

Seera posted a net loss of SAR 172.0mn (loss per share: SAR 0.57), above our estimated loss of SAR 119.7mn and a consensus estimated loss of SAR 142.4mn. Net loss was driven by a steep decline in revenue and contraction in GP Margin. We believe consumer demand to pick up after a few quarters, as the rise in global COVID-19 cases continues to impact the travel and hospitality sector. We maintain our “Neutral” rating on the stock with a TP of **SAR 17.4/share**.

- Seera recorded a net loss of SAR 172mn in Q2-20 (loss per share of SAR 0.57) compared to the net profit of SAR 66mn posted in Q2-19. Net loss for Q2-20 was higher than our and market estimate of SAR 119.7mn and SAR 142.4mn, respectively. The net loss was mainly due to a steep decline in sales and a drastic drop in GP Margin. Seera’s principal business is related to travel, tourism, and hospitality. The growth prospects of these sectors are severely impaired due to the pandemic, and it would be some time before these businesses revive.
- The company’s revenue totaled SAR 138.0mn in Q2-20, down 74.2% Y/Y and 65.2% Q/Q, above our estimate of SAR 67.6mn. The group’s gross booking value (GBV) decreased 86% in Q2-20 to SAR 398mn from SAR 2.8bn in Q2-19. The drop was mainly driven by precautionary measures taken as a result of the COVID-19 outbreak, which has adversely affected the travel and tourism sector. Consumer Travel recorded GBV of SAR 38mn in Q2-20 compared to SAR 914mn in Q2-19, down 96%. Travel Management witnessed a fall of 82% Y/Y in GBV for Q2-20 to SAR 161mn. Meanwhile, Car Rental posted a 65% rise in revenue to SAR 99mn in Q2-20, on account of new lease contracts secured with government and corporate clients.
- Gross profit stood at SAR 26.0mn, down 92.4% Y/Y and 86.0% Q/Q; it was above our estimated loss of SAR 24.2mn. GP Margin narrowed sharply to 18.8% in Q2-20 from 63.7% in Q2-19.
- Operating loss was recorded at SAR 159.0mn as opposed to the operating profit of SAR 87mn posted in Q2-19. Net OPEX decreased 27.2% Y/Y to SAR 185.0mn from SAR 254.0mn, above our estimate of SAR 98.9mn.

AJC view: Seera’s revenue was above our expectations, while operating loss and net loss were higher than our estimates. We anticipate medium-term pressure on margins due to travel restrictions imposed to contain the spread of the pandemic and people’s reluctance to travel in order to avoid the risk of contracting the infection. We will revisit our estimates once the company publishes its detailed financials. We are positive on Seera from a long-term perspective. However, there are several unknown variables in the near term, such as the extent of the spread of the virus and time taken to develop a vaccine. Based on the current scenario, we therefore advise a wait-and-watch approach and caution on Seera. We value Seera on 60% weight for DCF (3.0% terminal growth and 9.7% average WACC), and 20% weight each for P/E (11.0x FY21 EPS) and EV/EBITDA (9.5x FY21 EBITDA)-based relative valuation. These yield a target price of SAR 17.4 per share, implying a 2.3% upside from the current levels. The stock is currently trading at a P/E of 12.7x as per our FY21 EPS. We maintain our “Neutral” rating on Seera with a TP of **SAR 17.4/share**.

Results Summary

SARmn	Q2-19	Q1-20	Q2-20	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	535.0	397.0	138.0	-74.2%	-65.2%	104.1%
Gross Profit	341.0	185.0	26.0	-92.4%	-85.9%	-207.2%
<i>Gross Margin</i>	<i>63.7%</i>	<i>46.6%</i>	<i>18.8%</i>	-	-	-
EBIT	87.0	-103.0	-159.0	-282.8%	54.4%	29.1%
Net Profit	66.0	1112.0	-172.0	-360.6%	-115.5%	43.7%
EPS	0.22	3.71	-0.57	-	-	-

Source: Company Reports, Aljazira Capital

Neutral

Target Price (SAR) 17.4

Upside / (Downside)* 2.3%

Source: Tadawul *prices as of 25th of August 2020

Key Financials

SARmn (unless specified)	FY19	FY20E	FY21E
Revenue	2,190.3	1,252.4	1,788.0
Growth %	-4.8%	-42.8%	42.8%
Net Income	185.6	795.8	402.5
Growth %	NM	328.8%	-49.4%
EPS	0.62	2.65	1.34

Source: Company reports, Aljazira Capital

Key Ratios

	FY19	FY20E	FY21E
Gross Margin	58.1%	39.5%	57.0%
Net Margin	8.5%	63.5%	22.5%
P/E	23.1x	6.4x	12.6x
P/B	0.7x	0.8x	0.7x
EV/EBITDA (x)	10.8x	NM	12.1x
Dividend Yield	0.0%	0.0%	0.0%

Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	5.0
YTD %	-22.3%
52 Week (High)/(Low)	23.70/12.12
Shares Outstanding (mn)	300.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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- Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
- Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
- Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
- Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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