



US\$8.41bn Market cap
33% Free float
US\$5.85mn Avg. daily volume

Target price **37.00** 8.5% over current
Consensus price **33.20** -2.6% over current
Current price **34.10** as at 10/4/2013

Research Department

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Existing rating

Underweight

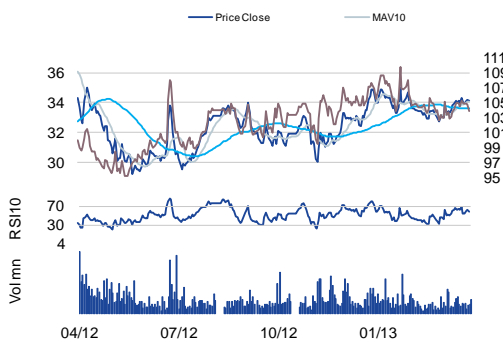
Neutral

Overweight

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.

Performance

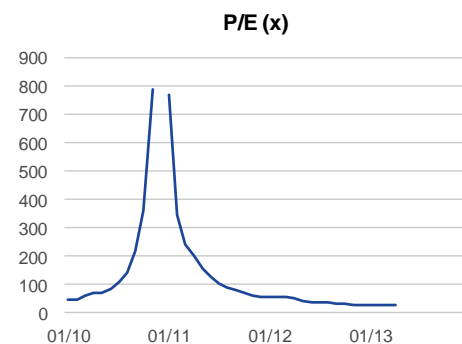


Earnings

Period End (SAR)	12/12A	12/13E	12/14E	12/15E
Revenue (mn)	5,577	6,217	9,671	12,162
Revenue Growth	263.8%	11.5%	55.6%	25.8%
EBITDA (mn)	2,745	3,346	5,402	6,968
EBITDA Growth	263.0%	21.9%	61.4%	29.0%
EPS	1.18	1.19	1.46	2.58
EPS Growth	163.9%	1.2%	22.0%	77.3%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

Ma'aden Lower DAP and gold prices led to weak results

Ma'aden announced poor results for Q1 amid subdued demand for DAP, ammonia and lower gold prices. Gross and operating profit growth, though looked reasonable on a y-o-y basis with 11% and 9% increase, their sequential performance were disappointing. Operating rates of DAP still remains low which seems to have compounded due to shutdown carried by the company in Q1. As a result, net profit came in at SAR239mn, fell 3% y-o-y and 41% q-o-q. All profit lines came in below ours and consensus estimates. We await full details before updating our views on the company.

- **Revenues:** Ma'aden hasn't announced its revenues yet. We had estimated a revenue of SAR1.47bn, based on 60% utilization of DAP plant. However, it seems the company had barely achieved 50% utilization during Q1.
- **Gross and Operating profit:** Q1'13 gross profit came in at SAR544mn, 40% below ARC estimate of SAR761mn and representing an increase of 11% y-o-y but a steep decline of 57% q-o-q. Operating profit came in at SAR365mn, 46% below ARC estimate of SAR532mn. While operating profit improved 9% y-o-y, it fell 62% q-o-q.
- **Net profit:** Net profit came in at SAR239mn, a 3% y-o-y increase and a 41% q-o-q decline. Net profit was 19% and 18% below ours and consensus estimates.
- **Other key takeaways from results/announcements during Q1:**
 - Lower net income from gold segment in Q12013 on account of lower gold sales volume compared to the same period last year.
 - A q-o-q decline in DAP and ammonia sales volume on account of seasonality and lower demand of phosphate products during the first quarter of the year.
 - Ma'aden had announced a shut down at its DAP plant (on 28th Jan) for approximately three weeks, while it further announced (on 2nd April; to be reflected in Q2) a shut down at its Ammonia plant for about two weeks.
 - **Key triggers for the company remain 1) Stability of its phosphate division 2) Timely completion of the aluminium plant 3) Expansion of its phosphate project(SAR26bn) at Umm Wual.**

Figure 1 Ma'aden: Summary of Q1 2013 results

	Q1 2012	Q4 2012	Q1 2013	% chg y-o-y	% chg q-o-q	ARC est.
Revenue	938	1,917	Not disclosed			1,476
Gross Profit	423	1,255	544	28.6%	-56.7%	761
Operating Profit	262	974	365	39.4%	-62.5%	532
Net Profit	181	658*	239	31.8%	-63.7%	294

Source: Company data, Al Rajhi Capital *Ma'aden has reclassified its Q1 and Q4 2012 numbers



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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