

**Target Price: SAR62/share**  
Current Price: SAR57.80/share  
Upside: +7.3% (+Div. Yield: 3.5%)  
**Rating: Neutral**

## Al Masane Al Kobra Mining Co. (AMAK)

*TP revised to SAR62/sh. on better commodity prices*

- Copper and previous metal prices are expected to remain healthy in 2024, driven by better industry dynamics, while Zinc prices are likely to remain in check.
- Moyoath Processing Plant (Al Masane mine expansion) is expected to begin full-scale operations in 2Q24, driving the top-line and margin expansion.
- Post updating our commodity price deck, we raise our target price to SAR62/share (SAR56/sh.) but remain Neutral on the stock.

**After a challenging 2023, 2024 outlook looks promising:** The outlook for copper in 2024 appears healthy, largely stemming from supply shocks due to i) disruptions resulting from the shutdown of operations in First Quantum's Cobre Panama mine, and ii) production guidance cuts from major miners. The Cobre mine shutdown (which accounts for around 1% of global copper supply), is expected to continue until Panama's May 2024 Presidential election. Based on our calculations, this would result in a copper supply loss of about ~30k tons in 2023e and ~155k tons in 2024e. Though neither of these events are anticipated to turn the copper market from surplus to deficit soon, the tightened supply may reduce the surplus, leading to a more balanced market. This adjustment is crucial in supporting Copper prices (spot prices are already 4% above the avg. 4Q23 prices) in the short term. Separately, Zinc demand is expected to witness modest growth mainly ex-China, while Chinese demand is expected to remain subdued. Current Zinc spot prices are 6% above the 4Q23 avg. prices (and above our earlier estimates). However, the oversupply conditions may keep Zinc price growth in check in 2024e (vs. 23% decline y/y in 2023). Meanwhile, precious metals prices are likely to continue remaining healthy, driven by rate cuts and ongoing geopolitical tensions.

**Moyoath plant on track to start commercial operations in 1Q24:** AMAK recently reported that it has commenced testing the operational readiness of the Moyoath plant, which would extend into 1Q24, indicating a delay from the initial completion schedule set for the end of 2023. Nonetheless, the company remains committed to begin the first commercial production during 1Q24, with full scale operations starting 2Q24 onwards. Post commercialization, AMAK's Zinc and Copper production capacities are expected to increase by 80% and 50%, respectively.

Figure 1: Key financial metrics

| SARmn               | 2022a | 2023e | 2024e | 2025e | 2026e |
|---------------------|-------|-------|-------|-------|-------|
| Revenue             | 583   | 490   | 761   | 817   | 794   |
| Revenue growth      | -1%   | -16%  | 55%   | 7%    | -3%   |
| Gross Profit        | 208   | 121   | 250   | 283   | 275   |
| Gross Profit margin | 36%   | 25%   | 33%   | 35%   | 35%   |
| EBITDA              | 253   | 191   | 357   | 390   | 367   |
| Net profit          | 126   | 61    | 177   | 208   | 203   |
| Net profit margin   | 22%   | 12%   | 23%   | 25%   | 26%   |
| EPS (SAR)           | 1.4   | 0.7   | 2.0   | 2.3   | 2.3   |
| EV/EBITDA           | 18.3x | 24.3x | 13.0x | 11.9x | 12.7x |
| P/E                 | 41.2x | 85.6x | 29.4x | 25.1x | 25.6x |

Source: Company data, GIB Capital

### Stock data

|                       |       |
|-----------------------|-------|
| TASI ticker           | 1322  |
| Mcap (SARmn)          | 5,202 |
| Trd. Val (3m) (SARmn) | 14.4  |
| Free float            | 56.5% |
| QFI holding           | 6.8%  |
| TASI FF weight        | 0.20% |

Source: Bloomberg

### AMAK share price vs TASI



Source: Bloomberg

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**Revision in estimates:** Based on the recent industry developments, we have revised our commodity price forecast upwards in the range of 1-6% for 2024e (Figure 2). Consequently, our revised projection suggests a slight uptick in top-line growth. The expected boost in revenue due to higher commodity prices, combined with the company's stable cost structure, has prompted an upward revision in the gross margin forecast for 2024e. Consequently, we have increased our estimated gross margin by +2ppts to ~33% in 2024e. In addition, the commencement of operations at the Moyeath plant is also expected to unlock synergies and result in economies of scale, providing further support to the gross and operating margins. Overall, we now expect top-line and EBITDA to increase at CAGR of 8% and 10%, respectively over 2022-26e.

Figure 2: Revision in estimates

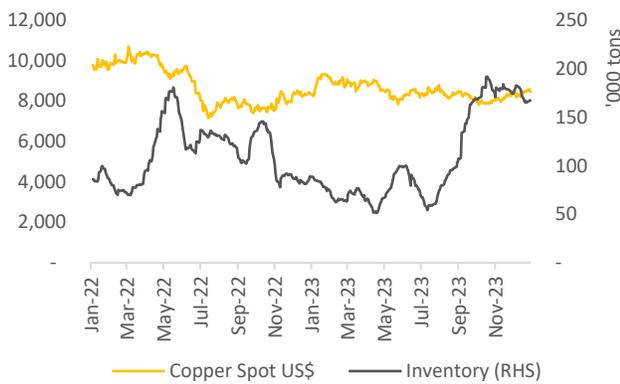
|                           | Spot   | Previous |       | Current |       | Revision (%) |       |
|---------------------------|--------|----------|-------|---------|-------|--------------|-------|
|                           | Prices | 2024e    | 2025e | 2024e   | 2025e | 2024e        | 2025e |
| <b>Prices</b>             |        |          |       |         |       |              |       |
| Zinc (US\$/t)             | 2,658  | 2,515    | 2,756 | 2,657   | 2,682 | 6%           | -3%   |
| Copper (US\$/t)           | 8,559  | 8,699    | 9,053 | 8,802   | 9,300 | 1%           | 3%    |
| Gold (US\$/oz)            | 2,063  | 2,027    | 1,900 | 2,126   | 2,048 | 5%           | 8%    |
| Silver (US\$/oz)          | 24     | 24       | 24    | 25      | 25    | 3%           | 6%    |
| <b>Financials (SARmn)</b> |        |          |       |         |       |              |       |
| Revenue                   |        | 748      | 800   | 761     | 817   | 2%           | 2%    |
| Gross Profit              |        | 228      | 266   | 250     | 283   | 10%          | 6%    |
| GPM %                     |        | 30.5%    | 33.3% | 32.8%   | 34.6% |              |       |
| EBITDA                    |        | 331      | 362   | 357     | 390   | 8%           | 8%    |
| EBITDA margin (%)         |        | 44.2%    | 45.3% | 46.9%   | 47.7% |              |       |
| Net profit                |        | 160      | 196   | 177     | 208   | 11%          | 6%    |
| NPM %                     |        | 21.4%    | 24.5% | 23.3%   | 25.4% |              |       |

Source: Bloomberg, GIB Capital

**Valuation and Risks:** Going forward, we anticipate a favorable upturn in the company's performance in 2024, driven by improvement in commodity prices and a rise in earnings post the commencement of commercial operation in the Moyeath plant. With lower effective tax rates (10-12% of PBT) than that of global peers (30-40%) and high growth potential, we believe EV/EBITDA multiples are justified at 2x of global peers. Amak's global mining counterparts have experienced a revaluation in their valuation multiples in recent months due to the aforementioned industry developments. As a result, we have revised our target price upwards to SAR62/sh. (SAR56/sh. earlier), using an equal weightage of DCF and EV/EBITDA (~15x on 2024e EBITDA) methods, but remaining Neutral on the stock. However, it is important to note some risks Amak faces, such as life of existing mines' being different from expectations, changes in the composition of the metal mix, collapse in commodity prices, and geo-political risks are key risks.

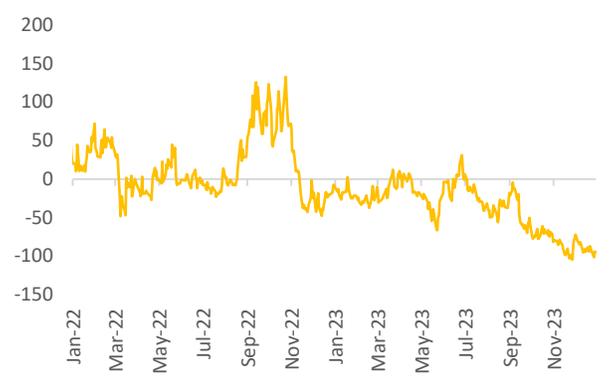
## Commodity prices

Figure 3: LME Copper prices vs. inventory level



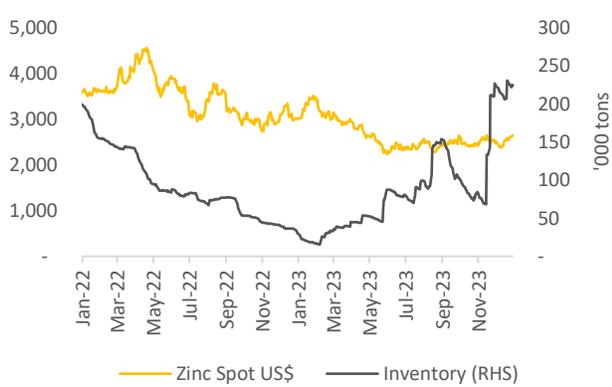
Source: Bloomberg, Datastream, GIB Capital

Figure 4: LME Copper spreads (spot - 3M) – US\$/t



Source: Bloomberg, GIB Capital

Figure 5: LME Zinc prices vs. inventory level



Source: Bloomberg, Datastream, GIB Capital

Figure 6: LME Zinc spreads (spot - 3M) – US\$/t



Source: Bloomberg, GIB Capital

Figure 7: Gold prices - US\$/oz



Source: Bloomberg, GIB Capital

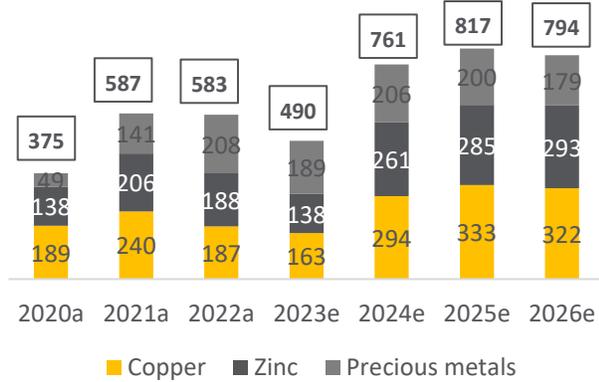
Figure 8: Silver prices - US\$/oz



Source: Bloomberg, GIB Capital

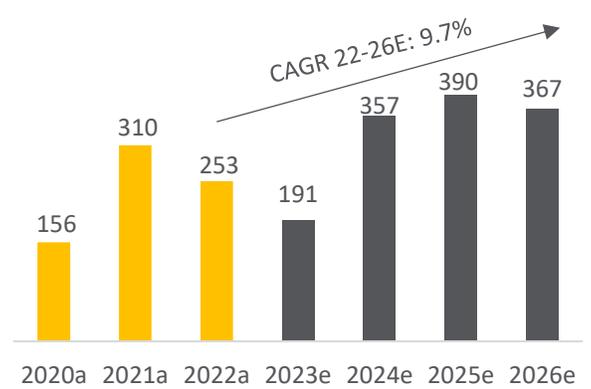
## Financial analysis in charts

Figure 9: Revenue Mix (SAR mn)



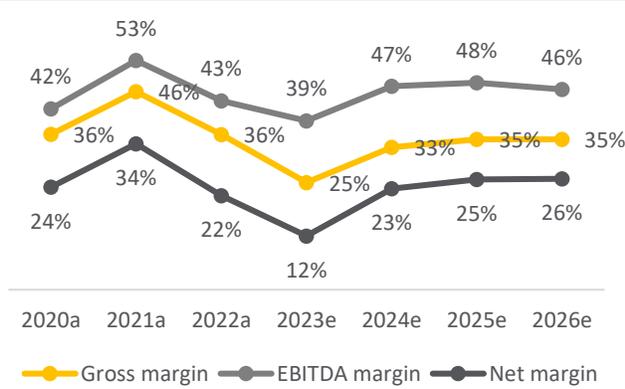
Source: Company data, GIB Capital

Figure 10: EBITDA (SAR mn)



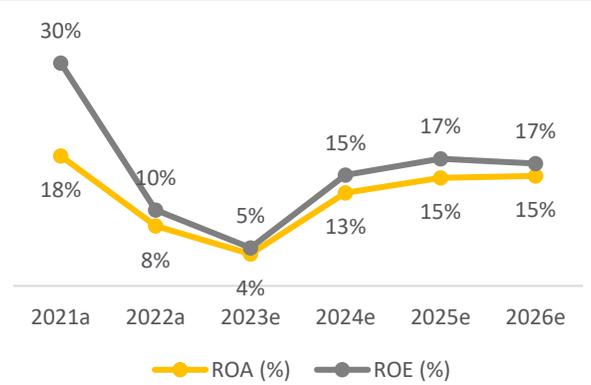
Source: Company data, GIB Capital

Figure 11: Margin trend



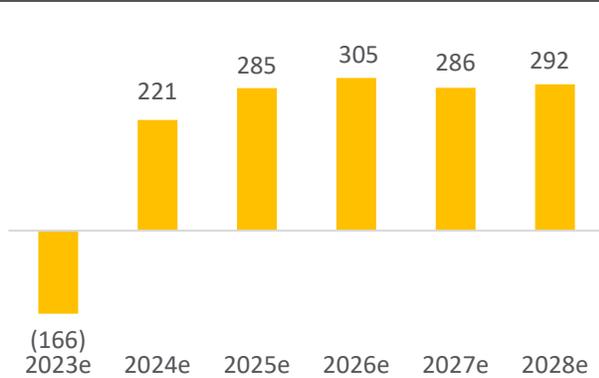
Source: Company data, GIB Capital

Figure 12: ROA and ROE trend



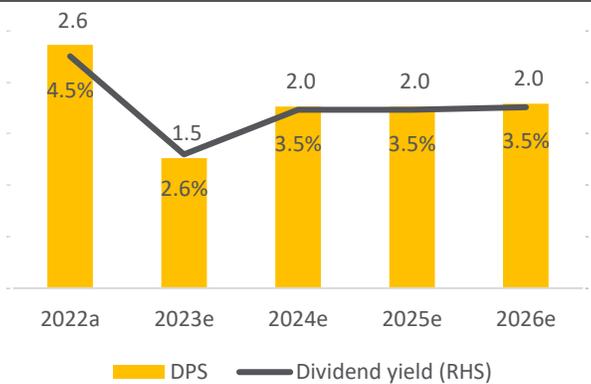
Source: Company data, GIB Capital

Figure 13: FCF (SAR mn)



Source: GIB Capital

Figure 14: Dividend trend



Source: Company data, GIB Capital

## Financials

Figure 13: Summarized basic financial statements (SARmn)

| Income statement          | 2022a      | 2023e      | 2024e      | 2025e      | 2026e      |
|---------------------------|------------|------------|------------|------------|------------|
| <b>Revenue</b>            | <b>583</b> | <b>490</b> | <b>761</b> | <b>817</b> | <b>794</b> |
| Revenue y/y               | -1%        | -16%       | 55%        | 7%         | -3%        |
| COGS                      | 374        | 369        | 511        | 534        | 519        |
| <b>Gross Profit</b>       | <b>208</b> | <b>121</b> | <b>250</b> | <b>283</b> | <b>275</b> |
| Gross Profit margin       | 36%        | 25%        | 33%        | 35%        | 35%        |
| Sales & Marketing         | 25         | 15         | 22         | 24         | 23         |
| G&A                       | 40         | 42         | 38         | 37         | 36         |
| <b>Operating profit</b>   | <b>144</b> | <b>65</b>  | <b>190</b> | <b>223</b> | <b>216</b> |
| Operating margin          | 25%        | 13%        | 25%        | 27%        | 27%        |
| Finance costs             | 12         | 8          | 3          | 3          | 1          |
| <b>Net income</b>         | <b>126</b> | <b>61</b>  | <b>177</b> | <b>208</b> | <b>203</b> |
| Net margin                | 22%        | 12%        | 23%        | 25%        | 26%        |
| y/y                       | -36%       | -52%       | 191%       | 17%        | -2%        |
| <b>EPS</b>                | <b>1.4</b> | <b>0.7</b> | <b>2.0</b> | <b>2.3</b> | <b>2.3</b> |
| DPS                       | 2.6        | 1.5        | 2.0        | 2.0        | 2.0        |
| Payout                    | 185%       | 222%       | 102%       | 87%        | 90%        |
| <b>EBITDA</b>             | <b>253</b> | <b>191</b> | <b>357</b> | <b>390</b> | <b>367</b> |
| Net debt (w/o lease lia.) | (174)      | 97         | 49         | (64)       | (196)      |

| Balance Sheet                       | 2022a        | 2023e        | 2024e        | 2025e        | 2026e        |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Inventories                         | 83           | 91           | 112          | 117          | 114          |
| Trade Receivables                   | 162          | 141          | 188          | 202          | 196          |
| Prepayments and Others              | 147          | 137          | 152          | 163          | 159          |
| Cash and Equivalents                | 773          | 379          | 491          | 620          | 665          |
| <b>Total Current Assets</b>         | <b>773</b>   | <b>379</b>   | <b>491</b>   | <b>620</b>   | <b>665</b>   |
| Right of use assets                 | 9            | 7            | 6            | 5            | 4            |
| Property, Plant & Equipment         | 737          | 983          | 866          | 754          | 656          |
| <b>Total Non-Current Assets</b>     | <b>775</b>   | <b>1,019</b> | <b>901</b>   | <b>788</b>   | <b>689</b>   |
| <b>Total Assets</b>                 | <b>1,548</b> | <b>1,399</b> | <b>1,393</b> | <b>1,407</b> | <b>1,354</b> |
| Current Liabilities                 | 179          | 144          | 106          | 115          | 92           |
| Non-current Liabilities             | 149          | 83           | 118          | 97           | 47           |
| Equity                              | 1,220        | 1,171        | 1,168        | 1,196        | 1,216        |
| <b>Total Equity and Liabilities</b> | <b>1,548</b> | <b>1,399</b> | <b>1,393</b> | <b>1,407</b> | <b>1,354</b> |
| BVPS                                | 21.4         | 20.5         | 20.5         | 21.0         | 21.3         |

| Cashflow                 | 2022e      | 2023e       | 2024e     | 2025e     | 2026e     |
|--------------------------|------------|-------------|-----------|-----------|-----------|
| Cashflow from Operations | 140        | 211         | 277       | 347       | 366       |
| Cashflow from Investing  | -146       | -371        | -49       | -53       | -52       |
| Cashflow from Financing  | 313        | -211        | -199      | -195      | -255      |
| <b>Total Cashflows</b>   | <b>307</b> | <b>-371</b> | <b>30</b> | <b>98</b> | <b>60</b> |

Source: Company, GIB Capital

Figure 14: Key ratios

| Key ratios                          | 2022a | 2023e | 2024e | 2025e | 2026e |
|-------------------------------------|-------|-------|-------|-------|-------|
| <b>Profitability ratios</b>         |       |       |       |       |       |
| RoA                                 | 8.2%  | 4.3%  | 12.7% | 14.7% | 15.0% |
| RoE                                 | 10.4% | 5.2%  | 15.1% | 17.4% | 16.7% |
| Sales/Assets                        | 37.6% | 35.1% | 54.6% | 58.1% | 58.6% |
| EBITDA margin                       | 43.5% | 38.9% | 46.9% | 47.7% | 46.2% |
| Net margin                          | 21.7% | 12.4% | 23.3% | 25.4% | 25.6% |
| <b>Liquidity ratios</b>             |       |       |       |       |       |
| Current Assets/ Current Liabilities | 4.3   | 2.6   | 4.6   | 5.4   | 7.2   |
| Debt to Total Equity                | 17%   | 9%    | 5%    | 5%    | 8%    |
| Receivable Days                     | 102   | 105   | 90    | 90    | 90    |
| Inventory Days                      | 81    | 90    | 80    | 80    | 80    |
| Payable days                        | 26    | 26    | 30    | 30    | 30    |
| <b>Debt ratios</b>                  |       |       |       |       |       |
| Net Debt/EBITDA*                    | -0.7  | 0.5   | 0.1   | -0.2  | -0.5  |
| Debt/Assets*                        | 0.1   | 0.1   | 0.1   | 0.1   | 0.0   |
| <b>Valuation ratios</b>             |       |       |       |       |       |
| P/E                                 | 41.2  | 85.6  | 29.4  | 25.1  | 25.6  |
| P/B                                 | 2.7   | 2.8   | 2.8   | 2.8   | 2.7   |
| EV/EBITDA                           | 18.3  | 24.3  | 13.0  | 11.9  | 12.7  |
| FCF yield                           | -0.1% | -3.2% | 4.2%  | 5.5%  | 5.9%  |
| Div. Yield                          | 4.5%  | 2.6%  | 3.5%  | 3.5%  | 3.5%  |

Source: Company data, GIB Capital. \* W/o IFRS liabilities

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