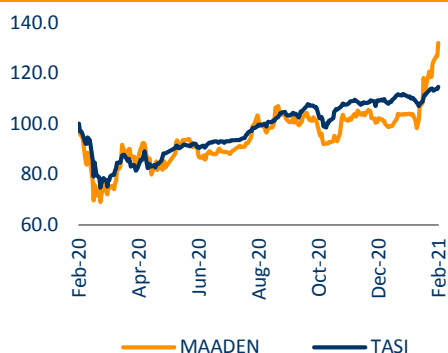


FY20 Results Update

February 24, 2021

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	53.5
Target Price (SAR)	50.0
Upside/Downside (%)	(6.5%)
<i>As of February 23, 2021</i>	
Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	65.8
52-Wk High (SAR)	54.2
52-Wk Low (SAR)	27.8
Total Outstanding Shares (in bn)	1.2
Free Float (%)	32.8%

MA'ADEN vs. TASI (Rebased)

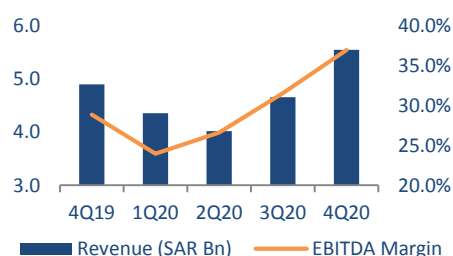


Price Performance (%)	Absolute	Relative
1m	27.2%	24.1%
6m	27.7%	11.9%
12m	31.9%	17.3%

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 February 23, 2021

Higher commodity prices in 4Q20 lead to sharp improvement in FY20 bottom line

Saudi Arabian Mining Co. (Ma'aden)'s net loss improved to SAR 209.0mn in FY20 from a net loss of SAR 739.5mn in FY19. Revenue increased 4.8% YoY to SAR 18.6bn on higher sales volume of all products, except alumina and industrial minerals. Gross profit declined 3.9% YoY to SAR 2.6bn, leading to a 124.8 bps contraction in gross margin to 13.8% in FY20. Operating profit fell 8.5% YoY to SAR 810.6mn owing to higher exploration and technical service costs. However, due to lower finance and zakat expenses, and higher profit share from joint ventures (JVs), Ma'aden's net loss margin improved to (1.1%) in FY20 from (4.2%) in FY19. Higher commodity prices in 4Q20 boosted top line, enabling Ma'aden to record a net profit of SAR 571.9mn in the quarter vis-à-vis a net loss of SAR 276.5mn in 4Q19.

Ma'aden's performance improved significantly in 4Q20 compared to the previous quarters, aided by better demand for its products during the period. The company generated higher revenue from phosphate and aluminum sales, which were partially offset by lower gold sales. Phosphate prices inched up amid tight supply and improvement in demand across key markets, while aluminum prices rose due to higher demand from China and a weak US dollar. The company is likely to benefit in the long term, from the planned gold, ammonia, and phosphate capacity addition in the coming years. We expect it to record steady performance in 1Q21, primarily on anticipation of a modest rise in commodity prices. However, the spread of new COVID-19 strains and additional restrictions could hurt Ma'aden's bottom line. Therefore, in view of the countervailing factors, we maintain our "Neutral" rating on the stock.

- Ma'aden's revenue scaled up 4.8% YoY to SAR 18.6bn, driven by higher sales volume of all products, except alumina and industrial minerals. However, the rise in top line was limited by lower average realized prices of all products, except gold.
- Revenue rose 13.3% YoY to SAR 5.5bn in 4Q20, aided by higher prices of all products, barring flat rolled products (FRP), and higher sales volumes of ammonium phosphate, aluminum and FRP.
- The rise in sales volume of Ma'aden's products, except alumina and industrial minerals, during FY20 led to a 6.3% YoY surge in cost of sales to SAR 16.0bn. This resulted in a 3.9% YoY dip in gross profit to SAR 2.6bn, whereas gross margin narrowed to 13.8% in FY20 from 15.1% in FY19.
- Higher exploration and technical service costs offset the drop in total SG&A expense and led to an 8.5% YoY fall in operating profit to SAR 810.6mn in FY20. Simultaneously, EBIT margin deteriorated to 4.4% from 5.0% in FY19.
- A reduction in finance and zakat expenses, coupled with an increase in income contribution from JVs, helped Ma'aden decrease its net loss to SAR 209.0mn in FY20 from a net loss of SAR 739.5mn in FY19. Consequently, net loss margin improved to (1.1%) from (4.2%) in FY19.
- Ma'aden recorded a net profit of SAR 571.9mn in 4Q20 vis-à-vis a net loss of SAR 276.5mn in 4Q19 owing to higher top line and share in results of JVs, alongside lower finance and zakat expenses.
- On January 7, Ma'aden's CEO, Mosaed Al Ohali, stated that the company is planning to increase phosphate production capacity from 6mn ton per annum (mtpa) to 9mtpa. It is also seeking to boost gold production from 0.4mn ounces to 1.0mn ounces.
- On February 3, Ma'aden's Board recommended withholding cash dividends for FY20 and utilizing the amount to finance the company's ongoing and future projects.

Valuation: We revised our target price upward to a fair value of SAR 50.0 per share. We maintain our "Neutral" rating on the stock.

	4Q20	4Q19	% YoY	FY21E	FY20	% YoY
Revenues (SAR bn)	5.5	4.9	13.3%	22.6	18.6	21.5%
Gross Profit (SAR bn)	1.5	0.8	91.4%	6.5	2.6	155.0%
EBITDA (SAR bn)	2.0	1.4	45.1%	9.2	5.6	63.1%
Net Profit (SAR bn)	0.6	(0.3)	NM	2.1	(0.2)	NM
EPS Basic (SAR)	0.46	(0.23)	NM	1.69	(0.17)	NM
Gross Margin (%)	27.0%	16.0%	11.0%	29.0%	13.8%	15.2%
EBITDA Margin (%)	36.9%	28.8%	8.1%	40.7%	30.3%	10.4%
Net Profit Margin (%)	10.3%	(5.6%)	NM	9.2%	(1.1%)	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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