

Saudi Arabian Mining Company (Ma'aden)

Q4 2017

Recommendation Neutral

Fair Value (SAR) 50.00

Price as of February 6, 2018 51.94

Expected Return -3.74%

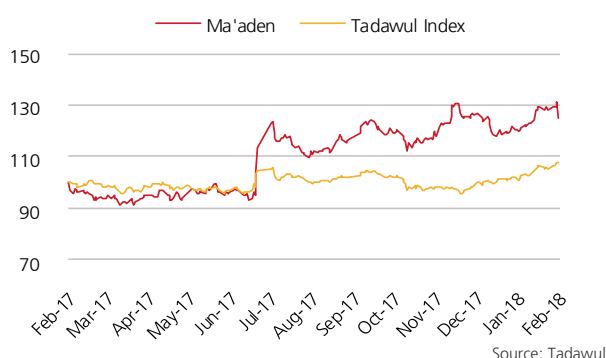
Company Data

Tadawul Symbol	1211.SE
52 Week High (SAR)	57.10
52 Week Low (SAR)	39.00
YTD Change	0.27%
3-Month Average Volume (Thousand Shares)	677
Market Cap. (SAR Million)	60,692
Market Cap. (USD Million)	16,185
Outstanding Shares (Million Shares)	1,168.5

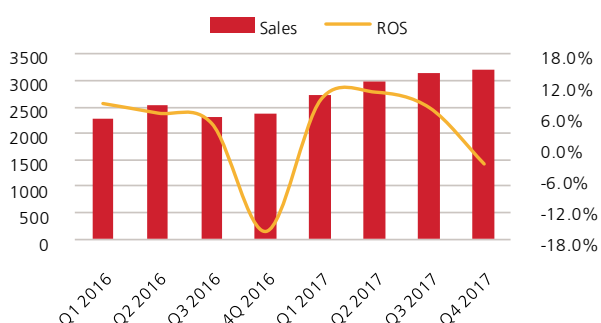
Major Shareholders (> 5%)

Public Investment Fund	49.99%
General Organization for Social Insurance	7.98%
Public Pension Agency	7.45%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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The financial statements of Ma'aden for Q4 2017 unveiled a net loss of SAR 104 million down from a hefty loss of SAR 484 million in Q4 2016. It is noteworthy that the mining company reported a net profit of SAR 243 million in Q3 2017, therefore, the annual bottom line hit SAR 715 million compared to a net loss of SAR 11 million in 2016.

The fourth-quarter loss mismatched forecasts as Maaden reported non-recurring losses in the quarter. We forecasted a net profit of SAR 329 million, while the analysts' average estimate stood at SAR 344 million.

In spite of the 36% YoY growth in sales in Q4 2017, the bottom line was battered by an impairment loss of SAR 446 million in the fair value of Ma'aden Rolling Company's assets versus another staggering loss of SAR 566 million in Q4 2016. Furthermore, the financing expenses stretched from SAR 288 million to SAR 518 million as the financial charges of the expansions, that launched commercial operations, were reported in the income statement rather than the balance sheet. Furthermore, Ma'aden booked additional charges in Q4 2017 due to the refinancing of existing debt. Moreover, the tax and zakat provisions skyrocketed from SAR 23 million to SAR 72 million.

Compared to Q3 2017, sales nudged up only 2.3% as the improvement in prices was partially offset by lower sales volume in the fertilizers and aluminium segment. Furthermore, the overall performance was crimped by the impairment charge, and the increase in financing expenses from SAR 348 million to SAR 518 million. Zakat and tax provisions also edged up from SAR 20 million to SAR 72 million.

Prices of ammonium phosphate notably ameliorated in Q4 2017 as China adopted more stringent environmental policies that triggered a slump in production levels especially in the fourth quarter. Demand levels in India also increased, while the cost of production increased with rising oil prices. Selling prices were dented by new production capacities in previous periods of the year. China's new anti-pollution policies also had a positive impact on the prices of aluminium and copper. In addition, the demand for aluminium and copper was boosted by optimism regarding global economic growth, and depreciating US dollar. Copper producers in particular have capitalised on increasing demand for electric vehicles. As for gold, the selling prices plummeted QoQ but improved YoY.

Ma'aden launched commercial operation of the ammonia plant of Waad al-Shamal project on January 1, 2017 and the DAP plant is edging closer to commercial production. Accordingly, all main expansions of the company are now in or close to commercial production, and this will be positively reflected on the income statement going forward. Maaden will report higher depreciation charges and interest expenses as well. In spite of the fourth-quarter loss that stemmed from non-recurring items, our valuation is revised upward to SAR 50 per share to account for improved outlook for commodity prices in 2018.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	29.5	34.2	20.5	14.4
EV/Sales	9.8	11.3	9.0	7.2
P/E	100.6	n/a	85.2	31.3
Dividend Yield	%0.0	%0.0	%0.0	%0.8
P/BV	2.2	2.4	2.3	2.2
P/Revenue	5.6	6.4	5.0	4.0
Revenue Growth	%1.5	%13.3-	%27.2	%25.1

Prices of Ma'aden's Products (US Dollar)

	Current price	Q4 2017	Q4 2016	YoY	Q4 2017	QoQ
Diammonium Phosphate (Ton)	412	363	297	22.2%	341	6.45%
Ammonia (Ton)	330	327	210	55.7%	173	89%
Aluminum (Ton)	2,227	2,171	1715	26.6%	1972	10.1%
Copper (Ton)	7,062	6,922	4,762	45.4%	5,754	20.3%
Gold (Ounc)	1,345	1,281	1182	8.4%	1,308	-2.1%

Sales Summary (K Tons)

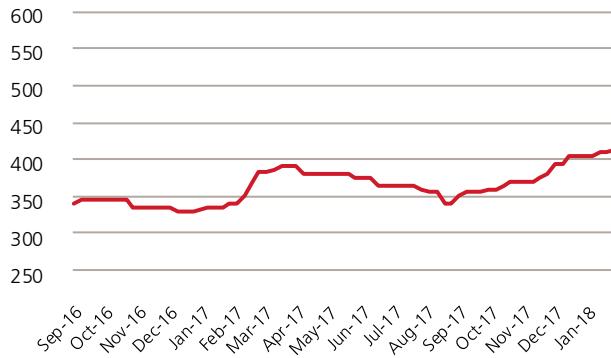
	FY 2017	FY 2016	YoY
Phosphate Business			
Diammonium Phosphate (DAP)	2,808	2,676	5%
Ammonia MPC	591	715	(17%)
Ammonia MWSPC	1070	-	-
Aluminum Business			
Alumina	30	-	-
Primary Aluminum	653	871	(25%)
Precious and Base Metals Business			
Gold (000 Ounces)	333	225	48%
Copper	38.6	24.8	43%

Business Segments (SAR mn)

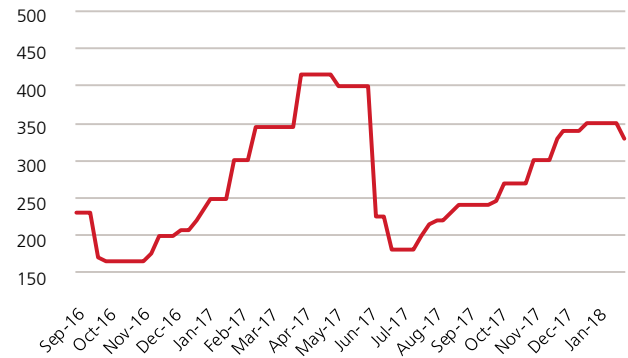
	Phosphate	Aluminum	Gold and Base metals	Headquarters	Total
2017					
Sales	5,461	5,032	1,593	-	12,086
Net income	640	(183)	517	(260)	715
ROS	12%	(4%)	32%	-	6%
Total asset	45,862	39,951	4,291	5,013	95,117
2016					
Sales	4,165	4,249	1,049	-	9,464
Net income	105	(84)	131	(164)	(11)
ROS	3%	(2%)	12%	-	(0.12%)
Total asset	45,664	40,379	4,173	3,928	94,143

Prices of Ma'aden's Products

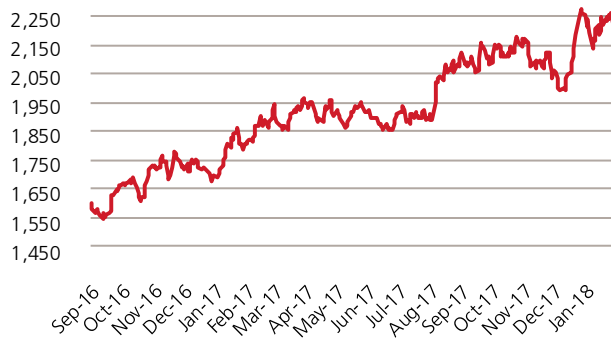
Diammonium Phosphate (DAP) Price (USD / Ton)



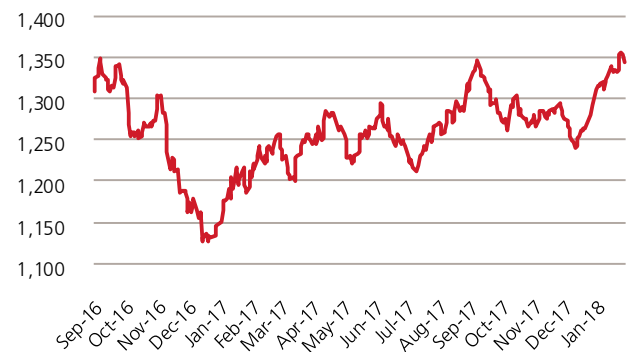
Ammonia Price (USD / ton)



Aluminum Price (USD / Ton)



Gold - USD / Ounce



Copper (USD / Ton)



Income Statement (SAR mn)	2014A	2015A	2016A	2017A	2018F*
Sales	10,792	10,956	9,504	12,086	15,117
COGS	6,153	6,250	4,991	5,341	6,366
OPEX (net)	1,079	1,063	1,374	1,460	1,237
EBITDA	3,560	3,643	3,139	5,285	7,514
EBITDA Margin	%33.0	%33.2	%33.0	%43.7	%49.7
Depreciation, Ammortization & Depletion	1,563	2,320	2,519	2,850	3,369
EBIT	1,997	1,305	613	2,435	4,145
EBIT Margin	%18.5	%11.9	%6.4	%20.1	%27.4
Net Interest Income	292-	415-	739-	1,539-	1,814-
Investment Income	25-	92-	4	102	107
Others	102	56	33	65-	81-
Pre-Tax Income	1,781	854	89-	933	2,357
Tax and Zakat	44	46	59	149	223
Net Income Before Minority	1,737	808	148-	784	2,133
Minority	379	203	137-	70	189
Net Income	1,357	605	11-	715	1,944
ROS	%12.6	%5.5	%0.1-	%5.9	%12.9

Balance Sheet (SAR mn)	2014A	2015A	2016A	2017A	2018F*
Cash and Marketable securities	12,497	5,207	7,081	6,592	6,873
Accounts Receivables	1,245	1,252	1,273	2,000	2,502
Inventory	2,441	2,942	3,069	3,436	4,225
Others	233	969	141	156	195
Total ST Assets	16,416	10,370	11,563	12,184	13,796
Net Fixed Assets	38,376	36,682	51,706	53,549	76,617
Projects Under Implementation	27,259	40,636	29,185	26,409	1,512
Intangible Assets	459	417	374	346	318
Others	2,032	1,273	1,315	2,629	2,752
Total LT Assets	68,125	79,008	82,580	82,933	81,200
Total Assets	84,541	89,378	94,143	95,117	94,995
Short Term Debt and CPLTD	1,574	2,131	2,753	3,195	2,205
Accounts Payable	2,035	1,810	2,202	2,316	2,897
Accrued Expenses	2,558	4,521	2,629	1,970	2,217
Others	99	79	127	249	283
Total ST Liabilities	6,267	8,541	7,711	7,730	7,602
Total Long Term Debt	43,338	43,268	50,779	50,701	48,496
Other Non-current liabilities	1,289	2,015	2,247	1,868	1,983
Minority	6,824	8,097	7,794	8,432	8,584
Equity	26,693	27,298	25,342	26,098	28,042
Total Liabilities and Equity	84,541	89,378	94,143	95,117	94,995

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

*The financial statements for 2014 and 2015 were prepared according to the previous Saudi reporting standards.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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