

### 1Q20 Results Update

July 05, 2020

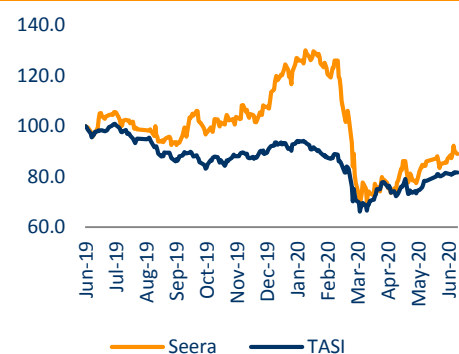
Recommendation	Neutral
Previous Recommendation	Overweight
Current Price (SAR)	15.9
Target Price (SAR)	17.0
Upside/Downside (%)	6.8%

As of June 24<sup>th</sup>, 2020

#### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	4.8
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)

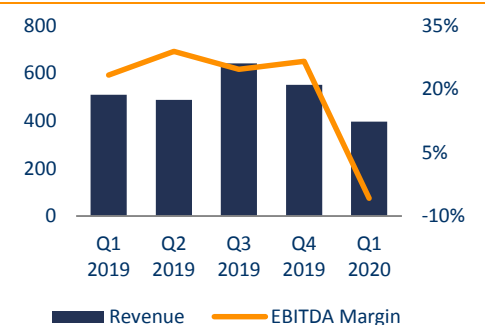


Price Performance (%)	Absolute	Relative
1m	3.5%	(0.7%)
6m	(21.6%)	(10.2%)
12m	(11.0%)	7.4%

#### Major Shareholders (%)

Nasser aqeel Abdullah Al-tayar	10.75%
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#### Quarterly Sales (SAR mn) and EBITDA Margin



Source: Bloomberg, Company Financials, FALCOM Research; Data as of June 24<sup>th</sup> 2020

#### COVID-19 impacts Seera's top line, plunging the company to operating loss

Seera's revenues for 1Q20 dropped 22.1% YoY to SAR 397mn due to the depressed gross booking value (GBV) during the COVID-19 pandemic. In addition, the company had to face competitive pricing for some services to protect its market share. This adversely affected Seera's margins; gross margins declined to 46.7% in 1Q20 from 59.3% in 1Q19. With rising selling, and administrative expenses, the company had to bear an operating loss of SAR 103mn for the quarter. It, however, recorded advancement in net profit following the gains from the disposal of the Careem business. Excluding the impact of exceptional items, the company reached a normalized net loss of SAR 123mn for 1Q20 against a net profit of SAR 49mn in 1Q19.

Seera's recorded sharp fall in revenues, which led to high operating loss in 1Q20. This was due to the outbreak of the COVID-19 pandemic and the resulting widespread lockdowns, which brought global economic activities to a standstill. The travel and tourism sector were the worst effected, with countries imposing travel bans and refusing to accept tourists. Seera's plans for expansion of the hospitality sector are also expected to be adversely impacted. However, the situation is likely to improve in the second half of the year with fewer travel restrictions. We expect Seera's performance to start recovering in 2021. Moreover, since our last coverage, the company's price has recovered to our previous target price. Therefore, we maintain the target price and change our rating to Neutral from Overweight on the stock.

- Revenue for 1Q20 declined 22.1% YoY to SAR 397mn due to the contraction in the GBV value following the outbreak of the COVID-19 pandemic. Revenues from car rentals, however, increased 145% YoY to SAR 121mn.
- The company's GBV decreased 18% YoY to SAR 1.9bn against 2.3bn in 1Q19 due to the pandemic, which impacted the global economy and the travel and tourism sector.
- Gross profit declined 38.7% YoY to SAR 185mn, given the rise in average cost of sales. The gross margin stood at 46.7% in 1Q20 compared with 59.3% in 1Q19 and 50.9% in 4Q19.
- Selling, general, and administrative expenses surged 24.6% YoY to SAR 290mn. The company reported an operating loss of SAR 103mn against an operating profit of SAR 65mn in 1Q19. Subsequently, the operating loss margin plunged to 26.0% compared with the operating profit of 12.7% in 1Q19.
- Seera's bottom line recorded a net profit of SAR 1.1bn following a one-time gain of SAR 1.6bn from the disposal of the Careem business. Excluding the impact of the exceptional items, the company's normalized net loss stood at SAR 123mn for 1Q20 compared with the net profit of SAR 49mn in 1Q19.

**Valuation:** We maintain our target price at a fair value of SAR 17.0 and revise our rating to Neutral on the stock.

	1Q'20	1Q'19	% YoY	FY20E	FY19	% YoY
Revenues (SAR mn)	397	510	(22.1%)	1,513	2,190	(30.9%)
Gross Profit (SAR mn)	185	302	(38.7%)	757	1,273	(40.6%)
EBITDA (SAR mn)	(23)	118	(%119.5)	188	565	(66.7%)
Net Profit (SAR mn)	1,112	49	%2167.8	817	183	345.7%
EPS Basic (SAR)*	3.70	0.16	%2246.3	2.71	0.62	337.7%
Gross Margin (%)	46.7%	59.3%	(12.6%)	50.0%	58.1%	(8.1%)
EBITDA Margin (%)	(5.8%)	23.3%	(%29.1)	12.4%	25.8%	(13.4%)
Net Profit Margin (%)	279.8%	9.3%	270.5%	54.0%	8.4%	45.6%

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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