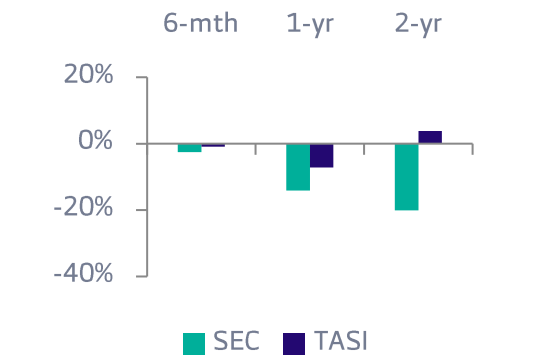


Market Data	
52-week high/low	SAR 17.3/13.7
Market Cap	SAR 61,041 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	1,433,691
Bloomberg Code	SECO AB



Higher Costs Pressure Margins

November 11, 2025

Upside to Target Price	19.5%	Rating			Buy	
Expected Dividend Yield	4.8%	Last Price			SAR 14.65	
Expected Total Return	24.3%	12-mth target			SAR 17.50	
SEC	3Q2025	3Q2024	Y/Y	2Q2025	Q/Q	RC Estimate
Sales	31,047	28,316	10%	27,722	12%	33,412
Gross Profit	7,458	8,757	(15%)	7,351	1%	10,324
Gross Margins	24%	31%		26%		31%
Operating Profit	7,016	8,284	(15%)	6,758	4%	9,644
Net Profit*	5,332	6,898	(23%)	5,284	1%	8,169

(All figures are in SAR mln)

* Before deducting Mudaraba Instrument.

- SEC posted +10% Y/Y rise in revenues to SAR 31.0 bln due to an increase in the regulated asset base (RAB) as well as higher pass-through costs in the required revenue. At the same time, growth also resulted from higher electricity production revenue on higher generation capacity and improved availability to meet growing demand from existing and new subscribers. However, topline was below our SAR 33.4 bln expectations.
- Despite an increase in revenues, gross profit declined by -15% Y/Y to SAR 7.5 bln with gross margins coming in at just 24% versus 31% last year and 26% in the preceding quarter. We believe a +23% Y/Y rise in purchased power costs and a +30% Y/Y growth in operations and maintenance costs coupled with higher depreciation (on higher asset base) are to blame. With higher finance costs Y/Y and lower share of profit from equity investments weighing-in, net profit fell by -23% Y/Y to SAR 5.3 bln as compared to our more optimistic SAR 8.2 bln estimate.
- During the 9 months of 2025, SEC has incurred a Capex of SR 74 bln, highest in its history, which will drive RAB growth and business expansion going forward. The Company has added almost 183k new subscribers in the nine months taking the total to 11.5 mln customers. Power generation capacity stands at 93.8 GW (+5% Y/Y), of which SEC owns 60%.
- We continue our Buy recommendation albeit with a trimmed target price of SAR 17.50. Dividend yield of 4.8% is a sweetener.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact research@riyadcapital.com

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