

1Q21 Results Update

June 21, 2021

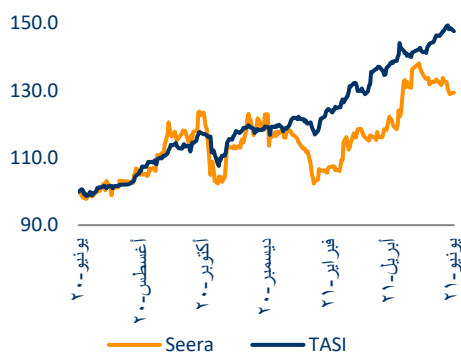
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	21.0
Target Price (SAR)	20.0
Upside/Downside (%)	(4.6%)

As of June 20, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	6.3
52-Wk High (SAR)	22.7
52-Wk Low (SAR)	15.6
Total Outstanding Shares (in mn)	300.0
Free Float (%)	88.6%

SEERA vs. TASI (Rebased)

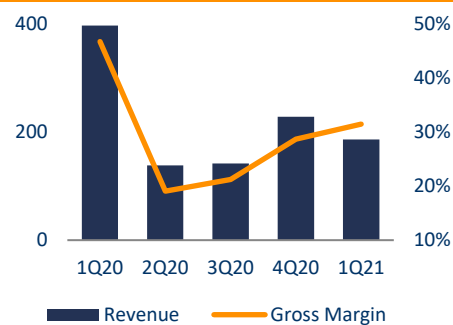


Price Performance (%)	Absolute	Relative
1m	(4.3%)	(8.7%)
6m	5.3%	(18.5%)
12m	29.4%	(18.2%)

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 June 20, 2021

Rising vaccination rates, easing of restrictions, and gradual recovery in global tourism sector to support long-term prospects

Seera's revenues plummeted 53.0% YoY to SAR 186.3mn in 1Q21 due to the stark drop in gross booking value (GBV) during the quarter. The company's GBV nosedived nearly 54.0% YoY to SAR 879mn in 1Q21 from SAR 1.9bn in 1Q20 due to the impact of the COVID-19 pandemic and the relevant precautionary measures imposed to curb its spread. Gross profit slumped 68.4% YoY to SAR 58.6mn in 1Q21, while gross margin contracted 1,525 bps YoY to 31.4%. The company recorded an operating loss of SAR 111.1mn in 1Q21 as against an operating profit of SAR 1.1bn in 1Q20, leading to a 3,364 bps YoY drop in EBIT margin to (-)59.6%. These factors resulted in a net loss (attributable to shareholders) of SAR 129.7mn in 1Q21, whereas net margin shrank to (-)69.6% in 1Q21.

Seera's performance dipped in 1Q21, as most segments in which the company operates were severely hit by COVID-19 related restrictions. Sharply lower revenues reported by the Tourism (down 79.2% YoY to SAR 26.8mn), Ticketing (down 73.6% YoY to SAR 28.3mn), Transportation (down 12.7% YoY to SAR 122.0mn), and Hospitality (down 68.2% YoY to SAR 5.1mn) segments weighed on Seera's total revenue in 1Q21. Moreover, the company's GBV slipped by about 54.0% YoY to SAR 879mn in 1Q21 compared with SAR 1.9bn in 1Q20, as weak business and tourism activity worldwide on account of the pandemic weakened demand for the company's services. Travel restrictions on passengers from several nations and limitations on the count of Umrah and Hajj devotees further hurt revenues of the tourism sector in KSA. However, we anticipate some recovery in business and travel activity in FY21 on the back of increasing global vaccination rates and easing of travel restrictions in the nation. Seera focused on cost reduction measures in 1Q21 to minimize the impact of lower tourism revenue on its financials. Moreover, the company plans to allocate a sizeable portion of its budget to its car rental segment, Lumi, which displayed consistent performance in FY20 despite the pandemic. Lumi plans to add 6,000 new vehicles to its fleet and launch a car-sharing portal in FY21. Nevertheless, a resurgence in COVID-19 cases due to new strains of the virus may prolong the travel restrictions and negatively affect Seera's profitability. Considering these factors, we maintain our "Neutral" rating on the stock.

- Seera's revenue plunged 53.0% YoY to SAR 186.3mn in 1Q21 due to the significant drop in GBV during the quarter. Revenue fell 18.2% QoQ from SAR 227.7mn in 4Q20.
- Gross profit nosedived 68.4% YoY to SAR 58.6mn in 1Q21, as a higher top line offset the 39.6% YoY drop in cost of sales to SAR 127.7mn. As a result, gross margin contracted to 31.4% in 1Q21 compared with 46.7% in 1Q20.
- The drop in gross profit counterbalanced lower SG&A expense and higher other income, and led to an increase in operating loss to SAR 111.1mn in 1Q21 from an operating loss of SAR 103.1mn in 1Q20. Subsequently, operating margin stood at (-)59.6% vis-à-vis (-)26.0% in 1Q20.
- Seera realized a one-off gain of SAR 1.56bn through a stake sale in Careem in 1Q20. In addition, declining margins and higher zakat expense in 1Q21 led the company to record a net loss of SAR 129.7mn in 1Q21 against a net profit of SAR 1.1bn in 1Q20. Consequently, net margin narrowed to (-)69.6% from 280.7% in 1Q20.
- The company recorded loss per share of SAR 0.43 in 1Q21 against EPS of SAR 3.71 in 1Q20.

Valuation: We revise our target price upward to a fair value of SAR 20.0 and maintain "Neutral" rating on the stock.

	1Q21	1Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	186.3	396.7	(53.0%)	1,128.3	904.6	24.7%
Gross Profit (SAR mn)	58.6	185.2	(68.4%)	552.1	307.0	79.9%
EBITDA (SAR mn)	(32.0)	(23.1)	NM	230.5	(217.7)	NM
Net Profit (SAR mn)*	(129.7)	1,113.5	NM	(145.3)	18.2	NM
EPS Basic (SAR)*	(0.43)	3.71	NM	(0.48)	0.06	NM
Gross Margin (%)	31.4%	46.7%	(15.2%)	48.9%	33.9%	15.0%
EBITDA Margin (%)	(17.2%)	(5.8%)	(11.3%)	20.4%	(24.1%)	44.5%
Net Profit Margin (%)	(69.6%)	280.7%	(350.3%)	(12.9%)	2.0%	(14.9%)

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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