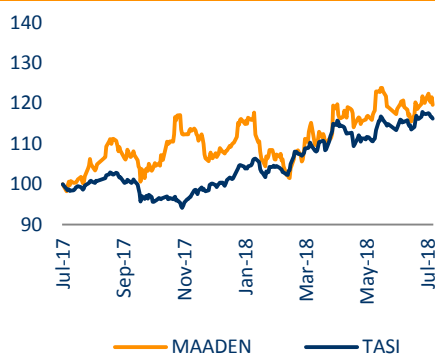


2Q 2018 Results Update
July 30, 2018

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	57.4
Target Price (SAR)	52.2
Upside/Downside (%)	(9.0%)

As of July 29th 2018
Key Data (Source: Bloomberg)

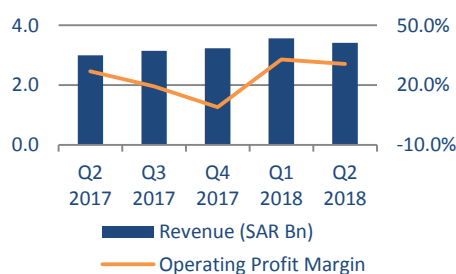
Market Cap (SAR bn)	67.07
52 Wk High (SAR)	60.00
52 Wk Low (SAR)	47.10
Total Outstanding shares (in mn)	1,168
Free Float (%)	34.5%

MAADEN vs. TASI (Rebased)


Price Performance (%)	Absolute	Relative
1m	0.0%	(0.8%)
6m	2.7%	(8.5%)
12m	19.7%	3.5%

Major Shareholders (%)

Public Investment fund	65.43%
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Revenue (SAR bn) and Operating Profit Margin (%)


Source: Bloomberg, Company Financials, FALCOM Research; Data as of 29th July 2018

Higher volume and better price realization improved profitability in 2Q18

Saudi Arabian Mining Co. (Ma'aden)'s 2Q18 net profit surged 45% YoY, largely owing to higher sales of gold, alumina, and ammonium phosphate fertilizer, coupled with a rise in realization. However, increase in revenue was partially offset by a rise in selling, marketing, and logistic cost; general & administrative expenses; and financing charges. Net revenues were driven by the aluminum (+22.5% YoY) and gold (+50.6% YoY) segments, whereas sales growth in phosphate segment remained flat. Average realized prices of aluminum and ammonium phosphate fertilizer (APF) were up 16% and 14%, respectively. An increase in income from time deposits and a rise in the share of net profit of its JV affiliate with Canada's Barrick Gold Corp helped fuel the bottom line.

In spite of the company's ability to achieve higher control on production cost and improved commodity prices, oversupply in the phosphate market and an increase in finance charges are likely to pressurize margins, going forward. As such, we maintain a "Neutral" rating on the stock.

- Ma'aden's net revenues improved 14.0% YoY, but declined 4.2% QoQ to SAR 3,414mn, driven by an increase in sales of gold, alumina, and ammonium phosphate fertilizer (APF), as well as increase in price realization of all the products. However, QoQ sales volumes of gold and alumina fell, coupled with decline in average realized prices of ammonia and gold by 16% and 5%, respectively.
- Cost of goods sold increased 5.7% YoY to SAR 2,096mn. Gross profit improved 30.2% YoY, but declined 6.7% QoQ to SAR 1,318mn. The gross margin for the quarter stood at 38.6%.
- Operating expenses came in higher, led by a rise in selling, marketing, and general & administrative cost (+30.8% YoY). Exploration and technical cost also increased 73.0% YoY. In spite of this, operating income expanded 29.5% YoY to SAR 1,045mn. However, it declined 10.8% on a QoQ basis. The operating margin stood at 30.6% for the quarter.
- Finance charges rose 14.0% YoY and 9.7% QoQ on account of higher SIBOR/LIBOR.
- Net profit attributable to equity shareholders for the quarter expanded 45.3% YoY to SAR 518mn, against SAR 356mn posted in 2Q17. Earnings per share stood at SAR 0.44.
- Saudi Arabia's efforts to build an economy that does not rely on oil and state subsidies involves a shift towards mining vast untapped reserves of bauxite (the chief source of aluminum) as well as phosphate, gold, copper, and uranium. Ma'aden, which operates in gold, aluminum, and phosphates, is a key pillar in the Kingdom's plan to diversify its economy away from hydrocarbons.
- We maintain a 'Neutral' stance on Maaden. We believe volatility in the commodity markets will remain high in the near term and oversupply in the fertilizer market is likely to exert further pressure on prices.

Valuation: We maintain our target price at SAR 52.2 per share, after factoring in the performance of 2Q18. We maintain our 'Neutral' rating on the stock.

	2Q'18	2Q'17	% YoY	FY18E	FY17	% YoY
Revenues (SAR bn)	3.4	3.0	14.0%	15.0	12.1	24.2%
Gross Profit (SAR bn)	1.3	1.0	30.2%	5.2	3.9	31.7%
EBITDA (SAR bn)	1.8	1.5	20.7%	7.0	5.3	31.8%
Net Profit (SAR bn)	0.5	0.4	45.2%	1.9	0.7	161.0%
EPS basic (SAR)	0.44	0.31	45.2%	1.60	0.61	161.0%
Gross Margin (%)	38.6%	33.8%	4.8%	34.5%	32.5%	2.0%
EBITDA Margin (%)	53.1%	50.2%	2.9%	46.4%	43.7%	2.7%
Net Profit Margin (%)	18.4%	14.5%	3.9%	16.5%	6.5%	7.5%

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

FALCOM Financial Services 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: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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