

Saudi Arabian Mining Co. (Maaden)

Target Price: SAR 39.0/share

Downside: 23.5%

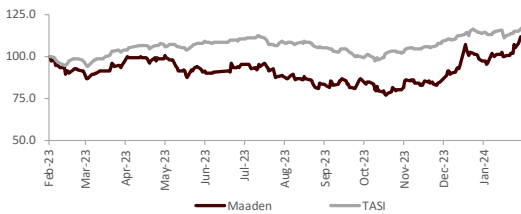
Recommendation

Sell

Current Market Price (SAR)	51.0
52wk High / Low (SAR)	53.3/35.4
Mkt. Cap. (USD/SAR Mn)	50,177/188,280
Shares Outstanding (mn)	3,691.8
Free Float (%)	32.8%
3m Average Vol. (000)	2,457
3m Avg Daily Turnover (SAR'000)	113,677
Dividend Yield '24e (%)	0.0%
P/E'24e (x)	7.6
EV/EBITDA'24e (x)	18.0

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	26,769	40,277	15,867	16,019
Gross profit	9,155	16,249	6,560	6,783
GPM (%)	34%	40%	41%	42%
EBIT	7,414	13,537	5,476	5,672
EBIT margin (%)	28%	34%	35%	35%
EBITDA	11,809	18,121	10,399	10,881
EBITDA margin (%)	44%	45%	66%	68%
Net Income	5,228	9,319	11,550	16,461
Net margin (%)	20%	23%	73%	103%
EPS (SAR)	2.12	3.79	3.13	4.46
RoE (%)	16%	24%	12%	9%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Public Investment Fund	67.18%
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Source: Bloomberg, Yaqeen Capital

Earnings declined largely on account of lower commodity prices

- Maaden incurred net loss of SAR 83mn in 3Q2023 compared to net profit of SAR 2,103mn in 3Q2022 on account of decline in sales. This was partially offset by a decrease in the cost of sales, largely attributable to lower raw material prices and lower severance fees expense mainly due to one-off severance fees recorded during the previous quarter of the current year.
- Revenue declined by 37.8% YoY (+10.6% QoQ) to SAR 6,226mn, impacted by decreasing commodity market prices of all business segments, except base metal and new minerals segment.
- In 3Q2023, the gross profit decreased to SAR 929 million, reflecting a 74.0% YoY decline (-42.5% QoQ). The gross margin also contracted, dropping by -20.8ppts YoY and -8.3ppts QoQ, reaching 14.9% in 3Q2023.
- Operating income decreased by 92.8% YoY (-74.9% QoQ) in 3Q2023. This decline was attributed to increased exploration and technical service expenses, coupled with a comparatively smaller reduction in SG&A expenses compared to gross profit. Operating margins came lower by 26.1ppts YoY (-8.7ppts QoQ) to 3.4% in 3Q2023.
- For 9M2023, net income decreased by 91.7% YoY to SAR 687mn, primarily due to lower revenue. The net margin declined to 3.2% compared to 27.0% in 9M2022.
- For 9M2023, EBITDA declined by 62.2% on account of lower commodity prices, Higher exploration costs attributed to record drilling, and one-off adjustments.

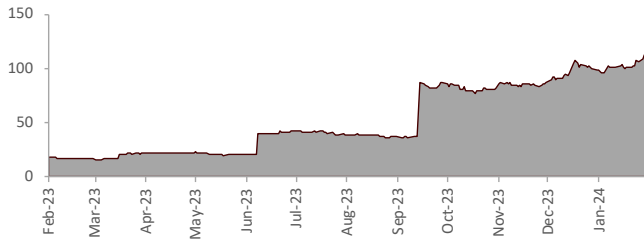
Outlook & Valuation: As commodity prices decline and manufacturing decreases alongside uncertain demand, Maaden faces anticipated impacts on its financial performance. Cost-cutting measures may become necessary to offset these challenges, which have already led to diminished profitability and cash flow. We foresee the company's financial standing being influenced by these factors in the short to medium term. These challenges may also affect Maaden's ability to invest in new projects and expand its operations. Based on DCF valuation, we arrive at a fair value of SAR 39.0/share, potential downside of 23.5% from the current level. Hence, we recommend a Sell rating on the stock.

Financial Summary

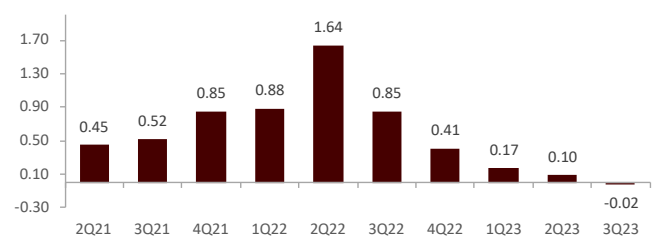
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	6,226	10,014	-38%	6,966	-11%
Gross profit	929	3,574	-74%	1,616	-43%
GPM (%)	15%	36%		23%	
EBIT	212	2,954	-93%	843	-75%
EBIT margin (%)	3%	29%		12%	
EBITDA	1,529	4,160	-63%	2,119	-28%
EBITDA margin (%)	25%	42%		30%	
Net Income	(83)	2,103	-104%	351	-124%
Net margin (%)	-1%	21%		5%	
EPS (SAR)	-0.02	0.85	-103%	0.10	-124%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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