

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%
--------------------------------	--------

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

3Q20 Results Update

December 18, 2020

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.

FALCOM Financial Services

Contact us on the below phone numbers:

Customer Services: 8004298888

Brokerage Services: 920004711

Fax or Email us at the below number:

Fax: +966 11 2032546

Email: addingvalue@falcom.com.sa

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, FALCOM makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, FALCOM does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. FALCOM accepts no liability whatsoever for any loss arising from any use of this report or its contents, and FALCOM shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent FALCOM's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

FALCOM acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.