

Seera Group Holding (SEERA)

Target Price: SAR 30.0/share

Upside: 28.0%

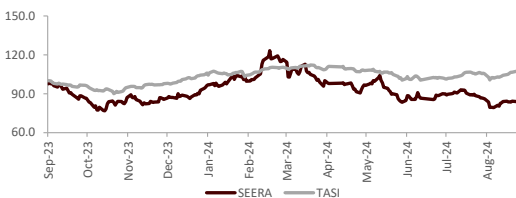
Recommendation

Buy

Current Market Price (SAR)	23.4
52wk High / Low (SAR)	35.8/21.8
Mkt. Cap. (USD/SAR Mn)	1,860/6,978
Shares Outstanding (mn)	300.0
Free Float (%)	98.2%
3m Average Vol. (000)	1,552.6
3m Avg Daily Turnover (SAR'000)	38,208
P/E'24e (x)	29.6
EV/EBITDA'24e (x)	9.6

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	2,271	3,291	4,079	4,659
Gross profit	904	1,412	1,832	2,092
Gross margin (%)	40%	43%	45%	45%
EBIT	3	305	398	415
EBIT margin (%)	0%	9%	10%	9%
EBITDA	450	681	935	1,001
EBITDA margin (%)	20%	21%	23%	21%
Net Income	(46)	265	243	259
Net margin (%)		8%	6%	6%
EPS (SAR)	-0.16	0.86	0.79	0.84
RoE (%)	-7%	-1%	4%	3%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Nasser Aqeel Abdullah Al Tayyar 6.06%

Source: Bloomberg, Yaqeen Capital

Earnings decline on YoY basis despite revenue growth

- SEERA's net income decreased by 20.5% YoY to SAR 54mn, largely due to a higher share of non-controlling interest. However, QoQ, net income increased by 18.6%, driven by an improved product mix and higher average margins in the travel platform and hospitality businesses. The net income margin dropped by 4.3ppts YoY but improved by 1.0ppts QoQ to 5.3%.
- In 2Q2024, revenue surged by 43.5% YoY to SAR 1,028mn, fueled by robust performance in the travel platform, car rental, and hospitality segments, along with strategic acquisitions and expansion efforts, particularly in the UK and Almosafer's Hajj operations. QoQ, revenue declined by 4.7% due to fewer vehicles sold, aligning with Lumi's de-fleeting strategy.
- Gross profit for 2Q2024 increased by 25.8% YoY to SAR 434mn due to higher revenue, though it fell by 5.7% QoQ because of lower revenue on a QoQ basis and a higher cost of revenue as a percentage of revenue. The gross profit margin decreased by 5.9ppts YoY and 0.5ppts QoQ to 42.2%.
- Operating income in 2Q2024 rose by 8.1% YoY to SAR 110mn, attributed to higher gross profit despite higher SG&A expenses. QoQ, operating income declined by 1.7% due to lower revenue. The operating income margin decreased by 3.5ppts YoY but rose by 0.3ppts QoQ to 10.7%.
- In 1H2024, net income declined by 19.1% YoY, with the net income margin dropping by 3.4ppts YoY to 4.8%.
- In 1H2024, revenue increased by 39.4% YoY to SAR 2,106mn, primarily driven by record-breaking results in consumer travel, growth in Almosafer's direct Hajj initiative operations, strategic acquisitions in Portman, and expansion efforts in Lumi.

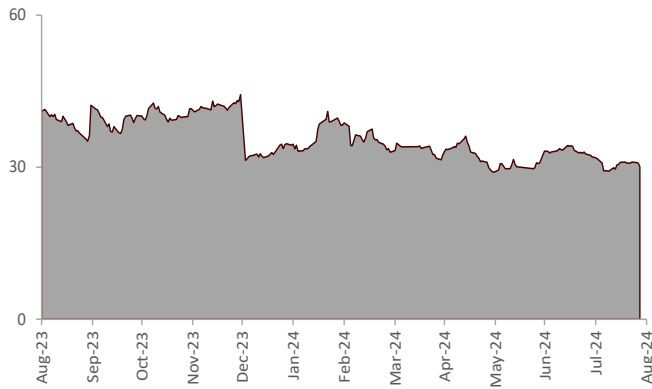
Outlook & Valuation: The travel industry in Saudi Arabia has a promising future, driven by several key factors. The introduction of e-visas for international visitors has opened new opportunities for foreign tourists to explore Saudi Arabia's rich cultural heritage and natural attractions, giving a significant boost to the travel sector. The industry has shown a strong recovery from the impact of COVID-19, with a noticeable increase in bookings and visitor numbers. As a leading travel company in Saudi Arabia, Seera is well-positioned to benefit from this growth. With its extensive network and services catering to the rising demand for travel, Seera is set to capitalize on the industry's resurgence, which is expected to positively impact its financial performance. Based on DCF valuation, we arrive at a fair value of SAR 30.0/share, offering a strong upside of 28.0% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

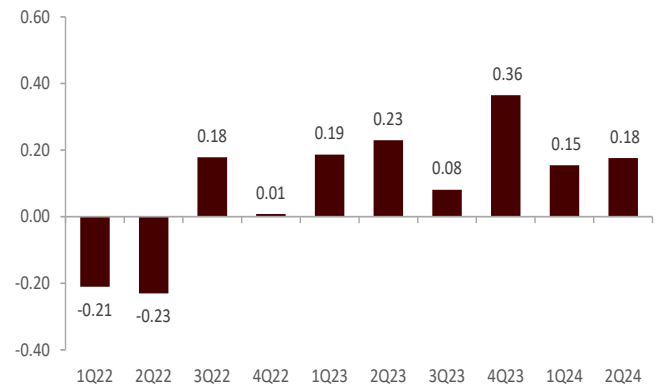
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	1,028	716	44%	1,078	-5%
Gross profit	434	345	26%	460	-6%
Gross margin (%)	42%	48%		43%	
EBIT	110	102	8.1%	112	-2%
EBIT margin (%)	11%	14%		10%	
EBITDA	240	206	16%	223	7%
EBITDA margin (%)	23%	29%		21%	
Net Income	54	68	-21%	46	19%
Net margin (%)	5%	10%		4%	
EPS (SAR)	0.18	0.23	-21%	0.15	19%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

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

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

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

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