



Net profit surged on the back of healthy growth in revenue in Q1-23 led by strong demand in travel

Seera posted a net profit of SAR 57.0mn (profit per share: SAR 0.19), as compared to our estimate of a profit of SAR 3.9mn and consensus estimate of profit of SAR 18.6mn. The deviation in net profit was due to higher-than-expected sales and operating profit margin. Seera's improved performance is aided by a significant resurgence in international and domestic travel and tourism activities. We believe that Seera will capitalize on continued high demand for travel and tourism. Moreover, we believe that Lumi's potential offering and prospective investment by PIF will act as growth catalysts. We maintain our **"Overweight"** recommendation on the stock and increase the TP to SAR 29.60/share.

- **Seera demonstrated an improved performance in Q1-23 owing to continued momentum in demand for travel and tourism-** Seera recorded a net profit of SAR 57.0mn in Q1-23 (profit per share of SAR 0.19) versus the net loss of SAR 63.3mn in Q1-22. The deviation in net profit could be mainly attributed to higher-than-expected sales and operating profit margin. Additionally, the company also recorded a one-off reversal of impairment loss worth SAR 12.0mn, hence the adjusted net profit is SAR 45.0mn. Revenue increased 61.1% Y/Y to SAR 794.0mn in Q1-23, above our estimate of SAR 622.2mn. The group's GBV increased by 59.0% Y/Y in Q1-23 to SAR 2.7bn from SAR 1.7bn in Q1-22, given the elevated demand for travel. Gross profit increased 92.6% Y/Y and 12.2% Q/Q to SAR 312.0mn, above our estimate of SAR 275.1mn. GP margin expanded by 643bps Y/Y to 39.3% in Q1-23 but was lower than our expectation of 44.2%. Meanwhile, operating profit stood at SAR 78.0mn in Q1-23 compared to loss of SAR 55.0mn in Q1-22. OPEX to sales ratio eased to 29.5% in Q1-23 as compared to 44.0% in Q1-22.

- **Seera is expected to capitalize on travel demand-** Going forward, 1) sustained demand for both domestic and international travel 2) enhancement in corporate and business travel 3) higher pilgrim visits 4) strategies employed by the Saudi government to promote tourism and attract more than 100mn visitors by FY30E will favor the company's topline growth. We expect revenue to grow at a 5Y CAGR of 12.6% during FY22-FY27E. Cost control alongside enhancement in revenues would be key in supporting improvement in margins in the MT. Gross profit margin is expected to expand to 44.4% by end of FY23E and thereafter gradually improve over the next five years to reach c.48.5% by FY27E.

- **Lumi's potential IPO, a value unlocking opportunity while PIF's prospective investment will serve as a valuable growth catalyst-** Lumi's plan to list 30% of its capital (16.5mn shares) on Tadawul is approved by Seera's shareholders as well as the Capital Market Authority. We believe that if the offer is successful, it will help unlock value for Seera's shareholders. Furthermore, PIF's potential investment of 30.0% in Almosafer for consideration of SAR 1.6bn (which includes earn out amount of SAR 386mn), if successful, will prove to be a catalyst for growth. The capital infusion would enable the company to ramp up domestic, international, religious, and inbound tourism operations.

AJC view: Seera earned net profit of SAR 57.0mn in Q1-23 reversing from a loss of SAR 63.3mn in Q1-22 owing to enhancement in revenue and improvement in margins as compared to corresponding period. Going forward, we believe that Seera will be able to materialize the demand for international and domestic travel and tourism while investments by the Saudi government to attract tourism activities as well as Lumi's potential listing and prospective investment by PIF in Almosafer will bode well for growth of the company. We value Seera at a 50% weight for DCF (2.5% terminal growth; 7.9% average WACC) and 25% weight each for PE (23.5x FY23E) and EV/EBITDA (12.5x EV/EBITDA). This yields a target price of SAR 29.60 per share, implying 11.5% upside from current levels. We maintain our **"Overweight"** recommendation on Seera with a revised TP of SAR 29.60/share.

Recommendation **Overweight**

Target Price (SAR) **29.60**

Upside / (Downside)* **11.5%**

Source: Tadawul *prices as of 23rd May 2023

Key Financials

SARmn (unless specified)	FY21	FY22E	FY23E	FY24E
Revenues	1,327	2,271	3,259	3,613
Growth %	46.8%	71.0%	43.5%	10.9%
Gross Profit	606	904	1,447	1,679
Net Income	-376.4	-47.8	153.0	240.1
Growth %	NM	NM	NM	57.0%
EPS	-1.25	-0.16	0.51	0.80

Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22E	FY23E	FY24E
Gross Margin	45.7%	39.8%	44.4%	46.5%
Net Margin	-28.3%	-2.1%	4.7%	6.6%
P/E (x)	NM	NM	52.1	33.2
P/B (x)	0.9	1.5	1.4	1.4
ROE	Neg	Neg	3.0%	4.2%
EV/EBITDA (x)	High	21.9	15.4	12.8
Dividend Yield	0.0%	0.0%	0.0%	0.0%

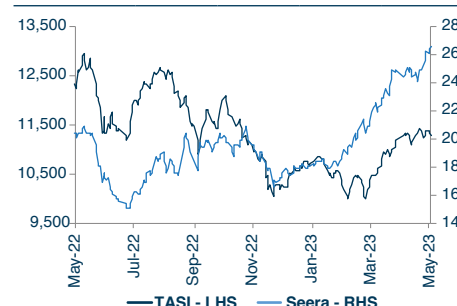
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (bn)	8.0
YTD %	30.9
52 Week (High)/(Low)	26.4/15.1
Shares Outstanding (mn)	300.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

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Key Financial Table

Amount in SAR mn, unless otherwise specified	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F
Income statement									
Revenues	2,190	905	1,328	2,271	3,259	3,613	3,812	3,970	4,103
Y/Y	-4.8%	-58.7%	46.8%	71.0%	43.5%	10.9%	5.5%	4.1%	3.3%
Cost of Sales	(917)	(598)	(722)	(1,367)	(1,812)	(1,933)	(2,008)	(2,065)	(2,114)
Gross profit	1,273	307	606	904	1,447	1,680	1,804	1,905	1,989
Selling expenses	(411)	(318)	(336)	(410)	(533)	(544)	(556)	(566)	(583)
Administrative expenses	(511)	(510)	(553)	(598)	(679)	(794)	(810)	(825)	(850)
Other (expense)/income	(13)	(14)	(17)	106	27	28	29	31	32
Operating profit	339	(534)	(282)	54	262	369	467	546	588
Y/Y	-44.7%	-257.2%	-47.1%	-119.0%	387.5%	40.9%	26.7%	16.8%	7.7%
Net Financial cost	(67)	(45)	(53)	(75)	(110)	(104)	(98)	(82)	(71)
Profit before zakat	216	36	(326)	(51)	175	272	377	472	525
Zakat	(33)	(27)	(52)	6	(19)	(29)	(40)	(50)	(55)
Net income	186	18	(376)	(48)	153	240	332	416	462
Y/Y	-228.0%	-90.2%	-2170.1%	-87.3%	NA	57.0%	38.3%	25.2%	11.2%
Balance sheet									
Assets									
Cash & bank balance	350	249	318	539	473	365	466	415	558
Other current assets	2,013	1,891	1,613	1,724	3,049	3,314	3,426	3,562	3,677
Property & Equipment	3,695	3,423	3,524	3,811	4,123	4,289	4,266	4,196	4,112
Other non-current assets	2,220	2,242	2,433	2,451	2,507	2,554	2,584	2,592	2,576
Total assets	8,278	7,805	7,888	8,526	10,152	10,521	10,743	10,764	10,922
Liabilities & owners' equity									
Total current liabilities	1,775	1,367	1,962	2,221	2,413	2,474	2,573	2,544	2,524
Total non-current liabilities	658	561	452	878	2,159	2,227	2,016	1,651	1,367
Paid -up capital	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Statutory reserves	451	453	453	453	468	492	526	567	614
Other reserve	645.8	665.4	651.8	581.4	581.4	581.4	581.4	581.4	581.4
Retained earnings	1,738	1,758	1,370	1,385	1,523	1,739	2,038	2,412	2,828
Total owners' equity	5,836	5,877	5,475	5,420	5,573	5,813	6,145	6,561	7,023
Non-controlling interest	9	0	(2)	8	8	8	8	8	8
Total equity & liabilities	8,278	7,805	7,888	8,526	10,152	10,521	10,743	10,764	10,922
Cashflow statement									
Operating activities	103	(233)	241	310	(352)	566	926	948	1,071
Investing activities	(409)	389	(322)	(390)	(826)	(733)	(582)	(564)	(581)
Financing activities	404	(253)	140	200	1,112	59	(243)	(435)	(346)
Change in cash	99	(97)	60	120	(66)	(108)	101	(51)	143
Ending cash balance	345	248	313	462	473	365	466	415	558
Key fundamental ratios									
Liquidity ratios									
Current ratio (x)	1.3	1.6	1.0	1.0	1.5	1.5	1.5	1.6	1.7
Quick ratio (x)	1.3	1.6	1.0	1.0	1.5	1.5	1.5	1.6	1.7
Profitability ratios									
GP Margin	58.1%	33.9%	45.7%	39.8%	44.4%	46.5%	47.3%	48.0%	48.5%
Operating Margins	15.5%	-59.0%	-21.3%	2.4%	8.0%	10.2%	12.3%	13.7%	14.3%
EBITDA Margin	25.8%	-26.8%	2.9%	18.2%	20.3%	22.3%	24.4%	25.4%	25.6%
Net Margins	8.5%	2.0%	-28.3%	-2.1%	4.7%	6.6%	8.7%	10.5%	11.3%
Return on assets	2.3%	0.2%	-4.8%	-0.6%	1.6%	2.3%	3.1%	3.9%	4.3%
Return on equity	3.2%	0.3%	-6.9%	-0.9%	3.0%	4.2%	5.5%	6.3%	6.6%
Market/valuation ratios									
EV/sales (x)	2.7	7.1	4.5	4.0	3.1	2.9	2.6	2.4	2.1
EV/EBITDA (x)	10.6	(26.5)	155.7	21.9	15.4	12.8	10.7	9.3	8.3
EPS (SAR)	0.62	0.06	(1.3)	(0.16)	0.51	0.80	1.11	1.42	1.61
BVPS (SAR)	19.5	19.6	18.2	18.1	18.6	19.4	20.5	22.4	24.5
Market price (SAR)*	21.9	19.0	17.3	26.6	26.6	26.6	26.6	26.6	26.6
Market-Cap (SAR mn)	5,070.0	5,694.0	5,178.0	7,965.0	7,965.0	7,965.0	7,965.0	7,788.0	7,611.0
P/E ratio (x)	23.1	313.2	(13.8)	(166.5)	52.1	33.2	24.0	18.7	16.5
P/BV ratio (x)	0.7	1.0	0.9	1.5	1.4	1.4	1.3	1.2	1.1

Source: The company's report, AlJazira capital, Tadawul, Bloomberg



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RATING
TERMINOLOGY

1. **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.
2. **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.
3. **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.
4. **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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