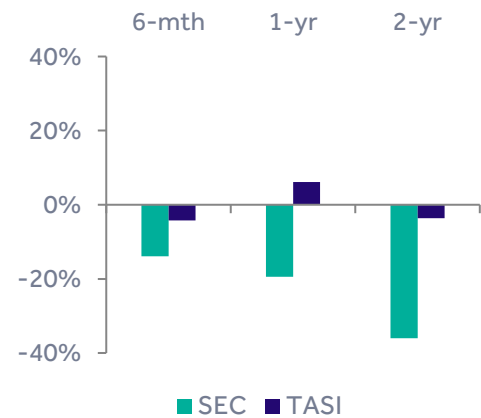


Market Data	
52-week high/low	SAR 21. 12/16.10
Market Cap	SAR 70,665 mln
Shares Outstanding	4,167 mln
Free-float	18.76%
12-month ADTV	881,795
Bloomberg Code	SECO AB



■ **Topline Grows an Impressive 13% Y/Y**

August 21, 2024

Upside to Target Price6.1%

Expected Dividend Yield4.2%

Expected Total Return10.3%

RatingLast Price12-mth target

NeutralSAR 16.96SAR 18.00

SEC	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Operating Revenue	22,379	19,718	13%	15,858	41%	20,309
Gross Profit	5,167	6,055	(15%)	2,140	141%	6,295
Gross Margins	23%	31%		14%		31%
Operating Profit	5,589	5,834	(4%)	2,019	177%	6,100
Net Profit*	4,345	4,017	8%	897	384%	4,845

(All figures are in SAR mln)

\* Before deducting Mudaraba Instrument.

- Saudi Electricity’s topline grew by an impressive +13% Y/Y to SAR 22.4 bln in 2Q, however, this could not be fully translated into the bottomline, which rose by +8% Y/Y. Higher required revenues (due to an increase in regulatory WACC) in conjunction with a rising regulated asset base (+4.5% to SAR 214 bln) were the primary drivers. At the same time, rising power demand (+6.1%) coupled with a continued growth in the subscriber’s base (+165k new subscribers) in addition to new revenues from development projects to construct substations and transmission lines for customers helped in pushing up revenues.
- Gross profit declined by -15% Y/Y to SAR 5.2 bln as gross margins declined to 23% versus 31% last year. +48% Y/Y rise in purchased power and +28% growth in operations and maintenance expense are culprits. Capex for 1H2024 has now increased by +63% Y/Y to SAR 25.1 bln on account of generation, transmission, distribution and general projects as SEC invests in infrastructure to meet higher demand. EBITDA declined up -2.3% Y/Y to SAR 10.5 bln.
- Net profit for 2Q came in at SAR 4.3 bln, up +8% Y/Y but missed our SAR 4.8 bln forecast largely due to lower margins. Besides the rise in revenues, decline in finance costs, lower provisions and an increase in other income due to a one-off settlement with a supplier led to the +8% growth in bottomline. Post Mudaraba instrument, SEC recorded a profit of SAR 2.2 bln for the quarter. We trim out target price to SAR 18.00 from SAR 20.00 and maintain our Neutral rating.

Muhammad Faisal Potrik  
muhammed.faisal@riyadcapital.com  
+966-11-203-6807

## ■ 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](mailto:research@riyadcapital.com)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.