

## 1Q22 Results Update

July 12, 2022

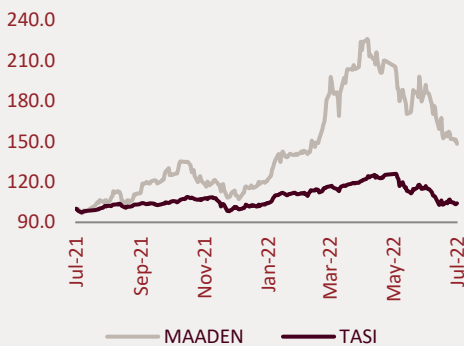
Recommendation	Overweight
Previous Recommendation	Neutral
Current Price (SAR)	48.7
Target Price (SAR)	57.0
Upside/Downside (%)	17.0%

As of July 6, 2022

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	120.0
52-wk High (SAR)	75.4
52-wk Low (SAR)	31.1
Total Outstanding shares (in mn)	2.5
Free Float (%)	32.8%

### MAADEN vs. TASI (Rebased)

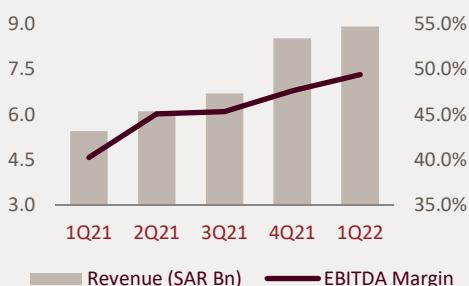


Price Performance (%)	Absolute	Relative
1m	(22.8%)	(11.9%)
6m	21.6%	21.7%
12m	48.2%	44.2%

### Major Shareholders (%)

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



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of July 6, 2022

### Improved sales prices boost top line in 1Q22

Saudi Arabian Mining Co. (Ma'aden)'s revenue soared 63.6% YoY to SAR 8.9bn. Growth could be attributed to higher average realized sales prices of all products, except industrial mineral products. This was partially offset by lower sales volume of ammonia, gold, flat-rolled products, ammonia phosphate fertilizer and alumina. A slower rise in cost of sales compared to the top line led to a 170.4% YoY rise in the company's gross profit to SAR 3.9bn. Consequently, gross margins advanced to 43.6% in 1Q22 from 26.4% in 1Q21. Despite a surge in SG&A expense as well as higher exploration and technical services expenditure, operating profit increased 211.6% YoY to SAR 3.3bn in 1Q22 owing to the higher top line and improved margins. Lower finance expense helped Ma'aden record a 185.3% YoY surge in net profit to SAR 2.2bn in 1Q22; meanwhile, net margin stood at 24.4% in 1Q22 as against 14.0% in 1Q21.

Ma'aden reported strong performance in 1Q22 compared to the same period last year. The improved performance was driven by a surge in average sales prices of all its products, except industrial mineral products, which led to a higher top line. However, lower sales volume of ammonia, gold, and flat-rolled products; ammonia phosphate fertilizer; and alumina during the quarter slightly offset top-line growth. Higher commodity prices and improved margins helped Ma'aden report a 185.3% YoY surge in the bottom line. Phosphate sales accounted for nearly 62.1% of Ma'aden's total sales, while aluminum and gold accounted for 31.4% and 6.5%, respectively. The company has improved its operational efficiencies of almost all its plants, which also contributed to its strong earnings. Ma'aden's new gold project in the Mansorah and Massarah mines are expected to begin production by the second half of the year and has a capacity of 250k ounces/annum of gold. This will boost earnings going forward. However, the company could face several headwinds due to high feedstock and gas prices which are likely to remain high in FY22 amid the ongoing geopolitical crisis in Europe. Commercial production in its third ammonia plant will begin in 3Q22, which would further boost Ma'aden's top line. In view of these factors, we revise our rating to "Overweight" on the stock.

- Ma'aden's revenue climbed 63.6% YoY to SAR 8.9bn in 1Q22 on higher average selling prices of all products, except industrial mineral products.
- Gross profit surged 170.4% YoY to SAR 3.9bn as cost of sales grew at a slower rate (up 25.3% YoY to SAR 5.0bn) during the quarter. Consequently, the company's gross margin expanded to 43.6% from 26.4% in 1Q21.
- Rise in SG&A as well as exploration and technical expense was offset by a higher top line, as the company's operating profit increased 211.6% YoY to SAR 3.3bn in 1Q22. Subsequently, EBIT margin expanded to 36.6% in 1Q22 from 19.2% in 1Q21.
- Lower finance charges and higher top line led to Ma'aden reporting a 185.3% YoY surge in net profit to SAR 2.2bn in 1Q22; meanwhile, net margin improved to 24.4% in 1Q22 from 14.0% in 1Q21.
- On May 31, 2022, Ma'aden increased its capital via a one-for-one bonus issue, which would expand its capital base.

**Valuation:** We revise our target price to a fair value of SAR 57.0 per share and change our rating to "Overweight" on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	8.9	5.4	63.6%	36.6	26.8	36.6%
Gross Profit (SAR mn)	3.9	1.4	170.4%	15.4	9.2	67.8%
EBITDA (SAR mn)	4.4	2.2	100.8%	17.8	12.0	48.4%
Net Profit (SAR mn)	2.2	0.8	185.3%	9.7	5.2	86.1%
EPS Basic (SAR)	1.76	0.62	185.3%	3.95	2.12	86.1%
Gross Margin (%)	43.6%	26.4%	17.2%	42.0%	34.2%	7.8%
EBITDA Margin (%)	49.4%	40.2%	9.2%	48.8%	44.9%	3.9%
Net Profit Margin (%)	24.4%	14.0%	10.4%	26.6%	19.5%	7.1%

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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