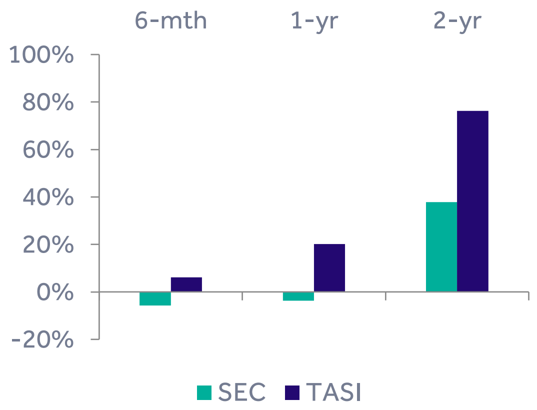
Saudi Electricity Company (SEC) 1Q2022 First Look

Meets Expectations

May 22, 2022

Upside to Target Price	9.0%	Rating	Neutral
Expected Dividend Yield	3.1%	Last Price	SAR 22.94
Expected Total Return	12.1%	12-mth target	SAR 25.00

Market Data	
52-week high/low	SAR 31.00/22.82
Market Cap	SAR 95, 582 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	3,381,159
Bloomberg Code	SECO AB



SEC	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Operating Revenue	13,531	13,348	1%	15,017	(10%)	13,356
Gross Profit	2,638	2,928	(10%)	2,001	32%	2,286
Gross Margins	19%	22%		13%		17%
Operating Profit	2,209	2,281	(3%)	850	160%	2,066
Net Profit*	(372)	(200)	(86%)	(2,421)	85%	(395)

(All figures are in SAR mln)
* After deducting Mudaraba Instrument.

- On a yearly basis, SEC witnessed a slight increase by +1% in operating revenues to reach SAR 13.5 bln (in-line with our expectations), as a result of higher electricity sales (driven by the growth in government and industrial segments, which was partially offset by a decline in residential) along with a rise in transmission usage of system. There was a lower recognition of balancing account of SAR 399 mln, compared to SAR 575 mln in 1Q2021.
- Cost of revenues at SAR 10.9 bln increased by +5% Y/Y, due to higher fuel, purchased power (in line with higher production) and operating & maintenance costs (due to higher insurance and other HR related costs). Therefore, gross profit decreased by -10% Y/Y reaching SAR 2.6 bln as well as a gross margin contraction by -275 bps to stand at 19% in 1Q2022.
- On the operational side, subscribers' base continued to increase, adding 99K new subscribers Y/Y to reach 10.6 mln customers. Electric power volume grew by +1% Y/Y to 54.2TWh this quarter compared to 53.5 TWh in 1Q2021.
- For 1Q2022, SEC reported a net income of SAR 1.5 bln (before deducting Mudaraba Instrument of SAR 1.9 bln), declined by -10% Y/Y, mainly due to lower recognition of the balancing account, higher cost of revenue, G&A expenses and financing cost despite higher electricity sales and TUOS revenues and lower provision for doubtful debts.

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Disclaimer

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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