

Al Masane Al Kobra Mining Co.

Mining and Metals
AMAK AB: Saudi Arabia
21st April 2025

Research Department
Madhu Appissa, CFA

US\$1.33bn
Market Cap.

57.79%
Free Float

US\$5.34mn
Avg. Daily Value traded

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Al Masane Al Kobra Mining Co.

Volume story and precious metal price gains to drive solid growth, upgrade to Overweight

Overweight

Price Target (SAR): 67.00

Current (17th April 2025): 55.50
Upside/Downside: 21.3% above current

Valuation Multiples	24	25E	26E
P/E (x)	28.1	18.4	17.2
P/B (x)	4.0	3.9	3.8

Major Shareholders	% Ownership
Arab Mining Co.	14.50
Asas Mining Co.	8.89
National Lead Smelting Co. Ltd.	6.07

Price Performance	YTD	3M	1M
Absolute	-17.8%	-13.7%	-4.1%
Relative to TASI	-13.7%	-7.0%	-2.3%

AMAK reported a solid performance in FY24 supported by the contribution of Moyeath mine as well as favorable pricing. Revenues grew by 60% y-o-y, while net profits more than tripled on the back of a sharp improvement in the gross margins as well as benefits of operational leverage. We are expecting another solid year for the company led by full contribution from Moyeath mine, higher associated precious metals from concentrate production in Moyeath, ramp-up at Guyan and favorable pricing environment for the previous metals. Overall, for FY 2025, we are expecting ~35% y-o-y growth in revenues and ~50% growth in profits. For 1Q25, we are expecting revenues to grow by 65% y-o-y and profits to grow by almost 5x y-o-y. Despite the shutdown of its mines for maintenance, spike in gold and copper prices at the end of 1Q25 should more than offset the volume loss. In addition to the near-term growth potential, the company is also exploring the potential of venturing into drilling services business and has plans to invest in drilling rigs in the upcoming years. Further, the company is investing aggressively in exploration and has both greenfield and brownfield plans. On the back of exploration spending, the company targets to increase its mine reserve life to 20 years from the current 6 years. Moreover, Amak's mining portfolio offers a natural hedge, as potential decline in industrial metal prices driven by global uncertainties can be offset by gains in precious metals (contributing more than a third to revenues), particularly gold. Revenue growth will also be underscored by the proportion of additional gold and silver present in copper and zinc concentrate beyond the Dore. This diversification supports our continued premium valuation of the company relative to its global peers. As we increase our FY25 estimates on the back of the sharp rise in precious metal prices, we raise our target price to SAR 67/share from SAR 62.7/share. Thus, we turn Overweight on the stock from Neutral.

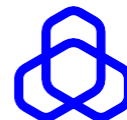
Earnings

(SARmn)	2024	2025E	2026E
Revenue	781	1,053	1,123
Revenue growth	60.0%	34.8%	6.7%
Gross profit	288	442	465
Gross margin	36.9%	42.0%	41.4%
EBIT	222	355	376
EBIT margin	28.5%	33.7%	33.4%
EBITDA	398	521	540
EBITDA margin	50.9%	49.5%	48.1%
Net profit	178	272	290
Net margin	22.8%	25.8%	25.8%
EPS	2.0	3.0	3.2
DPS	2.1	2.7	2.7
P/E (current)	28.1x	18.4x	17.2x
P/E (target)	34.1x	22.3x	20.9x
RoE	14.2%	21.3%	21.9%

Source: Company data, Al Rajhi Capital

2025 Volume outlook: In FY25, the company is set to realize its first full year of production from the Moyeath mine, which will drive significant y-o-y growth in output. However, 1Q25 will have an impact of a 5-week periodic maintenance shutdown at the Al Masane and Moyeath mine. Nevertheless, the company's strategy aims at de-constraining/debottlenecking efforts in order to enhance capacities. The nameplate capacity of Moyeath mine is expected to gradually increase to 450K tons from 350K tons capacity before. At the same time, the associated gold and silver yields (part of copper and zinc concentrate) at the Moyeath mine is notably higher than Al Masane, implying boost to the precious metal contribution in 2025. Hence, we are quite optimistic on the volume outlook for FY25 (copper: +36% y-o-y, zinc: +21% y-o-y, gold: +15%). Additionally, the production outlook for precious metals is bullish beyond 2025, supported by the possibility of commencement of operations in the Khutianah open pit gold deposits (subject to license approval) and planned expansion at the Guyan mine by way of underground mining.

Future plans: In essence, KSA government's local support on attracting investments worth SAR375bn in the mining sector by 2035 is the pivot to realizing the objectives of Vision 2030. AMAK secured about 8 exploration licenses in FY24 vis a vis 5 licenses



in FY23, spanning across base, precious and industrial metals (manganese, copper, nickel, etc). Although the potential financial impact for the same cannot be determined at this stage until the exploration study is completed, yet there exists scope for a significant capacity uptick in the company's portfolio. The company is focusing on both brownfield and greenfield expansion. AMAK exploration tenements comprises 1,849 km² of land area divided into greenfield exploration tenements (1,501.07 km²) and brownfield exploration tenements including the mining licenses (348 km²). On the back of expectations of new mines, the company targets to extend the life of the mines to more than 20 years with resource development at deeper levels, nearby exploration, local area exploration, greenfield reconnaissance, and exploration in new concessions acquired from the Ministry of Industry and Mineral Resources (MIM).

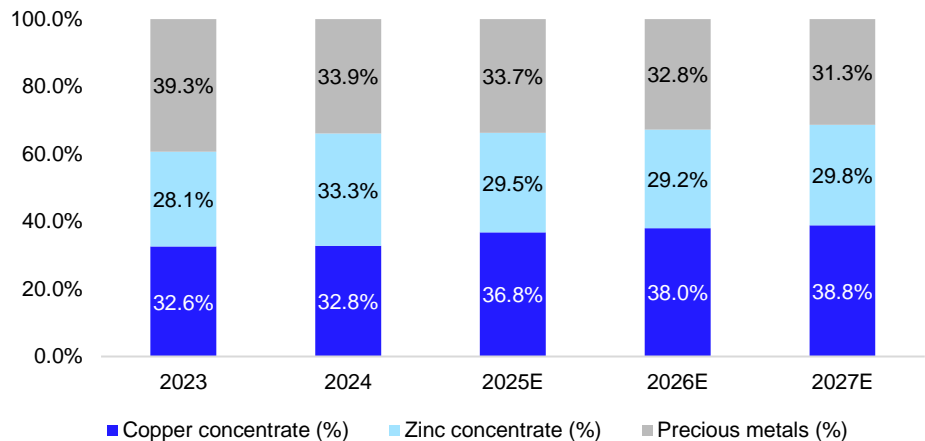
Price outlook: After a stunted commodity price play in FY23, FY24 was marked by a visible improvement in commodity prices across the board (copper, zinc, gold and silver). While the rally in copper prices in 1H24 helped by supply outages fizzled out in the later half, prices for zinc held steady throughout the year while gold prices surged throughout 2024 and to all-time highs in 2025 as the world struggled with geopolitical tensions. Silver prices also reached multi-year highs underpinned by monetary easing and growing demand from renewables. Going forward, the ongoing tariff war is expected to shape the commodity demand-supply dynamics in the near-term. Escalating trade tensions make way for more volatility in the metal market, creating ambiguity in near-term prices. Although the long-term structural narrative for copper as a key in the EV and renewable energy segment stays intact, downside potential exists for copper prices in the current year amid a stronger dollar and anticipated supply chain disruptions as an effect of the trade shake up. We are still slightly cautious on copper, zinc and silver prices for FY25. Accordingly, we assume a marginal discount (3%) on the Bloomberg forecast prices for FY25 and FY26. On the other hand, we assign a 5% premium to Bloomberg forecast prices on gold for FY25 and 3% premium on FY26 prices as we are bullish on gold prices. And, in our opinion, the forward prices for Gold is more accurately considering the current demand for safe assets (forward prices higher by 15% versus forecast prices in 2025).

Figure 1 Production-Price Evolution

Key Indicators	2022	2023	2024	2025E	2026E
Production Volumes (AI Masane + Guyan + Moyeath)					
Copper concentrate (dmt)*	21,190	19,515	24,487	33,400	35,467
Zinc concentrate (dmt)*	41,151	45,700	63,273	76,263	83,956
Gold dore (oz)	30,910	25,581	28,844	30,961	33,202
Silver dore (oz)	87,097	64,687	47,060	48,472	49,441
Gold in copper concentrate (oz)			7,560	10,805	12,243
Silver in copper concentrate (oz)			295,225	467,982	515,161
Silver in zinc concentrate (oz)			17,683	17,216	20,076
Pricing (\$)*					
Copper (\$/mt) #	8,788	8,523	9,266	9,081	9,409
Zinc (\$/mt) #	3,440	2,651	2,811	2,797	2,684
Gold (\$/oz)	1,801	1,943	2,393	3,006	2,909
Silver (\$/oz)	21.8	23.4	28.4	32.5	32.9

Source: Company data, Al Rajhi Capital; # Copper and Zinc Prices are LME averages for historical years; 2025E-2026E are forecasts prices as per Bloomberg; 3% discount assumed on Bloomberg forecast prices for copper, zinc and silver for FY25 and FY26; 5% and 3% premium assumed for Bloomberg forecast prices for gold for FY25 and FY26 respectively; Note: Realised prices can be different from benchmark prices

Figure 2 **Revenue Mix (2023-2027E)**

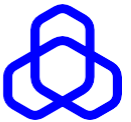


Source: Company data, Al Rajhi Capital; 2025E-2027E is ARC estimates

Valuations: We value the company based on an equally weighted mix of EV/EBITDA and P/E methodologies. AMAK is currently trading at a 2025E EV/EBITDA of ~10.0x which is at a slight premium to global peers, that trade at an average multiple of 6.8x. However, compared to Maaden, the national champion, the company is trading at a discount to its 2025E EV/EBITDA (14.7x). We employ an EV/EBITDA of 12.0x to FY25e EBITDA to arrive at our fair value, given the capital-intensive nature of the business. AMAK has a strategic edge of a strong balance sheet and a healthy exposure to precious metals. Further, the volume growth story is also encouraging. As such, we believe the premium to global peers is well justified. At our 12.0x EV/EBITDA multiple on 2025E EBITDA, we derive a fair value of SAR 68/share. On the other hand, global peers are trading at an average P/E multiple of 13.4x for FY25 while copper players average P/E stands at 19.7x. We assign a higher multiple of 22.0x on Amak's FY25e EPS to arrive at a fair value of SAR 67/share due to the attractive volume growth story and high mix of precious metals in the portfolio. KSA's favorable narrative wherein mining is a cornerstone in realizing Vision 2030 objectives, justifies the higher P/E multiple as compared to peers. Our target price derived through the blended average of P/E and EV/EBITDA methodologies is SAR 67/sh, that provides a decent upside of ~21% from the current market price. Accordingly, we upgrade our rating to 'Overweight' from Neutral.

Figure 3 **Valuations**

Relative Valuation Methodology	EV/EBITDA
2025e EBITDA (SAR mn)	521
Maaden 2025e multiple	14.3x
Target multiple (AMAK)	12.0x
EV (SAR mn)	6,248
Net debt	113
Equity value (SAR mn)	6,135
No. of shares	90
Fair value (per share)	68.2



Relative Valuation Methodology		P/E		
2025e EPS		3.02		
Target multiple (AMAK)		22.0x		
Fair value (per share)		66.5		
Valuation Methodology		share (SAR)	Weightage (%)	Weighted value per share (SAR)
Relative Valuation- EV/EBITDA		66.5	50%	33.2
Relative Valuation- P/E		68.2	50%	34.1
Target Price (per share)				67
Current Price (SAR)				55.5
Upside (%)				21.3%

Source: Al Rajhi Capital

Figure 4 Peer Analysis

Peer Company	Market Cap (SARmn)	EV/EBITDA trailing	EV/EBITDA FY25	P/E trailing	P/E FY25	TTM Dividend Yield (%)
Local Players						
Maaden	171,890	19.1x	14.7x	57.5x	29.1x	NM
Pure Gold Players						
BARRICK GOLD CORP	133,470	7.4x	5.5x	9.9x	12.2x	1.94
NEWMONT CORP	236,660	8.2x	7.2x	16.0x	14.1x	1.79
KINROSS GOLD CORP	69,250	7.4x	6.2x	22.0x	15.0x	0.80
AGNICO EAGLE MINES LTD	231,000	12.5x	10.0x	30.1x	21.7x	1.31
GOLD FIELDS LTD	81,570	8.2x	5.3x	18.3x	9.6x	2.18
ZIJIN MINING GROUP CO LTD-H	238,480	NA	8.7x	11.9x	10.6x	1.88
Pure Copper Players						
Southern Copper	257,490	11.1x	10.9x	19.8x	19.5x	2.3x
Ivanhoe Mines Ltd**	45,480	NA	9.1x	53.3x	19.9x	NA
Lundin Mining	24,890	6.6x	6.4x	63.2x	19.7x	3.4x
Diversified Metal Players						
RIO TINTO LTD	370,820	5.1x	4.5x	10.0x	10.4x	5.58
RIO TINTO PLC	370,850	5.1x	4.7x	8.1x	9.3x	7.10
VALE SA	152,040	3.9x	3.5x	7.1x	5.2x	9.05
BHP GROUP LTD	441,490	4.1x	5.1x	10.3x	10.8x	5.19
MINERAL RESOURCES LTD	7,970	NA	10.1x	NA	NA	NA
KUMBA IRON ORE LTD	19,660	3.6x	3.3x	7.9x	7.4x	12.60
NMDC LTD	25,450	6.1x	5.5x	10.4x	8.0x	4.25
FORTESCUE LTD	110,770	3.8x	4.2x	7.6x	8.7x	9.21
VEDANTA LTD	68,750	6.0x	5.2x	11.9x	10.8x	10.88
Maaden		19.1x	14.7x	57.5x	29.1x	NM
Gold Players Average		8.7x	7.2x	18.1x	13.9x	1.65
Copper Players Average		8.9x	8.8x	45.4x	19.7x	2.83
Diversified Metals Players Average		4.7x	5.1x	9.2x	8.8x	8.0x
Overall Average		7.4x	6.8x	20.8x	13.4x	5.0x

Source: Bloomberg, Al Rajhi Capital; Data as of 16th April 2025; **Ivanhoe multiples have been calculated on a blended basis

Risks: Key downside risks include adverse downside movement in copper, zinc prices, gold and silver prices, delay in commencement of underground mining at the Guyana mine and unplanned outages at the existing mines.

Financials

Figure 5 Income Statement

(SAR mn)	2024	2025E	2026E
Sales	781	1,053	1,123
Cost of Sales	(492)	(610)	(658)
% of revenues	63.1%	58.0%	58.6%
Gross Income	288	442	465
Selling and marketing expenses	(26)	(38)	(38)
General and Administrative expenses	(40)	(49)	(52)
% of revenues	8.5%	8.3%	7.9%
ECL Provision	0	0	0
Operating Expenses	(66)	(87)	(89)
% of revenues	8.5%	8.3%	7.9%
Operating Income	222	355	376
Financial costs	(5)	(6)	(4)
Other income	1	0	0
Profit before tax	218	349	371
Zakat, Tax & Severance fees	(40)	(77)	(82)
Net Profit Before Unusual Items	178	272	290
Non-controlling interest	0	0	0
Net Income	178	272	290
EPS (SAR/sh)	2.0	3.0	3.2
EBITDA	398	521	540

Source: Al Rajhi Capital estimates

Figure 7 Cash Flow Statement

(SAR mn)	2024	2025E	2026E
Cash from operations	316.6	336.8	369.2
Cash from investing	-215.2	-105.2	-109.9
Cash from financing	-198.3	-183.1	-266.2
Net change in cash and cash equivalents	-96.9	48.5	-6.9
Cash and cash equivalents, end of the period	14.0	62.5	55.6

Source: Al Rajhi Capital estimates

Figure 8 Key Ratios

Key metrics	2024	2025E	2026E
Current ratio	2.5x	2.6x	3.0x
Gross margin (%)	36.9%	42.0%	41.4%
EBITDA margin (%)	50.9%	49.5%	48.1%
Operating margin (%)	28.5%	33.7%	33.4%
Net margin (%)	22.8%	25.8%	25.8%
ROA	11.9%	16.8%	17.5%
ROE	14.2%	21.3%	21.9%

Source: Al Rajhi Capital estimates

Figure 6 Balance sheet

(SAR mn)	2024	2025E	2026E
Assets			
Mine properties	302	289	281
Property and Equipment	742	694	648
Right of use assets	1	1	1
Deferred tax	32	32	32
Total non-current assets	1,077	1,017	962
Inventories	114	141	152
Trade and other receivables	249	335	301
Prepayments and advances	45	61	180
Cash and cash equivalents	14	63	56
Total current assets	422	600	689
Total Assets	1,499	1,617	1,652
Liabilities			
Employee benefit obligations	16	18	20
Loans and Borrowings	29	56	47
Non current portion of lease liabilities	1	1	1
Provision for mine closure asset	32	32	32
Total non-current liabilities	77	107	100
Loans and borrowings	35	69	58
Lease liabilities	1	1	1
Trade and other payables	69	86	92
Accruals and other non-financial liabilities	30	40	43
Provision for zakat and income tax	12	12	12
Provision form severance fees	24	24	24
Total current liabilities	170	231	229
Shareholders' equity			
Share capital	900	900	900
Share based compensation expense	2	2	2
Share premium	269	269	269
Statutory reserve	0	0	0
Treasury shares	(24)	(24)	(24)
Retained earnings	105	133	176
Equity attributable to shareholders of the Parent Company	1,252	1,279	1,323
Total Liabilities	1,499	1,617	1,652

Source: Al Rajhi Capital estimates

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