Mining | 19 October 2009 RESULTS UPDATE

Maaden

3Q09 preliminary results

Underweight

Price (SR)	17.8
12-month target price (SR)	10.9
Potential downside (%)	↓ (38.0)

Stock details

52-week range H/L (SR)			18.6/9.9
Market cap ($mn)			4,403
Shares outstanding (mn)			925
Listed on exchanges			TADAWUL
Price perform (%)	**1M**	**3M**	**12M**
Absolute	9.2	14.8	12.6
Rel. to market	4.8	4.0	14.3
Avg daily turnover (mn)		**SR**	**US$**
3M		92.8	24.7
12M		167.2	44.6
Reuters code			1211.SE
Bloomberg code			Maaden AB
Website			www.maaden.com.sa

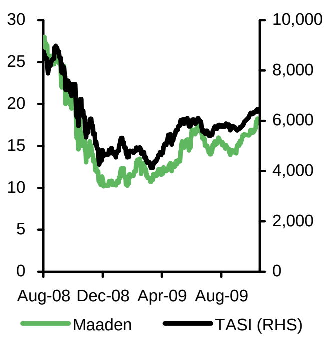
Valuation multiples

	07	08E	09E
P/E (x)	33.9	46.5	67.8
P/B (x)	1.3	0.7	1.0
EV/EBITDA (%)	35.0	290.3	130.1
Div yield (%)	-	-	-

Source: NCBC Research estimates

Rating and price target as of Jul 20, 09

Share price performance



Source: Bloomberg

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Saudi Arabian Mining Company (Maaden) reported 3Q09 net income of SR49mn (down 23% YoY) and 34.2% below our estimate of SR74.5mn. According to the company, the decline on a YoY basis was driven by large Zakat provisions. Gross profit, however, increased significantly over the period on the back of higher selling prices and volumes.

- **Strong Gross Profits …** Maaden reported strong gross profits of SR86mn (up 26% YoY) vs. our estimate of SR68.4mn. We believe the stronger numbers were likely due to: 1) Higher production and sales volumes (ounces), 2) Higher selling prices for gold. The gold price averaged around USD960/ounce during the quarter vs. our assumption of USD923/ounce, which would have added approximately SR5.7mn to our gross profit estimate, all else being equal. An improved cost structure also possibly benefited margins, although we believe this is less likely.
- **… but Zakat charges impact Net Income.** Despite the strong gross profit results, Maaden reported a weak net income figure of SR49mn (down 23% YoY) for 3Q09, 34.2% below our estimate of SR74.5mn. For the 9M-09, net income was SR61mn vs. SR82mn for 9M-08 (down 25.6% YoY). Net income was down sharply YoY due to Zakat expense which, as we pointed out in our initiation note of 13 July 2009, we expect will remain a significant drag on the company through 2009 and 2010. Maaden retains a large cash balance from its IPO which is subject to Zakat and which ultimately has a large impact on the net income, as we have seen this quarter.
- **EPS in 9M-09 was down 50% YoY.** While net income for the 9M-09 declined 25.6% YoY, EPS for the same period was down 50% YoY due to the dilution from the IPO. In 9M-08, the company used the weighted average of the number of shares outstanding while in 9M-09, the company used the new number of shares.
- **We maintain our Underweight rating on the stock and our PT of SR10.90**. With the stock currently at SR17.8, the shares trade at a 2009e P/E of 67.8. Given the larger than expected Zakat expenses, we see downside risk to our earnings estimates, however will await release of the full financial results to update our numbers.

Quarterly results snapshot

	Unit	3Q09 actual	3Q09 Estimate	Y-o-Y chg (%)	Var ^ (%)
Gross profit	SR mn	86	68.4	26.0	25.7
Net income	SR mn	49	74.5	(23.0)	(34.2)
EPS	SR	0.057	0.08	NA	(34.2)

Source: Company, NCBC Research estimates
^ Variance from our estimate for Q309

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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