

**2Q20 Results Update**

**October 10, 2020**

<b>Recommendation</b>	<b>Neutral</b>
Previous Recommendation	Neutral
Current Price (SAR)	19.1
Target Price (SAR)	17.66
Upside/Downside (%)	(7.5%)

As of September 20, 2020

**Key Data (Source: Bloomberg)**

Market Cap (SAR bn)	5.7
52-Wk High (SAR)	23.7
52-Wk Low (SAR)	12.1
Total Outstanding Shares (in mn)	300.0
Free Float (%)	89.3%

**SEERA vs. TASI (Rebased)**



Price Performance (%)	Absolute	Relative
1m	12.1%	5.5%
6m	36.5%	3.0%
12m	13.6%	8.0%

**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 September 20, 2020

**COVID-19 hurts Seera's top line, weighs on margins**

Seera's revenues dropped 74.1% YoY to SAR 138.2mn owing to the plunge in gross booking value (GBV) during the period. The company's GBV declined ~86.0% YoY to SAR 398mn in 2Q20 as precautionary measures taken to curb the spread of the COVID-19 pandemic impacted the travel and tourism industry globally. This adversely impacted Seera's margins in 2Q20, with gross margin contracting to 19.1% in 2Q20 from 63.8% in 2Q19. The company recorded operating loss for the second consecutive quarter and operating margin slipped to (115.4%) against 16.3% in 2Q19. These factors led the company to record a net loss of SAR 170.2mn in 2Q20. Simultaneously, net loss margin for the quarter stood at (123.2%) against net profit margin of 12.2% in 2Q19.

Seera's businesses are primarily related to travel and tourism, which remained largely impacted by the COVID-19 pandemic in 1H20. The company's revenue declined 48.8% YoY to SAR 535mn, as GBV declined ~55.0% YoY in 1H20 due to the imposition of travel bans and lockdown. Although, net income surged 715.0% YoY to SAR 940mn in 1H20, it was mainly due to the one-off sale of its stake in Careem. Performance of Seera's car rental segment improved due to the shift in consumer preference for cheaper and safer options to personal and public vehicles, respectively. However, other segments remained adversely impacted due to the pandemic. Although headwinds to the sector prevail in terms of rebound in coronavirus cases and prolonged duration for vaccine development, the situation is likely to improve by the end of the year with fewer travel restrictions. We expect Seera's performance to start recovering in 2021. Therefore, in view of the factors mentioned above, we maintain our "Neutral" rating on the stock.

- Revenue plunged 74.1% YoY to SAR 138.2mn as GBV shrank sharply in 2Q20 following the outbreak of the COVID-19 pandemic. Seera's car rentals segment posted 65.0% YoY rise in revenue during the quarter, but other segments witnessed sharp decline in 2Q20.
- The company's GBV plummeted ~86.0% YoY to SAR 398.0mn in 2Q20 against SAR 2.8bn in 2Q19 as the COVID-19 pandemic impacted the global travel and tourism sector.
- Gross profit declined 92.3% YoY to SAR 26.3mn in 2Q20, as 42.1% YoY decline in cost of sales to SAR 111.9mn was offset by the drop in the top line. As a result, gross profit margin contracted to 19.1% in 2Q20 compared to 63.8% in 2Q19 and 46.7% in 1Q20.
- Despite the 29.8% YoY decline in SG&A expenses to SAR 179.6mn in 2Q20, the company reported an operating loss of SAR 159.5mn against an operating profit of SAR 87.4mn in 2Q19. Subsequently, operating loss margin plunged to (115.4%) compared to operating profit margin of 16.3% in 2Q19.
- Seera recorded a net loss of SAR 170.2mn in 2Q20 against a net profit of SAR 65.2mn in 2Q19 as the factors mentioned above offset the improvement in finance charges and zakat expenses and weighed on the bottom line. Consequently, net loss margin stood at (123.2%) against net profit margin of 12.2% in 2Q19.

**Valuation:** We revise our target price to a fair value of SAR 17.66 and maintain our Neutral rating on the stock.

	2Q20	2Q19	% YoY	FY20E	FY19	% YoY
Revenues (SAR mn)	138	535	(74.1%)	1,218	2,190	(44.4%)
Gross Profit (SAR mn)	26	341	(92.3%)	426	1,273	(66.5%)
EBITDA (SAR mn)	(93)	141	NM	(120)	565	NM
Net Profit (SAR mn)	(170)	65	NM	785	186	323.1%
EPS Basic (SAR)*	(0.57)	0.22	NM	2.62	0.62	323.1%
Gross Margin (%)	19.1%	63.8%	(44.8%)	35.0%	58.1%	(23.1%)
EBITDA Margin (%)	(67.0%)	26.4%	NM	(9.8%)	25.8%	NM
Net Profit Margin (%)	(123.2%)	12.2%	NM	64.4%	8.5%	56.0%

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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