UTILITIES | 20 April 2010

EVENT FLASH

Saudi Electricity Co

1Q10 preliminary results

Neutral

Price (SR)	**11.1**
12M target price (SR)	**13.0**
Potential upside (%)	↑ 17.5

Stock details

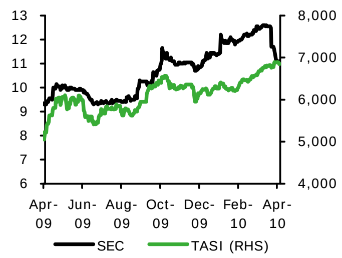
52-week range H/L (SR)			12.7/9.2
Market cap ($mn)			46249.2
Shares outstanding (mn)			4166.6
Listed on exchanges			TADAWUL
Price perf. (%)	**1M**	**3M**	**12M**
Absolute	(10.8)	(7.9)	20.0
Rel. to market	(13.5)	(15.5)	(10.5)
Avg daily turn.(mn)		**SR**	**US$**
3M		23.9	6.4
12M		24.5	6.5
Reuters code			5110.SE
Bloomberg code			SECO AB
Website			www.se.com.sa

Valuation multiples

	09	10E	11E
P/E (x)	39.5	38.6	32.1
P/B (x)	0.9	0.9	0.9
EV/EBITDA (x)	7.1	6.6	5.9
Div yield (%)	6.3	6.3	6.3

Source: NCBC Research estimates

Share price performance



Source: Bloomberg

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Please refer to the last page for important disclaimer

Saudi Electricity Co. (SEC) reported their 1Q10 figures on April 20 2010. Net loss came in at SR782mn vs. NCBC estimates of a net loss of SR973mn

- **Net loss** for 1Q10 came in at SR782mn or 19.6% above our estimate of a loss of SR973mn. The net loss increased by 1.4% on a YoY basis from a net loss SR771mn in 1Q09.
- **Operating loss** for 1Q10 came in at SR888mn versus NCBC estimate of a loss of SR1,094mn. On a YoY basis, the operating loss improved 1.0% from a loss of SR897mn in 1Q09.
- **EPS** for 1Q10 came in at SR(0.19) versus NCBC estimate of SR(0.23)/share, but remained flat on a YoY basis.

COMMENTARY

- The company attributed the increase in net losses to higher purchased energy costs due to higher demand for energy. Depreciation charges, according to the company, contributed to the rise in net losses as a result of the commission of new projects. As we highlighted earlier, these two cost components remain the downside risk factors to our valuation.
- Energy consumption in Saudi Arabia is highly seasonal resulting in operating losses every first and fourth quarter of the year. This is due to lower use of air conditioning during the winter season.
- Given the better than expected performance during the quarter, we see upside to our forecasts, however we await the full financial results to have a better understating of the variance from our estimates and we will update our numbers accordingly.

Results summary

		1Q10A	1Q10E	Var* (%)	1Q09A	YoY chg(%)
Operating loss	SR mn	(888)	(1,094)	(18.8)	(897)	(1.0)
Net loss	SR mn	(782)	(973)	(19.6)	(771)	1.4
EPS	SR	(0.19)	(0.23)	(19.6)	(0.19)	-

Source: Company, NCBC Research estimates
* Variance from our estimate

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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

IMPORTANT INFORMATION