

# Saudi Arabian Mining Co-Maaden

Mining – Industrial

MAADEN AB: Saudi Arabia

25 May 2011

الراجحي المالية  
Al Rajhi Capital



**US\$6.68bn** Market cap  
**35.6%** Free float  
**US\$28.88mn** Avg. daily volume

Target price **31.00** 14.39% over current  
Consensus price **27.00** 0.3% over current  
Current price **27.10** as at 23/5/2011

Existing rating

Underweight

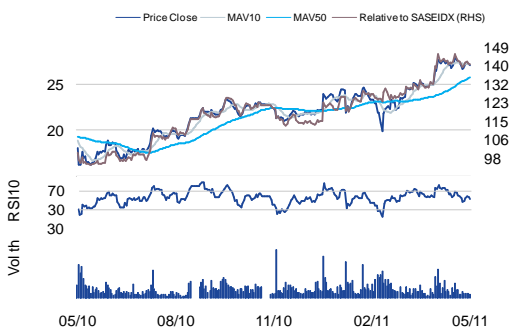
**Neutral**

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

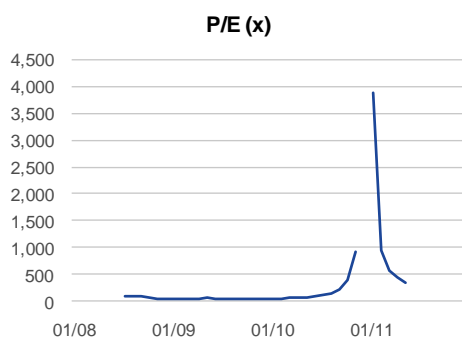


## Earnings

Period End (SAR)	12/10A	12/11E	12/12E	12/13E
Revenue (mn)	707	1,456	4,475	5,028
Revenue Growth	11.4%	106.1%	207.3%	12.4%
EBITDA (mn)	186	542	2,390	3,044
EBITDA Growth	2.0%	190.8%	341.3%	27.4%
EPS	(0.01)	0.22	1.38	1.52
EPS Growth	-103.2%		535.9%	10.3%

Source: Company data, Al Rajhi Capital

## Valuation



Source: Company data, Al Rajhi Capital

# Ma'aden Railway Infrastructure Complete

This note refers to Ma'aden's announcement yesterday on Tadawul. The company announced a successful trial of loading and unloading of Phosphate Concentrate, delivered by the North-South railway from Al Jalamid mine in the North to the Ras Az Zawr plant in the Eastern Province. This railway line covers an approximate distance of 1,500 km from the mine to the complex where proposed phosphate and aluminium projects are being developed. Launch of the railway line on time is a big success for Ma'aden as it relies heavily on railway infrastructure for the transport of phosphate rock to its plant at Ras Az Zawr and to ensure smooth logistics of the business. We remain positive over Ma'aden's phosphate commercial production launch by the second half of 2011. We await further announcements regarding the phosphate launch to update our estimates for phosphate. For now we maintain our Neutral rating.

- North South Mineral Rail Line Complete:** The Saudi Railway Company yesterday announced that it will open the mineral line of the North-South Railway project in eastern Saudi Arabia to felicitate Ma'aden industrial projects. This project began in 2004 and is worth SAR10bn, and a major part of it is dedicated to Ma'aden to allow transportation of phosphate to the company's complex in the eastern region. This railway line will further reduce costs for Ma'aden and we expect SAR25 a tonne of savings in costs when the materials will be carried through it. We were concerned about the delay in the railway line construction, which would have forced Ma'aden to rely on alternative transportation and increase its costs. Now that the railway line is ready, this will definitely have a positive impact on the company's gross margin.
- Conclusion:** The commencement of railway infrastructure is definitely positive for the company which intends to become world's largest producer of DAP. We expect Ma'aden to benefit from the recent higher DAP prices which directly translate into its revenues. The company, being an integrated producer, has a full supply of raw materials –sourced from the Northern region of Saudi Arabia. For the moment we have not changed any of our forecasts from the phosphate business. Ma'aden trades on EV/IC multiple of 1.0x times which implies that the value of the phosphate business has been almost priced in. It is worth noting that the share price has rallied around 40% since our initiation of coverage in August. We remain Neutral with an unchanged target price of SAR31.

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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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