Seera Group Holdings FY 2023 Earnings Call

2 April 2024

Mazen: Good afternoon, everyone. This is Mazen Al Sudairi from Al-Rajhi Capital. Al-Rajhi Capital is proud to host Seera. Welcome all to the call. And now I will hand over the microphone to Seera investor department. Please.

Minna: Thank you very much, Mazen. We're glad to be hosting this call. I'd like to introduce the next presenter, Al-Waleed Al-Nasser, recently appointed to acting CEO of the group. Al-Waleed, over to you.

Al-Waleed: Thank you. Thank you, Minna. And thank you, Mazen. Good afternoon, everyone. We appreciate your presence. I'm Al-Waleed Al-Nasser, recently appointed as acting CEO of Seera Group. I have been with the Group over eight years as a VP, and I'm honoured to take on this responsibility. Seera has come so far as an organization from the time of its IPO as Al Tayyar in 2012. Then came the launch of its transformation program in 2016 and 2017. We emerged stronger from the COVID years, and then announcing our strategy in November 2023, as Seera shifted from an operating holding to strategic investor. I'm proud to be part of the journey to build sector champions, and as Seera embarks on the next phase of its growth.

My top priority is to deliver on the growth strategy, including ensuring the delivery of portfolio decisions, specifically on planned real estate divestments, and new investment opportunities that will generate sustainable returns and cash flow, like Kayanat Central. Institutionalizing strong governance mechanism, as the Group unlocks value across the portfolio. Returning value to shareholders within the framework that is set for the capital allocation. In 2023, Seera reported solid results with record booking values and revenues, contributing to notable bottom line growth. To provide additional insights into our results dynamics, and the ongoing strategic shift, joining today with me, our CFO, Mr. Muhammad Khalid, and Muzzammil Ahussain, the CEO of Almosafer Travel. Our agenda today will cover Seera's strategic direction and 2023 financial highlights on the financials, contributions of business segments to the Group's results, financial and operational performance of each segment, followed by a Q&A session.

2023 was a milestone year, significantly advancing our transformation goals initiated in 2019, restructuring from being a ticketing business into its current status as a strategic investor in the future of Saudi Arabia, with a balanced portfolio of Saudi champions, delivering sustainable returns for shareholders. As announced in the strategy, the Group's capital allocation approach prioritizes maximizing free cash flow per share, by focusing on deleveraging the balance sheet, targeting new investment opportunities, with a minimum 15% IRR, and considering a share buyback program.

So, Seera has invested in a fund to develop Kayanat Central in Riyadh, targeting the premium commercial property market. We also highlight other notable achievements in the portfolio, as the leading Saudi travel platform, Almosafer, grew its market presence, launching the consumer travel business online in Qatar and Oman. Piloting direct Hajj initiative via Nusuk platform. And more recently, becoming the official flight partner, in addition to launching Almosafer Activities marketplace, the first API based marketplace KSA, for things to do, as part of a joint venture with Klook, an international OTA for activities.

We listed 30% of Seera's car rental business on Tadawul, for an offering size of almost 1.1 billion. The market cap of Lumi grow by 52% to 5.5 billion, by 31st of December 2023. Lumi's strategic partnership with clients, including Aramco, SPL, and The Royal Commission for Al Ula, representing contract value of over half a billion altogether, and will drive growth in its fleet base. Portman Travel completed the acquisition of major travel brands, expected to contribute incremental annual EBITDA of 65 million post-integration. Agiito, a UK corporate travel specialist, and Mike Burton Travel, active in travel for worldwide sporting events. Post new acquisitions, Portman's business, travel is ranked as the fourth largest TMC in UK, up from ninth in 2022. And the sports travel business managed fan travel for the Rugby World Cup in 2023, through Mike Burton, as rugby travel specialist.

In 2023 financial, Seera saw improvement in its financial performance across all areas of business, and a return to sustainable profitability levels post-COVID, driven by continued recovery in booking value and revenues, as travel business normalizes to pre-COVID activities or activity levels, and all segments cross new thresholds in their scale. The net booking value reached 12.5 billion in 2023, up 35% from 2022, driven by travel platform. Revenue increased by 56% year on year, rising to 3.3 billion in 2023. EBITDA expanded 97% year on year, totalling 847 million. Net profit amounted to 265 million, a significant turnaround compared to negative results in 2022. On profitability margins, there has been consistent improvement coming out of COVID years. It's important to note that 2019 figures reflect remnants of legacy Al Tayyar business, as well as corporate and government travel, requiring high working capital that have been streamlined post-COVID. Profit margins in 2023 financial reflect diversified and sustainable portfolio. Net debt to equity remains at very conservative level. If you allow me here, I will now hand it over to our group CFO, Mr. Muhammad Khalid, to walk you through the financial results. Muhammad.

Muhammad: Thank you, Mr. Waleed. Good afternoon, everyone. We will be having a detailed look at the Group financials for the year. Just starting from the income statement. Financial performance for financial year '23 were positively impacted by the growth and travel demand, specifically post-COVID, leading to a 35% jump in the net book value, and a 56% increase in revenue. The cost of revenue slightly outpaced the revenue growth due to higher contribution from the travel sector, that is reported on the net basis, as compared to Lumi and Hospitality, which are reported at the gross level, resulting in a gross profit margin of 42.9% for the current year.

From cost control and operational efficiency, achieved from the technological investments, boosted our operational performance, driving a 79% rise in our EBITDA, and enhancing the EBITDA margin to 20.5% for the current year. Although the finance costs went up by 82%, considering the higher interest rate environment, due to significantly higher SIBOR rates. Despite the increase in finance costs, the net profit for the year has reached to SAR 65 million, making a significant turnaround compared to financial year '22 and over the years. But current year numbers include one off gain of 97 million, arising from the purchase of Agiito Travel, under the Portman Travel Group. The return on equity has improved, along with return on invested capital. And that indicate a resurgence in sustainable profitability post-COVID.

If we move to the next slide. So the group net book value and revenue exceeded the pre-COVID levels, driven primarily by the recovery in travel demand across all the sectors within and outside KSA. Next. For financial year 2023, we saw a 15% year on year increase in group operating expense, compared to a 56% growth in revenue, which significantly reflects the operational efficiency that we have achieved through investment in technology. The key driver for the cost increase were primarily the employee cost and technology investments, which were primarily driven by M&As that have been done under the Portman Travel Group. Over the past five years, operating expenses grew at a CAGR of 6%, significantly trailing the 11% CAGR in revenue, demonstrating a positive operational leverage that we have achieved, specifically due to the investments that we did in our technological platform during the COVID period.

If we look at the group EBITDA. Group EBITDA exceeded the pre-COVID levels in financial year 2023, growing at 97% on year-on-year basis, including one off gain of 97 million from Portman Travel Group, while the profit margins and financial year '23 reflect a diversified and sustainable portfolio for the future. Gross profit margin is stabilized around 43% for the current year. EBITDA and net profit margins reached sustainable levels, benefiting from this strategic evolution away from the legacy travel model. Our legacy Al Tayyar travel business model, along with the traditional corporate and government travel accounts, that required high working capital, are reflected till financial year 2019. And post-2019, the business model has been streamlined, and is more working capital efficient as compared to what it was in the past.

If we look at the financial position balance sheet for the current year. Group assets expanded in 2023 by almost 34% year on year business, which is primarily driven by growth in property, plant, and equipment, almost by 1.3 billion, and assets under construction, which are the projects in progress for almost half a billion. Property, plant, and equipment expansion was driven primarily by addition of our fleet size, of course, within Lumi, our car rental segment. While the growth in assets under construction was backed by the new inclusion of Kayanat business park, along with small expansion in our Lumi branches network. Total liabilities for the current year has increased by 45% on year-on-year basis, driven by primarily due to increase in borrowings, which is almost half a billion. Along with the trade payables, which is primarily, again, driven by the new acquisitions that we did under Portman, along with the increase in the liabilities from the car rental segment.

Borrowings for the current year has been expanded as car rental segment fleet investments were predominantly financed through the debt. Payables, if we look at the dynamics, are partially driven by car rental, but mostly from the Portman Travel Group. If we look at our borrowing strategy, the net debt rose to 1.3 billion, as of 31st, December 2023, due to 40% increase in our total debt, which was partially mitigated by a 29% increase in cash and cash equivalents, particularly in our travel platform, specifically Almosafer, which is more working capital positive than other businesses. Net debt to equity ratio held steady, at the conservative level of 0.2X, mirroring the end of 2022, underscoring the prudent borrowing strategy that Seera has applied. To minimize the borrowing cost risk, the Group has enhanced its debt maturity profile, by incorporating more long-term debt, while reducing the short-term obligations, resulting in 40% borrowings due within one year, by end of 2023, a decrease from 54% back in 2022.

The Group remains committed to a cautious borrowing strategy. And we aim to further deleverage and align the leverage with our latest strategic direction that has been announced recently. If we look at our cash flow position, financial year '23 has seen a significant positive cash flow from operations, reaching to SAR 1.2 billion, a 2.8X increase as compared to last year, due to a strong segment performance and working capital improvement. Net cash flow felt a bit of pressure due to significant vehicle investment in car rental business, and higher finance costs. A key driver for the cash flow used for investments was acquisition of assets under construction, which is primarily the Kayanat business park project that has been included during the year, as part of the future strategy to generate and contribute sustainable return to the Group. Cash flow from our financing was impacted by net moment in our borrowings, and with a significant boost from the cash proceeds that we received during the Lumi IPO, amounting to almost 1.1 billion, which has been utilized in deleveraging the Group depth, along with the investment in Kayanat business park that was done back in quarter four, during the year.

Now, we'll be moving to the next section, which will be detailing out the contribution by business segments to Seera's overall financial results. If we look at the top line, Seera recorded a strong double digit net book value growth across all the business segments for financial year 2023. Almosafer travel platform has been the key contributor, adding more than 7 billion to our top line for current year. If we look at the revenue, Seera recorded strong double digit revenue growth across all business segments for financial year 2023. UK based travel investment, under the umbrella of Portman, and car rental, under the brand of Lumi, were the key contributors to our revenue, adding over 1 billion each to the Group revenue.

If we look at the gross profit, gross profit has increased almost all business segments, resulting in 53% year-on-year growth for financial year '23 for the Group. Almosafer has been the major contributor, accounting for almost 35% of the gross profit, followed by the car rental and Portman Travel. If we look at the growth in the OpEx, or the operating expenses for the Group, the major contributor has been Almosafer Travel. However, the Almosafer business has managed to keep its expenses under control, with a minor growth of 5% year on year basis, as compared to 2023. UK-based travel investment, followed by car rental, have contributed significantly on the growth from year-on-year basis. Primarily, UK growth has been driven by M&As that have happened during the year, while Lumi had one-off IPO costs that were recorded during the second half of the year post successful completion of the IPO.

If we look at the EBITDA by segment, all key segments, this is post-COVID, back from 2019, this was the first year, where all the businesses have positively impacted the EBITDA and contributed positively to the Group. With car rental being the primary driver, contributing almost half a billion, around 59% of the group EBITDA. While UK based travel investment was the second highest contributor to the EBITDA. Primarily driven by one-off gain on investment, amounting to 97 million, recording an EBITDA of 90 million excluding this one-off gain. A major growth relative to the previous year reflecting a shift in the mix and return of travel, and growing contribution from high value travel offerings. Hospitality and Almosafer Travel platform have also made significant positive contributions, improving their individual results compared to financial year 2022, and achieving a positive EBITDA for the year 2023.

Now, we will be proceeding to the next section, for a comprehensive overview of each business segment. And we will be starting with our travel platform, I will hand over to my colleague, Mr. Muzzammil Ahussain, the CEO of Almosafer Travel.

Muzzammil: Thank you, Muhammad. And hello, everyone. Salaam aleikum. Almosafer had a great 2023. Just to remind everyone, Almosafer operates as an asset light scalable platform, positioning itself as the Kingdom's leading integrated travel company. We operate a diverse range of travel and tourism businesses across each segment of the travel ecosystem. And we're powered by shared resources, data and technology, to give us a significant operating leverage in the business. Since 2021, the company's net booking value has grown 48% CAGR, with revenue increasing by 30% CAGR. In 2023, Almosafer had a net booking value of over SAR 7.5 billion, with 24% growth in 2022. And revenue grew 59% to 822 million. In 2023, Almosafer's gross profit grew by 43% to 540 million. And we had our first ever positive EBITDA year, a 51 million EBITDA, which constituted around 6% of Seera's total EBITDA.

In terms of net booking value by business, the consumer travel segment accounted for over 60% of the net booking value, reaching approximately SAR 4.8 billion. And we foresee sustainable and healthy growth over the medium term. We also formally launched our distribution business, which was previously incubated within the DMC business, leveraging our technology to provide access to our local air and hotel content to international travel players. This business was able to achieve 175 million in net booking value in its first year. We also saw significant rebound in the Hajj and Umrah, and destination management business. The destination management business was slightly impacted by the timing of a long-term contract, but remains on a long-term healthy trajectory. In terms of revenue, Almosafer saw significant growth across its core segment. But as a reminder, the destination management and Hajj and Umrah businesses follow the principal model, while the consumer travel, business travel, and distribution follow the agency model.

Revenue margins in consumer and business travel significantly outpaced the net book value growth. And they were driven primarily by pricing power and purchasing power, as well as significant improvements in our pricing optimization capabilities on the platform. And in terms of business metrics, across each business, we saw significant healthy growth in the consumer travel segment. Flights grew by 17%, and room nights grew by over 40%. This is balanced both for international and domestic flight growth, as we continue to expand our market share in both areas. In business travel, our flight growth was steady, driven by government travel. But we saw a close to 60% growth in non-air, as we acquired new customers in the corporate and semi government space, where we're significantly expanding our presence and offering tailored solutions to semi government and corporate clients, as the privatization drive within the kingdom continues.

Mawasim, our Hajj and Umrah business returned to pre-COVID levels, as the holy mosques were back in full capacity for all of 2023. And we continue to see strong inbound demand from our key markets in, like, Indonesia, Pakistan, and Egypt. Whereas destination management is getting significant demand from Europe, and we were able to serve over 23,500 passengers in 2023. The distribution business, as I mentioned, the new business that we really started last year, its full year of operation. So exponential growth of over 1200%. And we expect this to continue significant growth over the medium term, as we have a strong pipeline of partners currently being integrated onto our platform. Thank you very much. I'll hand it back now to Muhammad Khalid.

Muhammad: Thank you, Muzzammil. Now we'll be moving to Lumi, the Kingdom's premier vehicle rental and leasing company, which has experienced significant growth, concluding with the successful IPO back in September 2023, with 30% of its shares being listed on Saudi Stock Exchange. The company's investment appeal was highlighted by its strong operational capabilities and high EBITDA margins, which were supported by a balanced and sustainable business model. Since 2021, Lumi has achieved a 46% revenue CAGR, with a 44% EBITDA CAGR, reflecting a strong financial position of the company over the period. If we look at the operational numbers from Lumi, Lumi offers business and consumer rentals, leasing and used car sales, which is characterized by a high level of digitalization, omni channel distribution, and a focus on quality, leading to outstanding customer satisfaction and repeat businesses.

The company provides an omni channel service with a mobile app, website, call center, and 34 branches across airports and cities throughout the Kingdom. By the end of 2023, Lumi asset base included 12,000 rental vehicles, and almost 21,000 leased vehicles. Lumi revenue streams are evenly distributed across its three business segments, with each contributing almost one third to the top line. Following its business expansion, the company enhanced its cash flow from operations, achieving a 51% CAGR since 2021, and surpassing a SAR 1 billion operating cash flow in financial year 2023.

If we look at the Portman Travel Group, the Portman Travel Group is the premier travel company, primarily operating in the UK, with a diversified portfolio across business, sport, and luxury travel sectors. The company specializes in the travel under the brand of Clarity Sports Travel, operated under the brand of Destination Sports Group. And luxury travel being operated and run under the umbrella of Elegant Resorts. Portman achieved rapid growth through strategic acquisitions, establishing efficient integrated businesses, with an expanding presence in Europe, U.S., China, and in Australia. The company's net booking value expanded or increased by 121% CAGR since 2021. With the revenue growing at 113% from the year 2021. In 2023, Portman's gross profit surged by 75%, with an EBITDA reaching to 187 million, representing 35% of Seera Group's consolidated EBITDA for the year. Keeping in mind, it included one off gain of 97 million, resulting from the recent acquisition of Agiito Travel. Recent acquisitions including Agiito and Mike Burton, which is specialized in the rugby sports, are poised to add an incrementalnormalized and annualized EBITDA of 65 million post integration.

If we look at the operational results of the Portman. The business travel segment experienced an 81% increase in the trips in financial year 2023, while maintaining a 97% customer retention rate. Clarity, post-acquisition, rose to the UK's fourth largest TMC, improving from the ninth back in 2022. Similarly, sports travel witnessed a 90% increase in customer travel, reaching to 55,000 fans in 2023, continuing to cater to the top football clubs, such as Manchester United, Manchester City, Liverpool, and Chelsea. Luxury travel segment reported a growth of 6% in average order value, With the preferred destination for the business are Maldives, Barbados, and UAE. Portman plans to drive future growth organically within the Seera Group, through strategic partnerships and synergies, alongside the inorganic expansion, which it has been carrying in the past, and will keep on continuing, provided the lucrative opportunities, if it comes in.

If we look at the hospitality segment, Seera hospitality oversees around eight hotels, including Sheraton, Movenpick City Star, three unbranded properties, and three properties under the Choice hotels, with Seera as the regional master franchiser for Choice US. Since 2021, hospitality segment revenue has surged with 111% CAGR. In 2023, the segment reported a gross profit of 88 million, and EBITDA turned positive in 2023, amounting to SAR 41 million, which accounts for almost 8% of Seera's consolidated EBITDA. The group is transitioning to an asset light model, focusing on managing and franchising the properties instead of owning and operating.

If we look at the hospitality current year financial operational results, during 2023, there was a notable 23% increase in the number of room nights that were sold, reaching 250-plus thousand, accompanied by a 16% improvement in the average daily rate, reaching to 427 for the year. With the total number of available rooms remaining constant over the year, which is almost 2000 plus, the hotel has successfully enhanced its occupancy rate by 23% as compared to last year, achieving an impressive 71% occupancy for the period. I will now conclude the presentation and open the floor for any questions you may have. And will hand it over to Mina, our strategy lead.

Minna: I think, Mazen, if you would like to take the lead on moderating the questions.

Mazen: Thank you, Mina. Thank you all, Waleed and Khalid. Okay, we'll start now. Who would like to ask, please raise his hand. We're seeing a couple of actually, analysts. Okay. Ankur, please, you're unmuted. You can start.

Ankur: So I think I have a few questions. So firstly, in Almosafer, what percentage of your gross profit actually comes from the consumer segment? Right? So we know 60% of the net booking value comes from the consumer. What percentage of the profit comes from the consumer segment? And what is the kind of government business that this Almosafer entity continues to have? I'm asking this question just to understand what is the consumer centricity of the business in terms of profit? That's one question. Should I move to the next question, or I can take it one by one up here? Up to you.

Muzzammil: You can finish the question, Ankur.

Ankur: All right. My second question really is on the Lumi consolidation post the listing, right? So, if you can highlight the one-off costs that were taken because of the listing, and that were basically shared between Seera and Lumi, to a certain extent, and the structural costs, which basically may not now reflect in Seera, but will reflect in Lumi. I think it's a question which is important for Seera as well. Right? So that we know what has happened to the cost base of Seera, and from a Lumi perspective. So that's the second question. And I think the third question really is on the real estate investment, broadly, hospitality assets. And in that context, how is the Kayanat project different, right? So how much have you invested already? What is the incremental investment? And what are the returns potential? I think you had highlighted 15% IRR hurdle rate for any new investment. And I understand that Kayanat is already in the money. So if we can talk a bit about that, I think that would help me, and I think a lot of investors understand really the rationale more on Kayanat . Those are the three questions.

Muzzammil: Khalid, do the Lumi and the Kayanat first, and then I'll respond.

Muhammad: Sure. Let's start with Kayanat first, the last one. Kayanat principally has been a strategically well thought project that has been taken up by Seera. It's broader level, in the middle of the New Murabba and the expo location that has been identified. So the total cost for this project is expected to be 1.3 billion. Apologies, I have some distortion next to my house, so you might feel some kind of noise. So the total project cost is expected to be around 1.3 billion, out of which 600 million has been injected by Seera as a cash contribution, which primarily has been utilized by using the Lumi IPO proceeds. And that has been done back in late September, early October 2023. The remaining 700 million is planned to besourced by the fund using leverage by utilizing the financial facility. And we don't expect at the moment for any further cash injection from Seera's side.

Overall, the return from this investment is expected to be a 15% IRR year on year basis, as the project return. And we expect by end of '26, this project to be completed, with the normalized return to start from 2027, with almost 230 million annual cash inflow to the Seera Group, in the form of dividend or profitability, which will be part of the new Seera strategy to ensure that we have sustainable return over the long term period, to ensure that we pay back to our shareholders consistent and sustainable dividends. Sorry, I probably missed the Lumi one. On the profitability side.

Muzzammil: The one-off IPO cost.

Muhammad: So from the one-off cost prospects, principally it relates to the IPO consultancy and the employee incentive. Which historically used to be part of the equity, but based on the new regulations and IFRS requirements, unfortunately, this was supposed to be reflected in the income statement. So that's why post our successful completion of IPO, around 25 million of the cost has been added in the OpEx, primarily in the consultancy and employee cost of the Lumi business. We don't expect these things in the future, unless Lumi gets another IPO with a new subsidiary, but in general, we can say this is, in true case, a one off which will not be repeated over the period.

Ankur: So one second. So any central costs that used to be part of Seera, which would reflect for Lumi going forward? I mean, one off cost we understand and it's not as much of a concern, because it is one off, right? But any structural cost, which probably because Lumi was part of Seera, right, so there was a lot of central costs, which typically over a period of time, shift to the listed entity. Right? So is there any other cost that we need to think about, even if it's a small number?

Muhammad: Yeah, sure. To give a flavor, basically, the time we started the Lumi IPO process, and over the period, Seera initially used to have a central hub for all the group services. Which over the period, has been diluted to the businesses. And if we look at 2023, primarily, Lumi is reporting almost the same cost like any independent company. So there will be no further, or I will say, additional costs that will be moved from Seera. That is something which was sunk historically. As I mentioned, with the exception of costsdepending on the expansion part of Lumi. So any new costs will be linked to their own expansion and growth, but not any significant cost will be added back from the Group.

Ankur: All right, that's helpful. Thank you, Muhammad. Sorry, Muzzammil.

Muzzammil: Sorry. And for your first question, Ankur, regarding gross profit. From a revenue perspective, the consumer business is around 50%. From a gross profit perspective, it's closer to two thirds. So it is the biggest component of the gross profit, at around 65% to 70%.

Ankur: Okay, that's very helpful. Thank you, Muzzammil.

Mazen: Okay, thank you, Ankur. Now, we we'll move to Taher. Taher, you're unmuted. You can start.

Taher: Thank you for your time. A couple of questions, if I may. The first one, maybe Muzzammil, is on the Almosafer. I know the PIF deal has been terminated. What kind of conviction maybe you can communicate to us in terms of the strategy? Are we still on track for, you know, the 2025 targets in terms of NBV, 10 billion, with a margin of 1.5%? And also potentially, you know, IPO in this business in the next two to three years. So, maybe if you can just give us some clarity there. And how do you think about growing into this 1.5% EBITDA margin. As far as I can check, we are still lower than 1% in FY '23. So that's my first question. The second question is maybe on Lumi, for the CFO. I'm just doing some calculation, and I can see a significant drop in EBITDA in Q4. So, what are we missing? Is there any kind of extra costs that you've booked here? Because the decline looks quite significant when it comes to Lumi into Q4, both on year over year and Q over Q? And maybe finally, any update on the asset divestments, particularly on the hospitality, where are we on that? If you can also update us, would be helpful. Thank you.

Muhammad: Sure. Jumping onto Lumi Q4 EBITDA. So, broader level, as we have been discussing, the key challenge has been the one-off cost that has been reported late in the year post IPO completion. Along with the fleet size, our fleet we can say that has been purchased recently for Aramco, because for that fleet overall, the profitability has been slightly under pressure because most of the fleet has been financed through financial institution leveraging. So that has impacted on the profitability, but from EBITDA point of view, the key component has been the one-off cost that we just discussed.

Muzzammil: And for I think hospitality divestments, we can...

Muhammad: Sorry. Just to give a quick overview of hospitality divestment, as announced by the Seera management back in 2023, as the strategy and future plan for gradual divestment of hospitality, and moving from owning to operating model. The process has already been kicked off. And over the last few months or so, we have divested small freehold properties, a few of the assets. Although these have not been material, and we did not want to have a fire sale or rush sale toso as not to forfeit any benefit that we can achieve due to the new regulations that are coming into picture in the Kingdom regarding foreign investment, we are expecting a quite positive or upside in the real estate sector over the coming years. So, we will be moving to the divestment, but it will not be like a quick or rush sale.It will be completed over the period of 18 to 24 months from now. That's the initial target. And we are on track to do so.

Muzzammil: Sure. And for the first question, Taher, yes, the PIF agreement was initially terminated. However, we're still confident in our business and plans. Both top line and margin are on track with the business plan. IPO is on track for two to three years, as is target. And we see continued success in winning new business with the government clients. We've just announced our project with the Ministry of Hajj & Umarah and Nusuk. We've just announced our partnership with Ministry of Tourism as well post the PIF deal. So we're confident on our plans going forward.

Mazen: Okay, you're done, Taher? Do you want to ask?

Taher: Sorry. Yeah, thank you. Just a quick follow up on the hospitality assets. I mean, we've been hearing about, you know, positive developments on the real estate market and so on. But, you know, these assets have been sitting there for quite some time. Right? And, you know, clearly, you know, the return on investment when it comes to these assets has been below average. So, I mean, is there any visibility on, you know, a certain timeline? You know, you said 18 to 24 months, but should we expect the Movenpick and the unbranded... I mean, today you're in a sweet spot, right? You know, Hajj and Umrah are picking up, most of these assets are there. So, is there, you know, some incentive for you to start divesting or you're not in a rush? I just want to understand what's the balance that you're putting out there when it comes to these hospitality assets and your divestment timeline.

Al-Waleed: Yeah. Go ahead, Khalid.

Muhammad: In general, as we mentioned, on broader level,unfortunately, these have been traditional assets that were purchased at the time when Seera had significantly high profitability, and there were no alternative opportunities seen by the management at that time. So a lot of funds were parked in different assets. We knew that these have been quite low yielding assets And principally, it was not part of the strategy at that time to have these assets and generate enough returns. At the time, it was more on capital appreciation model than the operational profitability results.

Now, with the transformation that started back in 2017, and first phase was completed back in 2021 when we prioritized all the business segments that have been positioned for the future as strategic and core segments. And hospitality itself is non-core segment from the Seera portfolio, will not maintain ownership of these assets and will exit as conditions are optimal

And the assets divestment will principally be leading us to a new capital allocation strategy, which as Mr. Waleed has just put a small brief, that it will be principally used to deleverage our existing debt, if we have, then investment in any future opportunities, in case we get a minimum return of 15 plus percent. And then to pay back or return to our shareholders. Part of it was recently announced where Seera is going to have a share buyback. So principally, we will be divesting assets while maintaining the operations for some period of time until optimal exit is possible. Probably, Mr. Waleed can add more in case if I miss something.

Al-Waleed: We answered your question, Taher?

Mazen: Taher?

Taher: We're clear. Thank you very much. Thank you.

Mazen: Okay, we can move on. Adnan, you are now unmuted. You can start.

Adnan: And congratulations on the strong set of numbers. I have a couple of questions. One is related to the Almosafer business segment. We know that government procurement has been moving towards on Etimad and XPRO platforms. Have you seen such move in your business as well? And if yes, how do you see competition shaping up because of this? Because we have seen a lot of other businesses getting more competitive in terms of pricing because of this move by the government. And my second question on the Almosafer platform was, we saw EBITDA slightly better in the second and third quarter. And then fourth quarter was more or less breakeven on the EBITDA level. I think it was 123 million in EBITDA levels. Any significant reason for that happening?

And the last question was on the Portman Travel Group. We saw a significant improvement in the fourth quarter, even accounting for the one-off. You mentioned that the two acquisition are adding around 65 million on a full-year basis. So should we assume that the core business from the existing subsidiaries improved significantly during the fourth quarter? These are my three questions.

Muzzammil: Sure. I'll answer the first two first. In terms of XPRO and Etimad, all government contracts and bids go through Etimad, and EPRO is involved and taking some of the government travel direct, which will impact probably GBV. But very limited impact on profitability. We are working with XPRO as well. We are one of their service providers. And we are in discussions with EXPRO for providing services as a framework. So, in the short term, I would say GBV will be impacted on the government side, but not necessarily significantly on the profitability, given that it was fairly automated from our side, and low margin. However, in the long term, there's large opportunity with XPRO and other government agencies, given our technology capabilities and scale, to provide better pricing and services that cannot be done by other smaller TMCs in the Kingdom.

So on the second question, on EBITDA, yeah, Q4,it's just a timing issue,primarily its airline incentives. Airline fiscal years are run differently, so we weren't able to make certain accruals in the last quarter. But overall, I would look at the normalized year rather than a year end. So we typically have to make assumptions on airline accruals. And they get normalized throughout the year. Typically, with a higher GBV, we get higher accruals as an estimate. But overall, it's more important to look at the year-end number than individual quarters. For us, quarter four is around the year for any other accruals.

Muhammad: Thank you. With respect to Portman growth, I think that was the last part of the question. On broader level, yes, you're right, the majority of the growth and I would say the business volume increase has been from its existing businesses, considering this was the first normalized year post COVID. Because both the major acquisitions happened late in 2023, especially if we look at Agiito. That happened, like, on mid-December, almost 15th December was the completion date. So Portman itself has shown a significant growth. While we are expecting a, I would say, inorganic growth for the current year, which is 2024, which will be the full year impact of the new acquisitions like Agiito and Mike Burton. So, that will almost double the top line and almost increase the EBITDA 3X of what has been reported for the current year.

Adnan: Thank you so much. Just a follow up on this Almosafer. So, you mentioned Portman EBITDA, you expect it to be three times this year, excluding the one off, I'm assuming.

Muhammad: Absolutely. Absolutely.

Adnan: That's great. Thank you. Thank you for the answers. And best of luck.

Muhammad: Thank you.

Mazen: Thank you, Adnan. We'll go to Fahad. Fahad, you're unmuted. You can start.

Fahad: Hello, everyone. So I have one question, it's in two parts. Regards to the company in the UK, Portman. It makes 25% of your EBITDA. And according to your reports, you're planning to IPO it in the next two or three to five years. Just want to ask whether it will be IPOed in the London Exchange or dual listing same as others. And the second question is regards to Almosafer, a continuation to Taher's question, to the IPO. You will IPO, Inshallah, according to you, in the next three years. The IPO will be a form of exit. And the proceeds will be distributed to Seera only or will it be further invested in the company? Thanks.

Muzzammil: So for Almosafer, yes, I mean, it's a bit early to say the exact details of the IPO. But we envision it...Almosafer is not in significant need of capital to achieve its business targets. So, it would be unlikely to expect it to be a capital increase. But I cannot confirm that now. And similar with Portman. I think it is mostly for Seera's shareholders. But we would have to confirm as we get closer to the time. But there is no need for significant capital in both Almosafer or Portman.

Fahad: Thank you for answering this question. To the second question of my first question, in regards to the UK Travel Investment, the IPO will be the London Exchange or will be in the GCC markets?

Muzzammil: It's, again, too early to preview, but we do think it is potential to be explored in London. Yes, that would be the target plan. But it's still early to confirm.

Fahad: Thank you. Thank you, all, answering my questions.

Mazen: Thank you, Fahad. I have some questions in the chat box. A question asking about Lumi, Aramco contract. What is the profitable impact of margin of the contract versus the current margin level of Lumi lease segment?

Muhammad: In general, we don't see any major impact, although there will be slight, I will say, downward trend, with one to two basis point, considering the contract for Aramco had the objective to penetrate the major client base, which has been done. Overall, we have not compromised on profitability because with the huge fleet size, it gives us the leverage and operational efficiency from other aspects. So we don't see any major, like, downward trends from the profitability, with the exception of 1.5 basis points from the existing EBITDA margins. And the project is already in process, so we are in the process of handing over and delivering the fleet to Aramco.

Mazen: That's great. Other questions about Almosafer. What is the sustainable revenue to the value of all segments, consumer, business, and others?

Muzzammil: I think every segment is different because of the accounting treatment. But if you look at a consolidated business, in 2023, it was around 13%, 822 million on 7.6 billion. So around 11%. Sorry. We think 10% to 11% is the ultimate estimate at a consolidated level. It would vary depending on certain elements of the business in terms of timing of when the revenue comes in. Discover Saudi and Mawasim are principal models, where primarily principle equals revenue. And the other ones are the other way. So, on average, I would say 10% to 11% at the whole level.

Mazen: Thank you, Muzzammil. Same question, but more about Portman, asking about the sustainable revenue to the net present value of Portman.

Muhammad: Sure. Portman, being fair, our outlook more on the top line rather than revenue prospects, because the key challenges that Portman has three business components. One is business travel under Clarity, which is reported on a commission basis. While the Elegant Resorts, which is the luxury leisure travel is reported at gross. And the sports is a mix of both gross versus net. If we look at the top line, so we are expecting around 1.2 billion of net book value for the current year for 2024, for the Portman, with an EBITDA margin of around 2.5% to 3%. And we are potentially expecting an EBITDA of plus/minus £30 million for the year, which is roughly around 135 to 150 million for the current year. And we expect this then going forward to continue with an organic growth considering all the major M&As and the recent acquisitions in all three part of the business segments have been done and completed till now. So we believe that Portman is now set for the right scale to achieve the operational efficiency going forward. So that is going to be like the key numbers to be taken for this year and year onwards.

Mazen: Thank you, Muhammad. Actually, there is a question about the hospitality segment. Will Seera continue to be the operator post the potential sale of the remainder of unbranded properties?

Muhammad: Yeah. As per the current strategy, that's the plan going forward. Seera will continue to operate to ensure that we keep on within the current ecosystem. The key strategic and core businesses will remain the travel platform under the umbrella of Almosafer, and car rental under the Lumi brand. So these will be like the core and strategic businesses going forward. And then over the period, depending on how the strategy evolves to the other sectors, will be added or defined going forward. But as of today, we'll keep the operations.

Mazen: Thank you. We could actually give the chance for the last the question for anyone who would like to raise his hand? Okay, I find a question in the chat box. It will be the last question. What is the expected dividend policy for Seera and the CapEx for '24?

Muhammad: Sure. From dividend prospects, as Mr. Waleed has shared a brief light on it, the key objective for Seera management is to make sure that we create options, and I will say, the source of consistent returns for the Group. That will ultimately be paid back to our shareholders. Which primarily will be three key sources going forward, Almosafer as a travel platform, Lumi from car rental, and Kayanat retail project as one of the strategic investments that will start to contribute almost 230 million as a cash dividend back to the Seera, starting from late 2026, early 2027. So, once those business segments are in a position to contribute to the business, then the consistent dividend payout ratio will be defined, and policy will be communicated. Up to that time, considering Seera will be having significant cash inflows from divestment of properties, from different other events that are happening, like partial or complete exit of Portman, or other business segments.

So Seera will be sharing or paying back, or exploring different options to return capital to our shareholders, one of which is the share buyback or capital reduction. The initial approval for the first tranche of share buyback has already been approved by the board, which we will be announcing further post our upcoming AGM, which is expected to be in Q2, 2024.

Mazen: Thanks a lot. Thank you all, Seera management, Waleed. And we wish you good luck, Waleed, in your new role, position. Thank you, Muhammad, thank you, Mr. Muzzammil, for your comprehensive answers. Thank you, my colleagues. And at least our fund manager who participate with us today. And we hope to host you again. Thank you all.

Al-Waleed: Thank you. Thank you, Mazen. Thank you. Thank you all.

Muhammad: Thank you.

Muzzammil: Take care all.

Seera Group Holdings at a Glance

Seera Group Holdings (Tadawul: 1810) showcases a dynamic portfolio of market-leading businesses in travel, car rental, and hospitality, deeply rooted in the Kingdom of Saudi Arabia and spanning five strategic segments: Almosafer Travel & Tourism, Lumi Rental, Portman Travel, Hospitality, and Investments. FY 2023 marked a period of strong financial achievements for Seera: net bookings surged to SAR 12,486m, reflecting a 35% increase year-over-year, while revenues soared by 56% to SAR 3,291m. EBITDA reached SAR 848m (26% EBITDA margin), and net income climbed to SAR 265m (8% margin), underscoring a year of significant achievements and growth.