

SECTOR UPDATE

Q2 2023

Saudi tourism, a bright future

After more than 2 years of COVID-19 related restrictions, the Saudi tourism industry is accelerating in 2023f with a strong growth momentum and a bright future. The positive outlook is driven by Saudi Aviation and Tourism strategies coupled with the ongoing Mega/Giga projects. We expect Catering, Seera and SGS to benefit from 1) the government's target to reach 100mn tourists and more than 330mn passengers by 2030f and 2) major airlines' fleet expansions. In 2023f, we expect SGS and Seera to return to profitability while Catering's profit is estimated to grow by c91% yoy. We upgrade Catering to Overweight, while we maintain our Overweight rating on SGS and remain Neutral on Seera.

• Saudi, a tourism hub

Tourism is one the key tools of Vision 2030 to diversify the economy. The main tourism targets set by the government include 1) increasing outbound tourists to 100mn from c20mn currently, 2) grow the sector contribution to 10% of GDP vs 3.2% in 2022, and 3) creating 1.0mn jobs. This complements the US\$1.0trn investment in Mega/giga projects. To achieve these targets, airport expansions started, new airlines were introduced and visa processes improved. Moreover, a dual hub strategy has been introduced, where Saudia will have Jeddah as its hub, and Riyadh International Airline will have the expanded Riyadh airport as its hub. A third airline that will have NEOM as its hub is also expected to commence operations. The target for these airlines is to reach +330mn passengers by 2030f.

• Strong recovery and new records

In 2022, Saudi experienced a strong rebound in tourist activities as COVID-19 related restrictions were removed. Saudi's tourism spending increased by 93% yoy to SAR185bn vs SAR95.6bn in 2021. The strong momentum continued in 2023f as an array of tourist events (such as Riyadh/Jeddah Seasons and Formula 1/Formula E) result in strong tourists inbound/outbound. Furthermore, Hajj and Umrah are expected to reach a record level in 2023f. We expect SGS to serve 0.38mn flights in 2023f, and to reach 0.5mn by 2025f, compared to 0.31mn in 2022. For Catering, we expect the number of in-flight meals to record a strong growth of 20% yoy to 36mn in 2023f and to reach 44.3mn by 2025f.

• 2023f - Back to profits

Based on the stocks under coverage, we expect the sector to report a combined profit of SAR771mn in 2023f vs a loss of SAR35mn in 2022. We expect Catering to post earnings of SAR388mn (+51% yoy), SGS to report a profit of SAR216mn in 2023f vs a loss of SAR244mn in 2022, and Seera to report a profit of SAR166mn in 2023f vs a loss of SAR48mn in 2022. In 2024f, we expect earnings to grow further by 36.8% to SAR1.06bn (+36.8% yoy) driven by consistent growth in travel and tourism.

• Positive outlook for the sector

We remain Overweight on SGS with a PT of SAR35.5. We believe the company is a key beneficiary of the growth in the Saudi aviation sector due to its dominant market position. We upgrade Catering to Overweight with a PT of SAR102.7 driven by the tourism sector positive outlook and the company's initiatives to diversify and broaden its revenue streams. We remain Neutral on Seera with a PT of SAR25.8. We believe Seera's key drivers are the strategic restructuring initiatives notably the Lumi IPO and strong growth in GBVs which we believe are priced in at the current level.

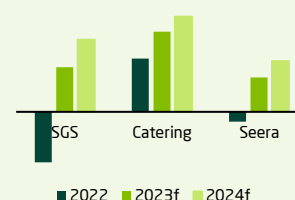
Valuation summary

	Rating	PT (SAR)	Current price	Upside/Downside (%)	P/E (x) 2024f	EV/EBITDA 2024f	Div Yield (%) 2024f	Stock perf ytd (%)
SGS	Overweight	35.5	30.0	18.3	16.2	10.2	3.3	37.4
Catering	Overweight	102.7	85.9	19.6	15.3	10.1	4.1	14.5
Seera	Neutral	25.8	26.2	(1.4)	32.0	10.9	0.0	50.1

Source: SNB Capital Research estimates. All prices as of 18 May 2023

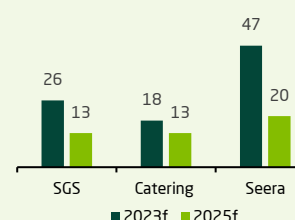
Please refer to the last page for important disclaimer

SECTOR EARNINGS (SAR MN)



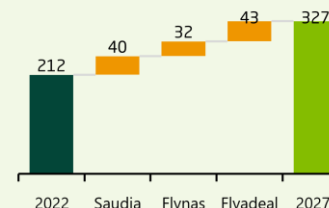
Source: SNB Capital Research estimates

SECTOR P/E (x)



Source: SNB Capital Research estimates

PLANES ADDITION



Source: SNB Capital Research estimates

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UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when SNB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

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