Saudi Energy Company

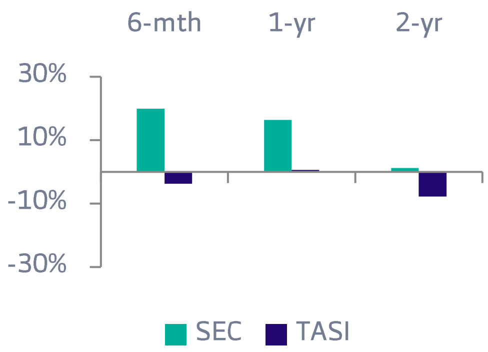
2Q2026 First Look

Operating & Finance Costs Hurt Margins

August 12, 2026

Upside to Target Price	0.0%	Rating	Neutral
Expected Dividend Yield	4.0%	Last Price	SAR 17.00
Expected Total Return	4.0%	12-mth target	SAR 17.00

Market Data	
52-week high/low	SAR 18.5/13.0
Market Cap	SAR 70,832 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	1,559,210
Bloomberg Code	SECO AB



SEC	2Q2026	2Q2025	Y/Y	1Q2026	Q/Q	RC Estimate
Sales	30,864	27,722	11%	21,336	45%	30,494
Gross Profit	7,293	7,351	(1%)	3,806	92%	8,233
Gross Margins	24%	27%		18%		27%
Operating Profit	6,630	6,758	(2%)	3,172	109%	7,485
Net Profit*	4,891	5,284	(7%)	1,833	167%	6,073

(All figures are in SAR mln)

* Before deducting Mudaraba Instrument.

- Saudi Energy posted a strong +11% Y/Y growth in revenues to SAR 30.9 bln, close to our forecast of SAR 30.5 bln. This growth was led by higher required revenues on RAB growth as well as energy costs passthrough coupled with higher projects revenues as well as a rise (+47k) in the customer base, which reached 11.6 mln customers. The transmission and distribution RAB witnessed a +14% Y/Y growth to SAR 272 bln. Energy sold was almost flat at 161 TWh as lower industrial demand offset demand growth across other segments.
- Against our expectations of stable gross margins Y/Y, gross margins actually contracted from 26.4% last year to 23.6% this year, resulting in a -1% decline in gross profit to SAR 7.3 bln, lower than our SAR 8.2 bln estimate. Finance costs jumped +23% Y/Y to SAR 1.36 bln for the quarter as debt increased by SAR 48bln in 1H2026 (LT total debt at SAR 218 bln) to fund capex plans.
- The -7% Y/Y lower bottom line of SAR 4.9 bln can be attributed to higher operations and maintenance costs in addition to +23% Y/Y rise in financial costs. We were forecasting higher net income of SAR 6.1 bln.
- Our long-term constructive view on Saudi Energy remains on growing infrastructure to support the economic transformation plans. Growth plans do imply rising financing needs and finance costs. We maintain our target and Neutral rating. There has been little stock price movement since our last report. Watch for 4% dividend yield.

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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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