



US\$6.06bn Market cap
33.4% Free float
US\$7.78mn Avg. daily volume

Target price **31.00** 26.27% over current
Consensus price **29.20** 18.9% over current
Current price **24.55** as at 11/10/2011

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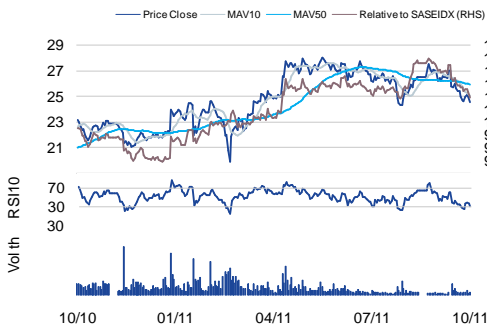
Existing rating

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

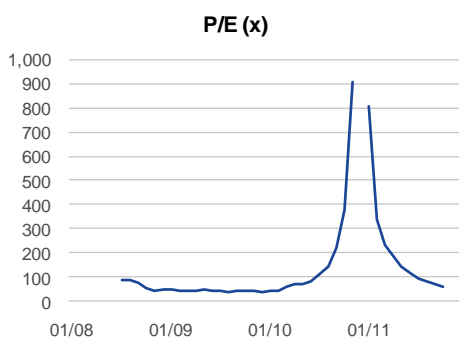


Earnings

Period End (SAR)	12/10A	12/11E	12/12E	12/13E
Revenue (mn)	707	1,759	5,628	6,281
Revenue Growth	11.4%	149.0%	220.0%	11.6%
EBITDA (mn)	185	746	3,219	4,191
EBITDA Growth	1.4%	303.0%	331.3%	30.2%
EPS	(0.01)	0.47	2.51	2.48
EPS Growth	-103.2%		428.5%	-0.9%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

Ma'aden unexciting Q3 results

Ma'aden announced Q3 preliminary results with a net profit of SAR27.4mn, far below our estimate of SAR72.4 mn. The Company stated two major reasons behind this decline – lower sales volume and higher non-operating expenses including both zakat and severance costs. While we await full results in order to have a better understanding of the Q3 performance, we remain concerned about the declining revenues coming from gold business. We also suspect that there has been no revenue recorded in Q3 from the new launched phosphate business. We expect to lower our estimates for gold business and revise zakat expenses, which may result in lowering our target price. However, we await full results to be able to confirm our view. For the moment, we remain Overweight with an unchanged target price of SAR31.0

Earnings vs our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long-term view	Stronger	Confirmed	Weaker

- **Revenues:** Ma'aden has not declared any revenue number, hence we could not comment on it. Our expectation for Q3 was SAR291mn.
- **Operating Profit:** The operating profit for Q3 stood at SAR69.1mn compared to an operating loss of SAR2.5mn in Q3 last year and our estimate of SAR85.2mn.
- **Net profit:** Net profit for Q3 amounted to SAR27.4mn, compared to a net loss of 0.2mn in Q32010 and our estimate of SAR72.4mn. Net profit declined by 56% on a Q-o-Q basis.
- **Valuation & conclusion:** In our view, the main reason behind this Q-o-Q decline in net profits is lower than expected gold production. Nevertheless, we suspect that top line (not disclosed yet) remained strong supported by the rally in gold prices which offset the decline in production. Another major point to note is that there hasn't been any news on the newly launched phosphate business in the brief declaration by Ma'aden; we infer that the company has not recorded any revenues in this segment yet. Hence, we await full results in order to understand and incorporate Q3 results in our model. We are currently overweight with a target price of SAR31.0.



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 away from petroleum based sectors. 50% of Ma'aden is owned by PIF. In July 2008, Ma'aden was listed in the Saudi Stock Exchange. Its business is mainly exploration of gold and it plans to enter into phosphate and aluminium businesses in 2011 and 2013 respectively.

Share information

Market cap (SAR/US\$) 22.71bn / 6.06bn
52-week range 19.95 - 28.00
Daily avg volume (US\$) 7.78mn
Shares outstanding 925.0mn
Free float (est) 33.4%

Performance:	1M	3M	12M
Absolute	-8.7%	-8.1%	5.4%
Relative to index	-8.3%	-1.3%	9.3%

Major Shareholder:
Public Investment Fund 50%
GOSI 7.7%

Source: Bloomberg, Al Rajhi Capital

Valuation

Period End	12/10A	12/11E	12/12E	12/13E
Revenue (SARmn)	707	1,759	5,628	6,281
EBITDA (SARmn)	185	746	3,219	4,191
Net Profit (SARmn)	(13)	439	2,318	2,296
EPS (SAR)	(0.01)	0.47	2.51	2.48
DPS (SAR)	-	-	-	-
EPS Growth	-103.2%	na	428.5%	-0.9%
EV/EBITDA (x)	122.6	30.4	7.1	5.4
P/E (x)	na	51.8	9.8	9.9
P/B (x)	1.4	1.3	1.2	1.1
Dividend Yield	0.0%	0.0%	0.0%	0.0%

Source: Company data, Al Rajhi Capital



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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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