

Saudi Arabian Mining Co. (Maaden)

Target Price: SAR 25.0/share

Downside: 46.1%

Recommendation

Sell

Current Market Price (SAR)	46.4
52wk High / Low (SAR)	56.4/35.4
Mkt. Cap. (USD/SAR Mn)	45,651/171,298
Shares Outstanding (mn)	3,691.8
Free Float (%)	32.8%
3m Average Vol. (000)	2,009
3m Avg Daily Turnover (SAR'000)	102,232
P/E'24e (x)	57.3
EV/EBITDA'24e (x)	21.0

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	40,277	29,272	28,944	29,150
Gross profit	16,249	6,914	7,705	8,052
Gross margin (%)	40%	24%	27%	28%
EBIT	13,537	3,816	4,629	4,924
EBIT margin (%)	34%	13%	16%	17%
EBITDA	18,121	8,596	9,755	10,407
EBITDA margin (%)	45%	29%	34%	36%
Net Income	9,319	1,577	2,990	3,306
Net margin (%)	23%	5%	10%	11%
EPS (SAR)	3.79	0.43	0.81	0.90
RoE (%)	24%	3%	5%	5%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Public Investment Fund	67.18%
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Source: Bloomberg, Yaqeen Capital

Earnings improved driven by lower costs

- Maaden's net profit surged by 134.1% YoY and by 10.3% QoQ to SAR 982mn in 1Q2024. This increase was primarily driven by higher sales volumes, reduced raw material costs, lower depreciation expenses, and the absence of one-off industrial utility charges that impacted the previous year. The QoQ net profit rise was also due to lower operating and exploration costs, along with an insurance claim received for pot relining within smelter plants. The net profit margin improved by 8.1ppts YoY and by 2.6ppts QoQ, reaching 13.4%.
- Revenue declined by 8.7% YoY and by 8.5% QoQ to SAR 7,348mn in 1Q2024, mainly due to lower commodity prices for all products except gold and alumina. This decline in sales was partially offset by higher sales volumes of primary aluminum, ammonia, and gold.
- In 1Q2024, gross profit increased to SAR 2,413mn, reflecting a 52.2% YoY rise despite a 13.3% QoQ decline, due to a more significant reduction in the cost of sales compared to the decline in sales on YoY basis. The gross margin improved by 13.1ppts YoY, though it decreased by 1.8ppts QoQ, reaching 32.8%.
- Operating income rose by 99.6% YoY and by 1.4% QoQ to SAR 1,856mn in 1Q2024, primarily due to higher gross profit on a YoY basis. Operating margins increased by 13.7ppts YoY and by 2.5ppts QoQ, reaching 25.3% in 1Q2024.

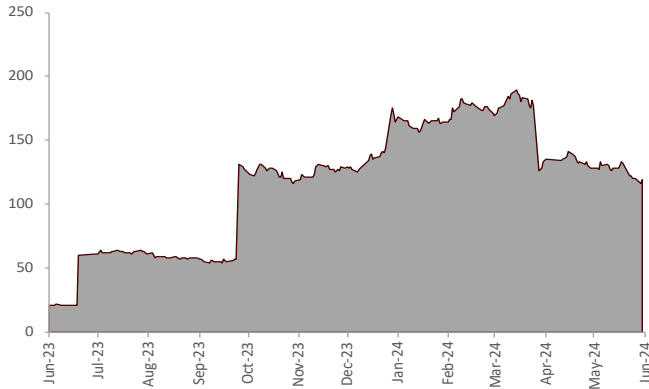
Outlook & Valuation: As commodity prices fall and manufacturing decreases amid uncertain demand, Maaden is expected to experience an impact on its financial performance. To mitigate these challenges, cost-cutting measures may become necessary, as profitability and cash flow have already declined. We anticipate that these factors will influence the company's financial position in the short to medium term. Additionally, these challenges may hinder Maaden's ability to invest in new projects and expand its operations. Based on DCF valuation, we arrive at a fair value of SAR 25.0/share, potential downside of 46.1% from the current level. Hence, we recommend a Sell rating on the stock.

Financial Summary

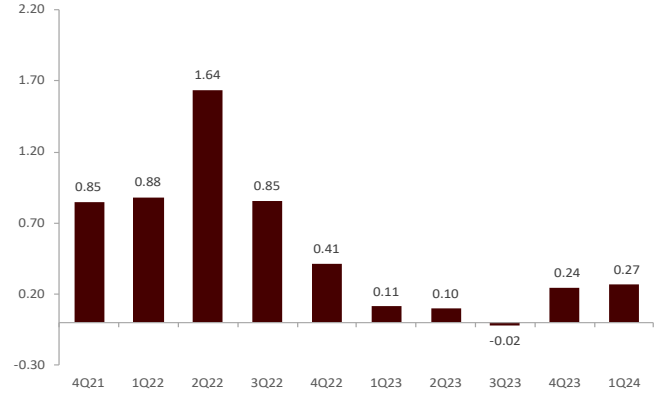
SAR (mn)	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	7,348	8,045	-9%	8,035	-9%
Gross profit	2,413	1,586	52%	2,784	-13%
Gross margin (%)	33%	20%		35%	
EBIT	1,856	930	100%	1,831	1%
EBIT margin (%)	25%	12%		23%	
EBITDA	2,906	2,174	34%	2,774	5%
EBITDA margin (%)	40%	27%		35%	
Net Income	982	419	134%	890	10%
Net margin (%)	13%	5%		11%	
EPS (SAR)	0.27	0.11	134%	0.24	10%

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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