JULY 20, 2009

EVENT FLASH

Ma'aden

Underweight

2Q-09 preliminary results

Price (SR)		15.1
12-month target price (SR)		10.9
Potential downside (%)	↓	(27.8)

Saudi Arabian Mining Company (Ma'aden) announced 2Q-09 results. Gross profit for the H1 2009 reached SR169mn, exceeding our forecast of SR146mn. However, the company reported 2Q-09 net loss of SR7mn vs our estimate of SR75mn profit. The main driver for the loss in the quarter was Zakat expense, as discussed in our initiation of coverage note. We remain bearish on the stock with a PT of SR10.9 and a downside potential of 27.8%

Stock details

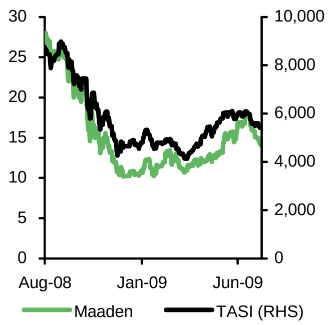
52-week range H/L (SR)			30.5/10.2
Market cap ($ mn)			3,725
Shares outstanding (mn)			925
Listed on exchange			TADAWUL
Price perform (%)	**1M**	**3M**	**12M**
Absolute	(14.9)	16.8	(28.8)
Rel. to market	(6.9)	11.8	10.2
Avg daily turnover (mn)		**SR**	**US$**
3M		200.6	53.5
12M		290.4	77.4
Reuters code			1211.SE
Bloomberg code			MAADEN AB
Website			www.maaden.com.sa

Valuation multiples

	08	09E	10E
P/E (x)	39.3	57.3	197.2
P/B (x)	0.6	0.8	0.8
EV/EBITDA (x)	245.5	110.1	117.6
Div yield (%)	NA	NA	NA

Source: NCBC Research estimates
Target price set on 13 Jul 09 at market price of SR14.25

Share price performance



Source: Bloomberg

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Please refer to the last page for important disclaimer

Financials

		2008	2009E	2010E	2011E	CAGR 08-11 (%)
Revenues	SR mn	460	621	644	2,655	79.4
Normalized EBITDA	SR mn	57	127	119	1,143	172.0
Normalized net income	SR mn	260	244	71	124	(22.0)
Total Debt	SR mn	820	6,844	10,878	13,973	157.3
Equity	SR mn	16,827	17,070	17,138	17,257	0.8
EBITDA margin	%	12.4	20.4	18.4	43.1	
Net margin	%	56.6	39.2	11.0	4.7	
Reported RoE	%	1.5	1.4	0.4	0.7	
Adjusted RoE ^	%	4.7	2.5	0.8	1.6	

Source: Company, NCBC Research estimates

- **Ma'aden recorded a net loss for Q2-09:** Ma'aden reported net loss of SR7mn compared with SR18mn net profit for Q1-09. According to the company's preliminary results, Zakat expense was the main driver for these losses. In our model, we forecasted SR75mn net income for Q2-09, which proved to be significantly higher than actual results. We await detailed results in order to have a better understanding of this significant variance

- **Zakat expense drives losses:** In our initiation report (dated July 13, 2009); we noted that Zakat expense will play an important role in the company's earnings. When Ma'aden was owned by the Government, the company did not pay Zakat (Islamic Tax). However, the company will file Zakat annually beginning 2009. Due to lack of understanding of Zakat calculation by many analysts, Zakat expense is often assumed at 2.5% of EBT. However, this results in a significant understatement in Ma'aden's case, given its huge cash reserves. We expect Zakat expense to remain a drag on the company's earnings for 2009 and 2010 *(Please refer to our initiation report dated July 13, 2009 for more details)*

- **Better than expected gross profit:** Although actual net income is below our estimates, gross profit was higher than what we expected. In H1 2009, Ma'aden reported a gross profit of SR169mn relative to our forecast of SR146mn. It is not clear yet, what the driver is of the increase in gross profit. Average gold price for Q2-09 remained around the average price in Q1-09 indicating that the increase gross profit came from either higher gold volume sales or improved costs. We await detailed numbers in order to have a better understanding

- **Valuation and recommendation:** Ma'aden posted 2Q-09 earnings below our estimates. We remain bearish on the company and maintain our price target at SR10.9 using sum-of-the-part valuation, with a downside potential of 27.8%

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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

IMPORTANT INFORMATION