



Swings to losses due to one-off impairments; healthy EBITDA and normalized earnings led by strong topline with record high volumes and improved pricing

Saudi Arabian Mining Co. (Ma'aden) posted a net loss of SAR 106mn in Q4-24 vs. net profit of SAR 971mn in Q3-24, missing AJC's and market estimates of net profit of SAR 1,220mn and SAR 1,179mn, respectively. The bottom-line was hit by one-off non-cash impairment charges worth SAR 1.44bn. Excluding the impact of non-recurring impairment charges, adjusted net income stood at SAR 1,339mn (+38% Q/Q), exceeding our estimates. The revenue surged 23.9% Q/Q to SAR 9,969mn, above our estimate of SAR 8,842mn, driven by higher commodity prices and higher sales volumes across the segments. Gross margin contracted ~740bps Q/Q to 22.5%, significantly below our expectations of 30.9%. We maintain our "Neutral" recommendation on the stock and keep the TP unchanged at SAR 46.9/share.

- Ma'aden reported a net loss of SAR 106mn in Q4-24, compared to a net profit of SAR 971mn in Q3-24. This result missed both AJC's and market estimates of net profit of SAR 1,220mn and SAR 1,179mn, respectively. The decline in the bottom line was primarily due to one-off non-cash impairment charges totaling SAR 1.44bn. These included SAR 1.285bn related to the Aluminum business unit and SAR 159mn for goodwill in the fertilizer distribution network in Africa. Excluding the impact of these non-recurring charges, the adjusted net income stood at SAR 1,339mn, marking a 38% Q/Q increase and exceeding our expectations. This better-than-expected performance was likely driven by lower operating expenses excluding one-offs (assuming one-offs were charged as OPEX) and strong revenue growth, partially offset by lower GP margin.
- Revenue increased 23.9% Q/Q to SAR 9,969mn, above our estimate of SAR 8,842mn. Higher prices for most of the products, coupled with an increase in sales volumes, fueled robust revenue growth. Key products such as DAP (volume: +9% Q/Q; price: +8% Q/Q), Ammonia (volume: +23% Q/Q; price: +10% Q/Q), Alumina (volume: +96% Q/Q; price: +87% Q/Q), and Gold (volume: +34% Q/Q; price: +8% Q/Q) witnessed growth in average realized prices as well as sales volumes. Aluminum recorded higher sales volumes (+7% Q/Q) but lower prices (-1% Q/Q).
- Gross profit declined 6.8% Q/Q to SAR 2,240mn, below our estimate of SAR 2,729mn, despite higher revenue. We reckon that higher cost of raw material for Phosphate business unit and higher depreciation and amortization likely to have weighed on gross profit. The GP margin contracted ~740bps Q/Q to 22.5% (AJC estimate: 30.9%).
- EBITDA grew 20.9% Q/Q to SAR 3,547mn, slightly ahead of our estimate of SAR 3,351mn, supported by strong revenue growth. EBITDA margin fell 90 bps Q/Q, primarily due to pressure in Phosphate segment (~300 bps Q/Q) amid higher cost of raw material and higher OPEX owing to increased production. However, expansion of margins in Gold segment (~+1300 bps Q/Q) supported maintaining overall EBITDA margin healthy.

AJC view and valuation: Ma'aden registered strong EBITDA and normalized earnings growth in Q4-24. The record high volumes for DAP and gold, and a sharp uptick in Alumina prices and volumes were the key positives of the quarter. We await detailed financial results to understand the impact of one-offs on the cost of sales/OPEX/non-OPEX level, as it is not clear how the impairments were recognized. Nevertheless, in the long run, Ma'aden's growth is expected to be driven by increased production volumes resulting from capacity expansions in its Phosphate and Gold segments. Key projects such as the Phosphate 3 initiative, the Mansourah-Massarrah ramp-up, and the Ar Rjum expansion are anticipated to enhance profitability as the company shifts its focus toward higher-margin operations. However, we believe the growth prospects are already priced in at current valuation. The stock currently trades at EV/EBITDA of 13.7x and P/E of 26.8x based on our FY25E estimates. Thus, we maintain our "Neutral" recommendation on the stock and keep the TP unchanged at SAR 46.9/share.

Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	8,035	8,045	9,969	24.1%	23.9%	12.7%
Gross Profit	2,784	2,403	2,240	-19.5%	-6.8%	-17.9%
Gross Margin	34.6%	29.9%	22.5%	-	-	-
EBITDA	3,147	2,935	3,547	12.7%	20.9%	5.9%
EBIT	1,831	1,674	951	-48.1%	-43.2%	-48.7%
Net Profit	890	971	-106	-111.9%	-110.9%	-108.7%
EPS	0.24	0.26	-0.03	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	46.9
Upside / (Downside)*	5.5%

Source: Tadawul *prices as of 6th of March 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	40,277	29,272	32,546	33,936
Growth %	50.5%	-27.3%	11.2%	4.3%
Gross Profit	16,249	6,914	9,244	11,352
EBITDA	18,550	8,932	12,390	13,115
Net Income	9,319	1,577	2,872	6,310
Growth %	78.3%	-83.1%	82.1%	119.8%
EPS	2.52	0.43	0.78	1.66
DPS	0.00	0.00	0.00	0.00

Source: Company reports, Aljazira Capital, FY25 EPS based on increased no. of share post capital hike

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	40.3%	23.6%	28.4%	33.5%
EBITDA Margin	46.1%	31.6%	38.1%	38.6%
Net Margin	23.1%	5.4%	8.8%	18.6%
ROE	19.4%	9.2%	7.3%	11.2%
ROA	10.1%	4.6%	3.7%	6.2%
P/E	20.6	High	High	26.8
P/B	4.4	4.0	3.7	2.9
EV/EBITDA (x)	11.5	22.5	18.4	13.7

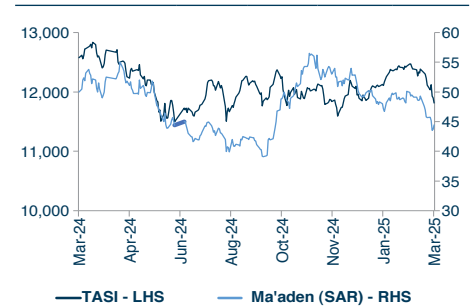
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	169.0
YTD%	-11.6%
52 week (High)/(Low)	57.4/39.0
Share Outstanding (mn)	3,802.8

Source: Company reports, Aljazira Capital Research

Price Performance



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RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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