

SAUDI ELECTRICITY



EVENT FLASH

2Q11 preliminary results in line with our estimates

Saudi Electricity (SEC) announced its 4Q10 preliminary results on 16 July 2011. Net income came in at SR1,335mn in line with our estimate of SR1,332mn. The YoY growth of 25% is likely on the back of the tariff revision in 3Q10.

- Net income came in at SR1,335mn, in line with our estimates:** The 2Q11 net income came in at SR1,335mn compared to SR1,068mn in 2Q10. This implies a YoY growth of 25%. The 1Q11 net income came in at a loss of SR774mn. These results are in line with our estimates of SR1,332mn.
- Operating income came in at SR1,237mn, in line with our estimates:** Operating income for 2Q11 came in at SR1,237mn compared to SR975mn in 2Q10 implying a YoY growth of 27%. This figure is in line with our estimates of SR1215mn.
- Earnings improved YoY on the back of seasonal demand:** The reported figures came in higher than last year and in line with our estimates. SEC incurs seasonal profits every second and third quarter of the year due to the seasonality of demand in Saudi. Furthermore, in our view, the main reason behind the increase in earnings during 2Q11 compared to 2Q10 is the revision of tariffs last year. The revised tariffs on industrial, commercial and government customers became effective on July 01, 2010.
- We remain Neutral on the stock:** We are currently Neutral on SEC with a price target of SR15.1. We await the full financials to update our model.

2Q11 Results Summary

SR mn	2Q11A	1Q11A	2Q10A	YoY %	2Q11E	Var^%
Operating income	1237	(883)	975	27	1215	1.77
Net income	1335	(774)	1068	25	1332	0.23
EPS (SR)	0.32	(0.07)	0.26	23	0.32	0)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts
 NM: Not meaningful

NEUTRAL

Target price	15.1
Current price (SR)	13.5

STOCK DETAILS

M52-week range H/L (SR)	15.6/12.05
Market cap (\$mn)	14,944
Shares outstanding (mn)	4166.6
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.8	(3.4)	23.1
Rel. to market	(1.3)	(11.5)	17.3

Avg daily turnover (mn)	SR	US\$
3M	52.0	13.9
12M	56.3	15.0

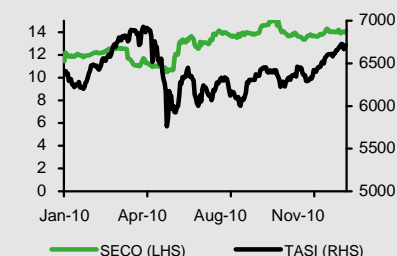
Reuters code	5110.SE
Bloomberg code	SECO AB
	www.se.com.sa

VALUATION MULTIPLES

	09A	10E	11E
Reported P/E (x)	50.2	24.3	13.5
Implied P/E (x)	65.9	31.9	17.7
P/B (x)	1.2	1.2	1.1
EV/EBITDA (x)	8.6	7.0	5.5
Div Yield (%)	5.0	5.0	5.0

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Bloomberg

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NCBC Investment Ratings

OVERWEIGHT:	Target price represents expected returns in excess of 15% in the next 12 months
NEUTRAL:	Target price represents expected returns between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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