

**1Q21 Results Update**

May 5, 2021

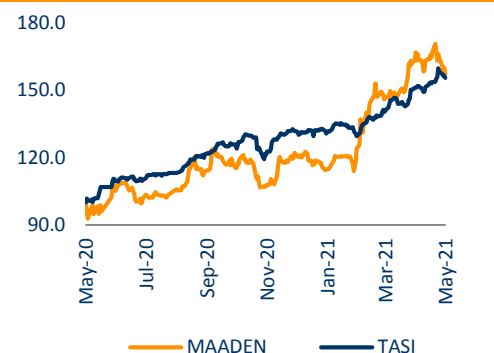
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	55.0
Target Price (SAR)	58.0
Upside/Downside (%)	5.5%

As of May 5, 2021

**Key Data (Source: Bloomberg)**

Market Cap (SAR bn)	67.7
52-Wk High (SAR)	60.0
52-Wk Low (SAR)	32.1
Total Outstanding Shares (in bn)	1.2
Free Float (%)	32.8%

**MA'ADEN vs. TASI (Rebased)**

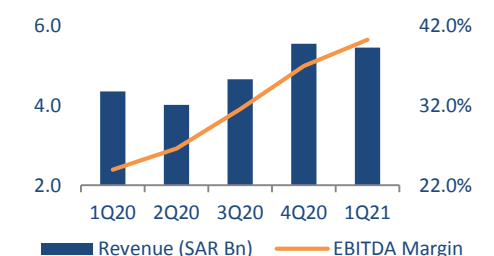


Price Performance (%)	Absolute	Relative
1m	(5.7%)	(8.6%)
6m	46.3%	19.5%
12m	57.4%	1.9%

**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 May 5, 2021

**Sharp improvement in bottom line in 1Q21 on higher commodity prices; margins improve**

Saudi Arabian Mining Co. (Ma'aden)'s revenue increased 25.1% YoY to SAR 5.4bn on higher selling prices of products and increase in sales volume of all products, except gold, ammonium phosphate fertilizer and ammonia. Gross profit soared 408.0% YoY to SAR 1.4bn, leading to a 1,986 bps expansion in gross margin to 26.4% in 1Q21. The company recorded an operating profit of SAR 1.0bn in 1Q21 vis-à-vis an operating loss of SAR 119.3mn in 1Q20 owing to lower exploration and technical service costs. Lower finance expense and higher profit contribution from joint ventures (JVs) led Ma'aden to record a net profit of SAR 761.2mn in 1Q21 against a net loss of SAR 353.3mn in 1Q20. Subsequently, net margin improved to 14.0% from (8.1%) in 1Q20.

Ma'aden's performance improved steeply in 1Q21 compared to the same period in the previous year, aided by higher commodity prices and better demand for its products during the period. The company reported higher revenues in the Phosphate and Aluminum business segments which were slightly offset by lower gold sales. Higher prices of phosphate and aluminum during the quarter boosted revenue in these segments. Phosphate prices continued to rise in 1Q21 amid better demand across key markets, while aluminum prices rose due to improvement in global economic activity during the quarter. We anticipate commodity prices to remain high in 2Q21 amid improving global economic outlook and steady vaccination rates. The company is likely to benefit in the long term from addition of gold, ammonia, and phosphate capacities in the coming years. However, resurgence in COVID-19 cases due to new virus strains could create headwinds for the company. Therefore, considering these factors, we maintain our "Neutral" rating on the stock.

- Ma'aden's revenue rose 25.1% YoY to SAR 5.4bn, driven by higher average selling price of all products, alongside higher sales volume across its product categories, except gold, ammonium phosphate fertilizer and ammonia.
- Revenue was down 1.8% QoQ from SAR 5.5bn in 4Q20 on account of lower sales volume of all products, except gold and flat rolled products.
- Gross profit surged 408.0% YoY to SAR 1.4bn led by higher top line, coupled with a 1.4% YoY dip in cost of sales to SAR 4.0bn. As a result, gross margin widened to 26.4% from 6.5% in 1Q20.
- In addition to higher gross profit, lower selling, marketing and logistic expenses, and exploration and technical service costs enabled the company to record an operating profit of SAR 1.0bn in 1Q21 against an operating loss of SAR 119.3mn in 1Q20. Simultaneously, EBIT margin improved to 19.2% in 1Q21 from (2.7%) in 1Q20.
- Reduction in finance charges, coupled with higher profit contribution from JVs, offset the increase in zakat expense and helped Ma'aden to report a net profit of SAR 761.2mn in 1Q21 vis-à-vis a net loss of SAR 353.3mn in 1Q20. Consequently, net margin improved to 14.0% in the quarter from (8.1%) in 1Q20.
- On sequential basis, net profit increased 33.1% QoQ from SAR 571.9mn in 4Q20 owing to lower operating expenses and higher profit share from JVs.
- On March 16, Ma'aden's shareholders approved the Board's recommendation to withhold dividends for FY20.
- On April 25, Ma'aden's Board appointed Abdulaziz bin Asker Al Harbi as acting CEO of the company, following the resignation of Mosaed bin Suliman Al Ohali from the position of CEO.

**Valuation:** We revise our target price upward to a fair value of SAR 58.0 per share and maintain "Neutral" rating on the stock.

	1Q21	1Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR bn)	5.4	4.4	25.1%	23.0	18.6	23.6%
Gross Profit (SAR bn)	1.4	0.3	408.0%	6.4	2.6	150.4%
EBITDA (SAR bn)	2.2	1.0	110.1%	9.5	5.6	67.9%
Net Profit (SAR bn)	0.8	(0.4)	NM	3.0	(0.2)	NM
EPS Basic (SAR)	0.62	(0.29)	NM	2.45	(0.17)	NM
Gross Margin (%)	26.4%	6.5%	19.9%	28.0%	13.8%	14.2%
EBITDA Margin (%)	40.2%	24.0%	16.3%	41.2%	30.3%	10.9%
Net Profit Margin (%)	14.0%	(8.1%)	NM	13.1%	(1.1%)	NM

Source: Company Financials, FALCOM Research

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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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