

Saudi Electricity Q2 net soars on lower costs

Monday, 19 July 2010



PROFIT RISE: Saudi Electricity Co posted a better than expected 50% rise in Q2 net profit on lower costs and higher revenues. (Getty Images)

Saudi Electricity Co posted a better than expected 50 percent rise in second quarter net profit on lower costs and higher revenues and further gains are expected after a rise in power tariffs for some users.

The Gulf's largest utility by market value made \$285.3 million, or 0.26 riyals per share, in the three months to end June, compared with \$190.6 million, or 0.17 riyals a share, a year earlier, it said in a statement to the Saudi bourse.

The result was 13 percent higher than the top forecast by analysts.

Without giving any figures, it said: "The increase in the net profit stems from an increase in revenues and a decline in some operating costs."

Operating profit rose 55 percent to \$256.5 million, it said.

The state controlled company usually posts its best quarterly earnings during the second and third quarters as a hotter climate underpins a spike in power consumption, especially for air conditioners.

As of July 1 it started applying higher tariffs for government, commercial and industrial users, which would add \$426.6 million to revenues during the second half of 2010 and boost its profitability.

It was the latest step sponsored by the government to help the power utility cope with power demand that is growing at an annual 8 percent and which is expected to require investments close to \$80 billion in the ten years to 2018.

Strongly outperforming the all share and other sector indices, shares in the firm gained about 19 percent this year, with much of the gains realised after the announcement of the higher tariffs.

The government granted the cash strapped firm a \$3.99 billion soft loan in April to support its finances and ease the burden of lending from commercial banks.