

Market Data	
52-week high/low	SAR 21.60/14.64
Market Cap	SAR 67,165 mln
Shares Outstanding	4,167 mln
12-month ADTV	1,823,927
Bloomberg Code	SECO AB



### Balancing Account Boosts Bottom-line

March 11, 2020

Upside to Target Price	8.6%	Rating	Neutral
Expected Dividend Yield	4.3%	Last Price	SAR 16.12
Expected Total Return	12.9%	12-mth target	SAR 17.50

Saudi Electricity Co	4Q2019	4Q2018	Y/Y	3Q2019	Q/Q	RC Estimate
Operating Revenue	16,294	13,031	25%	20,831	(22%)	12,711
Gross Profit	1,180	(2,366)	-	3,760	(69%)	(2,593)
Gross Margins	7%	(18%)		18%		(20%)
Operating Profit	1,343	(2,159)	-	3,854	(65%)	(2,157)
Net Profit	(591)	(3,801)	(84%)	2,679	-	(3,878)

(All figures are in SAR mln)

- During 4Q19, operating revenue improved on the back of a rise in electricity sales by +17% Y/Y and activation of the balancing account for the electricity sector that boosted revenues by SAR 1.1 bln. However, electricity sales fell -29% Q/Q on seasonality effect.
- Cost of revenue on the other hand dropped -2% Y/Y due to lower operation and maintenance expenses, fuel cost and purchased energy, whereas its quarterly drop of -11% resulted from a fall in government fees and fuel cost.
- G&A expenses fell on an annual and quarterly basis, while net financial charges jumped +10% Y/Y and +44% Q/Q to reach SAR 1.7 bln.
- Given the unexpected increase in the company's topline, a net loss of SAR (591) mln beat our estimate and market consensus of a net loss of SAR (3.9) bln and SAR (3.4) bln respectively. We lower our target price to SAR 17.50 but maintain our Neutral recommendation.

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## ■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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