

3Q20 Results Update

December 18, 2020

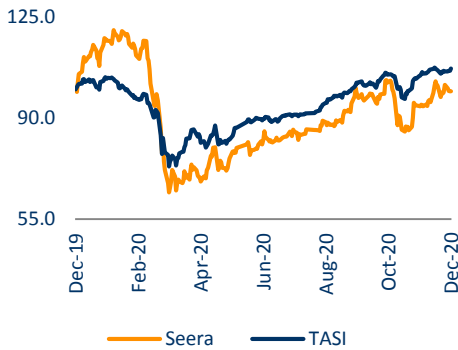
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	19.3
Target Price (SAR)	17.6
Upside/Downside (%)	(8.5%)

As of December 16, 2020

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	5.8
52-Wk High (SAR)	23.7
52-Wk Low (SAR)	12.1
Total Outstanding Shares (in mn)	300.0
Free Float (%)	89.3%

SEERA vs. TASI (Rebased)

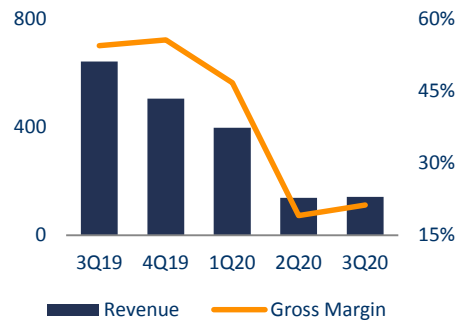


Price Performance (%)	Absolute	Relative
1m	5.5%	3.2%
6m	20.0%	0.7%
12m	(0.7%)	(7.9%)

Major Shareholders (%)

Nasser Okail Abdullah AlTayyar	10.75%
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Quarterly Sales (SAR mn) and Gross Margin



Source: Bloomberg, Company Financials, FALCOM Research; Data as of December 16, 2020

GBV drops sharply due to the pandemic, margins contract

Seera's revenues dropped 77.9% YoY to SAR 142.0mn on account of the sharp plunge in gross booking value (GBV) during 3Q20. The company's GBV nosedived nearly 81.0% YoY to SAR 669.0mn in 3Q20 due to the impact of the COVID-19 pandemic and the precautionary measures taken to halt its spread on the travel and tourism industry worldwide. This had an adverse impact on Seera's margins; the gross margin contracted to 21.2% in 3Q20 from 54.4% in 3Q19. The company recorded a third consecutive quarter of operating loss. These factors resulted in a net loss of SAR 177.0mn in 3Q20. The net loss margin for the quarter stood at (124.7%) against the net profit margin of 9.8% in 3Q19.

Seera's woes continued in 3Q20 as most of its businesses remained adversely impacted by the COVID-19 pandemic. The company's revenues declined 57.6% YoY to SAR 676.9mn in 9M20, as the GBV declined about 65.0% YoY to SAR 3.0bn. Net income (attributable to equity holders) increased 336.6% YoY to SAR 766.3mn in 9M20, but it was primarily attributed to the one-time stake sale transaction of Careem. The performance of the car rentals segment improved, as the company bagged new lease contracts from government and corporate sectors. However, the performances of most other segments of the company were hampered by the pandemic in 9M20. Moreover, there remain several headwinds to the travel and tourism sector in terms of a second wave of infections and delay in resumption of consumer travels. Although we expect Seera to record a net loss in the final quarter of the year, we expect the situation to improve in the medium term with fewer travel restrictions as we edge closer to a potential COVID-19 vaccine. Therefore, in view of these factors, we maintain our "Neutral" rating on the stock.

- Seera's revenue plummeted 77.9% YoY to SAR 142.0mn in 3Q20 owing to the substantial drop in GBV during the quarter. Seera's car rentals and shipments segments recorded growth in 3Q20 revenues as against 3Q19, but revenues of other segments declined sharply during 3Q20.
- The company's GBV plunged 81.0% YoY to SAR 669.0mn in 3Q20 due to the pandemic's severe impact on the global travel and tourism sector.
- Gross profit declined 91.4% YoY to SAR 30.2mn in 3Q20, as a 61.8% YoY decline in cost of sales to SAR 111.8mn was offset by a drop in the top line. As a result, the gross profit margin contracted to 21.2% in 3Q20 compared with 54.4% in 3Q19.
- Lower SG&A expenses and higher other operating income were offset by a higher impairment loss. As a result, the company reported an operating loss of SAR 175.1mn in 3Q20 against the operating profit of SAR 97.4mn in 3Q19. Subsequently, the operating loss margin worsened to (123.3%) compared with the operating profit margin of 15.2% in 3Q19.
- The above-mentioned factors offset the improvement in finance charges and zakat expense and resulted in a net loss of SAR 177.0mn in 3Q20 against the net profit of SAR 63.0mn in 3Q19. Consequently, the net loss margin stood at (124.7%) against the net profit margin of 9.8% in 3Q19.

Valuation: We maintain our target price at a fair value of SAR 17.6 and retain our "Neutral" rating on the stock.

	3Q20	3Q19	% YoY	FY20E	FY19	% YoY
Revenues (SAR mn)	142	642	(77.9%)	869	2,190	(60.3%)
Gross Profit (SAR mn)	30	349	(91.4%)	287	1,273	(77.5%)
EBITDA (SAR mn)	(85)	159	NM	(261)	565	NM
Net Profit (SAR mn)	(177)	63	NM	598	186	222.5%
EPS Basic (SAR)*	(0.59)	0.21	NM	1.99	0.62	222.5%
Gross Margin (%)	21.2%	54.4%	(33.2%)	33.0%	58.1%	(25.1%)
EBITDA Margin (%)	(60.1%)	24.7%	NM	(30.1%)	25.8%	NM
Net Profit Margin (%)	(124.7%)	9.8%	NM	68.9%	8.5%	60.4%

Source: Company Financials, FALCOM Research, *attributable to shareholders

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FALCOM Rating Methodology

FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10%.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services.

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