

## SAUDI ELECTRICITY



## EVENT FLASH

## Disappointing 4Q11 preliminary results

Saudi Electricity announced its 4Q11 preliminary results on 18 January 2012 before market hours. The company reported a net loss of SR514mn, significantly worse than our estimate of a net loss of SR170mn. On a YoY basis, the company's earnings fell 2.5% YoY. We await the detailed results before updating our model.

- Greater net loss during 4Q11:** 4Q11 net loss came in at SR514mn compared to a net loss of SR324mn in 4Q10 and behind our expectations of a net loss of SR170mn and consensus net loss of SR162mn. SEC incurs seasonal losses every first and last quarter of the year due to the seasonality of demand in Saudi.
- Operating losses worse than expected:** 4Q11 came in at SR665mn below our estimate of SR311mn. 4Q11 losses increased from the SR435mn reported in 4Q10.
- Earnings worsen on an annual basis:** The reported figures came in worse than last year (higher losses), and behind our expectations. According to the release on tadawul, the company attributed the weak performance to higher depreciation expenses as well as increased cost of purchased energy during 4Q11. The key issue with SEC remains that the company is undergoing significant expansions plans leading to high capex and therefore higher depreciation charges. Additionally, its increased reliance on IPP's and the increased cost of this, coupled with SEC's constraints in terms of passing this on to end consumers, is holding back profitability at SEC.
- 2011 earnings down 2.5% YoY:** The company reported a net income of SR2,221mn for 2011, a 2.5% decline from its 2010 net income of SR2,593. SEC plans to distribute SR0.53 of dividends per share for this year.
- We are currently Neutral on Saudi Electricity with a PT of SR14.7. We await the full financials before updating our model.

## 4Q11 Results Summary

SR mn	4Q 11A	4Q 10A	% YoY	4Q 11E	% Var <sup>^</sup>
Operating profit	(665)	(435)	NM	(311)	NM
Net income	(514)	(324)	NM	(170)	NM
EPS (SR)	(0.12)	(0.08)	NM	(0.04)	NM

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

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## NEUTRAL

**Target price (SR)** 14.7

**Current price (SR)** 13.6

## STOCK DETAILS

M52-week range H/L (SR)	15.1/12.1
Market cap (\$mn)	15,055
Shares outstanding (mn)	4,167
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(0.7)	0.7	(3.9)
Rel. to market	(2.4)	(2.8)	2.0

Avg daily turnover (mn)	SR	US\$
3M	22.6	6.0
12M	45.1	12.0

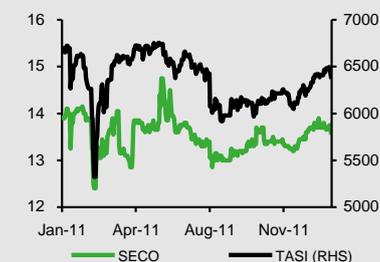
Reuters code	5110.SE
Bloomberg code	SECO AB
	<a href="http://www.se.com.sa">www.se.com.sa</a>

## VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	24.6	16.6	17.0
Implied P/E (x)	24.0	16.2	16.5
P/B (x)	1.1	1.0	1.0
EV/EBITDA (x)	7.6	6.4	5.8
Div Yield (%)	5.2	5.2	5.2

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Bloomberg

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18 JANUARY 2012

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- 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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