

# 9M 2023 Earnings Release

7 November 2023

# Saudi Electricity Company ('SEC')

Reports 9M 2023 Revenue of SAR 56.9 billion



## Revenues

+2.2%

SAR 56.9 billion



## Net profit

-22.8%

SAR 10.3 billion



## Total assets (compared to 2022YE)

+5.4%

SAR 505.5 billion



## Total equity (compared to 2022YE)

1.5%

SAR 260.9 billion



## Transmission network

94.4 C.KM



## Number of subscribers

+0.8%

10.9 million



## Fibre optic network

87,452 C.KM

Comparisons reflect year-on-year changes

**Riyadh, 7 November 2023** – Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its consolidated financial results for the nine months ended 30 September 2023.

During the first 9 months of 2023, SEC's customer base grew 0.8 % Y-o-Y reaching 10.9 million subscribers. SEC met that growing demand by increasing its energy production by 6% Y-o-Y to 172,365 GWh. Revenues for 9M 2023 increased 2.2% Y-o-Y to SAR 56.9 billion.

Commenting on the results, Engineer Khaled bin Hamad Al-Gnoon,  
President & CEO of SEC said:



**Commenting on the results, Engineer Khaled bin Hamad Al-Gnoon, President & CEO of SEC said:**

"We have witnessed substantial growth in electricity demand during this year's summer season, which is reflecting the vibrant activity of the kingdom's economy. This has been clearly reflected in our robust Q3 2023 financial performance. Saudi Electricity is currently executing an ambitious strategy to fortify its leadership position and capitalize on growth opportunities in its vertically integrated utility fleet. During the first nine months of 2023, CapEx was up 52% to SAR 29.5 billion. This comes as part of SEC's SAR 500 billion capital program by 2030, which is the largest-ever in its history. It is also in line with SEC's investment strategy aiming to provide exceptional electrical services to subscribers and playing a pivotal role in realizing the objectives outlined for the electricity sector under Vision 2030" Our expansion plans also involve leveraging new complementary and adjacent opportunities, enhancing the economic value of our assets, and supporting the financial sustainability through growing additional no-regulated revenue opportunities".



## GENERATION HIGHLIGHTS

In GW	Q3 2023	Q3 2022	%
<b>SEC</b>	<b>55,304</b>	54,516	1.45%
<b>IPPs &amp; IWPPs</b>	<b>16,890</b>	16,440	2.74%
<b>Others</b>	<b>12,060</b>	12,473	-3.31%
<b>Total</b>	<b>84,255</b>	83,430	0.99%



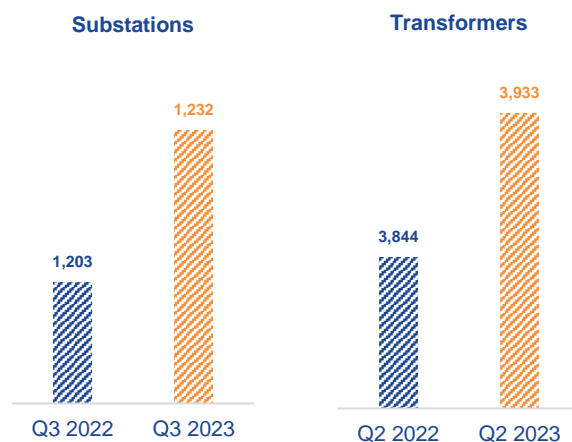
KSA's Power generation capacity (connected to the grid)  
**+0.99% YoY in 9M 2023 to 84,255 GW (9M 2022: 83,430 GW)**

Power generation capacity directly owned and operated by SEC  
**+1.45% YoY in 9M 2023 to 55,304 GW (9M 2022: 54,516 GW) due to new units added to operations.**



## TRANSMISSION HIGHLIGHTS

	Q3 2023	Q3 2022	%
<b>Network length C-Km</b>	<b>94,348</b>	92,369	2.14%
<b>Substations</b>	<b>1,232</b>	1,203	2.41%
<b>No. of Transformers</b>	<b>3,933</b>	3,844	2.32%
<b>Transformers Capacities (M.V.A)</b>	<b>486,486</b>	472,584	2.94%



Transmission network  
**94,348 C-Km (Q3 2022: 92,369 C-Km).**

Transforming substations increased to  
**+2.41% to 1,232** when compared to same period last year.

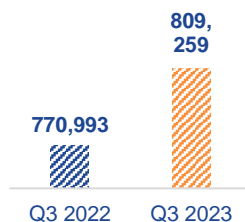
Number of transformers substations increased by  
**+2.32% to 3,933 transformers from 3,844 in Q3 2022.**



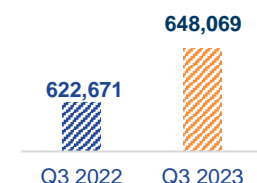
## DISTRIBUTION & CUSTOMER SERVICE HIGHLIGHTS

	Q3 2023	Q3 2022	%
# of Customers (in million)	10.9	10.8	0.84%
Network length (C.KM)	809,259	770,993	4.96%
Transformers (in thousands)	648	623	4.08%
Capacity (MVA)	334,024	316,299	5.60%

Network length  
C.KM



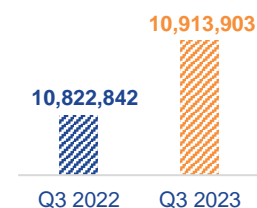
Distribution transformers



Distribution Capacity



No. of customers



The number of SEC's subscribers increased by **0.9% YoY in 9M 2023 to 10.9 million (9M 2022: 10.8 million)**

SEC's distribution network increased by **5.0% YoY in 9M 2023 to 809,259 C.KM (9M 2022: 770,993 C.KM)**

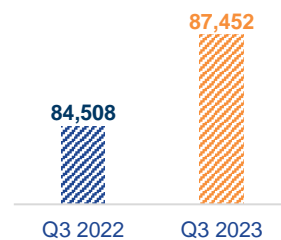
The number of SEC's distribution transformers up by **4.1% YoY in 9M 2023 to reach 648,069 (9M 2022: 622,671)**



## FIBRE OPTIC HIGHLIGHTS

	Q3 2023	Q3 2022	%
Network length (000KM)	87,452	84,508	3.48%
Network availability	99.99%	99.99%	-

Fibre Optic KM



The fibre optic network increased by **3.5% YoY in 9M 2023 to reach 87,452km (9M 2022: 84,508 km)**

Network availability was maintained **at ~99.99%**



## FINANCIAL HIGHLIGHTS

Income Statement						
Figures in SAR million	9M 2023	9M 2022	%	Q3 2023	Q3 2022	%
Revenues	56,896	55,683	2.18%	23,799	22,750	4.61%
Gross Profit	15,558	16,680	-6.72%	7,744	7,496	3.30%
Gross Margin %	27.35%	29.95%	-2.61pp	32.54%	32.95%	-0.41pp
Operating Profit	14,743	15,262	-3.40%	7,185	7,192	-0.10%
Operating Margin %	25.91%	27.41%	-1.50pp	30.19%	31.61%	-1.42pp
EBITDA <sup>(2)</sup>	29,503	29,498	0.02%	12,347	12,032	2.62%
EBITDA Margin %	51.85%	52.97%	-1.12pp	51.88%	52.89%	-1.01pp
Net Profit	10,341	13,395	-22.80	5,844	6,375	-8.34%
Net Margin %	18.17%	24.06%	-5.89pp	24.55%	28.02%	-3.47pp
Adjusted Net Profit <sup>(3)</sup>	4,610	7,664	-39.85%	3,912	4,444	-11.97%
Basic & Diluted Earnings per Share (SAR) <sup>(4)</sup>	1.11	1.84	-39.67%	0.94	1.07	-12.15%
Earnings per share without deducting dividends for the Mudaraba instrument	2.48	3.21	-22.26%	1.4	1.53	-8.49%

(1) pp: percentage points

(2) EBITDA = net profit/loss + depreciation + net interest expense + zakat + net amortization

(3) Reflecting Net profit attributable to common shares after deducting the Mudaraba instrument's profit

(4) Reflecting Net profit attributable to common shares after deducting the Mudaraba instrument profit and including loss from discontinued operations

Revenue grew **4.6% YoY in Q3 2023 to SAR 23,799 million (2.2% YoY in 9M 2023 to SAR 56,896 million)**, primarily attributable to 10% YoY growth in power demand during the current summer season, continued growth in the subscribers' base and higher TUoS revenue due to higher wheeled energy loads. Moreover, revenue growth has been supported by continued double-digit growth in the fiber optic lease revenue from Dawiyat Company due to growing utilization of FTTH connections.

Cost of revenues increased **5.3% YoY in Q3 2023 to SAR 16,055 million (6.0% YoY in 9M 2023 to SAR 41,337 million)**. The increase is due to higher Operating & Management costs (i.e., higher contract, material, employee related and indirect costs) which reached SAR 3,753 million in Q3 2023 from SAR 3,265 million in Q3 2022 (SAR 10,834 million in 9M 2023 compared to SAR 9,406 million in 9M 2022), in addition to depreciation on ROU assets which declined 32.16% YoY in Q3 2023 and rose 59.6% in 9M 2023. Overall, the higher costs are mainly driven by SEC's intensive operation and maintenance during the summer season. Gross Margin was down by 0.41pp in Q3 2023 to 32.5% (down 2.6pp in 9M 2023 to 27.4%)

Net finance costs were up by **53.3% YoY in Q3 2023 to SAR 1,216 million (102.4% YoY in 9M 2023 to SAR 4,201 million)**, on rising interest rates and further due to additional funding obtained.

**Net profit decreased 8.3% YoY in Q3 2023 to SAR 5,844 million (down 22.8% YoY to SAR 10,341 million in 9M 2023)**. The main reasons for the decrease in profits are 1) higher financing costs mainly due to the high-interest rates environment prevailing globally, in addition to the increase in financing costs attributable to additional funding obtained to finance the company's capital projects, 2) booking of Zakat provisions on a quarterly basis starting from 2023.

**EBITDA up by 2.62% in Q3 2023 to SAR 12,347 million (up 0.02% YoY to SAR 29,503 million in 9M 2023)**. EBITDA margins decreased by **1pp to 51.9% in Q3 2023 and dropped marginally by 1.12pp to 51.8% in 9M 2023**.





## BALANCE SHEET

Figures in SAR billion	30 Sep 2023	31 Dec 2022	%
Total assets	505.5	479.5	5.4%
Total liabilities	244.6	222.4	10.0%
Total equity	260.9	257.1	1.5%
Cash & cash equivalents	1.1	3.2	-64.3%

SEC's asset base increased **5.4% to SAR 505.5 billion** compared to SAR 497.5 billion at year-end 2022. This reflects an increase in Property, Plant & Equipment.

Trade receivables increased by **25.5% in 9M 2023 to SAR 31.3 billion**, due to seasonality factor across categories including higher Accrued Income by **SAR 1.9 billion**

Cash and cash equivalents decreased from SAR 3.2 billion at 2022 year-end to **SAR 1.1 billion at the end of 9M 2023**, due to higher investment spending.



## CASH FLOW STATEMENT

Figures in SAR million	9M 2023	9M 2022	%
Net cash flow from operating activities	21,497	25,333	-15.14%
Net cash used in investing activities	-29,394	-19,763	48.73%
Net cash used in financing activities	5,864	-7,105	-182.5%

**Cash flow from operating activities** decreased **15% to SAR 21.5 billion in 9M 2023 compared to SAR 25.3 billion** in 9M 2022. The variation is due to a lower 9M 2023 net profit, higher advances, and employee benefit obligation outflow.

**Net cash used in investing activities** grew **48.7% to SAR 29.4 billion in 9M 2023** (9M 2022 SAR 19.8 billion). SEC continued to invest in its infrastructure.

**Net cash generated from financing activities** in 9M 2023 was **SAR 5.9 billion**. During the period, SEC raised net proceeds from loans of 23.7 BSAR and net proceeds from Sukuk of SAR 7.5 billion.

This left SEC with an end of period gross cash position of **1.1 BSAR (9M 2022: 4.7 BSAR)**.



## ADDITIONAL BUSINESS HIGHLIGHTS

1. In October 2023, the consortium between SEC and ACWA Power announced that they have won two combined cycle gas turbine (CCGT) plant with a capacity of 3.6 GW, valued at approximately SAR 14.6 billion. The projects are Taiba 1 and Qassim 1 IPP plants, each with 1.8 GW capacity, awarded by the Saudi Power Procurement Company (SPPC).
2. Additionally, Saudi Electricity Company received approval from Saudi Power Procurement Company "The Principal Buyer", enabling SEC to expand the Rabigh power generation station by adding combined cycle gas turbine plants with a production capacity of 1.2 gigawatts. This strategic move reinforces the company's leading position in the electricity generation sector in the Kingdom.
3. On 5<sup>th</sup> October, SEC announced that they will invest SAR 254 million which equates to a 25% stake in "Electric Vehicle Infrastructure Company." The rationale behind this Joint Venture with PIF is to foster synergy in the EV supply chain, fostering economic growth and diversification in alignment with Vision 2030, and establishing Saudi Arabia as a frontrunner in the emerging era of electrified automotive industry.
4. On October 24<sup>th</sup>, SEC signed a \$3 billion international syndicated facility agreement. This financing comes in line with their investment strategy aimed at injecting SAR 500 billion in expansion plans in the electricity sector, as well as boosting the growth of the company's regulated asset base. The facility will primarily be used on funding smart grids, renewable energy integration, and grid reliability to enhance electricity generation efficiency.

## BUSINESS OUTLOOK



5. The company expects capital expenditure of between 30 and 35 billion Saudi riyals in 2023 to support its growing fleet.
6. SEC is Enabling and aligning to KSA's target energy mix for electricity generation of 50% renewables and 50% gas thermal by 2030. Accordingly, SEC will increase integrated renewable capacity to the grid.
7. SEC will continue to bolster its extra high voltage lines and transformers capacities as well as develop energy transfers and interconnection projects within the MENA region
8. Following the successful roll-out of 10+ million smart meters across the Kingdom, the company is ramping-up the installation of automation equipment in distribution network. The automation will:
  1. Reduce interruptions through self-healing equipment
  2. Facilitate faster power restoration through remote control from our Control Centers.
  3. Minimize commercial energy losses "power not-sold"
  4. Reduce carbon-footprint of our fleet as engineers will not have to travel to the location to restore power.



## Disclaimer

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## ABOUT SAUDI ELECTRICITY COMPANY

Saudi Electricity Company (SEC) is a joint stock company founded in the kingdom of Saudi Arabia according to the Royal Decree #M/16 dated 6/9/1420(H) and in accordance with the Minister of Commerce resolution No. 2047 dated 30/12/1420(H).

SEC is a vertically integrated utility company involved in the generation, transmission and distribution of electricity to over 11.0 million customers in Saudi Arabia. Saudi Arabia is one of the top 20 economies globally whose demand for electricity is driven by favorable demographic makeup and an increasingly diversified and growing economy.

SEC is one of the largest utilities in the MENA region with a market capitalization of **SAR 79 billion (30<sup>th</sup> Sept 2023: US \$21billion)** and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market Cap.

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## INVESTOR RELATIONS CONTACTS

**T:** +966 11 80 78990 | +966 11 80 77161  
**E:** [ir@se.com.sa](mailto:ir@se.com.sa)  
**W:** [www.se.com.sa](http://www.se.com.sa)

### SEC IR APP

