

Saudi Arabian Mining Co. (Maaden)

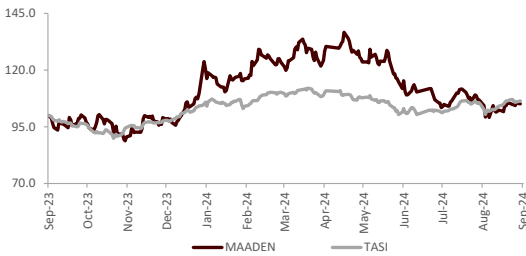
Recommendation

Sell

Current Market Price (SAR)	42.3
52wk High / Low (SAR)	56.4/35.4
Mkt. Cap. (USD/SAR Mn)	41,666/156,347
Shares Outstanding (mn)	3,691.8
Free Float (%)	32.8%
3m Average Vol. (000)	2,172
3m Avg Daily Turnover (SAR'000)	93,319
P/E'24e (x)	38.5
EV/EBITDA'24e (x)	15.7

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	8,718	9,072
Gross margin (%)	40%	24%	30%	31%
EBIT	13,537	3,816	6,882	6,236
EBIT margin (%)	34%	13%	24%	21%
EBITDA	18,121	8,596	12,009	11,719
EBITDA margin (%)	45%	29%	41%	40%
Net Income	9,319	1,577	4,058	3,692
Net margin (%)	23%	5%	14%	13%
EPS (SAR)	3.79	0.43	1.10	1.00
RoE (%)	24%	3%	8%	7%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Public Investment Fund 67.18%

Source: Bloomberg, Yaqeen Capital

Earnings Boosted by lower operating expenses

- Maaden's net profit surged by 191.8% YoY and 4.3% QoQ to SAR 1,024mn in 2Q2024, driven by higher sales prices, lower raw material costs, and reduced depreciation expenses. Profitability was further boosted by an insurance claim for relining smelter pots and the absence of a severance charge from the previous year. However, lower sales volumes across all products except Primary Aluminum, Flat Rolled products, and Gold partially offset this increase. QoQ, the profit rise was due to lower operating expenses, higher insurance income, and reduced zakat and taxes. The net profit margin improved to 14.3%, up by 9.2ppts YoY and 0.9ppts QoQ.
- Revenue grew by 3.1% YoY to SAR 7,184mn in 2Q2024, mainly due to higher commodity prices across most products, though this was partly offset by lower sales volumes in all products except Primary Aluminum, Flat Rolled products, and Gold. QoQ, revenue fell by 2.2% due to declining commodity prices, with some offset from increased sales volumes in select products.
- Gross profit rose by 35.4% YoY to SAR 2,188mn, supported by higher revenue and lower costs but declined by 9.4% QoQ due to lower revenue and increased costs. The gross margin reached 30.5%, improving by 7.3ppts YoY but falling 2.4ppts QoQ.
- Operating income increased by 110.3% YoY to SAR 1,774mn due to higher gross profit and lower SG&A expenses but fell 4.4% QoQ. Operating margins were 24.7%, up 12.6ppts YoY but down 0.6ppts QoQ.
- In 1H2024, net income rose by 160.4% YoY to SAR 2,006mn, driven by higher gross profit and insurance claims, offset by lower commodity prices (except Gold and Alumina) and higher taxes.
- In 1H2024, revenue declined by 3.2% YoY to SAR 14,532mn due to lower commodity prices, offset by higher sales volumes of Primary Aluminum and Gold.

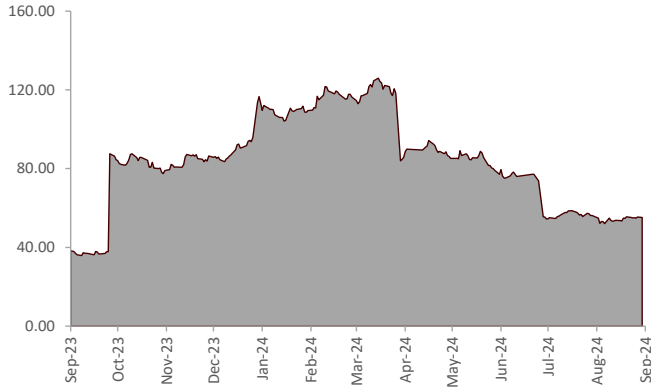
Outlook & Valuation: As commodity prices decline and manufacturing slows amid uncertain demand, Maaden's financial performance is likely to be affected. To address these challenges, cost-cutting measures may be required, as profitability and cash flow have already decreased. We expect these factors to impact on the company's financial standing in the short to medium term. Moreover, these difficulties could limit Maaden's ability to invest in new projects and expand its operations. Based on DCF valuation, we arrive at a fair value of SAR 29.0/share, potential downside of 31.4% from the current level. Hence, we recommend a Sell rating on the stock.

Financial Summary

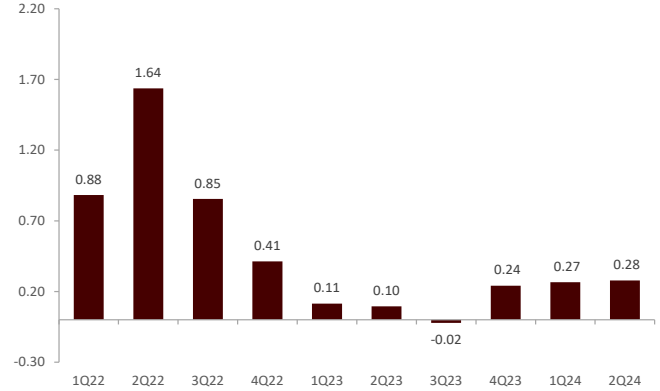
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	7,184	6,966	3%	7,348	-2%
Gross profit	2,188	1,616	35%	2,413	-9%
Gross margin (%)	30%	23%		33%	
EBIT	1,774	843	110%	1,856	-4%
EBIT margin (%)	25%	12%		25%	
EBITDA	2,856	2,119	35%	2,906	-2%
EBITDA margin (%)	40%	30%		40%	
Net Income	1,024	351	192%	982	4%
Net margin (%)	14%	5%		13%	
EPS (SAR)	0.28	0.10	192%	0.27	4%

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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