



# Investor update presentation

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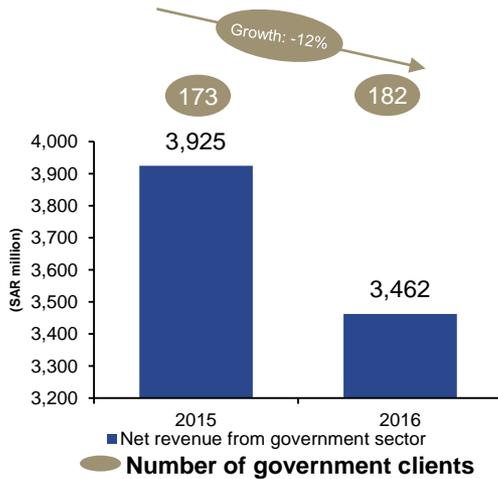


# **Section 1**

**Update on Q4 2016 financial performance**

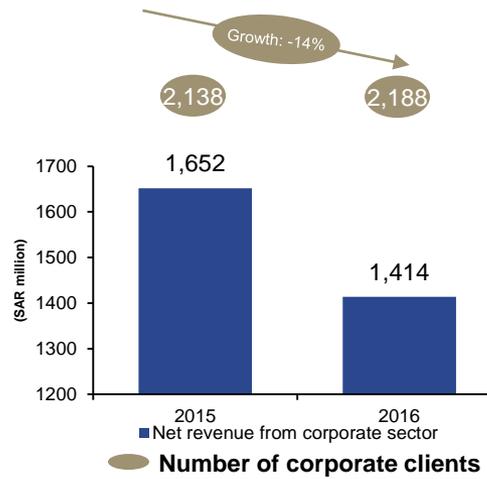
# Sector performance impacted by general macroeconomic environment and government austerity measures

## Revenue of government segment



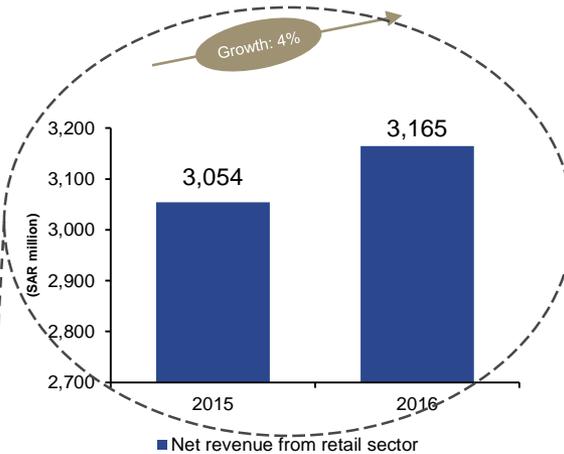
Performance of government sector is impacted by government austerity measures

## Revenue of corporate segment



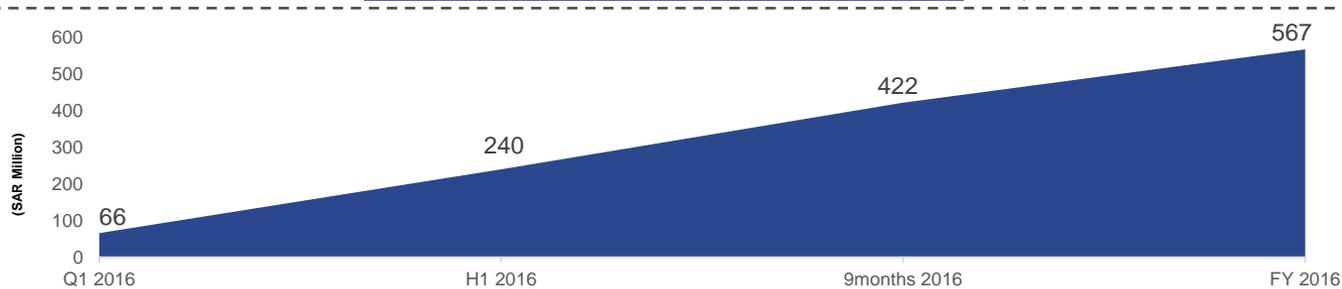
Corporate revenue declined reflecting the economic slowdown

## Revenue of retail segment



Retail sales grew due to significant contribution from E-commerce business unit

## E-commerce contribution to retail revenue



Notwithstanding the challenging macroeconomic environment for retail sector, E-commerce revenues have shown significant growth inline with ATG's strategic focus

# ATG financial performance showed resilience in the midst economic slowdown

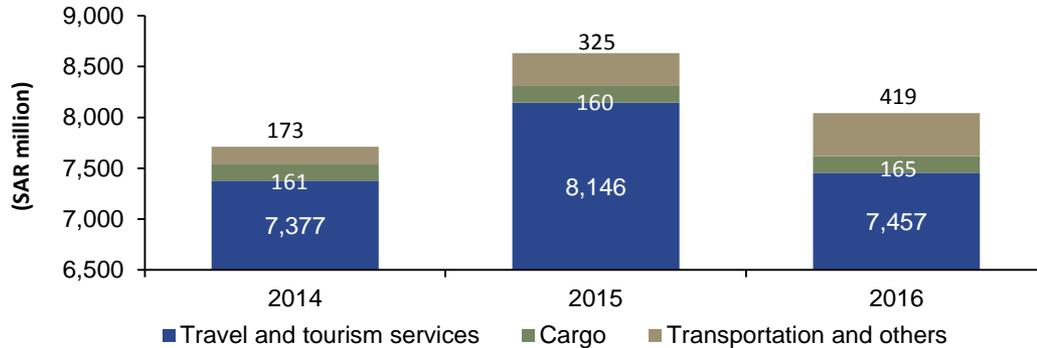
## Highlights of the income statement

In SAR million	Q4 2016	Q4 2015	FY 2016	FY 2015	Comments
Revenue	2,036	2,185	8,041	8,631	<ul style="list-style-type: none"> <li>• ATG top line declined of about -7%, from core ticketing segment -18%, however tourism &amp; transportations/others revenue grew by 48% &amp; 29% respectively due to contribution from e-commerce business and that is mainly from Almosafer along with Hanay car rental.</li> <li>• Gross margin declined to 19% with +/- 2% fluctuation which is considered normal in the business, given that the contribution from government sector is less.</li> <li>• Selling expenses and administrative expenses decreased compared to last year by -2% and -4% respectively, as a result of cost rationalization plan.</li> <li>• Other operating income mainly consist of incentives received from airlines and GDSs (i.e. Amadeus, Galileo)</li> <li>• Net profit declined for the period of about -29% but the Normalized net profit decline is -26% after excluding the impact impairment loss recorded on equity investment and impairment loss on intangible assets and gain/loss on PPEs.</li> </ul>
COGS	(1,722)	(1,768)	(6,552)	(6,831)	
GP	314	417	1,489	1,800	
GPM	15%	19%	19%	21%	
Selling exp	(86)	(74)	(272)	(277)	
Admin exp	(118)	(126)	(396)	(415)	
Other operating income	58	54	192	173	
Other income (expense)	(8)	(37)	(116)	(58)	
EBIT	159	234	906	1,223	
EBIT margin	8%	11%	11%	14%	
Interest	(13)	(7)	(46)	(19)	
zakat	(2)	(11)	(30)	(36)	
Minority	1	(0)	(3)	(7)	
Net income	145	215	826	1,162	
Net income margin	7%	10%	10%	13%	

Ticketing business declined as a main contributor to the top line while tourism and leisure businesses grew due to the strong performance of e-commerce initiatives

# Tourism segments contributed positive performance driven by e-commerce revenue

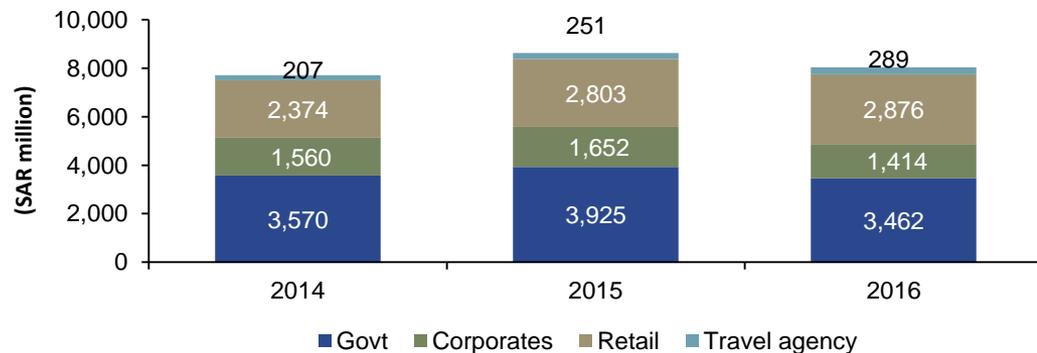
Net revenue by business segment



Comments/outlook

- Ticketing currently contributes close to 72% of ATG's net revenue
- The contribution from the hospitality segment, primarily in Makkah, is expected to start 2017

Net revenue by client



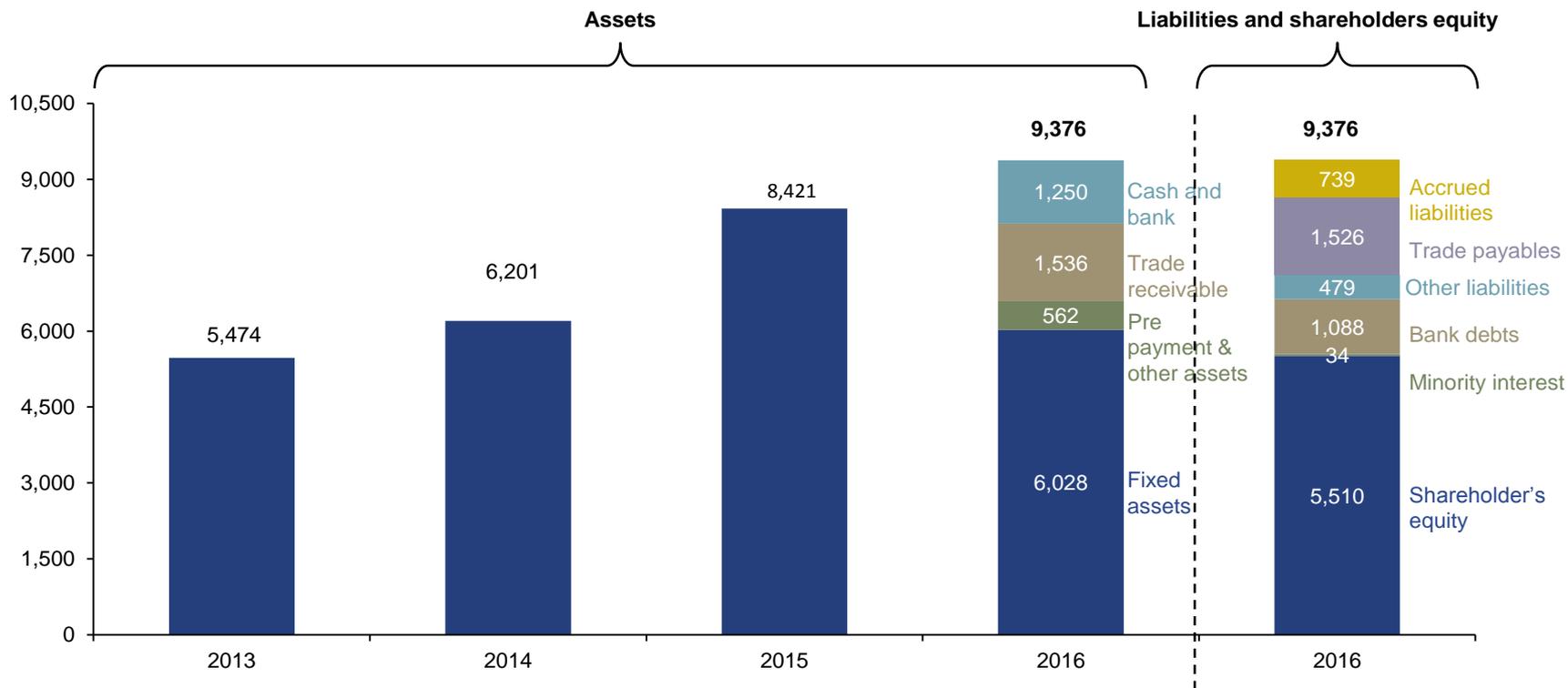
Comments/outlook

- Revenues from government declined by -12%, whereas revenues from corporate declined by -14% and retail grew by 4%.
- ATG is looking to increase its market share in the retail segment

Ticketing services contribution is lower on yearly basis because of government austerity measures in favor of tourism and transportation as online business and acquisitions in 2015 started to perform

# The successful closing of Thakher acquisition has significantly increased the total assets and equity

Highlights of ATG balance sheet



The vast majority of ATG's assets are in working capital related to its core operations of flight tickets and more importantly to its investments in the hospitality segment in Makkah

# Cash flow has been impacted significantly due to economic condition

## Highlights of cash flow statement

In SAR million	2013	2014	2015	2016	Comments
Net profit for the year	943	1,119	1,162	826	<ul style="list-style-type: none"> <li>• During 2016, most of corporates/government clients utilized the advances resulting in negative cash flow from operating activities</li> <li>• The majority of investments is related to the acquisition of the Wadi.com and capitalization of Sheraton hotel</li> </ul>
Cash from change in working capital	1,214	44	343	(709)	
Net Cash flow from operating activities	<u>2,157</u>	<u>1,163</u>	<u>1,505</u>	<u>118</u>	
Cash flow used in investing activities (net)	(370)	(735)	(2,422)	(474)	
Cash flow from financing activities	26	(42)	986	(372)	
Dividend paid	(443)	(545)	-	-	
Increase/decrease in cash	<u>1,370</u>	<u>(158)</u>	<u>68</u>	<u>(728)</u>	
Cash at beginning	747	2,117	1,959	2,009	
Cash in hand	2,117	1,959	2,009	1,250	

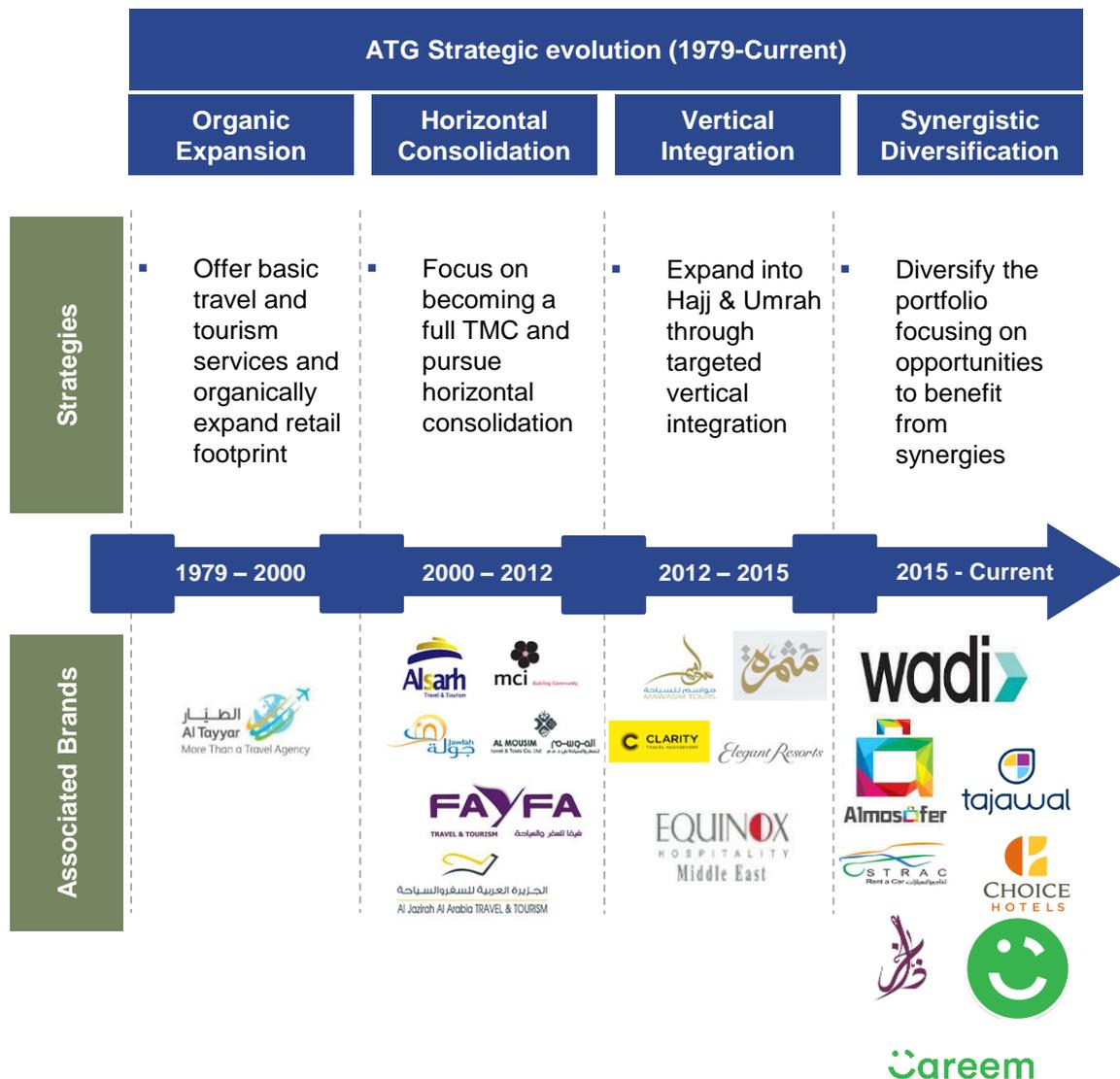
Increase in working capital requirements attributed to the growing receivables from government accounts



## **Section 2**

**Recap on ATG Evolution**

# ATG started as a retail travel agency, and has evolved into a synergistically diversifies travel and tourism group



### ATG Evolution

- In 1979, ATG started as a classic retail travel agency company focused on basic travel and tourism booking services; until 2000, ATG has focused on organically expanding its retail footprint
- Between 2000 and 2012, ATG focused on consolidation and horizontal integration where it made a number of acquisitions of like for like competitors
- Between 2012 and 2015, ATG primarily focused expand its hajj and umrah offerings through vertical integration into the destination management and hospitality industry segments; moreover, during this time, ATG expanded its global footprint by entering the UK travel management market
- Since 2015, ATG has focused on diversifying its portfolio of businesses in a synergistic manner; its has aggressively focused the OTA space, and expanded its hospitality offerings by both entering into hospitality operations, and re-focusing its rental car and



## **Section 3**

**Update on hospitality strategic business unit**

# A key growth area that seen considerable investment is hospitality area; here, ATG is focused on 3 activity area

## Hospitality Activity Areas

### Activity Area

### Description

### Brands

#### 1 Asset Ownership

- This activity area is focused on asset development for hospitality use
- Key objective behind asset ownership is to maximize cash flow from the asset and to improve overall asset value.
- ATG has invested heavily in hospitality assets with key investments including venture in Thakher and Muthmera



#### 2 Asset Management

- Asset management is focused on protecting asset owner interests through ensuring that asset operators perform in accordance with legal and commercial agreements
- ATG performs this activity through its Equinox subsidiary, which is regarded as one of the very few professional asset management companies in the middle east



#### 3 Asset Operations

- Asset operations is focused on developing asset revenues through daily use of the hotel asset
- Through its exclusive partnership with Choice Hotels, the 2<sup>nd</sup> largest hotel company in the world, ATG has a best in-class hotel operations capability and plethora of brands to offer hospitality asset owners



# ATG has invested on a well located projects to complete its vertical integration strategy...

## ATG developed and acquired different hospitality properties to fuel growth

Tower Name	Prince Majed Rd Hotel	Movenipick City star Hotel	Sheraton Hotel
Property use	Hotel	Hotel	Hotel
Location	Prince Majed Rd, Jeddah	Madina Rd, Jeddah	In front of Holy mosque, Makkah
No. of rooms/suits	200	228	422
Expected operating income p.a (SAR mn)	20	25	70 <sup>(1)</sup>
Expected delivery	Q4 2017	Delivered	Q1 2017
Expected market value (SAR mn)	200	260	1,500

(1) The expected operating income is from the serviced apartment + service charges

Prince Majed Rd Hotel



Movenipick City Star Hotel



Sheraton Hotel



- ATG board approved a selling serviced apartments strategy from Sheraton hotel with an expected revenue of SAR1,200mn to recover a significant amount of the invested capital

# ...with a large portfolio of hospitality assets

## Muthmerah has developed residential and commercial towers

Tower Name	3 <sup>rd</sup> Ring Road	Masafi Hotel	Beer Balela	Albawaba 1 & 2	Sheabquresh Hotel
Property use	Offices	Hotel	Hotel	Retail	Hotel
Distance from Haram	4 KM	0.3KM	0.3KM	NA	0.45KM
No of rooms (residential) / GLA (office and retail)	31,300 sqm	192	547	8,298 sqm	491
Expected Rental income p.a (SAR mn)	15	9	25	3	15
Expected delivery	Delivered	Delivered	Delivered	Delivered	Q1 2017
Expected market value (SAR mn)	300	160	500	33	300

3<sup>rd</sup> Ring Road



Masafi Hotel



Beer Balela Hotel



Al Bawaba



Shebalquresh



Note: Muthmerah owns 3 parcels of land that have been under compulsory purchase order by the government which their book value is over SAR 410 million



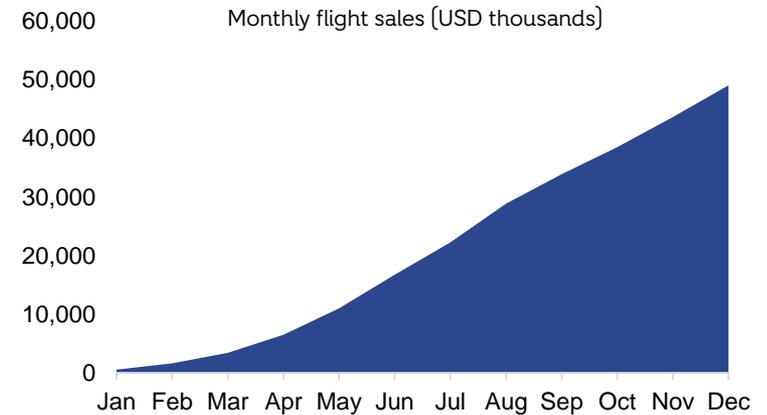
## **Section 3**

**Update on online travel and E-commerce**

# Within 1 year only, Tajawal has become a leading OTA in the GCC



~ 50k Sessions/day	~ 300 Orders/Day
~ \$133k Gross Sales / day	~ \$447 Average order value
~ 14% Marketing Cost/Sales Ratio	~ 535k App Installs
~ 16% Mobile App Share	2M+ Active Users



Tajawal reflects the latest global developments and insights and is showing strong growth in first few months

# Almosafer is a locally grown hotel booking tool offering more than 500,000 hotels around the globe through Mobile Tablet apps

Almosafer

