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Net losses of SAR 2.4 bln in 4Q2021

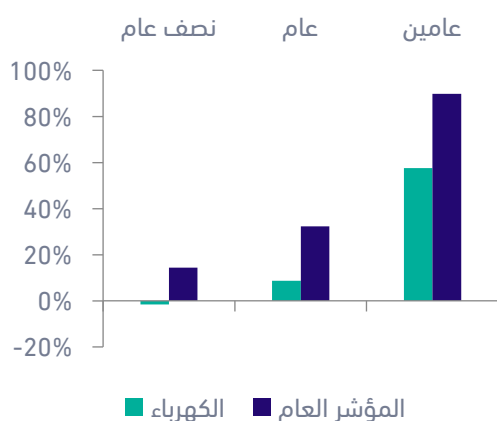
Upside to Target Price	(7.2%)	Rating	Neutral
Expected Dividend Yield	2.6%	Last Price	SAR 26.95
Expected Total Return	(4.6%)	12-mth target	SAR 25.00

Market Data	
52-week high/low	SAR 31.00/23.24
Market Cap	SAR 112,290 mln
Shares Outstanding	4,167 mln
Free-float	18.78%
12-month ADTV	3,547,859
Bloomberg Code	SECO AB

SEC	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Operating Revenue	15,016	20,126	(25%)	22,037	(32%)	18,731
Gross Profit	2,001	5,386	(63%)	8,800	(77%)	6,931
Gross Margins	13%	27%		40%		37%
Operating Profit	849	5,257	(84%)	7,990	(89%)	6,150
Net Profit*	(2,438)	3,207	-	5,448	-	3,657

(All figures are in SAR mln)

* After deducting Mudaraba Instrument.



- For 2021, SEC reported a stable operating revenue of SAR 69.3 bln. However, NI before deducting Mudaraba Instrument significantly jumped to reach SAR 14.4 bln compared to SAR 3.0 bln in 2020, as a result of the implementation of the regulatory and financial reforms during the year along with, lower G&A expenses and non-recurring expenses (a one-off fuel disputes settlement related to previous years), which have partially offset higher zakat provisions and accounts receivable provisions.
- On a yearly basis, operating revenues of SAR 15.0 bln in 4Q2021 were lower by -25%, we believe mainly due to SEC's recognition of SAR 6.1 bln as a one-off balancing account in 4Q2020. On Q/Q, it went down by -32% as a result of the seasonality effect.
- On the operational side, electric power volume increased by +6% Y/Y reaching 292.7 TWh in 2021, mainly due to the recovery from Covid-19 impact and continued growth in subscribers' base (which was up by +4% Y/Y to reach 10.5 mln customers).
- SEC reported net losses of SAR (2.4) bln in 4Q2021 (after deducting Mudaraba Instrument of SAR 1.9 bln). The deviation versus our estimates was primarily due to lower sales and higher-than-expected operating expenses.
- The Board of Directors of SEC recommended a cash dividend of SAR 0.7 per share for 2021. We maintain our target price of SAR 25.00 per share and Neutral rating.

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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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