

2Q21 Results Update

August 31, 2021

Recommendation Neutral

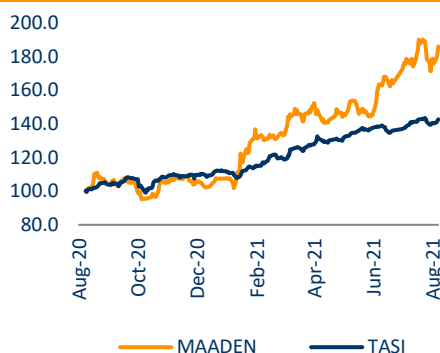
Previous Recommendation	Neutral
Current Price (SAR)	72.8
Target Price (SAR)	73.0
Upside/Downside (%)	0.3%

As of August 31, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	89.6
52-Wk High (SAR)	76.4
52-Wk Low (SAR)	37.0
Total Outstanding Shares (in bn)	1.2
Free Float (%)	32.8%

MA'ADEN vs. TASI (Rebased)



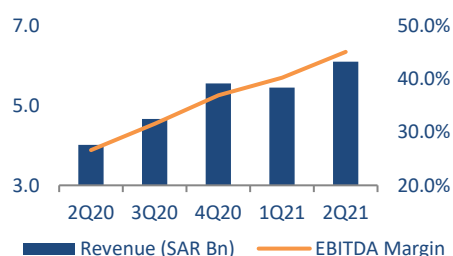
Price Performance (%)

	Absolute	Relative
1m	4.1%	1.4%
6m	40.0%	16.2%
12m	86.0%	43.4%

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 August 31, 2021

Records highest quarterly revenue in seven years, aided by a surge in commodity prices in 2Q21

Saudi Arabian Mining Co. (Ma'aden)'s revenue increased by 51.9% YoY to SAR 6.1bn, helped by a rise in average prices of all its products except industrial minerals. The rise in revenue was also supported by a jump in sales volume of ammonium phosphate fertilizers and alumina. As a result, its gross profit surged by 602.0% YoY to SAR 2.1bn, leading to a 2,642bps YoY expansion in gross margin to 33.7% in 2Q21. Driven by higher topline, the company recorded an operating profit of SAR 1.6bn in 2Q21 vis-à-vis an operating loss of SAR 163.4mn in 2Q20. Lower finance expenses coupled with higher profit contribution from joint ventures (JVs) helped Ma'aden record a net profit of SAR 1.1bn in 2Q21 as against a net loss of SAR 434.1mn in 2Q20, with net margin improving to 18.1% from (10.8%) in 2Q20.

A surge in commodity prices along with rising demand for its products in the quarter led to Ma'aden's performance improving notably in 2Q21, with the company reporting its highest quarterly revenue in seven years. An increase in revenues in the phosphate and aluminum segments, driven by higher prices of phosphate and aluminum in the quarter, was slightly offset by lower gold sales. Ma'aden's topline was slightly affected by the temporary shutdown of its ammonia plant after a fire incident. Ma'aden signed a contract with Jac Rijk Al-Rushaid Contracting & Services Co to provide mining services at the Mansourah & Massarah gold mines, with an investment of USD 880mn (SAR 3.3bn), leading to Ma'aden having its largest gold project to date. Commodity prices are likely to remain high in the second half of the year amid improving global economic outlook. The company is nearing completion of the first project of its 'Phosphate 3' portfolio expansion plan, which will be fully operational by 1Q22. The project would benefit the company in the long term. However, the company could face headwinds due to rising inflation lowering consumers' spending power and a resurgence in COVID-19 cases owing to the Delta variant. Therefore, given these factors, we maintain our "Neutral" rating on the stock.

- Ma'aden's revenue rose by 51.9% YoY to SAR 6.1bn, driven by higher average selling price of all products, except industrial minerals, coupled with higher sales volume of ammonium phosphate fertilizer and alumina.
- Gross profit surged by 602.0% YoY to SAR 2.1bn in 2Q21, resulting in gross margin expanding to 33.7% from 7.3% in 2Q20.
- Driven by higher topline, the company recorded an operating profit of SAR 1.6bn in 2Q21 as against an operating loss of SAR 163.4mn in 2Q20. Simultaneously, EBIT margin improved to 26.4% in 2Q21 from (4.1%) in 2Q20.
- A reduction in finance charges, along with higher profit contribution from JVs helped Ma'aden post a net profit of SAR 1.1bn in 2Q21 vis-à-vis a net loss of SAR 434.1mn in 2Q20. Consequently, net margin improved to 18.1% in the quarter from (10.8%) in 2Q20.
- Ma'aden signed a contract worth USD 880mn (SAR 3.3bn) with Jac Rijk Al-Rushaid Contracting & Services Co to provide operational mining services at the Mansourah & Massarah gold mines.
- Mansourah & Massarah gold mine is projected to produce 250,000 ounces per year from 2023, contributing one quarter of gold production towards the company's strategic target of 1mn ounces per year by 2025.
- The company is nearing completion of the first project of its 'Phosphate 3' portfolio expansion plan, which will be fully operational by 1Q22.

Valuation: We revise our target price upwards to a fair value of SAR 73.0 per share and maintain our "Neutral" rating on the stock.

	2Q'21	2Q'20	% YoY	FY21E	FY20	% YoY
Revenues (SAR bn)	6.1	4.0	51.9%	23.5	18.6	26.3%
Gross Profit (SAR bn)	2.1	0.3	602.0%	7.0	2.6	174.2%
EBITDA (SAR bn)	2.8	1.1	157.2%	10.2	5.6	81.1%
Net Profit (SAR bn)	1.1	(0.4)	NM	3.7	(0.2)	NM
EPS basic (SAR)	0.90	(0.35)	NM	3.02	(0.17)	NM
Gross Margin (%)	33.7%	7.3%	26.4%	30.0%	13.8%	16.2%
EBITDA Margin (%)	45.1%	26.6%	18.5%	43.5%	30.3%	13.2%
Net Profit Margin (%)	18.1%	(10.8%)	NM	15.8%	(1.1%)	NM

Source: Company Financials, FALCOM Research

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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.

FALCOM Financial Services

Contact us on the below phone numbers:

Customer Services: **8004298888**

Brokerage Services: **920004711**

Fax or Email us at the below number:

Fax: +966 11 2032546

Email: addingvalue@falcom.com.sa

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

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