Ma'aden

3Q10 preliminary results

Underweight

Target Price (SR)	**15.3**
Current price (SR)	**21.8**

Stock details

52-week range H/L (SR)	23.8/15.8
Market cap ($mn)	20951
Shares outstanding (mn)	925
Listed on exchanges	TADAWUL

Price perf. (%)	**1M**	**3M**	**12M**
Absolute	2.03	27.61	25.83
Rel. to market	4.03	26.09	29.04

Avg daily turn.(mn)	**SR**	**US$**
3M	81.2	21.6
12M	104.0	27.7

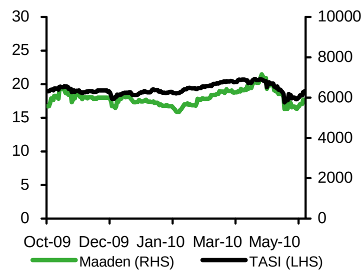
Reuters code	1211.SE
Bloomberg code	MAADEN AB
Website	www.maaden.com.sa

Valuation multiples

	09	**10E**	**11E**
P/E (x)	143.0	41.0	90.3
P/B (x)	1.2	1.2	1.1
EV/EBITDA (x)	24.1	19.1	6.2
Div yield (%)	93.7	36.3	13.2

Source: NCBC Research estimates

Share price performance



Source: Bloomberg

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Please refer to the last page for important disclaimer

Ma'aden announced its 3Q10 preliminary results on 20 October 2010. Net income came in at a loss of SR0.2mn, below our estimate of a profit of SR43.2mn.

- **Net income:** Net income for 3Q10 came in at a loss of SR0.2mn, compared to a profit of SR49mn in 3Q09 and our estimate of a profit at SR43.2mn.
- **Gross profit:** Gross income for 3Q10 came in at SR84mn versus our estimate at SR121.7mn. 3Q10 was a 2.5% decline YoY (SR86.4mn in 3Q09)
- **Operating income:** Operating income for 3Q10 came in at a loss of SR2.5mn compared to a profit of SR21.3mn in 3Q09 and our estimate of a profit of SR37mn.
- **Results were disappointing:** The company addressed three reasons for the quarterly decline in earnings:
  1. **Decline in gold production:** This, in our view, was the main reason for the decline in gross profits. Given that gold prices are at historic highs it is surprising that gold production has actually decreased. Management attributed the decline in production to the decline in gold content (measured in gram/ton) which does not bode well for future gold production.
  2. **Increase in general and administrative expenses:** This, according to the company, is a result from the progress towards completion of their projects.
  3. **Decline in investment income (murabaha):** This could be a result of a decline in market yields and a decline in the cash balance as the company deploys its balances in its projects.
- **Valuation:** We are currently **Underweight** on the stock with a price target of SR15.3. We await the full financials in order to have a better understanding and update our numbers.

Results summary

(SR mn)	**3Q10A**	**3Q10E**	**3Q09A**	**YoY chg (%)**	**Variance* (%)**
Gross profit	84.0	121.7	86.4	(2.5)	(30.9)
Operating income	(2.5)	37.0	21.3	NM	NM
Net income	(0.2)	43.2	49.0	NM	NM

Source: Company, NCBC Research estimates
*Variance from our estimates
NM: Not meaningful

Kindly send all mailing list requests to research@ncbc.com

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Corporate website	www.ncbc.com		

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