

# **ATG Investor Presentation**

March 2019



# ATG has a clear vision focused on travel

“A leading **travel & tourism** company with balanced portfolio of **trusted brands** that consistently **exceeds customers expectations.**”



# The Group at a Glance



**Largest Middle East  
travel company**

**SAR 9b**  
gross booking value



**Strong leadership position**

**58%** share of KSA OTA<sup>1</sup>  
**25%** share of corp. & gov't



**Well balanced hospitality  
portfolio**

**2** cities; **5** operating hotels  
**1880** rooms



**Largest distribution  
Network in KSA**

**400+**  
points of sale



**Strong online presence & growth**

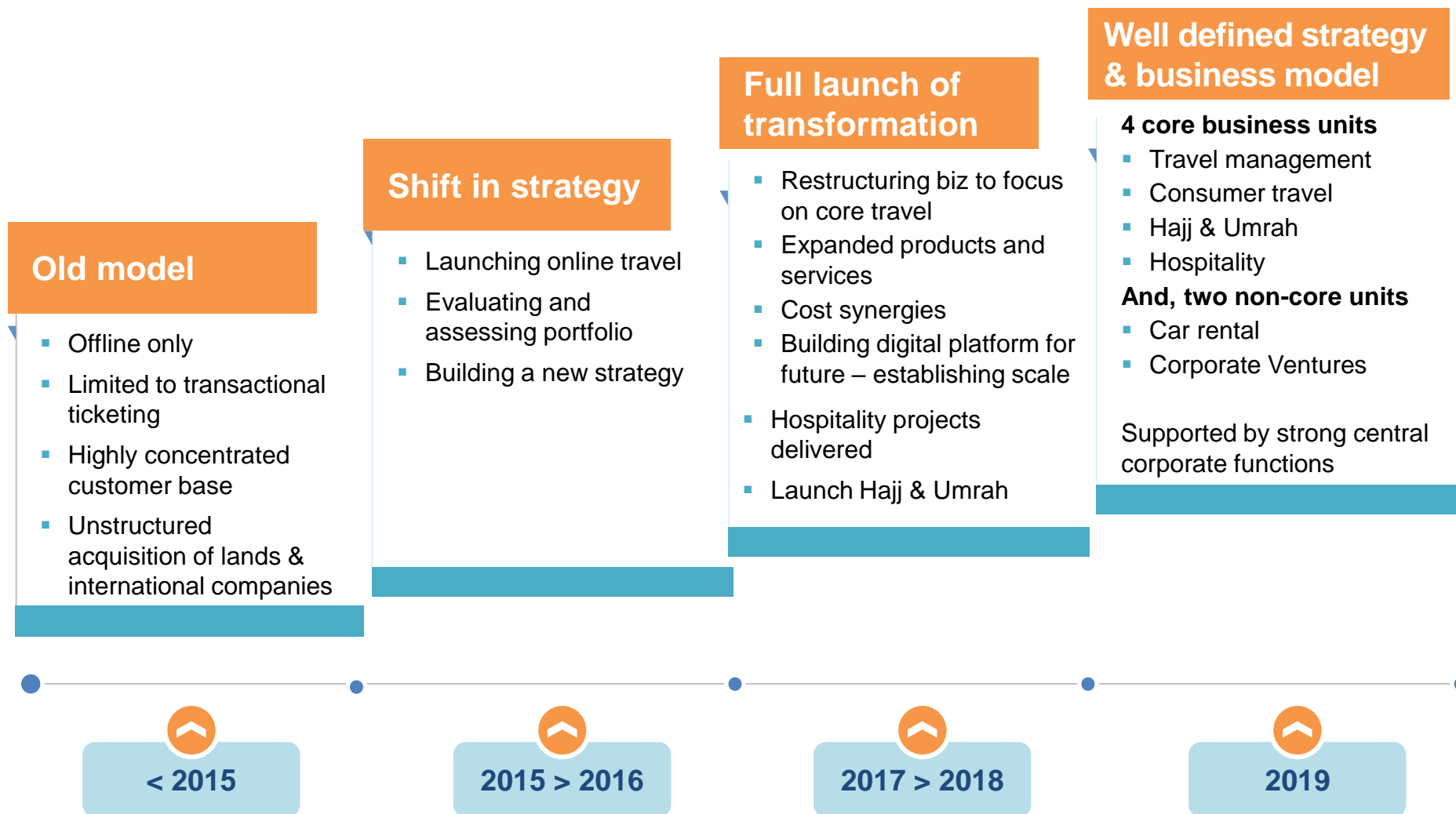
**90M** online  
sessions (2018)  
**50%** growth YoY



**Profitable since IPO (2012) <sup>2</sup>**

**FY 2018**  
Adjusted net profit **276m**

# The journey so far

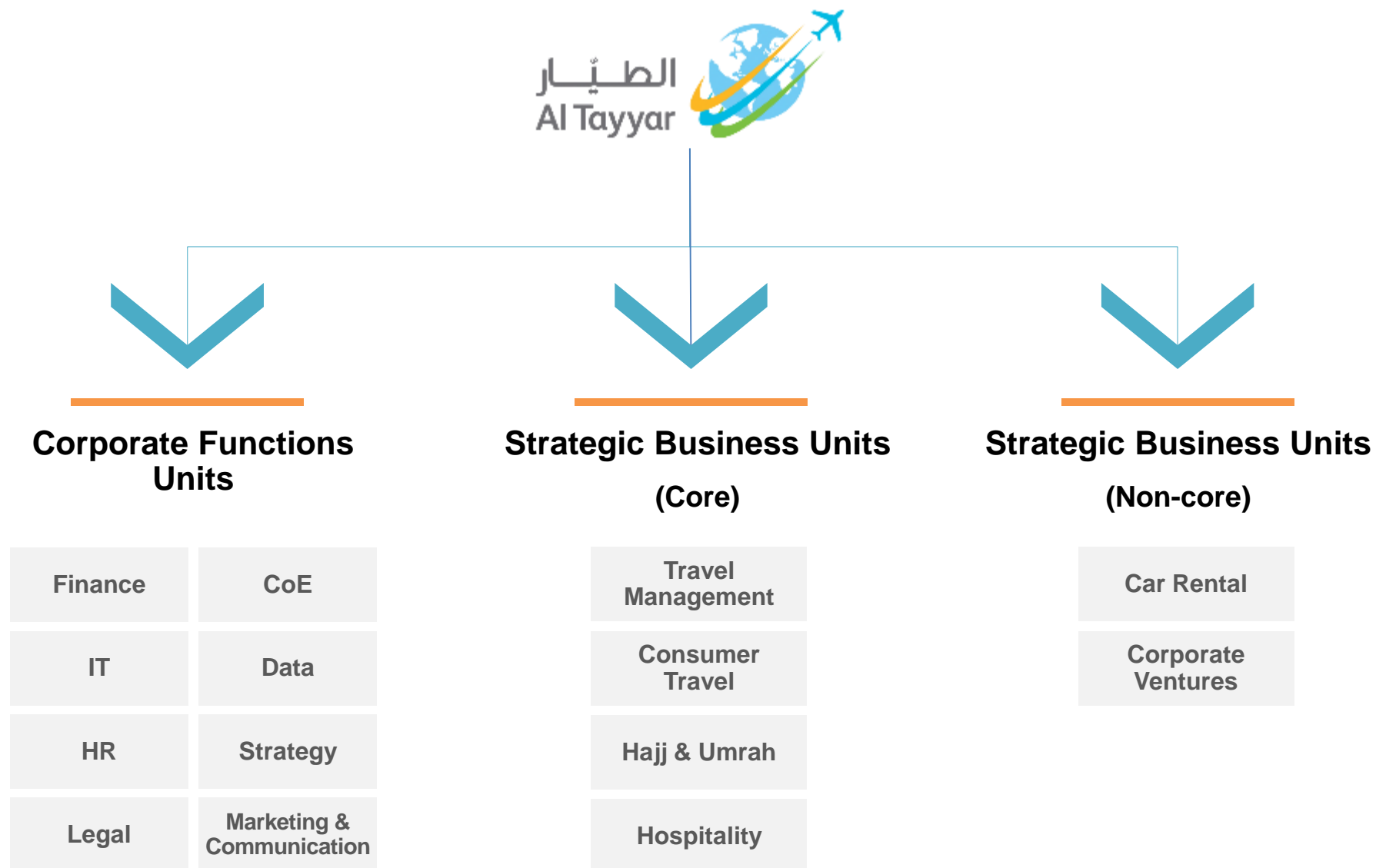




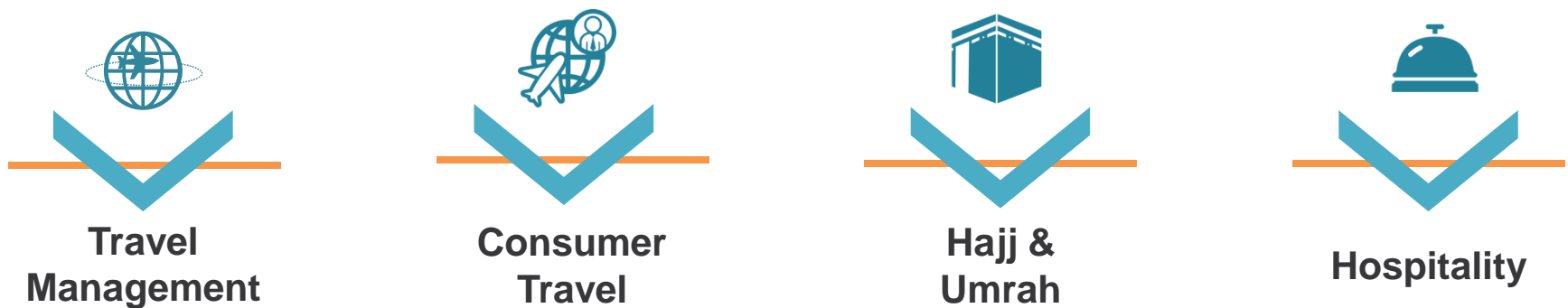
# Transformation Strategy Update

	STRATEGIC INITIATIVES 2017	ACHIEVEMENTS 2018
 <b>General</b>	<ul style="list-style-type: none"> <li>Reorganize main business units</li> <li>Upgrade technological capabilities</li> </ul>	<ul style="list-style-type: none"> <li><b>Four up-and-running focus areas</b> serving travel management, consumer travel, H&amp;U and hospitality</li> <li><b>Implemented group-wide data lake</b>, data processing systems and CRM system</li> </ul>
 <b>Travel Management</b>	<ul style="list-style-type: none"> <li>Improve alliances with vendors</li> <li>Grow number of corporate accounts</li> <li>Defend leadership with Government accounts</li> </ul>	<ul style="list-style-type: none"> <li><b>Signed deals</b> - 21 airlines in KSA, 25 in UAE; 18 corporate accounts</li> <li>Integrated with 8 hotel chains and achieved 25% booking share from direct contracted hotels</li> <li><b>Remained #1 travel manager for key Government accounts</b>; Ministry of Health</li> </ul>
 <b>Consumer Travel</b>	<ul style="list-style-type: none"> <li>Grow OTA market share in core markets</li> <li>Offer unparalleled customer experience across online and offline channels</li> </ul>	<ul style="list-style-type: none"> <li><b>Grew OTA market share</b> in KSA (58%) and UAE (20%)</li> <li>Over 1 million customers combined on Almosafer and Tajawal</li> <li>Enter Kuwait</li> </ul>
 <b>Hospitality</b>	<ul style="list-style-type: none"> <li>Leverage the Choice Hotel brands to grow mid-market segment</li> </ul>	<ul style="list-style-type: none"> <li><b>7 new hotels under the Choice franchise</b> with over 1,000 rooms under development</li> </ul>
 <b>Hajj &amp; Umrah</b>	<ul style="list-style-type: none"> <li>Formalize Hajj &amp; Umrah offering</li> </ul>	<ul style="list-style-type: none"> <li><b>Established SBU</b>, launched Q4 2018</li> <li><b>Signed 3 agents</b> and commitments for 21,000 packages for 2019</li> </ul>

# Our current business structure



# Each core business unit has a strategic objective



- |  |  |   |  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>▪ Grow and enhance Corporate and Government</li> <li>▪ Focus on cost optimization and transparency</li> <li>▪ Provide integrated travel management solutions</li> <li>▪ Leverage solid reputation and past relationships</li> </ul> | <ul style="list-style-type: none"> <li>▪ Offering a seamless omni-channel experience</li> <li>▪ Leveraging the strong brand</li> <li>▪ Developing innovative travel packages and advisory services</li> <li>▪ Creating a profitable and strong branch network</li> </ul> | <ul style="list-style-type: none"> <li>▪ Pursue “wholesale” tour operator model; improving link between inventory and distributor</li> <li>▪ Providing bundle solutions to agents in 9 key source markets</li> <li>▪ First year objective is to build relationship and strong distribution network                             <ul style="list-style-type: none"> <li>▪ Already recorded commitments of 21,000 packages 2019</li> </ul> </li> <li>▪ Support the Gov ambitions of growing this sector                             <ul style="list-style-type: none"> <li>▪ <b>15m</b> by 2020</li> <li>▪ <b>30m</b> by 2030</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ Extracting value out of legacy real estate investments</li> <li>▪ Accelerating penetration into rising mid-market hotel segment</li> <li>▪ Use Choice Hotels master franchise</li> <li>▪ Establish a network of 30 hotels with 6,000 rooms in 5 years</li> <li>▪ Leverage domestic and Hajj &amp; Umrah tourism to boost revenue synergies</li> </ul> |
|--|--|---|--|

# Supportive tourism market in the Middle East and KSA

**Middle east leisure  
market growing**

**↑ 8%**

**annually & moving to online while  
offline remains very important**



**Travel market in the  
middle east expected to  
reach**

**SAR 400B+**

**By 2021**



**Middle East online travel  
market estimated to reach**

**SAR 160B**

**By 2021**



**Mobile expected to account for**

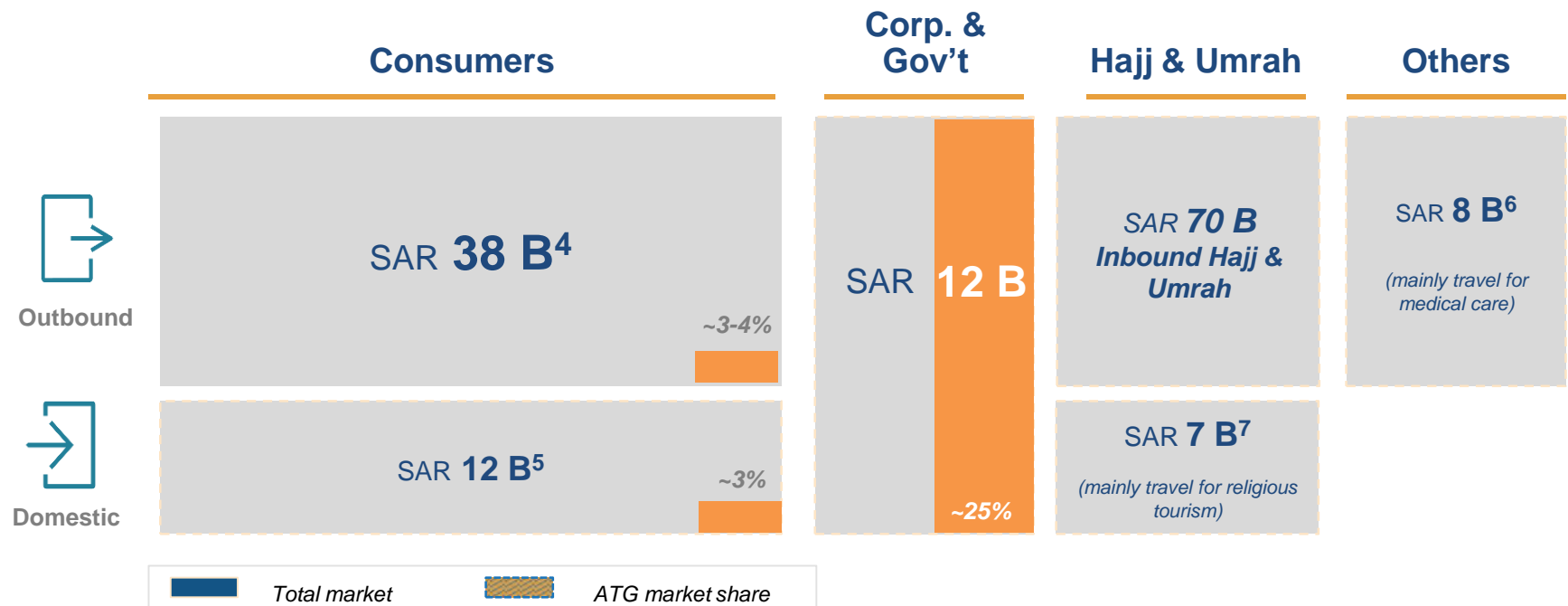
**35%**

**of online travel sales by 2020**



# Supportive tourism market in the Middle East and KSA

## Significant growth opportunities in Consumers and Hajj & Umrah segments



1. Includes VFR market ~SAR 11-13 bn. 2. Includes all travel for business and professional reasons and education & training (MoHE driven market). 3. Includes travel for medical care, religious visits, sports, special occasions and miscellaneous reasons. 4. Includes VFR travel of ~SAR 8 bn. 5. Includes VFR travel of SAR 3-4 bn. 6. Includes SAR 4-5bn of travel for medical care. 7. Includes SAR 4-5bn of religious travel.

Source: Tourism statistics (2015), SCTH, MAS KSA, Euromonitor International Passport – Travel in Saudi Arabia (August 2016), Al Tayyar Strategy Unit (2017)

# Consumer Travel – capturing market share

## Short-term strategy

Fast establishment & growth of consumer brands

brands



Establish strong branch network



Develop high-class product offering (travel packages)



Provide high quality customer service



Fuel growth and create well-recognized brands



Optimize technologies & set-up cost-efficient and sustainable operations

## Long-term strategy

Merge consumer brands to increase efficiencies

efficiencies

**Central Consumer Business Unit**



*"Bring together the best from both worlds"* through consumer amalgamation to offer a unique value proposition



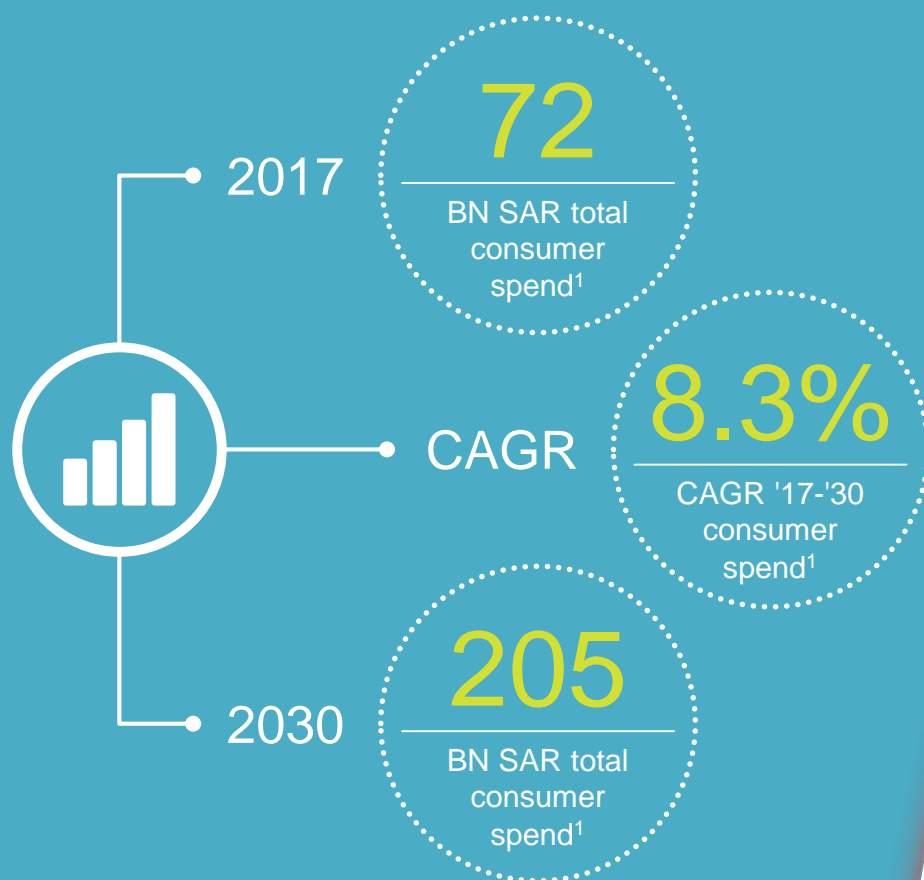
Share individual capabilities, increase efficiencies & prepare potential phase-out of "weak brands"

# Consumer Travel – the future is “omni-channel”



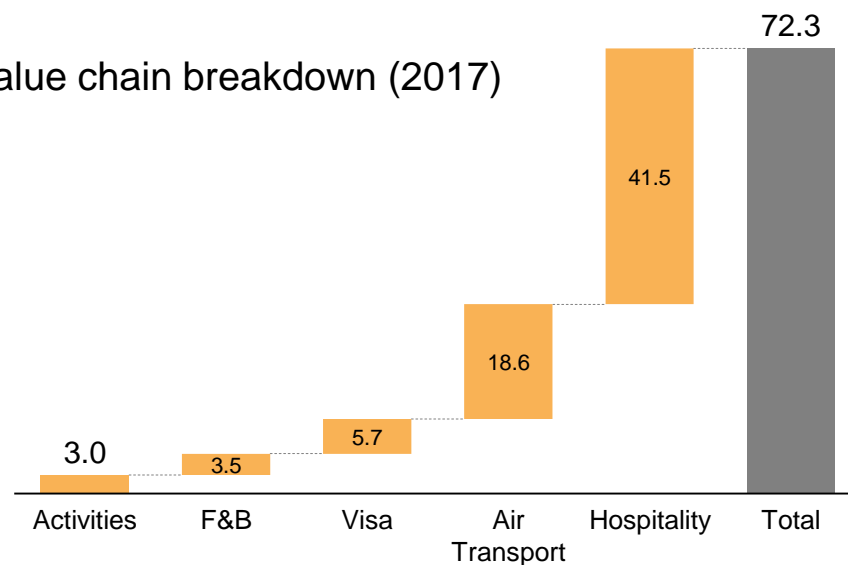
**Omni-Channel offers unique & seamless high-quality experience across all consumer channels**

Hajj & Umrah: Estimated to grow to 205 BN<sup>1</sup> SAR by 2030...

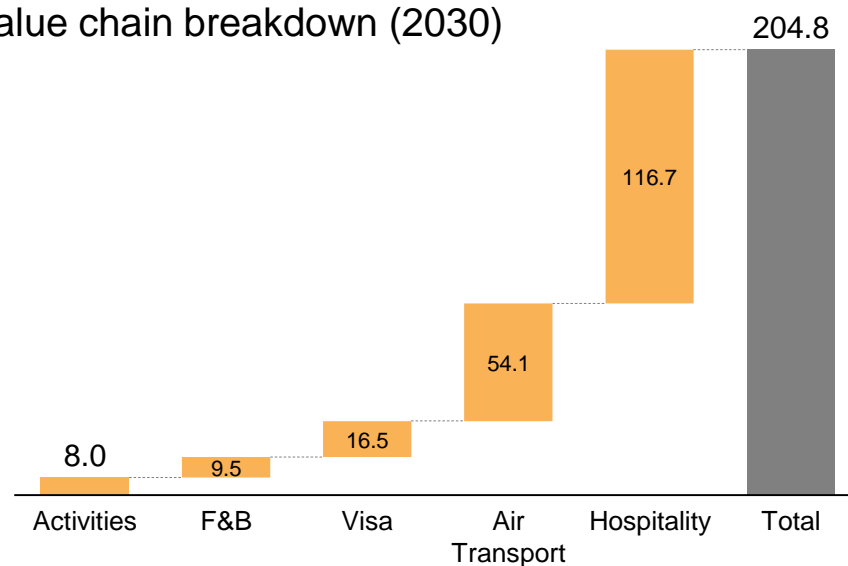


... 60% of which is captured by hospitality in the value chain

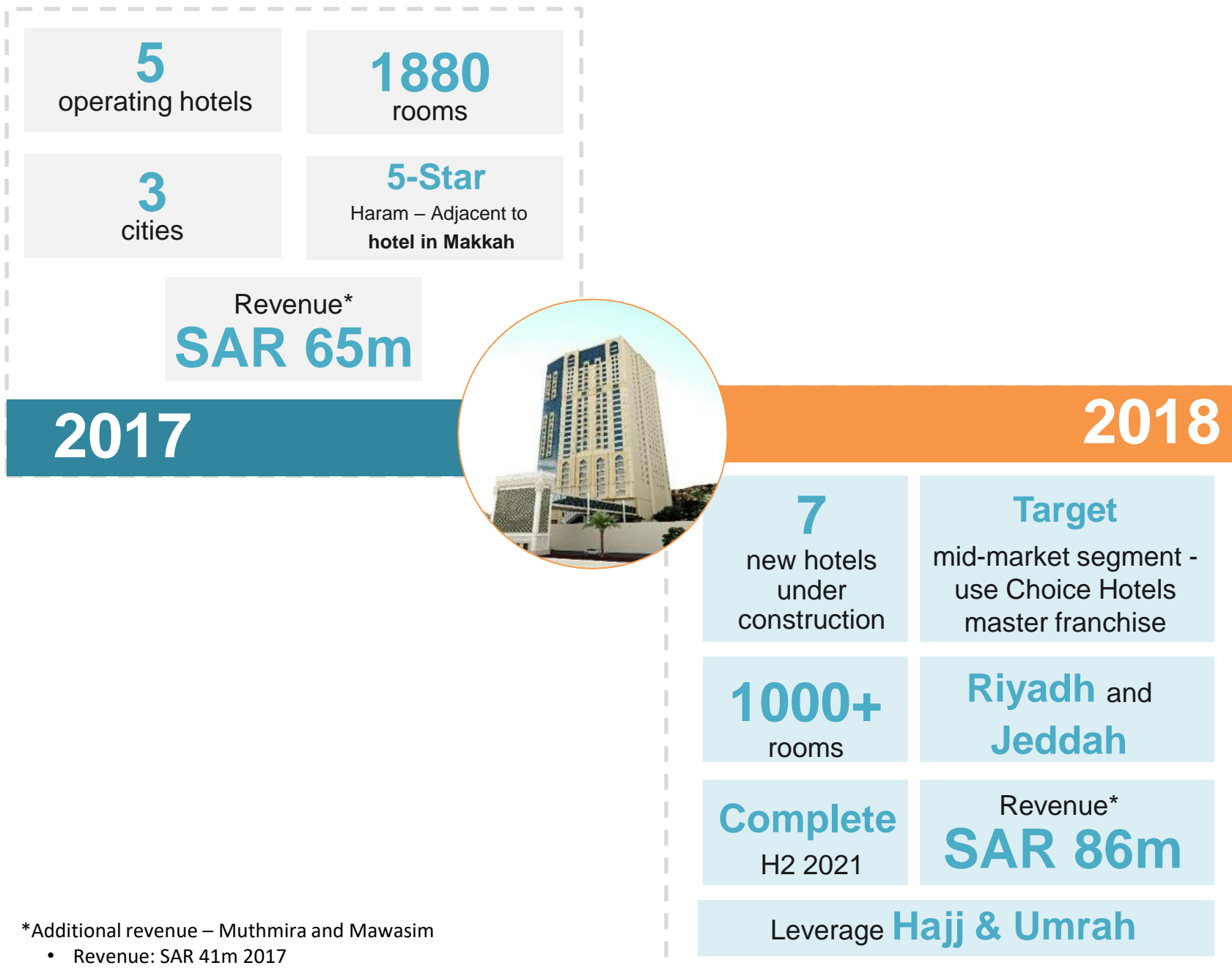
Value chain breakdown (2017)



Value chain breakdown (2030)



# Hospitality – sustainable, long-term cash flow



\*Additional revenue – Muthmira and Mawasim

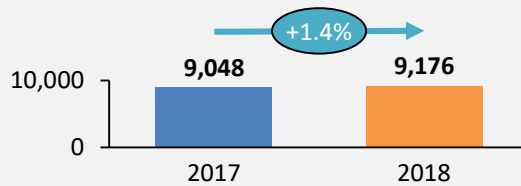
- Revenue: SAR 41m 2017
- Revenue: SAR 69m 2018

# 2018 Financial Highlights

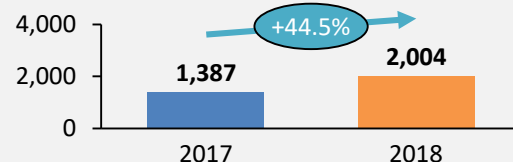
Operationally profitable with a solid cash flow performance;

**Company's net profit SAR 276m** excluding a one-offs,

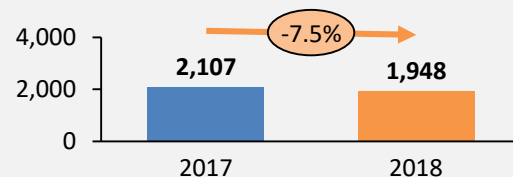
## Group GBV



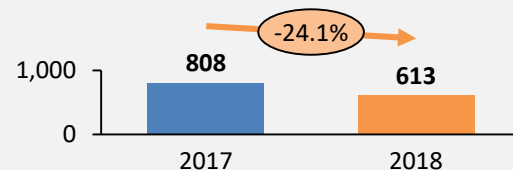
## Online GBV



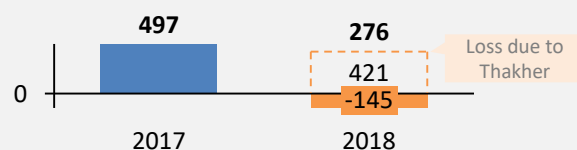
## Revenue



## Operating Profit



## Net Profit



- Online, hospitality, car rental and corporate ventures higher; offsetting decrease in government
- Positive growth despite 23% in travel services thanks to growth 44% growth in online, 41% in Car rental, 33% in Hospitality, and 13% in Corporate ventures
- Strong growth in Company's Online Travel segment
- 44% increase in revenue compared to 2017
- Net revenue of SAR 1.948 billion, a slight dip from SAR 2.107 billion made in 2017
- Diversification of revenue streams and high growth in online, car and hospitality business units
- Operating profit down 24% from 2017
- Mainly due to change in product mix and increased contribution from lower margin business lines
- Net loss partially due to SAR 421 million non-cash loss from Thakher divestment, as well as more competitive pricing for some services to protect and increase market share, which affected margins



# By building a scalable cost structure, ATG is setting the core for profitable growth inline with International players

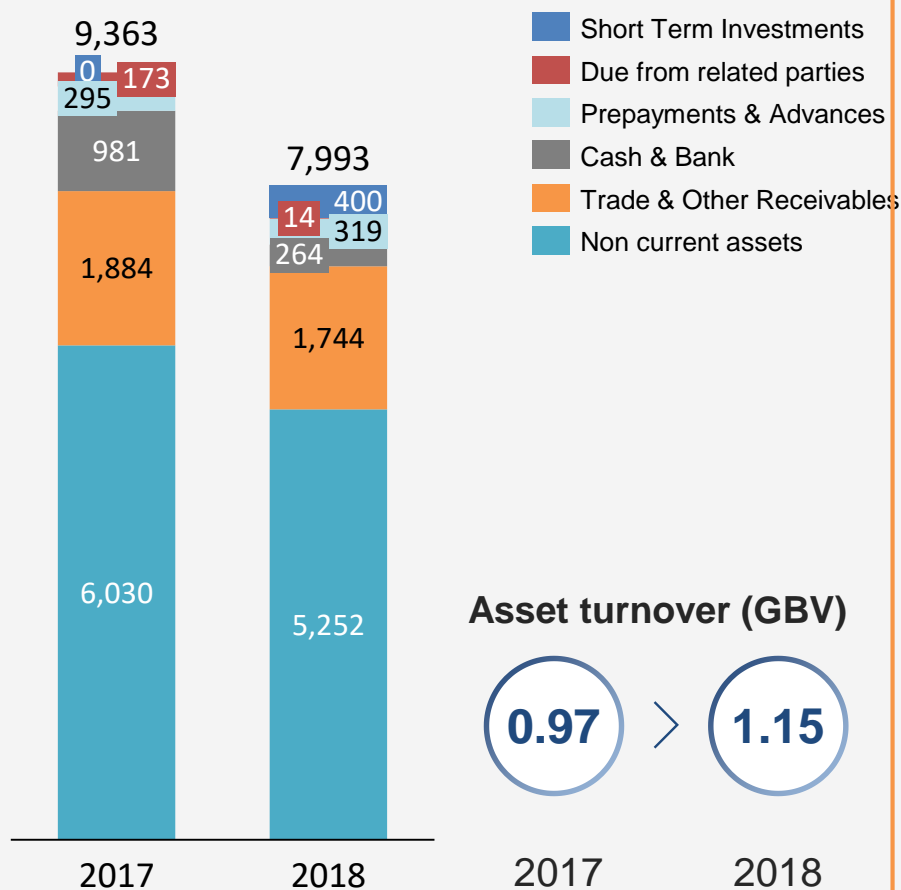


Sales	£ 9,007	£ -	\$ 88,410	\$ 81,225	SAR 9,176	
Revenue (IFRS)	£ 1,993	£ 335	\$ 10,060	\$ 12,681	SAR 1,948	
OPEX <sup>1</sup>	£ 1,753	£ 289	\$ 7,636	\$ 7,893	SAR 846	
Employee cost	£ 1,003	£ 196	\$ 2,058	\$ 1,660	SAR 502	
Marketing cost <sup>1</sup>	£ 155	£ -	\$ 4,360	\$ 4,534	SAR 104	
Employee cost (% of Opex)	57%	68%	27%	21%	59%	ATG Inline with offline focused travel companies
Employee cost (% Revenue)	50%	59%	20%	13%	26%	ATG far below offline focused companies & closer to online companies
Opex (% of Revenue)	88%	86%	76%	62%	43%	Overall the Group has the lowest Opex-to-Revenue ratio
Marketing cost (% of Revenue & Sales)	2% of Sales 8% of Revenue	-	5% of Sales 43% of Revenue	6% of Sales 36% of Revenue	1.1% of Sales 5% of Revenue	ATG is focusing on efficient marketing

# Balance Sheet Breakdown

We continue to optimize the balance sheet in order to better capitalize on emerging opportunities

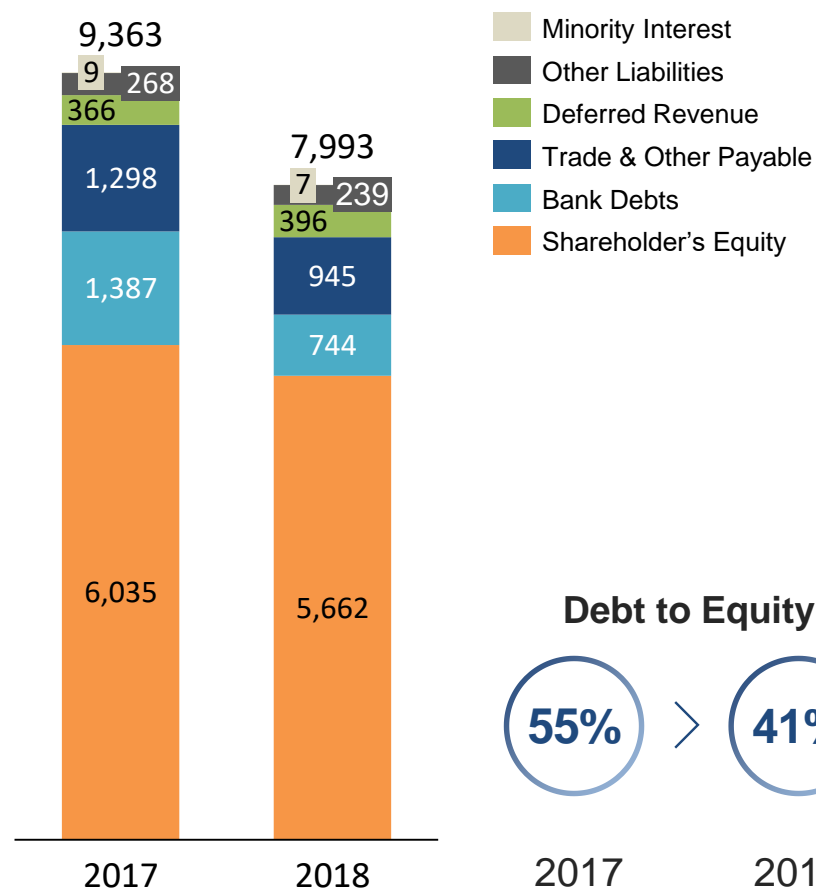
## Total Assets (SAR mm)



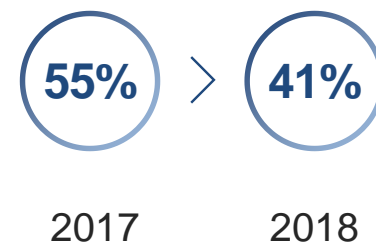
## Asset turnover (GBV)



## Total Liabilities & Shareholder's Equity (SAR mm)



## Debt to Equity





More Than a Travel Agency

Al Tayyar Group

[www.altayyargroup.com](http://www.altayyargroup.com)