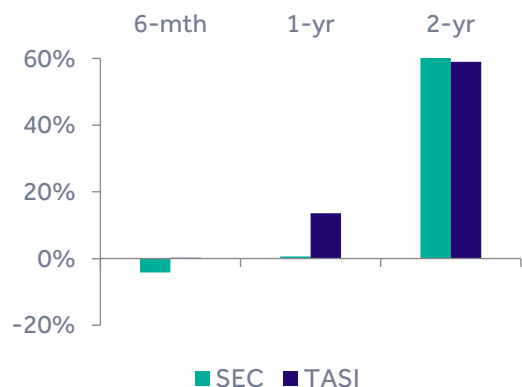


Market Data	
52-week high/low	SAR 31.00/21.74
Market Cap	SAR 108,748 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	3,159,321
Bloomberg Code	SECO AB



Higher Booked Receivable Provisions Impact NI

August 23, 2022

Upside to Target Price	(4.2%)	Rating	Neutral
Expected Dividend Yield	2.7%	Last Price	SAR 26.10
Expected Total Return	(1.5%)	12-mth target	SAR 25.00

SEC	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Operating Revenue	19,402	18,580	4%	13,531	43%	18,411
Gross Profit	6,545	6,458	1%	2,638	148%	5,519
Gross Margins	34%	35%		19%		30%
Operating Profit	5,861	6,129	(4%)	2,209	165%	5,238
Net Profit*	3,592	3,918	(8%)	(372)	-	2,810

(All figures are in SAR mln)

* After deducting Mudaraba Instrument.

- SEC in 2Q2022 improved its operating revenues by +4% Y/Y to reach SAR 19.4 bln (in-line with our expectations), mainly driven by higher electricity sales, which were up by +4% Y/Y reaching SAR 17.4 bln as a result of the increase in the Commercial, Government and Industrial segments, as well as a growing subscriber base.
- On a yearly basis, Gross Profit was almost stable at SAR 6.5 bln. However, the gross margin contracted to 33.7% in 2Q2022 compared to 34.8% in 2Q2021, which we believe is due to the negative impact resulting from the higher fuel costs (in line with higher production), higher Purchased Power costs and higher Operations & Maintenance costs (due to contract costs).
- Operating Profit decreased by -4% Y/Y reaching SAR 5.9 bln, as G&A Expenses were up by +27% Y/Y to SAR 256 mln, mainly due to absence of recovery of training services from HRDF.
- Higher operating revenues have completely offset the increase in operating costs and G&A expenses. Yet, higher booked receivable provisions due to increased average ageing, reduced the net income before Mudaraba Instrument for 2Q2022 by -6% Y/Y to reach SAR 5.5 bln (SAR 3.6 bln after deducting Mudaraba Instrument).

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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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