



US\$7.25bn Market cap
33% Free float
US\$7.03mn Avg. daily volume

Target price **37.00** 26.2% over current
Consensus price **33.20** 12.9% over current
Current price **29.40** as at 10/7/2013

Research Department
Mazhar Khan,

Tel +966 11 2119248, khanm@alrajhi-capital.com

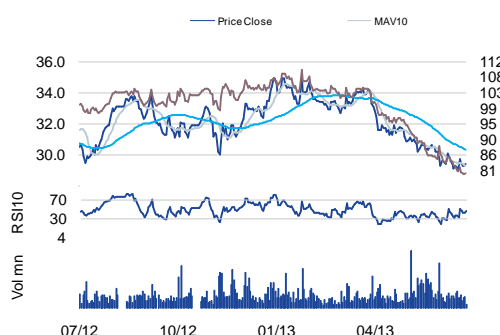
Existing rating

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)	12/12A	12/13E	12/14E	12/15E
Revenue (mn)	5,577	6,051	9,504	12,016
Revenue Growth	263.8%	8.5%	57.1%	26.4%
EBITDA (mn)	2,745	2,596	4,083	6,725
EBITDA Growth	263.0%	-5.4%	57.3%	64.7%
EPS	1.18	1.07	1.38	2.29
EPS Growth	163.9%	-9.6%	29.2%	66.2%

Source: Company data, Al Rajhi Capital

Ma'aden Disappointing Q2 due to shutdown

Ma'aden reported disappointing Q2 2013 results with a SAR41mn net profit, down by 68% y-o-y, 75% below ours and 77% below consensus estimates, due to various shutdowns carried out by the company during the quarter. Overall the results look disappointing, and confirms our view that the company has still not been able to stabilize its phosphate operations. Nevertheless, we are Overweight on its future cash flow generating ability, and the stock suits long-term investors who are prepared to face short to medium term volatility, due to continuing operational challenges.

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

- Revenues not published, but could be poor:** Ma'aden has not announced its revenues yet. We had estimated a revenue of SAR1.03bn, based on a 45% utilization of the DAP plant. However, it seems the company had barely achieved 30% utilization during Q2. During Q2, Ma'aden announced shutdowns of 15 days and 20 days for its ammonia and DAP plants respectively, directly affecting their utilization rates.
- Gross, operating and net profit:** Ma'aden reported gross and operating profits of SAR226mn and SAR50mn respectively (down 48% and 79% y-o-y) on lower gold, DAP and ammonia sales. With gold prices correcting 25% YTD and DAP/ammonia prices remaining subdued due to off season, the profitability has been hampered. Poor top-line growth and higher operating costs also resulted in a 68% y-o-y decline in Ma'aden's net profit.
- Conclusion - financials to remain under pressure:** As highlighted in our Q2 preview note on Ma'aden dated 18th June 2013, the company's fortunes will remain under pressure due to 1) correction in gold price directly impacting profits; and 2) subdued DAP demand outlook this year. Nevertheless, Ma'aden is still making significant investments in Ammonia (SAR40bn) and Phosphate (SAR26bn) businesses, and long-term investors will benefit from remaining invested in the stock.

Figure 1 Ma'aden : Summary of Q2 2013 results

SAR (mn)	Q2 2012	Q1 2013	Q2 2013	% chg y-o-y	% chg q-o-q	ARC est.	Variance
Revenue	1,112	1,350	Not disclosed	n.a.	n.a.	1,033	
Gross Profit	325	544	226	-30.5%	-58.5%	439	-49%
Operating Profit	232	365	50	-78.4%	-86.3%	322	-84%
Net Profit	128	239	41	-68.1%	-82.9%	167	-75%

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.

Contact us

Jithesh Gopi, CFA
Head of Research
Tel : +966 11 2119332
gopij@alrajhi-capital.com

Al Rajhi Capital
Research Department
Head Office, King Fahad Road
P.O. Box 5561
Riyadh 11432
Kingdom of Saudi Arabia
Email: research@alrajhi-capital.com

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