

# Q1 2023 Earnings Release

MAY 2023



# Saudi Electricity Company ('SEC')

Reports Q1 2023 - Revenue of SAR 13.4 billion



Revenues down by

1.1% to  
SAR 13.4 billion



Net income down by

68.4% to SAR 479.7 million



Total assets up

0.7% to  
SAR 482.9 billion



Total equity up (compared to 2021YE)

0.2% to  
SAR 257.5 billion



Transmission network stable at

93.0 C.KM



Number of subscribers up by

3.3% to 11.0 million



Fibre optic network increased by

2.3% to reach 85,489 C.KM

Comparisons reflect year-on-year changes

Riyadh, 10 May 2023 –

Saudi Electricity Company ("SEC"), the national vertically integrated utility company in the Kingdom of Saudi Arabia, announces its consolidated financial results for the three months ended 31 March 2023.

The first three months of 2023 saw a continued rise in SEC's customer base, with growth of 3.3% Y-o-Y, reaching 11 million subscribers. Revenue for Q1 remained stable, with the Company recording operating revenue of around 13.4 billion.

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



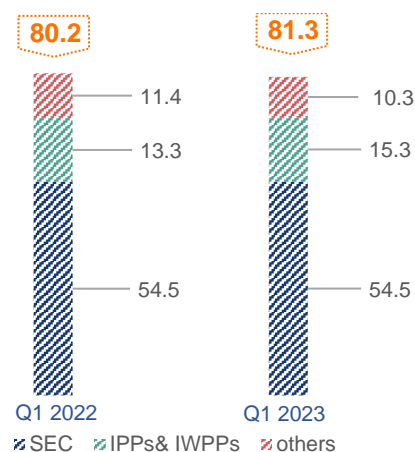
Commenting on the results, Engineer Khaled bin Hamad Al-Gnoon,  
President & CEO of SEC said:

"We are implementing an ambitious investment plan to keep pace with the continuous growth in the subscriber base and the demand for electricity service, and to enhance the reliability and efficiency of the electricity system, which supports the growth prospects for our assets base throughout the Kingdom. During the first quarter of 2023, we were able to add new assets worth SAR 5 billion, bringing the total assets added to our operations during the previous twelve months to SAR 37 billion, in addition to injecting more than SAR 6 billion as capital expenditures in the company's projects." He also pointed out the variation in the company's quarterly results due to the seasonal nature of electricity consumption in the Kingdom, which is reflected in the difference in the company's quarterly revenues throughout the year.



## GENERATION HIGHLIGHTS

	Q1 2023	Q1 2022	%
SEC	54,451	54,478	0.0%
IPPs & IWPPs	15,331	13,305	15.2%
Others	11,544	11,383	1.4%
Total	81,326	80,255	1.3%



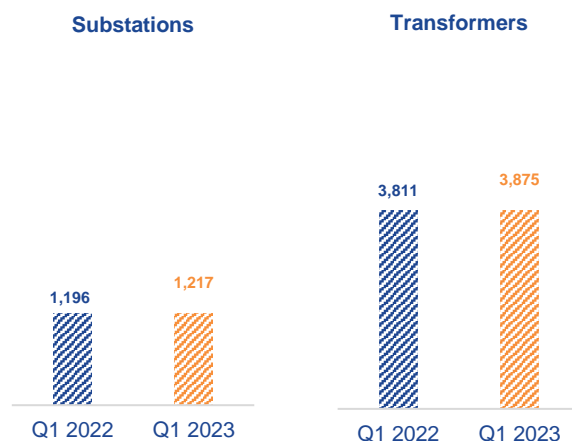
KSA's Power generation capacity (connected to the grid) up 1.3% YoY in Q1 2023 to 81,326 GW (Q1 2022: 80,255 GW)

Energy produced by SEC increased by 6.5% YoY in Q1 2023 to 30.652 GW (Q1 2022: 28,788 GW) on increase demand



## TRANSMISSION HIGHLIGHTS

	Q1 2023	Q1 2022	%
Network length thousand C-Km	93	93	-
Substations	1,217	1,196	1.8%
No. of Transformers	3,875	3,811	1.7%
Transformers Capacities (M.V.A)	476,049	467,152	1.9%



Transmission network stable at 93 thousand C-Km

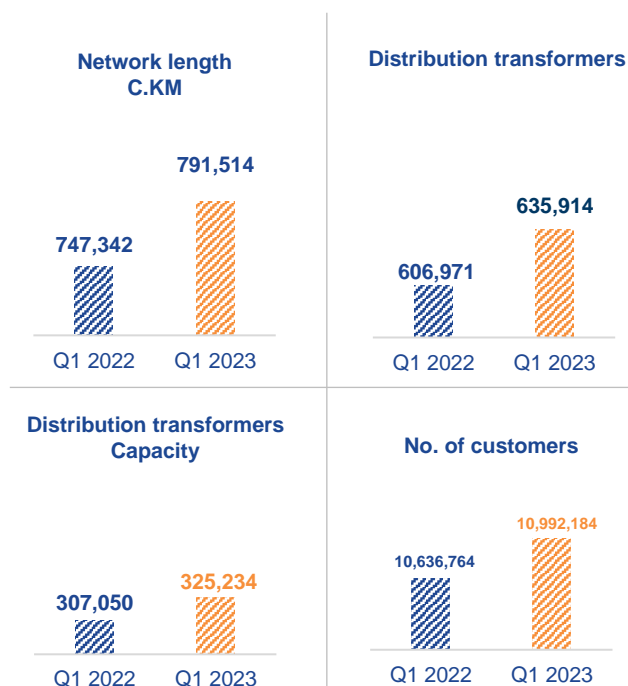
Transforming substations increased to 1,217 by 1.8% when compared to same period last year.

Number of transformers substations increased by 1.7% to 3,875 transformers from 3,811 in Q1 2022.



## DISTRIBUTION & CUSTOMER SERVICE HIGHLIGHTS

	Q1 2023	Q1 2022	%
No. Customers (in million)	11.0	10.6	3.3%
Network length (C.KM)	791,514	747,342	5.9%
Transformers (in thousands)	636	607	4.8%
Transformers Capacity (Thousand MVA)	325,234	307,050	5.9%



The number of SEC's subscribers increased by **3.3% YoY in Q1 2023 to 11.0 million (Q1 2022: 10.6 million)**

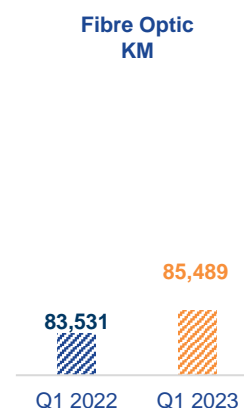
SEC's distribution network increased by **5.6% YoY in Q1 2022 to 791,514 C.KM (Q1 2022: 747,342 C.KM)**

The number of SEC's distribution transformers up by **4.8% YoY in Q1 2023 to reach 635,914 (Q1 2022: 606,971)**



## FIBRE OPTIC HIGHLIGHTS

	Q1 2023	Q1 2022	%
Network length (000KM)	85,489	83,531	2.3%
Network availability	99.99%	99.99%	-



The fibre optic network increased by **2.3% YoY in Q1 2023 to reach 85,489 KM (Q1 2022: 83,531 KM)**

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



## FINANCIAL HIGHLIGHTS

Income Statement			
Figures in SAR million	3M 2023	3M 2022	%
Revenues	13,379	13,531	(1.1)%
Gross Profit	1,760	2,638	(33.3)%
<i>Gross Profit Margin %</i>	13.2%	19.5%	(6.4)pp
Operating Profit	1,724	2,209	(21.9)%
<i>Operating Profit Margin %</i>	12.9%	16.3%	(3.4)pp
EBITDA <sup>(2)</sup>	6,389	6,815	(6.3)%
<i>EBITDA Margin %</i>	47.8%	50.4%	(2.6)pp
Net Income	480	1,517	(68.4)%
<i>Net Income Margin %</i>	3.6%	11.2%	(7.6)pp
<i>Adjusted Net Income</i> <sup>(3)</sup>	(1,409)	(372)	278%
Basic & Diluted Earnings per Share (SAR) <sup>(4)</sup>	(0.34)	(0.09)	278%

(1) pp: percentage points

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

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

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

Revenue dropped slightly by **1.1% YoY in Q1 2023 to 13,379 MSAR (Q1 2022: 13,531 MSAR)**, mainly due to lower electricity sales partially offset by higher required revenue recognized during the current quarter compared to the same quarter of the previous year and lower TUOS charges.

Electricity Sales dropped by **4%YoY**, mainly due to decrease in quantity sold by 1% and change in sales mix.

Cost of revenues increased by **6.7% YoY in Q1 2023 to 11,619 MSAR (Q1 2022: 10,893 MSAR)** mainly due to higher Operations & Maintenance costs which is mainly driven by SEC's intensive operation and maintenance programs in preparation for the loads growth during the summer season. Gross Margin was down by **6.4pp to 13.2% (Q1 2022: 19.5%)**.

Finance costs were up by **89.2% for the reported period when compared to Q1 2022**, the increase is due to the ongoing interest rate hikes witnessed by the markets globally.

There was a **69.0% decrease in Net Income YoY to 480 MSAR (Q1 2022: 1,548 MSAR)**. The main reasons for the decrease in profits are 1) lower operating revenue mainly driven by lower electricity sales, 2) higher operating cost, and 3) higher finance cost. Albeit, these have been partially offset by higher required revenue recognized during the current quarter compared to the same quarter of the previous year, higher net other income and expenses and lower provision for receivable from consumption of electricity and other receivables.

EBITDA for the period down by **6.3% YoY in Q1 2023 to 6,389 MSAR (Q1 2022: 6,815)**, with EBITDA margin slightly down by **2.6pp to 47.8% in Q1 2023 (Q1 2022: 50.4%)**





## BALANCE SHEET

Figures in SAR billion	31 Mar 2023	31 Dec 2022	%
Total assets	482.9	479.5	0.7%
Total liabilities	225.5	222.4	1.4%
Total equity	257.5	257.1	0.2%
Cash & cash equivalents	2.0	3.2	(37.5)%

During the reported period, SEC's asset base increased **0.7% to SAR 482.9 billion (2022: SAR 479.5 billion)**, reflecting the growth in Property, Plant & Equipment as well as higher Other Current Assets due to advanced payment made to SPPC under the Bulk Supply Agreement

Trade receivables declined by **8.7% during Q1 2023 to reach SAR 22.7 billion**, driven by lower residential and industrial receivable and improved collections.

Cash and cash equivalents declined to **SAR 2.0 billion (2022: SAR 3.2 billion)**, in line with the normal course of business.



## CASH FLOW STATEMENT

Figures in SAR million	31 Mar 2023	31 Mar 2022	%
Net cash flow from operating activities	5,320	7,436	(28.5)%
Net cash used in investing activities	(7,104)	(5,020)	41.5%
Net cash generated from / (used in) financing activities	670	(6,649)	-

Cash flow from operating activities down by **28.5% to SAR 5.3 billion in Q1 2023 compared to SAR 7.4 billion** in Q1 2022, decrease is mainly due to lower net profit in Q1 2023 and change in working capital mainly driven by higher other receivables and advances

Net cash used in investing activities was **41.5% higher at SAR 7.1 billion in Q1 2023 compared to SAR 5.0 billion** for the same period last year.

Net cash generated from / used in financing activities of **SAR 670 million compared to Net cash used in financing activities of SAR 6.6 billion in the prior year period** mainly driven proceeds from loans of SAR 5.5 billion partially offset by SAR 4.8 billion in repayments of loans, net finance costs paid, dividends paid and payment for lease liabilities.

This left SEC with an end of period gross cash position of SAR **2.0 billion (2022 YE: SAR 3.2 billion)**.



## ADDITIONAL BUSINESS HIGHLIGHTS

1. On 04 April 2023, announced raising a US\$ 2 billion dual tranche Sukuk (green and conventional) under its International Sukuk Program. The oversubscription rate was ~7.7 times.
2. On 6 April 2023, SEC announced redemption of full value of the second tranche of the international Islamic Sukuk issued on 8 April 2013, at a value of US\$ 1 billion. The Sukuk has been de-listed on the London Stock Exchange.

## BUSINESS OUTLOOK



1. The company expects capital expenditure of between 30 and 35 billion Saudi riyals in 2023 to support its growing fleet, with number of customers forecasted to reach 11.3 million by the end of the year.
2. 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.
3. 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
4. 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.



## 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 110.4 billion (31 March 2023: US \$29.4billion)** and is one of the largest companies listed on the Saudi Stock Exchange (Tadawul) by market Cap.

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## INVESTOR RELATIONS CONTACTS

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### SEC IR APP

