



US\$8.61bn Market cap
33% Free float
US\$6.87mn Avg. daily volume

Target price **37.00** 6.9% over current
Consensus price **39.00** 12.7% over current
Current price **34.60** as at 21/1/2013

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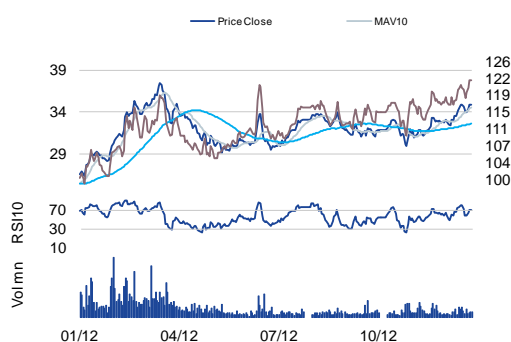
Existing rating

Underweight Neutral **Overweight**

Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

Performance



Earnings

Period End (SAR)	12/11A	12/12E	12/13E	12/14E
Revenue (mn)	1,479	5,294	7,610	9,905
Revenue Growth	109.4%	257.9%	43.8%	30.2%
EBITDA (mn)	756	2,568	3,549	5,577
EBITDA Growth	639.2%	239.7%	38.2%	57.2%
EPS	0.45	1.09	1.41	1.80
EPS Growth		143.9%	29.0%	27.9%

Source: Company data, Al Rajhi Capital

Ma'aden
Strong Q4 on higher top-line growth

Ma'aden announced its Q4 2012 results with all its profit lines reporting a sharp growth. Net profit came in at SAR406mn (+45% y-o-y), higher than our estimate of SAR323mn and consensus estimate of SAR356mn. Gross profit rose 112% to SAR1,255mn due to higher production and better realized prices for phosphate and gold. The Q4 results have come in after a strong Q3, which make us believe that the company's phosphate operations have stabilized. We expect to increase our near-term forecasts on the company after studying its detailed results. For the moment, we remain Overweight on Ma'aden with a target price of SAR37 per share, which we are likely to revise upward.

Earnings vs. our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenue not yet published:** Ma'aden has not yet published its revenue figures yet. We had expected revenue of SAR1,635bn (+ 98% y-o-y), while the consensus estimate stood at SAR1,461mn. The company has clearly benefitted from the increased capacity utilization of its phosphate segment (95% as per our estimates), along with a substantial reduction in cost of sales (more than half of what it was in Q3 as per our calculations).
- Gross profit gained 112% y-o-y:** Ma'aden reported gross profit of SAR1,255mn (91% above our estimates) for Q4 2012. We believe cost of sales has come down by more than half in Q4 as compared to Q3 2012. On initial calculation, we believe that Ma'aden earned a gross margin of 60% for Q4 (+23 percentage points q-o-q). However, operating profit has not seen a similar growth as gross profit. This could be on account of higher depreciation and SG&A costs.
- EPS up 45% y-o-y:** Ma'aden earned an EPS of SAR0.44 in Q4, taking the total EPS to SAR1.18 for 2012. The high growth achieved at gross profit level could not be translated into similar growth in net profit. We believe this to be mainly on account of higher zakat disbursed as a percentage of profit before tax (around Q4 2011 levels as per our calculations).
- No dividends for 2012:** Ma'aden's management has decided not to disburse any dividends for 2012, as the company is still developing its SAR40bn aluminium project and its phosphate project in Umm Wual.
- Conclusion:** Ma'aden Q4 results were strong and reflect its stabilizing phosphate operations, which is crucial for the company in instilling confidence among shareholders. Going ahead, the two important triggers we see for the company are: 1) Stable phosphate business 2) Timely progress in aluminium and other projects.



Corporate summary

Ma'aden was formed in 1997 by the Saudi Government to facilitate the development of Saudi Arabia's non-petroleum minerals and to diversify away from petroleum-based sectors. PIF owns 50% stake in Ma'aden. In July 2008, Ma'aden was listed on the Tadawul. The company's business was mainly gold exploration, which has now been diversified into phosphate (which started in Q4 2011) and aluminum businesses (expected to start by 2014-end) as well.

Share information

Market cap (SAR/US\$) 32.28bn / 8.61bn
52-week range 26.40 - 37.50
Daily avg volume (US\$) 6.87mn
Shares outstanding 925.0mn
Free float (est) 33%

Performance:

	1M	3M	12M
Absolute	6.1%	10.8%	37.4%
Relative to index	3.7%	7.2%	26.8%

Major Shareholder:

Public Investment Fund	50.0%
GOSI	7.7%

Source: Bloomberg, Al Rajhi Capital

Valuation

Period End	12/11A	12/12E	12/13E	12/14E
Revenue (SARmn)	1,479	5,294	7,610	9,905
EBITDA (SARmn)	756	2,568	3,549	5,577
Net Profit (SARmn)	413	1,008	1,300	1,663
EPS (SAR)	0.45	1.09	1.41	1.80
DPS (SAR)	-	-	-	0.45
EPS Growth	na	143.9%	29.0%	27.9%
EV/EBITDA (x)	59.9	22.0	16.5	10.4
P/E (x)	78.1	32.0	24.8	19.4
P/B (x)	1.9	1.8	1.7	1.6
Dividend Yield	0.0%	0.0%	0.0%	1.3%

Source: Company data, Al Rajhi Capital

Figure 1 Ma'aden: summary of Q4 2012 results

SAR mn	Q4 2011	Q3 2012	Q4 2012	% chy y-o-y	% chy q-o-q	2011	2012	ARC est
Gross Profit	571	591	1,255	119.8%	112.4%	948	2,594	1,995
Operating Profit	468	481	721	54.2%	49.8%	582	1,761	1,573
Net Profit	280	311	406	45.2%	30.5%	413	1,091	1,008

Source: Company data, Al Rajhi Capital



Disclaimer and additional disclosures for Equity Research

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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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