NCB CAPITAL

Saudi Electricity

3Q10 preliminary results

Overweight

Target Price (SR)	**18.5**
Current price (SR)	**14.95**

Stock details

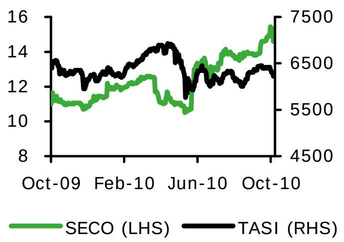
52-week range H/L (SR)			15.6/10.5
Market cap ($mn)			4167
Shares outstanding (mn)			62291
Listed on exchanges			TADAWUL
Price perf. (%)	**1M**	**3M**	**12M**
Absolute	7.9	15.0	35.9
Rel. to market	9.2	12.3	37.6
Avg daily turn.(mn)		**SR**	**US$**
3M		50.7	13.5
12M		45.5	12.7
Reuters code			5110.SE
Bloomberg code			SECO AB
Website			www.se.com.sa

Valuation multiples

	09	10E	11E
P/E (x)	53.3	25.8	14.3
P/B (x)	1.3	1.2	1.1
EV/EBITDA (x)	9.1	7.4	5.8
Div yield (%)	4.7	4.7	4.7

Source: NCBC Research estimates

Share price performance



Source: Bloomberg

Ahmed Al Qahtani
ah.alqahtani@ncbc.com
Tel. +966 2 690 7784

Saudi Electricity (SEC) announced its 3Q10 preliminary results on 18 October 2010. Net income came in at SR2.3bn, in-line with our estimate of SR2.4bn. This implies a 34% increase YoY.

- **Net income:** Net income for 3Q10 came in at SR2.3bn, in-line with our estimate of SR2.4bn. This increased net income in 9M10 to SR2.6bn, a 55% growth compared to the same period last year.
- **Operating income:** Operating income for 3Q10 came in at SR2.2bn, 8% below our estimate of SR2.4mn.
- **Earning per share (EPS):** 3Q10 EPS came in at SR0.55 versus our estimate of SR0.58. 3Q10 was an increase of 34% YoY (SR0.42 in 3Q09). This increased the company's EPS in 9M10 to SR0.62 compared to SR0.40 in 9M09.
- **New tariff structure drives profits:** The increase in electricity tariffs (which became effective on July 01, 2010) was the key reason behind the rise in earnings this quarter. The tariff re-structure (on industrial, commercial and government consumers) positively impacted 3Q10 revenues which led to the significant, and disproportionate, impact on net income (a key reason behind our valuation). Another, yet less important factor, was the increase in energy consumption which we estimate to be growing at 6% per annum.
- **Valuation:** We upgraded the stock to **Overweight** on June 01, 2010 and the stock has gained 39.7% since then (outperforming the TASI by 37%). Our current price target is SR18.5/share, but we await the full results before updating our view on the stock.

Results summary

	3Q10A	3Q10E	3Q09A	YoY chg(%)	Var(%)*
Operating income	2,183	2,374	1,716	34%	(8.0)
Net income	2,317	2,433	1,731	34%	(4.8)
EPS	0.55	0.58	0.42	31%	(5.2)

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

Please refer to the last page for important disclaimer

Kindly send all mailing list requests to research@ncbc.com

Head of Research	Eiji Aono	e.aono@ncbc.com	+966 2 690 7786
Brokerage website	www.alahlitadawul.com / www.alahlibrokerage.com		
Corporate website	www.ncbc.com		

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