

3Q21 Results Update

November 18, 2021

Recommendation **Neutral**

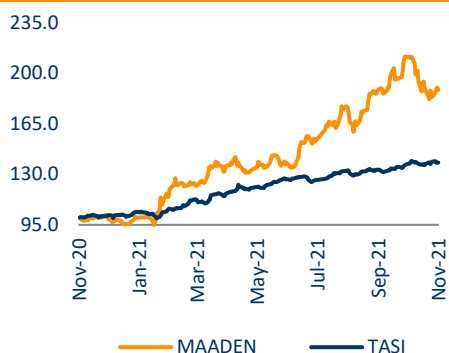
Previous Recommendation	Neutral
Current Price (SAR)	78.7
Target Price (SAR)	80.0
Upside/Downside (%)	1.0%

As of November 17, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	97.5
52-Wk High (SAR)	89.5
52-Wk Low (SAR)	39.9
Total Outstanding Shares (in bn)	1.2
Free Float (%)	32.8%

MA'ADEN vs. TASI (Rebased)



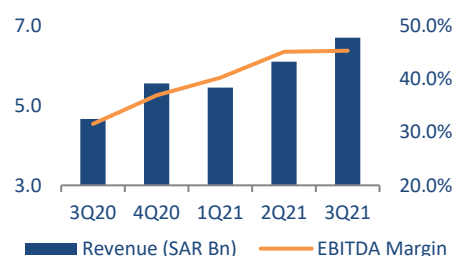
Price Performance (%)

Period	Absolute	Relative
1m	(10.7%)	(11.2%)
6m	39.7%	25.9%
12m	88.6%	50.5%

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 November 17, 2021

Higher commodities prices boost margins in 3Q21

Saudi Arabian Mining Co. (Ma'aden)'s revenue surged 43.8% YoY to SAR 6.7bn, driven by higher average realized sales prices of all products except gold. The rise in realized sales prices was slightly offset by lower sales volume of all products except alumina and Meridian sales. As a result of higher sales prices, company's gross profit surged by 239.2% YoY to SAR 2.3bn. Consequently, gross margins expanded to 33.8% in 3Q21 from 14.3% in 3Q20. Driven by higher topline and improved margins, the company's operating profit increased 650.6% YoY to SAR 1.9bn in 3Q21 from SAR 249.5mn in 3Q20. Lower finance expenses, coupled with higher profit contribution from joint ventures (JVs), helped Ma'aden record a higher net profit of SAR 1.3bn in 3Q21, compared to SAR 6.5mn in 3Q20; meanwhile, the net margin expanded to 19.0% in 3Q21 from 0.1% in 3Q20.

Ma'aden reported a strong set of results in 3Q21 on a YoY basis, as surge in average sales prices of all its products except gold drove the top line, counterbalanced by lower sales volume in the quarter. Due to local supplies of raw materials, Ma'aden remained largely immune from the global supply chain challenges and managed to increase its gross margins. Phosphate sales accounted for nearly 50% of Ma'aden's total sales, while aluminum and gold accounted for 40% and 10% of total sales, respectively. The company's ammonia plant resumed operations at the end of 3Q21; this is expected to boost the company's production in the upcoming quarter. Furthermore, Ma'aden's upcoming expansion projects such as Ammonia 3 as well as the recently signed deal with Jac Rijk Al-Rushaid Contracting & Services Co to provide mining services at Mansourah & Massarah gold mines would further boost production and benefit the company in the long term. Commodity prices are likely to remain high in 4Q21 amid the improving global economic outlook. However, the company could face headwinds due to high feedstock and gas prices as well as rising inflation lowering consumers' spending power. Due to these factors, we maintain our "Neutral" rating on the stock.

- Ma'aden's revenue increased by 43.8% YoY to SAR 6.7bn, driven by higher average selling prices of all products except gold, slightly offset by lower sales volume of all products except alumina and Meridian sales.
- Higher commodity prices along with slower rise in cost of sales drove the company's margin higher during 3Q21. Gross profit jumped by 239.2% YoY to SAR 2.3bn in 3Q21, with gross margin expanding to 33.8% from 14.3% in 3Q20.
- Driven by improved gross margins, the company's operating profit increased to SAR 1.9bn in 3Q21 from SAR 249.5mn in 3Q20. Simultaneously, EBIT margin expanded to 28.0% in 3Q21 from 5.4% in 3Q20.
- Ma'aden reported a higher net profit of SAR 1.3bn in 3Q21, compared to SAR 6.5mn in 3Q20, following a reduction in finance charges, along with higher profit contribution from JVs. Consequently, the net margin improved to 19.0% in the quarter from 0.1% in 3Q20.
- Ma'aden signed agreements with Thenamaris LNG Inc and Exmar Marine NV to hire a total of four vessels to transport ammonia produced by the company. These shipping agreements will come into effect in 1Q22.
- The company's capacity expansion project, Ammonia 3, is nearing completion; once the project is complete, the plant would be able to produce 1.1kmt p.a.

Valuation: We revise our target price upward to a fair value of SAR 80.0 per share and maintain our "Neutral" rating on the stock.

	3Q'21	3Q'20	% YoY	FY21E	FY20	% YoY
Revenues (SAR bn)	6.7	4.7	43.8%	25.1	18.6	35.0%
Gross Profit (SAR bn)	2.3	0.7	239.2%	8.3	2.6	222.6%
EBITDA (SAR bn)	3.0	1.5	106.5%	11.5	5.6	104.1%
Net Profit (SAR bn)	1.3	0.0	NM	4.7	(0.2)	NM
EPS basic (SAR)	1.03	0.01	NM	3.80	(0.17)	NM
Gross Margin (%)	33.8%	14.3%	19.5%	33.0%	13.8%	19.2%
EBITDA Margin (%)	45.3%	31.5%	13.8%	45.8%	30.3%	15.5%
Net Profit Margin (%)	19.0%	0.1%	NM	18.6%	(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, FALCOM Research.

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