

## FY20 Results Update

April 21, 2021

<b>Recommendation</b>	<b>Neutral</b>
Previous Recommendation	Neutral
Current Price (SAR)	19.7
Target Price (SAR)	19.0
Upside/Downside (%)	(3.3%)

As of April 20, 2021

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	5.9
52-Wk High (SAR)	20.4
52-Wk Low (SAR)	13.2
Total Outstanding Shares (in mn)	300.0
Free Float (%)	89.3%

### SEERA vs. TASI (Rebased)

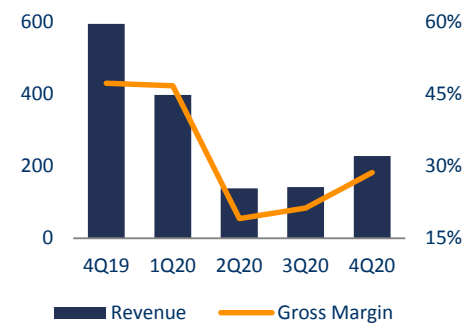


Price Performance (%)	Absolute	Relative
1m	2.4%	(4.3%)
6m	1.4%	(16.9%)
12m	46.1%	(5.4%)

### 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 April 20, 2021

### Sharp decline in GBV due to the pandemic weighs on top line in FY20

Seera's revenues fell 58.7% YoY to SAR 904.6mn in FY20 due to the sharp plunge in gross booking value (GBV) during the year. The company's GBV plummeted nearly 64.0% YoY to SAR 3.9bn in FY20 due to the impact of the COVID-19 pandemic and the subsequent lockdown measures taken to halt its spread. The company recorded an operating loss of SAR 533.6mn in FY20 as against an operating profit of SAR 339.5mn in FY19. These factors resulted in a 90.2% YoY drop in net profit (attributable to shareholders) to SAR 18.2mn in FY20, leading the company to report a 646.3 bps contraction in net margin to 2.0% in FY20. Seera recorded a decline in performance in FY20, as major segments in which it operates remained critically impacted by the COVID-19 pandemic. A steep decline in revenues from Transportation (-13.5% YoY to SAR 464.0mn), Tourism (-55.2% YoY to SAR 265.5mn), Ticketing (-87.7% YoY to SAR 118.0mn), and Hospitality (-36.6% YoY to SAR 49.7mn) segments dragged down Seera's total revenue in FY20. This could be primarily attributed to weak business and tourism activity worldwide due to the COVID-19 pandemic and the implementation of lockdowns to curb its spread. However, we anticipate some recovery in business and travel activity in FY21 on increasing global vaccination rates and expectations of easing of travel restrictions in KSA. Seera announced several measures to limit the impact of lower tourism demand on its financials, such as reduction in operating expenses and review of budget allocations to each of its business segments. The company also announced that it would inaugurate three hotels in FY21 and focus on financing hotel development. Nevertheless, headwinds still prevail in terms of resurgence in COVID-19 cases due to the emergence of new strains of the virus and implementation of additional travel restrictions. Considering these factors, we maintain our "Neutral" rating on the stock.

- Seera's revenue plunged 58.7% YoY to SAR 904.6mn in FY20 owing to the significant drop in GBV during the year. Seera's Car Rental segment recorded growth in revenue in FY20 as against FY19, but revenues of all other segments declined sharply during the year.
- Seera's GBV plummeted about 64.0% YoY to SAR 3.9bn in FY20 compared with SAR 10.8bn in FY19, due to the severe impact of the pandemic on the global travel and tourism sector.
- Gross profit nosedived 75.9% YoY to SAR 307.0mn in FY20, as the 34.8% YoY drop in the cost of sales to SAR 597.6mn was offset by the drop in top line. As a result, gross margin contracted to 33.9% in FY20 compared with 58.1% in FY19.
- Lower gross profit offset the drop in SG&A expenses and led the company to report an operating loss of SAR 533.6mn in FY20 as against an operating profit of SAR 339.5mn in FY19. Subsequently, the operating loss margin stood at (-59.0%) as against an operating profit margin of 15.5% in FY19.
- Lower top line and declining margins offset the decline in finance and zakat expenses and resulted in a 90.2% YoY drop in net profit to SAR 18.2mn in FY20. Consequently, the net margin narrowed to 2.0% as against 8.5% in FY19.
- On December 15, Seera announced the completion of the construction of three of its hotels, Clarion Hotel, Comfort Hotel & Suites Jeddah, and Comfort Hotel Riyadh. The first two are expected to open in 1H21, while the third is set to be inaugurated in 2H21.
- On April 5, Seera announced the appointment of Majed bin Ayed Al-Nefae as acting CEO of the group on the resignation of Abdullah bin Nasser Al-Dawood. Abdullah has been appointed as Managing Director of the group and he resigned from the CEO position due to additional supervisory and leadership responsibilities.

**Valuation:** We revise our target price upward to a fair value of SAR 19.0 and maintain "Neutral" rating on the stock.

	4Q20	4Q19	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	227.7	593.9	(61.7%)	1769.6	904.6	95.6%
Gross Profit (SAR mn)	65.3	280.3	(76.7%)	973.3	307.0	217.1%
EBITDA (SAR mn)	(16.6)	172.0	NM	570.8	(217.7)	NM
Net Profit (SAR mn)*	(748.1)	10.1	NM	161.6	18.2	788.8%
EPS Basic (SAR)*	(2.49)	0.03	NM	0.54	0.06	788.8%
Gross Margin (%)	28.7%	47.2%	(18.5%)	55.0%	33.9%	21.1%
EBITDA Margin (%)	(7.3%)	29.0%	NM	32.3%	(24.1%)	NM
Net Profit Margin (%)	(328.5%)	1.7%	NM	9.1%	2.0%	7.1%

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

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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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