, leading to contraction in gross margin to 14.3% in 3Q20. Moreover, operating profit fell 7.4% YoY to SAR 249.5mn owing to higher exploration and technical service costs. However, lower finance expense and increased income contribution from joint ventures helped the company record a net profit margin of 0.1% in 3Q20 compared to (2.1%) in 3Q19 and (10.8%) in 2Q20.

Ma'aden witnessed a slight improvement in its 3Q20 performance in comparison to the previous quarter, supported by better demand for its products during the period. The company generated higher revenue from fertilizer, aluminum and gold sales. Fertilizer sales were supported by a rise in ammonia prices on increased demand from India and Brazil. The gradual reopening of the global economy in 3Q20 boosted demand for commodities such as aluminum, while the economic uncertainty surrounding COVID-19 kept gold prices up. We expect the company's performance to improve 4Q20 onwards, largely on expectations of further rebound in commodity prices. However, a second wave of infection and additional lockdown remain a cause for concern for most of the company's segments. Therefore, in view of the countervailing factors, we maintain our "Neutral" stance on the stock.

- Ma'aden's revenue rose 8.4% YoY to SAR 4.7bn, driven by higher average realized prices of gold and ammonia. Moreover, an increase in sales volume for all products, except gold and alumina, boosted the top line.
- This rise in sales volume of primary aluminum, ammonia and flat-rolled products led to a surge in cost of sales by 11.6% YoY to SAR 4.0bn. As a result, gross profit dipped 7.3% YoY to SAR 668.4mn, while gross margin narrowed to 14.3% in 3Q20 from 16.8% in 3Q19.
- Higher exploration and technical service costs, coupled with a rise in input costs, offset the decline in total SG&A expense; this led to a 7.4% YoY drop in operating profit to SAR 249.5mn in 3Q20. Simultaneously, operating margin deteriorated to 5.4% vis-a-vis 6.3% in 3Q19.
- The company recorded a net profit (attributable to shareholders) of SAR 6.5mn in 3Q20 against a net loss of SAR 92.0mn in 3Q19, supported by lower finance expense and a higher profit share from joint ventures. Consequently, net margin (attributable to shareholders) improved to 0.1% in 3Q20 as against a net loss margin of (2.1%) in 3Q19.
- On October 25, Ma'aden announced the appointment of Yaser bin Othman Al-Rumayyan (currently serving as Governor of PIF and Chairman of Saudi Aramco) as Chairman and Abdulaziz bin Saleh Al-Jarbou (currently serving as Chairman of SABIC) as Vice Chairman of the company's Board of Directors.

Valuation: We revised our target price upward to a fair value of SAR 40.0 per share. We maintain our "Neutral" rating on the stock.

	3Q20	3Q19	% YoY	FY20E	FY19	% YoY
Revenues (SAR bn)	4.7	4.3	8.4%	17.5	17.7	(1.2%)
Gross Profit (SAR bn)	0.7	0.7	(7.3%)	1.6	2.3	(29.2%)
EBITDA (SAR bn)	1.5	1.4	1.9%	5.0	5.6	(10.2%)
Net Profit (SAR bn)	0.0	(0.1)	NM	(0.7)	(0.7)	NM
EPS Basic (SAR)	0.01	(0.08)	NM	(0.59)	(0.63)	NM
Gross Margin (%)	14.3%	16.8%	(2.4%)	9.3%	13.0%	(3.7%)
EBITDA Margin (%)	31.5%	33.6%	(2.0%)	28.5%	31.3%	(2.9%)
Net Profit Margin (%)	0.1%	(2.1%)	NM	(4.0%)	(4.2%)	NM

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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