MINING | 18 January 2010 EVENT FLASH

# Maaden

## Underweight

## Weak 4Q09 Results after SR300mn Adjustment

| | |
|---|---|
| **Price (SR)** | **17.45** |
| **12M target price (SR)** | **15.3** |
| Potential upside (%) | ↓ 12.4 |

### Stock details

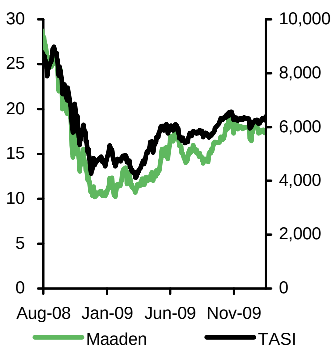
| | | | |
|---|---|---|---|
| 52-week range H/L (SR) | | | 19.4/10.3 |
| Market cap ($mn) | | | 4,304 |
| Shares outstanding (mn) | | | 925 |
| Listed on exchanges | | | TADAWUL |
| **Price perf. (%)** | **1M** | **3M** | **12M** |
| Absolute | (3.1) | (3.9) | 66.3 |
| Rel. to market | (7.0) | (3.3) | 30.3 |
| **Avg daily turn.(mn)** | | **SR** | **US$** |
| 3M | | 590 | 157 |
| 12M | | 263 | 70 |
| **Reuters code** | | | 1211.SE |
| **Bloomberg code** | | | MAADEN AB |
| **Website** | | | www.maaden.com.sa |

### Valuation multiples

| | 08 | 09E | 10E |
|---|---|---|---|
| P/E (x) | 79.4 | 114.4 | 32.8 |
| P/B (x) | 1.0 | 1.0 | 0.9 |
| EV/EBITDA (%) | NA | 71.9 | 27.8 |
| Div yield (%) | - | - | - |

Source: NCBC Research estimates

### Share price performance




Source: Bloomberg

**Maaden announced 4Q09 results on January 18, 2010 with adjusted net income of SR42.8mn, 64% down YoY and vs. NCBC estimates of SR80mn. For the full year, adjusted net income was SR103.8mn, down 48.9% from 2008 levels. The decline in earnings for the full year was mainly driven by a large Zakat expense.**

- **87.5% of reported 4Q09 income from non-recurring item:** Maaden's reported net income for 4Q09 was SR342.8mn, which included a one-off item of SR300mn. Adjusting for the non-recurring item results in a net income figure of SR42.8mn in 4Q09 vs. our estimate of SR80mn for the quarter. EPS in 2009 came in at SR0.44 per share (including the one-off item) or SR0.12 per share using the adjusted income.
- **Operating income for 4Q09 was 46% lower than our estimate:** Operating income for the quarter came in at SR22.6mn vs. a loss of SR18mn in 4Q08, but 46% lower than our estimate of SR48.7mn.
- **Non-recurring item of SR300mn does not affect our outlook**: Maaden recorded a SR300mn gain in 4Q09 for a payment it received from Alcoa in return for gaining access to the aluminum project. We consider this a one-off item and it does not change our outlook for our estimates.
- **Significant underperformance, remain cautious:** 4Q09 results were much weaker than expected which reinforces our conservative view. Although the company has not announced a sales figure for 4Q09, we think the main reason the company missed all of our targets is due to lower than estimated sales figure driven by lower production in the quarter relative to our estimates. We await detailed results to update our model.
- **We maintain our Underweight rating:** On the back of these results, we maintain our **Underweight** rating with a 12-month price target of SR15.3 per share.

### Exhibit 1: Results summary

| SR mn | 4Q09A | 4Q09E | 4Q08A | YoY (%) | 2009A | 2008A | YoY (%) |
|---|---|---|---|---|---|---|---|
| Operating income | 22.6 | 48.7 | (18) | NA | 100.5 | (55.5) | NA |
| Net income ^ | 42.8 | 80 | 121.1 | (64.6) | 103.8 | 203.4 | (48.9) |
| EPS ^ | 0.05 | 0.09 | 0.13 | (64.6) | 0.12 | 0.30 | (60.0) |

Source: Company, NCBC Research estimates

^ adjusted for SR300mn one-off gain in 4Q09

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**NCBC INVESTMENT RATINGS**

| | |
|---|---|
| Overweight: | Target price represents expected returns in excess of 15% in the next 12 months |
| Neutral: | Target price represents expected returns between -10% and +15% in the next 12 months |
| Underweight: | Target price represents a fall in share price exceeding 10% in the next 12 months |
| Price Target: | Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon |

**OTHER DEFINITIONS**

| | |
|---|---|
| NR: | Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations |
| CS: | Coverage Suspended. NCBC has suspended coverage of this company |
| NC: | Not Covered. NCBC does not cover this company |

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