

Saudi Arabian Mining Co-Maaden

Mining –Industrial

MAADEN AB: Saudi Arabia

09 January 2011

الراجحي المالية
Al Rajhi Capital



US\$5.91bn Market cap
35.8% Free float
US\$22.18mn Avg. daily volume

Target price **28.20** 17.7% over current
Consensus price **23.96** 0.0% over current
Current price **23.95** as at 08/01/2011

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Underweight

Neutral

Overweight

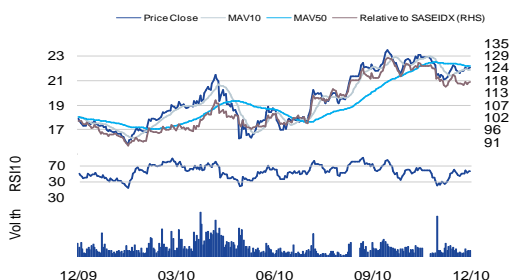
Key themes

Capitalising on Saudi Arabia's vast mineral wealth, Ma'aden has entered into two new businesses: phosphate to start in 2011, and aluminium to start in 2013. We believe Ma'aden will utilise low-cost raw materials and benefit from government support to be a success story in the long run.

Implications

We rate Ma'aden as Overweight. We believe the company's sales will still rise strongly in 2011 with the commencement of phosphate business. Good and transparent disclosure should add a premium to its share price, and we see it as a good long-term investment.

Performance

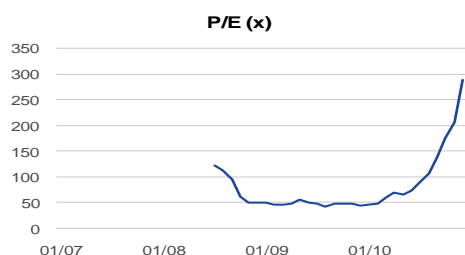


Earnings

Period End (SAR)	12/09A	12/10E	12/11E	12/12E
Revenue (mn)	634	690	1,280	3,798
Revenue Growth	37.9%	8.8%	85.4%	196.8%
EBITDA (mn)	149	164	416	1,730
EBITDA Growth	327.6%	9.9%	153.7%	315.7%
EPS	0.40	0.08	0.17	0.70
EPS Growth	83.3%	-80.6%	115.1%	322.8%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

Ma'aden

Phosphate delayed, but outlook strong

Ma'aden has announced a two quarter delay in the launch of its phosphate business. While this means loss of near-term cash flow, demand for DAP is firm and the outlook for the DAP price positive, given huge demand in markets like India. While we have sharply cut our near-term forecasts, our optimism about prospects for DAP and gold, and about long-term prospects for aluminium, has led us to retain our target price of SAR28.2, implying 18% upside potential.

We cut forecasts for phosphate: Ma'aden has announced a delay in the launch of its DAP fertiliser plant from Q4 2010 to Q2 2011. We now assume phosphate revenues will not start until Q4 2011. As a result, we have cut our forecast for Ma'aden's 2011 sales by 60%, for EBITDA by 69% and for net profit by 76%. Nevertheless, we expect Ma'aden to report sales of SAR1,280mn and net profit of SAR151mn in 2011, due in part to high DAP prices and demand. We think that investors can overlook the two quarter delay and focus on H2 2011 and beyond.

DAP price rally is positive: The DAP price has increased by US\$150 per ton since the beginning of 2010 to reach by US\$575 per ton by November 2010. Ma'aden is set to benefit from this rally, as it will translate directly into sales and net profits. Industry sources suggest that fertiliser pricing trends will continue upwards backed by limited supply and huge demand for complex fertilisers.

Ma'aden will eye India: One of the key markets for Ma'aden will be India which is the world's largest importer of DAP. India accounts for 40% of world DAP and related MAP imports, mainly from the USA and Russia. Ma'aden's project launch will benefit India, as Saudi Arabia is far closer so freight costs are lower.

Outlook for gold: Ma'aden's gold business is showing signs of decline with two out of five operating mines close to ceasing operation. We think Ma'aden is aiming to stabilise its gold production at 140,000 ounces per year (compared to the 150,000 ounces achieved in 2009) till new mines come into operation. We do not see any major change in gold production until 2013 when we expect two new mines, Ad Duwayahi and As Suq, to come into operation.

Aluminium moving ahead: Ma'aden has completed the financing of Phase 1 of its ambitious aluminium project through loans of US\$1.9bn from a consortium of banks and of US\$2.1bn from the Saudi PIF. This is positive news for Ma'aden which intends to spend US\$10.8bn on the project in total. The second phase of financing is expected to start soon. While arranging total finance of US\$10.8bn may not be easy in the present environment, Ma'aden's success so far shows the confidence in its aluminium project of several major financial institutions.

Conclusion: While we have pushed back cash flows from phosphate in our model to Q4 2011, we forecast a robust CAGR for sales of 81%, for EBITDA of 103% and for net profit of 108% between 2010 and 2015. This strong growth in long-run profitability leads us to retain our target price for Ma'aden of SAR28.2. We note that Ma'aden is now trading on an EV/IC ratio of just 0.7x, implying that the stock market does not expect Ma'aden to create value from its invested capital, whereas we think its investments in phosphate and aluminium will yield positive economic returns over time. We expect news about the imminent launch of the phosphate business and ongoing construction of aluminium facilities to drive Ma'aden's share price over the next six months. We remain Overweight.



Corporate summary

Ma'aden was formed in 1997 by the Saudi Government to facilitate the development of Saudi Arabia's non-petroleum minerals and to diversify the economy away from petroleum based sectors. 50% of Ma'aden is owned by the Public Investment Fund (PIF). In July 2008, Ma'aden was listed on the Saudi Stock Exchange. Its business is mainly the exploration of gold and it plans to enter into the phosphate and aluminium businesses in 2011 and 2013 respectively.

Share information

Market cap (SAR/US\$) 22.15bn / 5.91bn
52-week range 15.85 - 23.95
Daily avg volume (US\$) 22.18mn
Shares outstanding 925.0mn
Free float (est) 35.8%

Performance:	1M	3M	12M
Absolute	9.4%	5.7%	37.2%
Relative to index	5.2%	0.8%	29.7%

Major Shareholder:
Public Investment Fund 50%
GOSI 7.7%

Source: Bloomberg, Al Rajhi Capital

Valuation

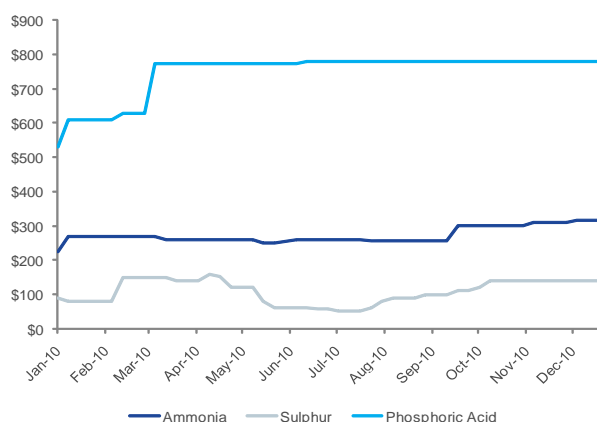
Period End	12/09A	12/10E	12/11E	12/12E
Revenue (SARmn)	634	690	1,280	3,798
EBITDA (SARmn)	149	164	416	1,730
Net Profit (SARmn)	369	71	154	650
EPS (SAR)	0.40	0.08	0.17	0.70
DPS (SAR)	-	-	-	-
EPS Growth	83.3%	-80.6%	115.1%	322.8%
EV/EBITDA (x)	146.0	159.4	62.3	17.6
P/E (x)	60.0	310.0	144.1	34.1
P/B (x)	1.3	1.3	1.3	1.3
Dividend Yield	0.0%	0.0%	0.0%	0.0%

Source: Company data, Al Rajhi Capital

Phosphate outlook strong DAP price now at US\$550 per ton

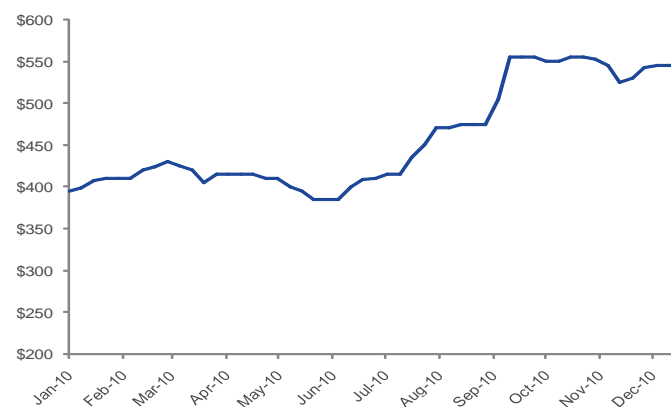
Higher input prices have pushed up the price of diammonium phosphate (DAP) to a range of between US\$550 and 575 per ton. The price has increased by approximately US\$150 per ton since the beginning of 2010. An increase in the cost of phosphate rock (which accounts for 50% of the production cost of DAP for non-integrated producers) and increases in the prices of sulphur and ammonia have raised the overall cost of production of DAP.

Figure 1.1 DAP input prices (US\$ per ton)



Source: Bloomberg, Al Rajhi Capital

Figure 1.2 International DAP price (US\$ per ton)



Source: Bloomberg, Al Rajhi Capital

Limited supply of DAP has also helped drive the rally in the price

Limited expansion coming up in phosphate globally

According to industry sources, the majority of planned additions to phosphate production capacity are expected to take place in China, mainly among non-integrated producers. In Morocco, Cherifien de Phosphate (OCP) plans to increase phosphoric acid capacity in 2013, enabling it to utilise its excess granulation capacity. These are all non-integrated producers of DAP and to the best of our knowledge there is no major expansion being carried out by integrated producers which might result in over capacity of DAP and related complex fertilisers. Therefore, we expect DAP prices to remain firm for at least another three years.

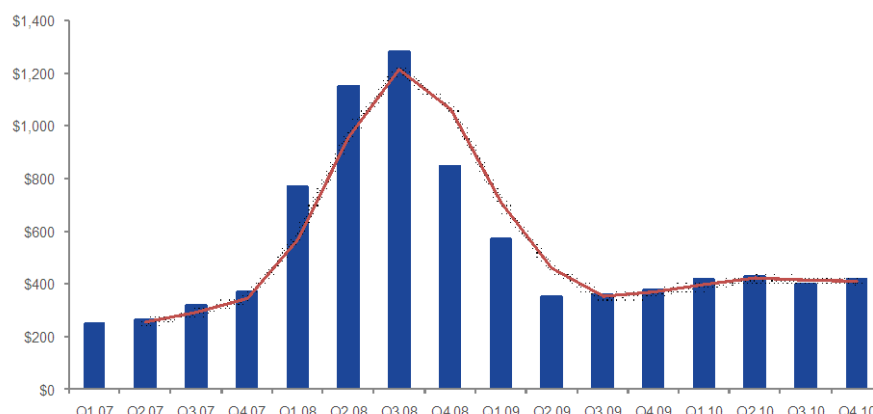
Phosphate production favours integrated producers

The cost of DAP production has increased mainly due to higher phosphate rock prices. The prices of ammonia and sulphur have also risen. DAP production is less profitable for non-integrated producers (which generate gross margins of around 10%) than for integrated producers (which generate gross margins of around 40%). Being an integrated producer, we believe that Ma'aden will attract huge customer demand due to its low-cost model.



Margins have shrunk for non-integrated producers due to higher input prices

Figure 2. Non-integrated phosphate producer costs



Source: Various industry sources, Al Rajhi Capital

Close proximity to India a huge advantage for Ma'aden

India is the largest DAP market; and Ma'aden will benefit from that

Since 2005, India has been the world's largest importer of DAP fertiliser, accounting for about 40% of world trade in DAP and related MAP (monoammonium phosphate), and it is expected to maintain its position. Brazil is the next largest importer, accounting for 7% of global trade. We understand that India has already committed itself to imports of around 7mn tonnes for 2010-11, or 13% more than the 2009 total. We see India as a huge market for Ma'aden, due to its close proximity to Saudi Arabia. For Indian producers, importing DAP from Saudi Arabia should be significantly cheaper than importing DAP from the USA, Russia or Australia. Note. By our estimate, India pays US\$80-100 per ton when importing DAP fertiliser from the USA and Russia; the cost will surely be lower if it starts importing DAP from Saudi Arabia.

We have pushed back phosphate revenues to Q4 2011

Ma'aden's announced late last year that that the launch of its diammonium phosphate (DAP) fertiliser plant had been delayed from Q4 2010 to Q2 2011. This resulted from a delay in the construction of one of the company's plants in the port at Ras Az Zawr. To be conservative, we have pushed back our forecast for revenue generation in the phosphate division by three quarters, from Q1 2011 to Q4 2011. Our changes in estimates are as shown below:

Figure 3. Key changes to estimates (SAR in mn)

	2010E	2011E	2012E
Revenues old	679	3,190	4,772
Revenues new	690	1,280	3,798
Change	2%	-60%	-20%
EBITDA old	163	1,350	2,462
EBITDA new	164	416	1,730
Change	0%	-69%	-30%
Net Income old	81	640	874
Net Income new	71	154	650
Change	-13%	-76%	-26%
US\$ /tonne			
DAP prices old		\$393	\$435
DAP prices new		\$475	\$455
Change		21%	5%
DAP utilization old		45%	70%
DAP utilization new		10%	55%
Change		-78%	-21%
Gold prices old	\$1,205	\$1,221	\$1,175
Gold prices new	\$1,228	\$1,258	\$1,175
Change	2%	3%	0%

Source: Company data, Al Rajhi Capital

We have pushed our phosphate forecasts to Q4 2011.



Gold & aluminium gold not dead, aluminium progressing

Gold price remains a key driver

The gold price should be a major driver for Ma'aden's gold business, which is already showing signs of a decline with two out of five operating mines close to ceasing operation. We believe that the company is aiming to stabilise its gold production at 140,000 ounces per year (compared to the 150,000 ounces achieved in 2009) till new mines come into operation. We do not see any major change in gold production for Ma'aden until 2013 when we expect two new mines, Ad Duwayahi and As Suq, to come into operation. A water pipeline will be constructed to provide sufficient water for the mines. This water pipeline will stretch over 500km and will be constructed from Taif City to the mines. We estimate another two years before these mines come into existence for Ma'aden.

At a recent press release, Ma'aden disclosed its plans to double its gold resources to 20mn ounces by 2020. It is currently developing four mines in the central region and hopes to start exploration and commercial production by 2013. Apart from gold, other metals like copper, zinc, nickel, iron and other minerals are also being explored.

Aluminium project moving steadily

Ma'aden signed a financing agreement worth US\$1.9bn with 16 major international and local banks on 30th November 2010 for Phase 1 of its aluminium project. The board of the Public Investment Fund (PIF), which owns 50% of Ma'aden, has approved a separate US\$2.1bn loan to Ma'aden; this is also intended help finance Phase 1 of the aluminium project. Phase 1 of the project includes the smelter and rolling mill. We expect Phase 1 to commence by the end of 2013. The aluminium project requires US\$10.8bn of investment in total.

The price of aluminium has been steadily rising after falling steeply during Q2 2010. The price is now hovering at around US\$2,500 per tonne and we expect it to remain firm in 2011 as supply tightens and demand recovers, especially in the packaging and transportation industries. We believe that China, which is the world's largest consumer of aluminium, will drive demand for aluminium backed by huge infrastructure spending by the government. Ma'aden's aluminium production is due to start by end of 2013, and we have assumed a long-term average of US\$2,150 per tonne for the aluminium price in our model. We estimate that this will translate into gross profit of around US\$800 per tonne for Ma'aden. It is worth noting that Ma'aden's aluminium plant will be world's cheapest producer of the light metal. As energy as an input cost represents 30-35% of aluminium production cost, the company will utilise cheap raw material available in the country, together with cheap power to create the most cost efficient and integrated producer of aluminium in the world.

Figure 4. LME spot aluminium (US\$ per tonne)



Source: Bloomberg, Al Rajhi Capital

Ma'aden hopes to start its new mines by 2013

Aluminium financing going smoothly

Spot Aluminium prices now back to US\$2,500 a tonne which is very encouraging



Q4 results

We expect better results this time

While Q3 was disappointing for Ma'aden, we expect Q4 to be slightly better in terms of results. With the gold price trading near to US\$1,400 per ounce, we believe a gold price rally will directly translate into higher revenues, as compared to previous quarter. However, the company will be required to slow down its production levels, as two of its mines are nearing completion. We believe Ma'aden can now produce 140,000 ounces of gold per year. This capacity will also decrease in the coming quarters. Based on an average gold price of US\$1,375 per ounce, we estimate revenue of SAR180mn in Q4 2010. This would represent a 13% quarter on quarter increase, and a 34% year on year rise in revenues. We estimate a net profit of SAR17mn for Q4. Net profit could be higher in the event that Ma'aden proved able during Q4 to explore and sell other metals like low-grade bauxite and zinc as by-products of gold production.

Figure 5. Ma'aden: estimated Q4 results

	Q4 2009	Q3 2010	Q4 2010		Comment
(SAR mn)	actual		ARC Est.	% chg.	
Revenues	134	159	180	34.0%	Revenue is set to increase, driven by a slight increase in volumes and realised prices of gold
Gross Profit	83	84	99	19.8%	Increased gold prices will push up the GP margins
Gross Margin	61.6%	52.7%	55.1%		We estimate margins to improve as compare to previous quarter. However, on a year on year basis, the margins will decline mainly due to higher cost of sales.
SG&A Costs (excl. dep.)	(60)	(65)	(68)	13.6%	SG&A costs might increase due to higher exploration costs, and on account of high fixed expenses.
EBITDA	23	19	31	36.4%	EBITDA will improve slightly, as a surge in SG&A will offset the surge in EBITDA.
EBITDA margin	16.8%	12.1%	17.1%		EBITDA margin might have a slight fall due to a surge in exploration costs.
Depreciation & amort.	35	22	23	-34.0%	Depreciation is difficult to ascertain in case of Ma'aden because of indefinite wear and tear in mines.
Net Operating Profit	(12)	(2)	8	-166.7%	The company has been struggling to record a positive net operating profit, mainly because of high dep. costs due to mines write downs.
Net Profit before Zakat	320	33	44	-86.3%	na
Zakat	(13)	(34)	(26)	104.1%	Zakat rate will continue to remain high because of high gross cash in the balance sheet.
Net Profit	308	(0)	17	-94.3%	We estimate a positive net profit in Q4 on account of higher investment income.
Capex	(1,549)	(731)	(820)		We expect a surge in capex for the remaining quarters as a result of investment in the aluminium business, however it will be low compare to the same period last year
Capex/Sales (%)	-1153%	-459%	-456%		We expect capex/sales ratio to be high in the coming quarters due mainly to construction of aluminium smelter
Net Debt	(2,736)	836	1,537		We expect net debt to surge in the near term
Net Debt/EBITDA	(121.2)	43.5	49.9		Net debt/EBITDA ratio will swing up rapidly, and it will take time till 2012 to fall, once phosphate business comes into full operations.

Source: Company data, Al Rajhi Capital

Valuation

We have pushed back our assumption for revenue generation in Ma'aden's phosphate business to Q4 2011. We have also adjusted our assumptions for capacity utilisation for the phosphate plant, and for input prices as well as the DAP price. For the gold business, we have adjusted our assumed average price to reflect gold's current strength. In our long-run model, the loss in cash flow resulting from the launch of the phosphate operations has been offset by the strong rally in the DAP price, which has caused us to maintain our fair value per share on a discounted economic profit basis at SAR28.2. This fair value remains our target price for Ma'aden. On this basis Ma'aden's share price still offers 18% appreciation potential.

As noted, due to the disappointing delay in the launch of the phosphate operations we have sharply lowered our forecasts for Ma'aden for 2011. However, we forecast a robust CAGR for revenues of 81%, for EBITDA of 103% and for net profit of 108% between 2010 and 2015. While most valuation multiples for 2011 look high, we note that Ma'aden is now trading on an enterprise value/invested capital (EV/IC) ratio of 0.7x. We believe that Ma'aden's capital has been invested wisely in operations – phosphate and aluminium – which will generate respectable economic returns, i.e. returns above cost of capital, in the future. Accordingly, we think Ma'aden merits an EV/IC ratio of closer to 1.0x than the present ratio of 0.7x. On this basis too, therefore, Ma'aden still offers upside.

While we have cut our forecasts for 2011, the strong outlook for gold and DAP has helped Ma'aden to maintain its fair value



Revenue surge in 2011 and 2012 will help drive profitability.

Income Statement (SARmn)	12/08A	12/09A	12/10E	12/11E	12/12E
Revenue	460	634	690	1,280	3,798
Cost of Goods Sold	(233)	(289)	(317)	(575)	(1,666)
Gross Profit	227	346	373	705	2,132
Government Charges					
S.G. & A. Costs	(321)	(304)	(306)	(444)	(777)
Operating EBIT	(94)	42	68	261	1,354
Cash Operating Costs	(425)	(485)	(526)	(864)	(2,068)
EBITDA	35	149	164	416	1,730
Depreciation and Amortisation	(129)	(108)	(97)	(156)	(376)
Operating Profit	(94)	42	68	261	1,354
Net financing income/(costs)	290	314	179	105	(162)
Forex and Related Gains					
Provisions	(0)	-	-	-	-
Other Income					
Other Expenses	4	302	1	-	-
Net Profit Before Taxes	195	628	199	316	1,143
Taxes	-	(264)	(130)	(100)	(229)
Minority Interests	6	5	3	(63)	(264)
Net profit available to shareholders	202	369	71	154	650
Dividends	-	-	-	-	-
Transfer to Capital Reserve					

	12/08A	12/09A	12/10E	12/11E	12/12E
Adjusted Shares Out (mn)	925.0	925.0	925.0	925.0	925.0
CFPS (SAR)	0.351	0.511	0.179	0.402	1.395
EPS (SAR)	0.218	0.399	0.077	0.166	0.703
DPS (SAR)	0	0	0	0	0

Growth	12/08A	12/09A	12/10E	12/11E	12/12E
Revenue Growth	88.5%	37.9%	8.8%	85.4%	196.8%
Gross Profit Growth	162.5%	52.5%	8.1%	88.7%	202.4%
EBITDA Growth	114.8%	327.6%	9.9%	153.7%	315.7%
Operating Profit Growth	198.9%		61.9%	285.7%	419.9%
Net Profit Growth	-9.3%	83.3%	-80.6%	115.1%	322.8%
EPS Growth	-9.3%	83.3%	-80.6%	115.1%	322.8%

Margins	12/08A	12/09A	12/10E	12/11E	12/12E
Gross profit margin	49.3%	54.5%	54.1%	55.1%	56.1%
EBITDA margin	7.6%	23.5%	23.8%	32.5%	45.6%
Operating Margin	-20.5%	6.6%	9.8%	20.4%	35.7%
Pretax profit margin	42.4%	99.0%	28.8%	24.7%	30.1%
Net profit margin	43.8%	58.2%	10.4%	12.0%	17.1%

Other Ratios	12/08A	12/09A	12/10E	12/11E	12/12E
ROCE	-0.5%	0.2%	0.2%	0.7%	3.4%
ROIC	-1.7%	0.1%	0.1%	0.6%	3.1%
ROE	1.8%	2.2%	0.4%	0.9%	3.8%
Effective Tax Rate	0.0%	42.0%	65.4%	31.6%	20.0%
Capex/Sales	1191.1%	1129.4%	460.4%	201.8%	53.3%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%

Valuation Measures	12/08A	12/09A	12/10E	12/11E	12/12E
P/E (x)	109.9	60.0	310.0	144.1	34.1
P/CF (x)	68.3	46.9	134.0	59.5	17.2
P/B (x)	1.4	1.3	1.3	1.3	1.3
EV/Sales (x)	26.8	34.4	37.9	20.3	8.0
EV/EBITDA (x)	353.4	146.0	159.4	62.3	17.6
EV/EBIT (x)	na	522.7	387.3	99.5	22.4
EV/IC (x)	0.7	0.8	0.8	0.7	0.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company data, Al Rajhi Capital

EBITDA should surge over the next few years; however, net profit growth will be constrained by financial costs.

We expect the capex/sales ratio to remain very high till the aluminium business is completed

P/E and EV/EBITDA will decline sharply once the phosphate business has commenced



Gross debt level will be high from now on

Balance Sheet (SARmn)	12/08A	12/09A	12/10E	12/11E	12/12E
Cash and Cash Equivalents	11,335	11,519	11,310	15,121	15,060
Current Receivables	134	53	203	486	1,829
Inventories	173	206	238	1,127	2,089
Other current assets	1,061	383	555	555	555
Total Current Assets	12,609	12,131	12,185	17,169	19,413
Fixed Assets	6,961	14,144	17,239	19,666	21,315
Investments	-	-	-	-	-
Goodwill	-	-	-	-	-
Other Intangible Assets	1,944	2,936	3,743	3,744	3,742
Total Other Assets	61	19	31	31	31
Total Non-current Assets	8,966	17,098	21,013	23,441	25,088
Total Assets	21,575	29,230	33,198	40,610	44,501
Short Term Debt	-	-	-	-	-
Accounts Payable	2,552	621	612	2,285	2,089
Accrued Expenses	1,169	969	900	2,895	1,899
Dividends Payable	-	-	-	-	-
Other Current Liabilities	-	45	37	37	37
Total Current Liabilities	3,720	1,906	1,649	5,317	4,125
Long-Term Debt	800	8,783	12,847	16,373	20,544
Other LT Payables	-	-	1	2	-
Provisions	139	176	194	194	194
Total Non-current Liabilities	939	8,959	13,042	16,569	20,738
Minority interests	534	1,782	1,853	1,916	2,180
Paid-up share capital	9,250	9,250	9,250	9,250	9,250
Total Reserves	7,133	7,332	7,404	7,558	8,208
Total Shareholders' Equity	16,383	16,582	16,654	16,808	17,458
Total Equity	16,917	18,365	18,507	18,723	19,638
Total Liabilities & Shareholders' Equity	21,575	29,230	33,198	40,610	44,501

Net debt/EBITDA will jump in 2010 but should then fall to a normal level in 2011 and beyond

Ratios	12/08A	12/09A	12/10E	12/11E	12/12E
Net Debt (SARmn)	(10,535)	(2,736)	1,537	1,252	5,484
Net Debt/EBITDA (x)	(301.71)	(18.33)	9.37	3.01	3.17
Net Debt to Equity	-62.3%	-14.9%	8.3%	6.7%	27.9%
EBITDA Interest Cover (x)	(0.1)	(0.5)	(0.9)	(4.0)	10.7
BVPS (SAR)	17.71	17.93	18.00	18.17	18.87

Cashflow Statement (SARmn)	12/08A	12/09A	12/10E	12/11E	12/12E
Net Income before Tax & Minority Interest	195	628	199	316	1,143
Depreciation & Amortisation	129	108	97	156	376
Decrease in Working Capital	2,962	(310)	(257)	2,496	(3,497)
Other Operating Cashflow	(271)	(319)	(418)	(100)	(229)
Cashflow from Operations	3,015	107	(380)	2,868	(2,207)
Capital Expenditure	(5,481)	(7,166)	(3,177)	(2,583)	(2,025)
New Investments	2,358	7,576	31	-	-
Others	(959)	(1,136)	(821)	-	-
Cashflow from investing activities	(4,082)	(726)	(3,967)	(2,583)	(2,025)
Net Operating Cashflow	(1,067)	(619)	(4,347)	285	(4,232)
Dividends paid to ordinary shareholders	-	-	-	-	-
Proceeds from issue of shares	8,989	-	-	-	-
Effects of Exchange Rates on Cash	-	-	-	-	-
Other Financing Cashflow	(282)	(7,160)	0	-	-
Cashflow from financing activities	9,707	803	4,138	3,526	4,171
Total cash generated	8,640	185	(209)	3,811	(61)
Cash at beginning of period	2,695	11,335	11,519	11,310	15,121
Implied cash at end of year	11,335	11,519	11,310	15,121	15,060

Ratios	12/08A	12/09A	12/10E	12/11E	12/12E
Capex/Sales	1191.1%	1129.4%	460.4%	201.8%	53.3%

Source: Company data, Al Rajhi Capital



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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