

## Saudi Arabian Mining Company (MAADEN) - 1Q23 Result Review

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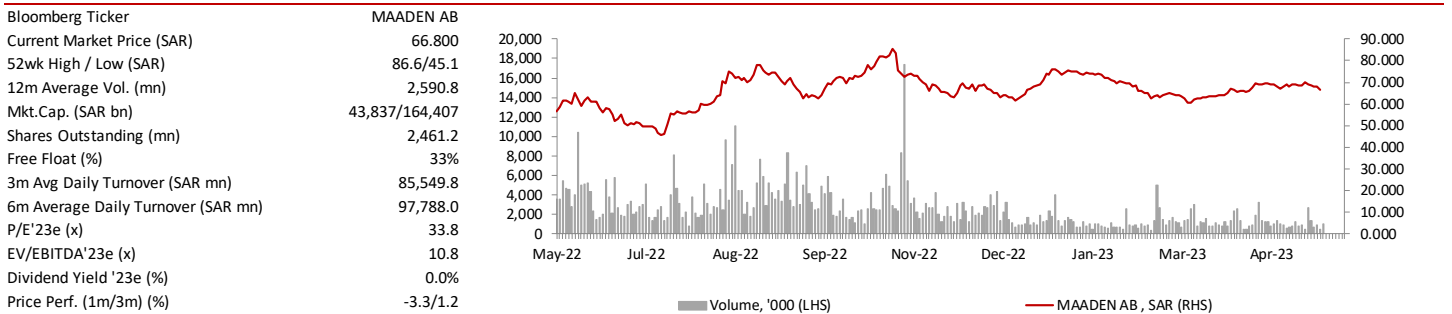
Previous Recommendation: **Hold**

Target Price (SAR): **66.50**

Previous Reco. & Date: Hold

Upside / (Downside): -0.4%

Date: 22-05-2023



### Revenue misses estimates

The company reported Q1 2023 revenue of SAR 8,045mn (-15.0% q-o-q), which is below U-Capital's estimate of SAR 8,468mn (a -5% deviation). The revenue was lower compared to 4Q 2022 due to the average realized sales prices of all products, except gold.

### Gross Profit and Operating Profit fall short of estimates due to higher costs

The company's gross profit for the quarter was SAR 1,586mn, which was below our estimated figure of SAR 2,541mn. The deviation from our estimate was due to a 28% increase in raw material and production operating costs. Furthermore, the operating profit of SAR 930mn fell below our estimated figure of SAR 1,856mn. The company's operating margin of 12% was also below our estimated 22%, largely due to higher general and administrative expenses as well as exploration and technical services expenses.

### Net Income fall short of estimates

The company's net income for the quarter was SAR 419mn, falling below our estimated figure of SAR 1,290mn. The deviation from our estimate was due to higher finance costs and a decrease in share net profit of joint ventures.

### Maintain target price

We believe that the petrochemical sector will continue to face pricing pressure in the near term as the global economy remains under stress due to recessionary fears, uncertainty surrounding interest rates, and the ongoing Russia-Ukraine conflict. We maintain a 'Hold' rating on the stock.

### Valuation

Maaden is trading at a 2023 estimated P/E ratio of 33.8x, which is at a 32.6% discount from historical average 1-year forward P/E ratio of 50.2x. Similarly, the stock's EV/EBITDA multiple, valued at 10.8x based on our FY23 estimate, is also at a 14.3% discount from the historical average 1-year forward EV/EBITDA of 12.6x.

Income Statement												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23e	YoY (%)
Sales/Revenue	8,914	11,876	10,014	9,472	8,045	8,468	-10%	-15%	-5%	40,277	34,236	-15%
Gross Profit (Loss)	3,884	6,158	3,574	2,633	1,586	2,541	-59%	-40%	-38%	16,249	9,586	-41%
Operating Profit (Loss)	3,262	5,554	2,954	1,767	930	1,856	-71%	-47%	-50%	13,537	6,886	-49%
<b>Net Profit attributable to shareholders</b>	<b>2,172</b>	<b>4,028</b>	<b>2,103</b>	<b>1,016</b>	<b>419</b>	<b>1,290</b>	<b>-81%</b>	<b>-59%</b>	<b>-67%</b>	<b>9,319</b>	<b>4,865</b>	<b>-48%</b>
Balance Sheet												
(SAR mn)	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	37,924	41,949	35,651	45,069	45,543		20%	1%				
Key Ratios												
	1Q22	2Q22	3Q22	4Q22	1Q23	1Q23e						
Gross Margin	44%	52%	36%	28%	20%	30%						
Operating Profit Margin	37%	47%	29%	19%	12%	22%						
Net Profit Margin	24%	34%	21%	11%	5%	15%						
Return on Equity (RoE)	23%	38%	24%	9%	4%							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

## Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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