Saudi Arabian Mining Co. (Maaden)

Investment Update

Capacity additions, high-quality reserves and long-term value from portfolio consolidation drive outlook, valuation headroom limited; retain "Neutral" rating

Saudi Arabian Mining Co. (Ma'aden) is entering a strong growth phase, underpinned by Saudi Arabia's Vision 2030 and its Strategy 2040 target of a tenfold EBITDA increase. Expansion across phosphate, gold, and aluminum is set to drive volumes and lift profitability, with gold and phosphate emerging as the key value engines. Phosphate capacity is expected to rise 50% to 9.0mtpa by FY29, supported by long-term offtake contracts, while gold output is set to nearly double to ~717koz by FY30E with Mansourah-Massarah ramp-up and Ar Rjum development. At the same time, aluminum consolidation and recycling initiatives strengthen the mine-to-metal value chain and strategic positioning. While acquisitions of MBAC, MAC and Alba unlock long-term synergies, partly offset by near-term equity dilution (~5.3%). We forecast revenue CAGR of 6.1% over FY24-30E, led by 11.4% growth in gold and 6.3% in phosphate, with EBITDA margin expansion from 32.9% to 41.0% driven by higher gold contribution (EBITDA margin ~55%). Strong cash generation (FCF CAGR 7.5%) and falling leverage (D/E 0.2x by FY30E) provide headroom for potential dividends or buybacks. Our valuation of SAR 50.6/share reflects these positives but leaves a limited near-term upside. With growth prospects largely priced in, we reiterate our "Neutral" rating.

Strong Q2-25 earnings growth, supported by robust Phosphate and Gold segments, record DAP sales, and tax reversal despite Aluminum weakness and ECL provision: Ma'aden's net income jumped 24.0% Q/Q to SAR 1,922mn, broadly in line with our estimate of SAR 1,846mn. The increase in net income was driven by healthy revenue growth, higher income from JVs and associates and income tax reversal of SAR 139mn, partially offset by expected credit loss (ECL) provision of SAR 138mn. Revenue rose 10.6% Q/Q to SAR 9,416mn, above our estimate of SAR 8,814mn. The topline growth was led by a strong increase in Phosphate (+16% Q/Q) and Gold (+23% Q/Q) segments, while Aluminum segment (-6% Q/Q) topline shrunk. The record quarterly DAP sales volumes (+15% Q/Q) and higher DAP prices (+10% Q/Q) supported the growth in Phosphate, even though Ammonia saw lower prices (-11% Q/Q) and sales volume (-27% Q/Q). Gold prices were up 16% Q/Q and sales volumes rose 6% Q/Q. Aluminum segment topline was mainly impacted by lower prices and volumes for both Alumina and Aluminum. The gross margin came in at 37.4% vs. 37.5% in Q1-25 and our estimate of 38.1%, amid higher raw material prices. Subsequently, gross profit increased 10.4% Q/Q to SAR 3,523mn. Operating profit grew 12.3% Q/Q to SAR 2,560mn, in line with our estimate of SAR 2,537mn, as one-off ECL provision worth SAR 138mn was offset by lower G&A expense. On a Y/Y basis, Maaden's net profit surged 87.7% primarily due to a 31.1% revenue growth along with gross margin expansion of ~700bps and higher income from JVs and associates, which was partially offset by ECL provisions and absence of insurance income.

Long-term growth anchored by planned mining sector expansion under Vision 2030: Ma'aden's Strategy 2040 targets a tenfold EBITDA increase by expanding across existing and new minerals. This aligns with Vision 2030's push to elevate mining's GDP contribution. Key ongoing projects include the Phosphate 3 complex, Mansourah-Massarah ramp-up, Ar Rjum development, and aluminum line expansions. With current aluminum assets running below capacity, utilization improvements also provide incremental upside.

Robust expansion pipeline across phosphate, gold and aluminum segments to strengthen Ma'aden's global position and drive long-term value: Ma'aden is progressing on a broad-based expansion pipeline that will underpin long-term growth across its core segments. In phosphate, the ambitious Phosphate 3 project is on track to lift capacity by 50% to 9.0mtpa in two phases (FY26E and FY29E), supported by a recently signed five-year 3.1mtpa DAP supply contract with India and record H1-25 production levels. In gold, output is set to nearly double by FY29 as Mansourah-Massarah ramps up and the Ar Rjum project (FID achieved in 2025) begins production in late 2028, adding ~300koz annually, alongside feasibility progress on Mansourah-Massarah Deeps. Beyond these, Ma'aden is also strengthening its aluminum portfolio, with line 1 & 2 expansions (~90ktpa) and the integration of Alcoa's minority stakes in MBAC and MAC, which consolidate the mine-to-metal value chain.

Recommendation	**Neutral**
Target Price (SAR)	**50.6**
Upside / (Downside)*	**-1.6%**

Source: Tadawul *prices as of 31st of August 2025

Key Financials

in SAR mn, (unless specified)	FY23	FY24	FY25E	FY26E
Revenue	29,272	32,546	38,521	39,099
Growth %	-27.3%	11.2%	18.4%	1.5%
Gross Profit	6,914	9,244	14,615	14,437
EBITDA	8,932	10,720	15,034	15,165
Net Income	1,577	2,872	7,862	8,376
Growth %	-83.1%	82.1%	173.8%	6.5%
EPS	0.43	0.78	2.02*	2.15*
DPS	0.00	0.00	0.00	0.00

Source: Company reports, Aljazira Capital; No. of share post capital hike

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	23.6%	28.4%	37.9%	36.9%
EBITDA Margin	30.5%	32.9%	39.0%	38.8%
Net Margin	5.4%	8.8%	20.4%	21.2%
ROE	3.7%	7.4%	14.4%	13.3%
ROA	1.9%	3.8%	8.0%	7.9%
P/E (x)	High	64.7	25.5	23.9
P/B (x)	3.9	3.6	2.9	2.6
EV/EBITDA (x)	22.0	18.6	14.4	13.9
Dividend Yield	0.0%	0.0%	0.0%	0.0%

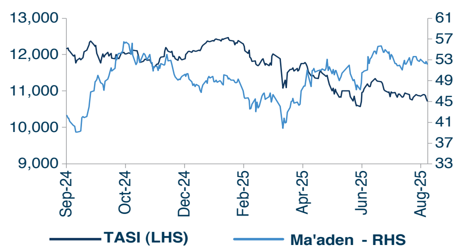
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap (bn)	200.1
YTD%	2.3%
52 weeks (High)/(Low)	57.40/38.85
Share Outstanding (mn)	3,888.8

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, AlJazira Capital Research

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In addition, the company is advancing aluminum recycling projects (~400ktpa) and pursuing exploration at Wadi Al Jaww and Shayban (critical minerals JV with Aramco), reflecting a diversified approach to growth. Together, these initiatives are expected to enhance scale, lift margins through higher exposure to phosphate and gold, and reinforce Ma'aden's role as a leading global mining and metals player. We forecast Phosphate segment revenue CAGR of 6.3% over FY24-30E. During this period, we expect DAP and ammonia prices to average USD 676 per ton and USD 325 per ton, respectively, as we expect prices to see moderation from recent short-term momentum and then a stabilization of prices. Whereas for gold we expect gold volume to increase at CAGR of 6.4% during FY24-30E, reaching ~717k ounces from ~495k ounces in FY24. Moreover, gold prices are expected to gradually stabilize in coming years after the current strong rally. Accordingly, revenue for the gold segment is estimated to grow at a robust CAGR of 11.4% during FY24-30E. As result, Ma'aden is forecast to post a revenue CAGR of 6.1% during FY24-30E.

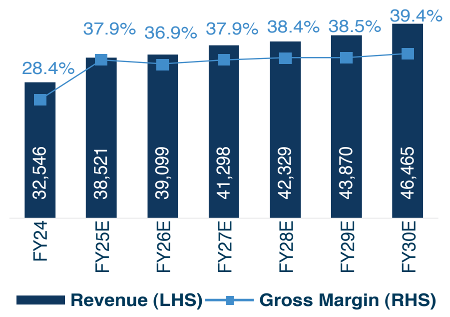
Margins to improve led by high margin gold segment; portfolio consolidation to unlock strategic value: Revenue growth through FY30E, driven primarily by high-margin gold. Gold (EBITDA margin ~55%) is expected to outpace phosphate (~46%) and aluminum (~31%), gradually reshaping revenue mix. Gold's share of revenue is expected to rise from 14% in FY24 to 18% in FY30E, while aluminum falls from 31% to 26%. Phosphate segments contribution is expected to remain steady at ~52-53%. As a result, gross margin is forecast to expand from 28.4% in FY24 to 39.4% by FY30E, and EBITDA margin from 32.9% to 41.0%. Moreover, Ma'aden has completed the acquisition of Alcoa's remaining 25.1% stakes in MBAC and MAC, securing full ownership of its integrated mine-to-metal aluminum chain. The transaction, partly settled through issuance of ~86mn new shares (~2.3% of capital), enhances earnings through full consolidation but results in ~5.3% shareholder dilution. In parallel, the company acquired SABIC's 20.6% stake in Alba for ~SAR 3.6bn, positioning itself as a strategic shareholder alongside Mumtalakat and keeping alive prospects of a potential merger of Alba with Ma'aden's aluminum unit. While these moves strengthen Ma'aden's control, margins, and strategic flexibility in aluminum, the equity dilution partially offsets the immediate accretion, making the longer-term merger synergies the key upside driver.

Healthy balance sheet and cash generation indicate potential for dividend payouts or buybacks in future: : As of June 2025, Maaden's total debt stood at SAR 34.3bn, down from SAR 37.3bn in FY23. Additionally, the company held cash and cash equivalents in excess of SAR 10bn. Moreover, strong operating cash flows are expected to support capex requirements, with a debt-to-equity forecast to decline to 0.47x in FY25E from 0.60x in FY24 and further to 0.2x by FY30E. We estimate CFO rise from SAR 12.1bn in FY24 to SAR 18.3bn in FY30E, comfortably funding annual capex (less than SAR 4bn on average during this period). Thus, FCF is projected to increase at CAGR of 7.5% to SAR 16.3bn by FY30E. We project the company will initiate a dividend of SAR 0.75 (1.5%) in FY28, with gradual increases to follow. This is supported by strong free cash flow growth and easing leverage, which could also lead to future share buybacks.

AJC view and valuation: Ma'aden's long-term growth outlook is underpinned by Vision 2030 and Strategy 2040, with phosphate and gold driving volumes and margins, supported by aluminum consolidation. We forecast revenue CAGR of 6.1% over FY24-30E with EBITDA margin expansion to 41.0%, backed by strong cash generation and declining leverage. While acquisitions add strategic value, near-term dilution limits upside. We value Ma'aden with equal weightage to DCF (WACC = 9.5% and terminal growth = 2.5%) and FY26E EV/EBITDA multiple of 15.0x (in line with historical trading multiple) to arrive at a TP of **SAR 50.6 per share**. Our revised TP is based on increased no. of shares (3.89bn) vs. previous TP of SAR 46.9/share at 3.69bn share (comparable new TP SAR 53.3/share). The upward revision is backed by comparatively higher commodity price expectations and value generated from acquisition of stakes in MBAC, MAC and Alba. We recommend a "Neutral" rating on the stock.

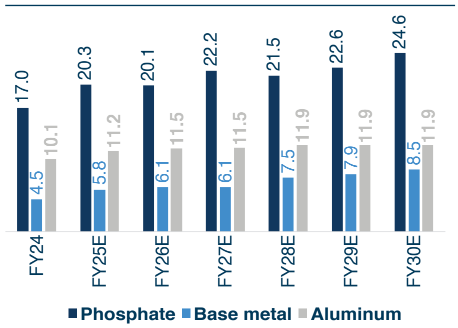
Key upsides to our valuation include – higher than expected commodity prices, more aggressive expansion, inorganic expansion, better than expected processing rates and grades of the minerals. **Key downside** risks are – delay in execution of planned expansion, volatility of commodity prices and regulatory changes.

Revenue (SAR mn) and GP margin (%)



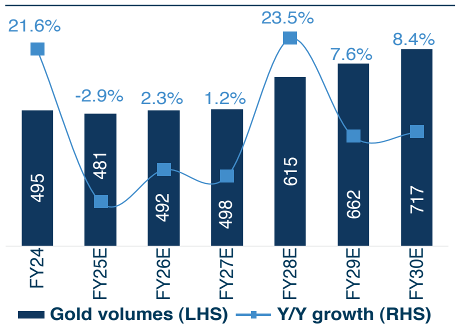
Source: Company reports, Aljazira Capital Research

Revenue by key segments (SAR bn)



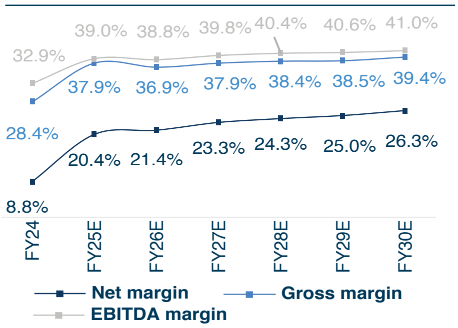
Source: Company reports, Aljazira Capital Research

Gold sales volume forecast (000 ounce)



Source: Company reports, Aljazira Capital Research

Margins trend (%)



Source: Company reports, Aljazira Capital Research

Blended valuation summary

	TP (SAR)	Weight	Weighted TP
DCF (5 years)	49.0	50%	24.5
EV/EBITDA (15x, FY26E)	52.3	50%	26.2
Blended TP			**50.6**
Upside/downside potential			**-1.6%**

Source: AlJazira Capital Research, * prices as of 31st August 2025

Key Financial Data

All figures are in SARmn; unless specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Sales revenues	29,272	32,546	38,521	39,099	41,298	42,329	43,870	46,465
Y/Y	**-27.3%**	**11.2%**	**18.4%**	**1.5%**	**5.6%**	**2.5%**	**3.6%**	**5.9%**
Gross profit	6,914	9,244	14,615	14,437	15,661	16,256	16,895	18,313
Gross margin	**23.6%**	**28.4%**	**37.9%**	**36.9%**	**37.9%**	**38.4%**	**38.5%**	**39.4%**
Selling, marketing & logistic expenses	(630)	(666)	(759)	(655)	(612)	(585)	(516)	(503)
General & administration expenses	(1,967)	(2,061)	(2,240)	(2,354)	(2,404)	(2,422)	(2,422)	(2,519)
EBITDA	8,932	10,720	15,034	15,165	16,444	17,080	17,790	19,052
EBITDA margin	**30.5%**	**32.9%**	**39.0%**	**38.8%**	**39.8%**	**40.4%**	**40.6%**	**41.0%**
Y/Y	**-51.8%**	**20.0%**	**40.2%**	**0.9%**	**8.4%**	**3.9%**	**4.2%**	**7.1%**
Financial charges	(2,347)	(2,549)	(2,225)	(1,889)	(1,628)	(1,480)	(1,384)	(1,292)
Profit before zakat & minority interest	1,424	3,706	8,656	8,905	10,431	11,211	12,082	13,527
Share in net loss/gain of jointly controlled entity	319	183	627	743	723	708	697	692
Minority interest	(120)	(1,262)	(1,222)	(1,142)	(1,315)	(1,402)	(1,498)	(1,663)
Zakat	(524)	(387)	(445)	(469)	(530)	(560)	(606)	(662)
Net income after minority interest	1,577	2,872	7,862	8,376	9,641	10,280	10,988	12,198
Net margin	**5.4%**	**8.8%**	**20.4%**	**21.4%**	**23.3%**	**24.3%**	**25.0%**	**26.3%**
Y/Y	**-83.1%**	**82.1%**	**173.8%**	**6.5%**	**15.1%**	**6.6%**	**6.9%**	**11.0%**
EPS	**0.43**	**0.78**	**2.02**	**2.15**	**2.48**	**2.64**	**2.83**	**3.14**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.75**	**1.25**	**1.50**
Balance sheet								
Cash & cash equivalents	10,537	15,215	12,153	15,555	21,964	25,854	30,047	34,895
Trade & other receivables	6,046	6,131	7,151	7,151	7,441	7,510	7,664	7,989
Inventories	7,200	6,892	7,728	7,960	8,199	8,445	8,698	8,959
Total current assets	**29,210**	**28,966**	**27,784**	**31,551**	**38,536**	**43,005**	**47,823**	**53,354**
Property, plant & equipment	59,810	57,031	57,626	58,403	57,937	57,515	55,684	53,447
Total non-current assets	**82,663**	**86,124**	**93,932**	**96,301**	**97,642**	**99,118**	**99,290**	**99,178**
Total assets	111,874	115,089	121,716	127,852	136,178	142,123	147,113	152,532
Current Liabilities								
Current portion of long-term borrowing	4,428	7,298	3,649	3,466	3,293	3,128	2,972	2,823
Total current liabilities	**14,723**	**19,494**	**16,368**	**16,487**	**16,721**	**16,771**	**17,025**	**17,396**
Long-term borrowing	33,179	29,038	29,241	26,687	24,953	23,307	21,743	20,257
Total non-current liabilities	**40,336**	**35,439**	**34,969**	**32,491**	**30,836**	**29,269**	**27,786**	**26,382**
Total liabilities	55,058	54,933	51,337	48,979	47,557	46,040	44,810	43,778
Equity								
Share capital	36,918	38,028	38,028	38,028	38,028	38,028	38,028	38,028
Share premiun	-	4,335	4,335	4,335	4,335	4,335	4,335	4,335
Statutory reserves	158	158	944	1,781	2,746	3,774	4,872	6,092
Retained earnings	9,667	10,058	17,133	24,671	33,348	39,684	44,712	49,857
Total shareholders' equity	**46,423**	**51,886**	**64,177**	**72,608**	**82,293**	**89,692**	**95,848**	**102,235**
Non-controlling interest	10,392	8,270	6,203	6,265	6,327	6,391	6,454	6,519
Total equity	**56,815**	**60,156**	**70,379**	**78,873**	**88,620**	**96,083**	**102,302**	**108,754**
Total liabilities & shareholders' equity	111,874	115,089	121,716	127,852	136,178	142,123	147,113	152,532
Key ratios analysis								
Liquidty ratios								
Current ratio (x)	**2.0**	**1.5**	**1.7**	**1.9**	**2.3**	**2.6**	**2.8**	**3.1**
Cash ratio (x)	0.7	0.8	0.7	0.9	1.3	1.5	1.8	2.0
Profitability ratios								
Gross profit margin	23.6%	28.4%	37.9%	36.9%	37.9%	38.4%	38.5%	39.4%
Operating margin	13.0%	19.2%	28.2%	27.6%	29.2%	30.0%	30.7%	31.9%
Net profit margin	5.4%	8.8%	20.4%	21.4%	23.3%	24.3%	25.0%	26.3%
ROAA	1.85%	3.79%	7.95%	7.92%	8.59%	8.42%	8.81%	9.32%
ROAE	3.67%	7.35%	14.43%	13.25%	13.54%	12.68%	12.84%	13.23%
EBITDA margin	30.5%	32.9%	39.0%	38.8%	39.8%	40.4%	40.6%	41.0%
Leverage ratio								
Debt / equity (x)	0.66	0.60	0.47	0.38	0.32	0.28	0.24	0.21
Market/valuation ratios								
EV/revenues (x)	6.7	6.1	5.6	5.4	4.9	4.7	4.4	4.0
EV/EBITDA (x)	22.0	18.6	14.4	13.9	12.3	11.5	10.7	9.7
Book value per share (SAR)	12.6	14.1	17.4	19.7	22.3	24.3	26.0	27.7
Market price (SAR) *	48.6	50.3	51.5	51.5	51.5	51.5	51.5	51.5
P/E ratio (x)	113.6	64.7	25.5	23.9	20.8	19.5	18.2	16.4
P/BV ratio (x)	3.86	3.58	2.96	2.62	2.31	2.12	1.98	1.86
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	2.4%	2.9%

Source: Company reports, Aljazira Capital Research; * prices as of 31st August 2025, No. of shares post capital hike are considered from FY25 onwards

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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.

Disclaimer