



<b>US\$8.48bn</b> Market cap	<b>33%</b> Free float	<b>US\$34.84mn</b> Avg. daily volume
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Target price	<b>38.00</b>	10.5% over current
Consensus price	<b>32.39</b>	-5.8 % over current
Current price	<b>34.38</b>	as at 16/4/2014

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**Existing rating**

Underweight	Neutral	<b>Overweight</b>
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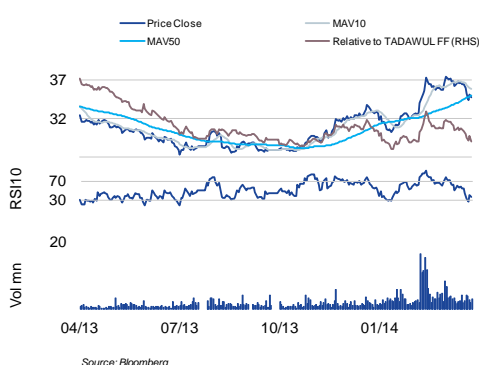
## Ma'aden Weak operating performance

### 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.

Ma'aden reported poor Q1 2014 results with a net profit of SAR125.2mn (down 47.7% y-o-y), while operating profits came at SAR192mn that missed our forecast of SAR223.6mn. Ma'aden had announced a four-week planned shutdown at its ammonia plant and maintained that production at its diammonium phosphate (DAP) unit will not be hampered. However, considering the miss, we believe that this may not be the case. We await the detailed financials to further investigate the earnings miss. For now, we continue to remain Overweight with a target price of SAR38 a share.

### Performance

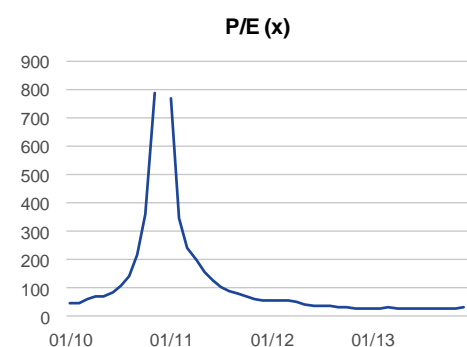


### Earnings

Period End (SAR)	12/12A	12/13A	12/14E	12/15E
Revenue (mn)	5,577	6,047	7,820	9,214
Revenue Growth	263.8%	8.4%	29.3%	17.8%
EBITDA (mn)	2,745	1,772	2,015	4,048
EBITDA Growth	263.0%	-35.4%	13.7%	100.9%
EPS	1.18	1.82	1.27	3.92
EPS Growth	163.9%	54.2%	-30.2%	208.8%

Source: Company data, Al Rajhi Capital

### Valuation



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

- Revenues yet to be published:** Ma'aden is yet to release its revenues. Considering the miss at the operating levels, we expect the company's top-line to be lower than our estimates of SAR2bn (consensus: SAR2.4bn).
- Poor operating profits:** Ma'aden reported a disappointing operating profit of SAR192mn (-49.8% y-o-y), which was below our estimates of SAR223.6bn. We believe this miss was due to lower-than-expected product sales, especially DAP, which might have been affected by the planned closure of the ammonia plant. On net profit levels, the company reported a wider miss SAR125.2mn (vs. our estimates of SAR265.1mn), which we believe was because of higher non-operating expenses or a one-off expense.
- Product prices witness a decline:** According to our analysis, average gold prices in Q1 slipped ~20% y-o-y. Meanwhile, the new export tax regime implemented by China this year has impacted fertilizer prices (DAP prices dipped 5.5% y-o-y) marginally. We will wait for a quarter or so to get further clarity on this.
- Conclusion and Valuation:** While the operating miss was ~14%, the earnings missed our expectations by a much wider margin. We believe this may be on account of a one-time item or higher other expenses. We will analyze the miss in detail once the financials are published. For now, we continue to remain Overweight with a target price of SAR38 per share.

Figure 1 Ma'aden: Summary of Q1 2014 results

SAR (mn)	Q1 2013	Q4 2013	Q1 2014	% chg y-o-y	% chg q-o-q	ARC est
Revenue	1,350	1,851	Not disclosed	n.a.	n.a.	1,996
EBITDA	621	477	Not disclosed	n.a.	n.a.	452
EBITDA margin	46.0%	25.7%	n.a.			22.7%
Operating profit	382	112	192	-49.8%	71.8%	224
Net profit	239	(29)	125	-47.7%	NM	265

Source: Company data, Al Rajhi Capital



## Major Q1 developments

### Ma'aden awards Waad Al Shamal phosphate contract

Ma'aden had awarded an EPC contract for its Waad Al Shamal phosphate plant in February. The contract encompassed construction of five units, which include sulfuric acid (4.9mtpa), phosphoric acid (1.5mtpa), ore beneficiation (5.3mtpa), fertilizer (3mtpa) and ammonia (1.1mtpa) plants. These plants, whose estimated costs are around US\$3.7bn, are expected to come online in Q4 2016. The company owns 60% stake in the project, while Mosaic Company and SABIC hold 25% and 15% stake respectively.

Ma'aden recently secured financing of US\$2bn from the Public Investment Fund for its Waad Al Shamal phosphate project. The loan will have a tenure of 17 years and will be repaid in half yearly installments after a five-year grace period.



## 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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