

Saudi Arabian Mining Company (Ma'aden)

Q2 2017

Recommendation Neutral

Fair Value (SAR) 47.00

Price as of Aug 8, 2017 48.25
Expected Return -2.6%

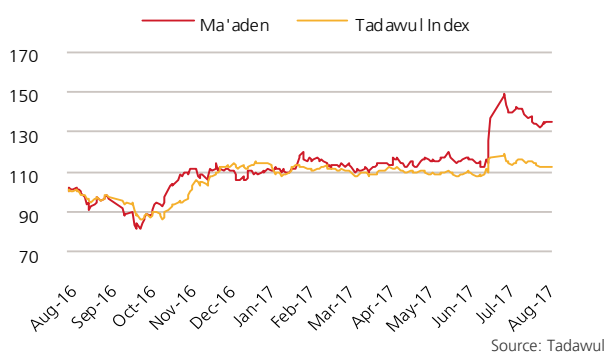
Company Data

Tadawul Symbol	1211.SE
52 Week High (SAR)	53.80
52 Week Low (SAR)	27.80
YTD Change	23.1%
3-Month Average Volume (Thousand Shares)	964
Market Cap. (SAR Million)	56,380
Market Cap. (USD Million)	15,035
Outstanding Shares (Million Shares)	1,168.5

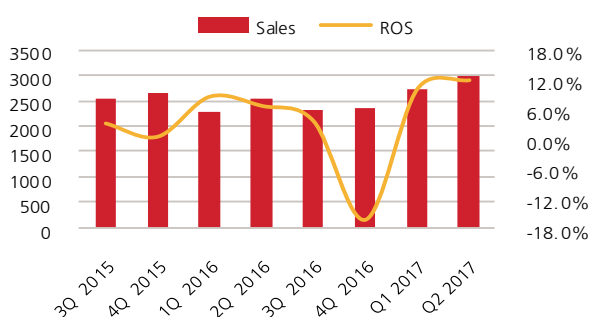
Major Shareholders (> 5%)

Public Investment Fund	49.99%
General Organization for Social Insurance	7.98%
Public Pension Agency	7.45%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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The financial statements of Ma'aden for Q2 2017 unveiled a significant improvement in the company's performance with the net profit leaping 108% hitting SAR 356 million compared to SAR 171 million in Q2 2016. The bottom line surged 29% QoQ as well, therefore the conglomerate posted a semimanual net profit of SAR 632 million in H1 2017 up 73% from SAR 366 million in H1 2016. The second-quarter figure also surpassed our forecast of SAR 340 million, while analysts on average expected net profit of SAR 341 million.

Ma'aden attributed the YoY improvement in the second-quarter profits to the increase in sales by 17% buoyed by increased sales volume of gold, ammonia and phosphate fertilizers. Furthermore, the average realized price of aluminium and phosphate fertilizers leapt 24% and 7% YoY, respectively. It is noteworthy that Ma'aden launched commercial operations in the ammonia plant of Waad El Shamal project at the onset of 2017. The plant sold 282k tons of ammonia in Q2 2017. On the other hand, exploration and technical services expenses jumped by 27%, while general and administrative expenses ended up 12%. The financing expenses also widened by 59% boosted by the increase in LIBOR and SIBOR. In addition, the interest expenses of the recently launched expansions were added to the income statement rather than interest capitalisation.

In H1 2017, the consolidated sales edged up 18% to SAR 5,712 million boosted by increased quantities of ammonia, gold and phosphates. The average price of DAP climbed by about 2% and aluminium by 19% compared to H1 2016, nevertheless the average price of ammonia plummeted by 21%. Financing expenses skyrocketed by 89% compared to the first half of 2016.

In Q2 2017, the demand for phosphate fertilizers in India, one of the main markets, slumped due to a new tax scheme. The demand remained flat in Latin America coupled with excess production in China. The expansion in the production capacities in Saudi Arabia and Morocco will most likely weigh on fertilizer prices in H2 2017. In the aluminium sector, the improvement in selling prices was fuelled by new environmental policies in China that resulted in a reduction in production levels. On the other hand, the average price of gold in Q2 2017 approximated Q2 2016 levels. As for copper, the price nudged up 24% on disruptions in the production of the three largest producing mines in the world.

Ma'aden launched commercial operation of the ammonia plant of Waad al-Shamal project on January 1, 2017 and also commenced production in the diammonium phosphate plant on July 8, 2017. Accordingly, all main expansions of the company are now in commercial production phase, which will be positively reflected on the income statement going forward. In parallel, Maaden will report higher depreciation charges and interest expenses in H2 2017. Factoring in the results of the second quarter, and the launch of operations in the new DAP plant, we raise our valuation from SAR 44 to SAR 47 per share.

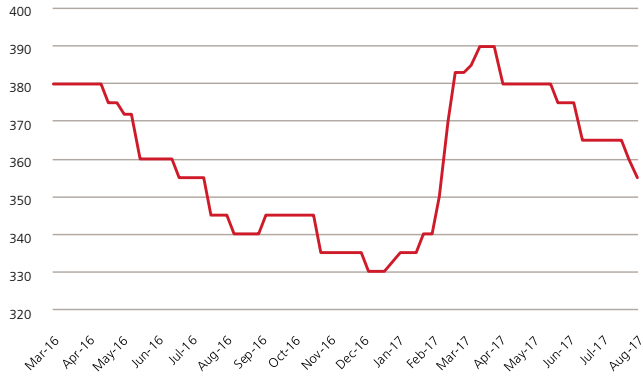
FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	28.89	28.23	32.75	16.22
EV/Sales	9.53	9.39	10.82	8.13
P/E	41.54	93.16	n/a	41.00
P/BV	2.11	2.07	2.22	2.11
P/Revenue	5.22	5.15	5.93	4.46
Revenue Growth	78.5%	1.5%	-13.3%	33.1%

Production and Sales Summary ('000 ton)	Q2 2017	Q1 2017	Q2 2016	Q1 2016	H1 2017	H1 2016	Change
Diammonium Phosphate (DAP)							
Production	668	721	669	659	1,389	1,328	5%
Sales	733	637	703	599	1,370	1,302	5%
Ammonia							
Production	555	599	300	304	1,154	604	91%
Sales	393	466	154	206	859	360	139%
Aluminum							
Production	219	228	220	217	447	437	2%
Sales	217	228	219	215	445	434	3%
Copper							
Production	10.6	7	6	4	17.6	10	76%
Sales	10.7	7.5	2.5	5	18.2	7.5	143%
Gold (000 Ounces)							
Production	70	71	60	44	141	104	36%
Sales	69	70	63	40	139	103	35%

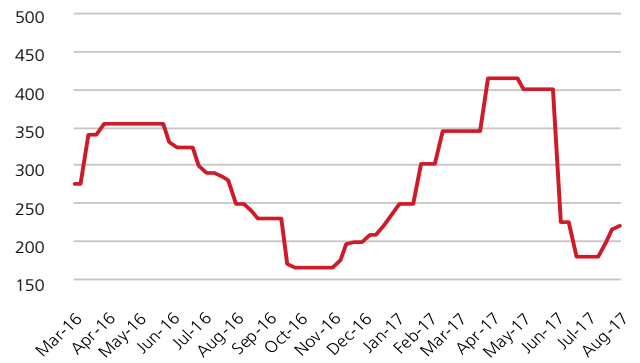
Business segments (SAR mn)	Phosphate	Aluminum	Gold and base metals	Headquarters	Total
H1 2017					
Sales	2,755	2,302	656	-	5,713
EBITDA	1,391	1,315	344	(104)	2,946
EBIT	846	618	193	(114)	1,543
Net income	431	176	188	(163)	632
Total asset	44,717	40,695	4,279	4,459	94,150
H2 2016					
Sales	2,198	2,140	483	-	4,821
EBITDA	921	846	216	(62)	1,921
EBIT	263	395	126	(72)	712
Net income	131	201	91	(57)	366
Total asset	43,116	41,302	4,240	5,586	94,244

Prices of Ma'aden's Products

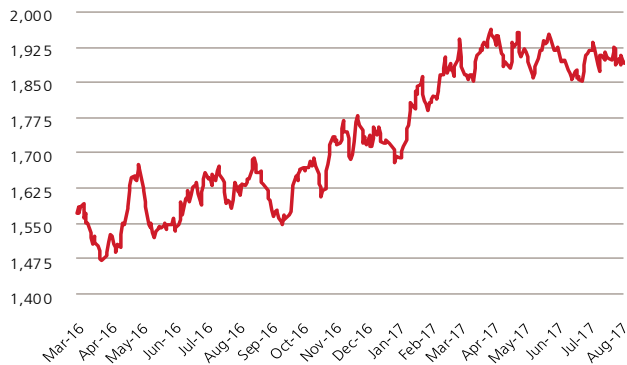
Diammonium Phosphate (DAP) Price (USD / Ton)



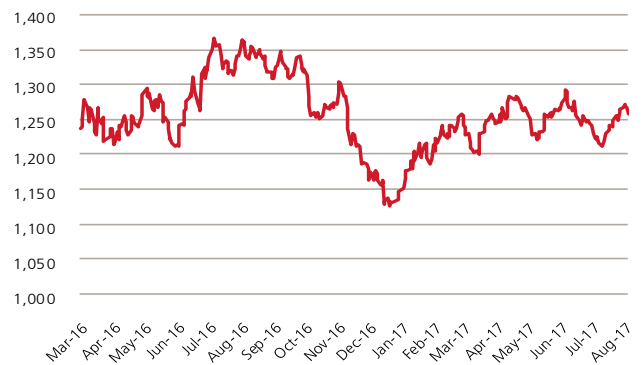
Ammonia Price (USD / ton)



Aluminum Price (USD / Ton)



Gold - USD / Ounce



Copper (USD / Ton)



Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E*
Sales	6,047	10,792	10,956	9,504	12,654
COGS	3,491	6,153	6,250	4,991	5,501
OPEX (net)	890	1,079	1,063	1,374	814
EBITDA	1,667	3,560	3,643	3,139	6,339
EBITDA Margin	27.6%	33.0%	33.2%	33.0%	50.1%
Depreciation, Ammortization & Depletion	1,063	1,563	2,320	2,519	3,076
EBIT	604	1,997	1,305	613	3,263
EBIT Margin	10.0%	18.5%	11.9%	6.4%	25.8%
Net Interest Income	-156	-292	-415	-739	-1,427
Investment Income	-3	-25	-92	4	80
Others	1,427	102	56	33	-115
Pre-Tax Income	1,872	1,781	854	-89	1,802
Tax and Zakat	55	44	46	59	121
Net Income	1,816	1,737	808	-148	1,680
Minority	134	379	203	-137	305
NAI	1,682	1,357	605	-11	1,375
ROS	27.8%	12.6%	5.5%	-0.1%	10.9%
Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	4,337	12,497	5,207	7,081	7,207
Accounts Receivables	763	1,245	1,252	1,273	1,895
Inventory	1,883	2,441	2,942	3,093	3,758
Others	147	233	969	141	253
Total ST Assets	7,130	16,416	10,370	11,587	13,113
Net Fixed Assets	18,130	38,376	36,682	51,706	79,110
Projects Under Implementation	37,140	27,259	40,636	29,185	1,265
Intangible Assets	308	459	417	374	345
Others	1,244	2,032	1,273	1,291	1,412
Total LT Assets	56,821	68,125	79,008	82,555	82,132
Total Assets	63,951	84,541	89,378	94,143	95,245
Short Term Debt and CPLTD	1,198	1,574	2,131	2,753	3,369
Accounts Payable	2,051	2,035	1,810	2,202	2,345
Accrued Expenses	3,261	2,558	4,521	2,629	2,101
Others	101	99	79	127	139
Total ST Liabilities	6,611	6,267	8,541	7,711	7,954
Total Long Term Debt	31,545	43,338	43,268	50,779	49,889
Other Non-current liabilities	704	1,289	2,015	2,247	2,377
Minority	5,248	6,824	8,097	7,794	8,038
Equity	19,760	26,693	27,298	25,342	26,717
Total Liabilities and Equity	63,951	84,541	89,378	94,143	95,245
Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash flow from Operations	1,846	2,751	2,214	2,142	2,980
Cash flow from Investing	(10,361)	(14,221)	(11,207)	(10,159)	(2,572)
Cash flow from Financing	6,626	19,051	1,273	8,613	(282)

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

* Historical financial statements were prepared according to the previous Saudi reporting standards. Some items in the financials statements for 2017 are reclassified according to IFRS.

Albilad Capital Rating Methodology

Al-Bilad 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: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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