

FY19 Results Update

March 23, 2020

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	13.5
Target Price (SAR)	17.0
Upside/Downside (%)	25.4%

As of March 22nd, 2020

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	4.1
52 Wk High (SAR)	23.7
52 Wk Low (SAR)	12.1
Total Outstanding shares (in mn)	300.0
Free Float (%)	89.2%

SEERA vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	(40.4%)	(18.3%)
6m	(23.2%)	(1.2%)
12m	(33.1%)	(4.3%)

Major Shareholders (%)

Nasser Okail Abdullah Al-Tayar	10.77%
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Quarterly Sales (SAR mn) and EBITDA Margin



Source: Bloomberg, Company Financials, FALCOM Research; Data as of March 22nd 2020

Seera reports record gross booking volume aided by growth in consumer travel and online business

Seera's revenues for FY19 declined marginally by 4.8% YoY to SAR 2.2bn despite reporting record gross booking volume (GBV) of SAR 10.8bn, with growth of 49% in consumer travel and 64% in online business. The company suffered from more competitive pricing for some services in order to protect and increase market share. This adversely affected Seera's margins; gross margins declined to 58.1% in FY19 from 62.0% in FY18, whereas the operating margin slumped to 15.5% in FY19 against 26.7% in FY18. Seera swung to net profit of SAR 185.6mn in FY19 compared to a net loss of SAR 145.0mn in FY18 owing to sharp losses on disposal of property, plant, and equipment in the latter year. Excluding the impact of exceptional items, net profit declined 43% YoY to SAR 298mn in FY19.

The company leveraged its diversified product offerings in view of new tourism opportunities in KSA in FY19 and announced an investment of SAR 1bn to support the new tourism strategy in the Kingdom. The company's record booking volumes, coupled with a sharp rise in consumer travel and online business, testify how it offset the loss of non-renewal of the Ministry of Education contract and worked on forging new partnerships to capture market share. Moreover, the proceeds from the Careem deal are expected to be deployed for further expansion of the online business. In the hospitality sector, Seera has five operating hotels with 1,880 rooms and plans to add 6,000 rooms by 2025. We expect the company to face headwinds considering the recent turn of events in the aftermath of the coronavirus pandemic outbreak, which is going to impact the tourism and travel industry in particular. However, we believe that the current low price levels offer upside potential in the long term. Therefore, we maintain our 'Overweight' rating on the stock.

- Revenue for FY19 marginally declined 4.8% YoY to SAR 2.2bn as the company suffered from competitive pricing for some services in order to protect and increase market share. Car rental revenues were up 83% YoY to SAR 343mn.
- The company's GBV was up 2%, touching a record of SAR 10.8bn in FY19 with a strong and consistent rise in consumer travel (up 49% to SAR 3.9bn) and online business (up 64% to SAR 3.3bn).
- Gross profit declined 10.8% YoY to SAR 1.3mn owing to competitive pricing and increased average cost of sales. The gross margin came in at 58.1% in FY19 compared to 62.0% in FY18.
- Selling, general, and administrative expense increased 9.0% YoY to SAR 922mn, and higher impairment losses led to a decline of 44.7% YoY in the operating profit to SAR 339.5mn (FY18: SAR 613.5mn). Subsequently, its operating margin contracted to 15.5% YoY in FY19 from 26.7%.
- The company's bottom line was impacted by several exceptional items as it incurred losses on disposal of equity investments and impairment losses on trade receivable. These losses were more pronounced in FY18, which led to a net loss of SAR 145.0mn for the year. Seera swung to a net profit of SAR 185.6mn in FY19 owing to the lower impact of the factors mentioned above.

Valuation: We revise our target price to a fair value of SAR 17.0 and maintain our Overweight rating for the stock.

	4Q'19	4Q'18	% YoY	FY20E	FY19	% YoY
Revenues (SAR mn)	594	565	5.0%	2,235	2,190	2.0%
Gross Profit (SAR mn)	280	312	(10.1%)	1,354	1,273	6.4%
EBITDA (SAR mn)	146	260	(43.6%)	708	565	25.4%
Net Profit (SAR mn)	10	18	(42.9%)	282	186	52.0%
EPS Basic (SAR)	0.03	0.06	(42.9%)	0.94	0.62	52.0%
Gross Margin (%)	47.2%	55.2%	(8.0%)	60.6%	58.1%	2.5%
EBITDA Margin (%)	24.7%	45.9%	(21.3%)	31.7%	25.8%	5.9%
Net Profit Margin (%)	1.7%	3.1%	(1.4%)	12.6%	8.5%	4.2%

Source: Company Financials, FALCOM Research

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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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