Seera Group Holdings 3Q 2024 Earnings Call

11 November 2024

Muhammad Saad: Ladies and gentlemen, welcome to third quarter 2024 earnings call of Seera Group Holding. Today we have with us the senior management of the company, led by Mr. AlWaleed AlNasser, and the CFO and the CEO of Almosafer. The meeting will comprise of 60 minutes, starting with a short presentation by the management, followed by the Q&A session. For the Q&A, the participants can either raise their hand or type in the question in the Q&A chat box. Without any further delay, I would request Mr. AlWaleed AlNasser to start with his initial remarks. Over to the CEO. Thank you, sir. Over to you.

AlWaleed AlNasser: Thank you. Thank you, Muhammad. Good afternoon, everyone. And thank you for joining us today. I'm pleased to share Seera's strong results for the first nine months of 2024. As shown in the slide, we delivered solid financial performance across the key segments, with increased booking volumes and revenue driving double-digit improvements in EBITDA, and the bottom line as well. Our return on invested capital continued to improve, reaching 5.2% for the period. Net debt to equity decreased to 0.15x, keeping us at conservative levels. And as announced in our strategy, we initiated the share buyback program in line with real estate divestment, repurchasing more than SAR 100 million worth of outstanding shares during the third quarter, as part of our ongoing efforts to enhance shareholder value and optimize capital allocation. As part of our strategy, we are focused on refining our portfolio to optimize returns. We have continued to sell real estate assets. However, we plan to divest under the optimal conditions through the appropriate exit mechanisms, particularly for properties in strategic locations. Now, if you allow me, I will hand it over to our CFO, Mr. Muhammad Khalid, to give you a closer look at the group financials results. Please, Muhammad.

Muhammad Khalid: Thank you very much, Mr. AlWaleed. Good afternoon, everyone. And thank you for joining us today. Let's dive into our financial results for the first nine months of 2024. The ongoing rise in travel demand has positively impacted our key metrics since the start of the year. This third quarter of 2024 saw additional gains, particularly with summer season boosting demand across all travel segments, operational improvements in car rentals, and synergies that we have from Portman's acquisitions, which we'll be discussing shortly. The net booking value for this period surpassed SAR 10 billion, up by 23%, reaching SAR 11.1 billion for the current period. Revenue increased by 36%, to SAR 3.1 billion for the first nine months of the year. Through our focus on expense management, EBITDA for the period rose by 23%, with an EBITDA margin at 23.0% for the period. Despite higher finance cost due to rising interest rates, net profit before non-controlling interest for the first nine months, grew by 17% year-on-year, reaching SAR 174 million. As mentioned earlier, our return on invested capital continues to improve, signalling a strong post-COVID recovery and continued growth year-on-year.

Now let's take a closer look at our net booking value and revenue trends for the Seera Group. Our net booking value and revenue growth in the first nine months of 2024 was driven by several key factors, including the strong results in our consumer travel business, growth in direct Hajj initiatives at Almosafer, strategic acquisitions at Portman level, and continued expansion efforts at Lumi. Similarly, revenue growth has also been very strong, which outpaced the net booking value dynamics. This happened thanks to improvements in our product mix, specifically growth in car rental, higher share of non-air bookings in the corporate segment, and improved take rates in consumer travel segment within our Almosafer business.

Now let's move on to the next segment, which is the operating expenses of Seera Group to have a quick overview of our OpEx. In the first nine months of 2024, our group operating expenses rose by 29% compared to last year, still below our revenue growth rate. This increase in operating expenses was primarily due to recent merger and acquisitions by Portman, including Agiito and Mike Burton Travel, which notably has significantly impacted our overheads, particularly in the headcount. Also, Lumi's active fleet expansion affected OpEx through continued investment in its human resources, technology, and infrastructure platform.

When we look at quarterly trends, OpEx growth has slowed throughout the year, starting from quarter one, when the growth was 38%, 30% growth in the second quarter, and 23% is the growth in third quarter of 2024. This slowdown reflects the early synergies from the Portman's acquisitions integration. And we anticipate the full benefits of these synergies in the coming quarters. We remain quite focused on cost control and on maximizing the synergies from the acquisitions, to improve the group's overall profitability and operational efficiency.

Now let's have a quick look at our balance sheet and leverage position of Seera. In the third quarter of 2024, our group assets held steady at SAR 11.4 billion compared to the second quarter of 2024. Net debt decreased by 9% to SAR 1 billion as of 30th September 2024, due to both reduction in the total debt and an increase in cash and cash equivalents. This improvement further lowered our net debt to equity ratio, moving from 0.16x at the end of second quarter to 0.15x by 30th September 2024, reflecting our focus on prudent financial management within the group. We maintain a cautious borrowing approach and prioritize long-term debt going forward.

Now, let's move on to the cash flow analysis before we review the financial performance of our business segments. Looking at our cash flows, in the first nine months of 2024, cash flow from operations remained stable, despite strong improvement in the financial results for the period. This was largely due to an increase in working capital, primarily from the significant repayments of vendors for vehicle purchases by the Lumi business. Our cash inflow from investing activity was mainly driven by the sale of Uber shares in the first quarter of 2024. Cash flow from financing activities was affected by the debt repayments, treasury share purchases, and the high base of the previous year. If we recall last year, the proceeds from the Lumi IPO were recorded in cash flow from financing activities during the third quarter of 2023.

Now let's move on to the next section, whereby we will go over each business segment's contribution to Seera overall results. To start with, we will be having a look at the net booking value and the revenue by segment. In the first nine months of 2024, Seera recorded growth in the net booking value across most of our business segments, driven primarily by Portman, our UK travel investment, following the recent acquisitions that we made. Lumi also showed a strong double-digit growth. Net booking value for the Almosafer travel platform remained largely stable in the first nine months of 2024, despite Almosafer having lost one of the major government contracts due to recent regulatory changes, basically the direction from the government for the government client bookings. The revenue trends followed the net booking value trajectory with double-digit growth across all key segments. Notably, Almosafer revenue grew by 31% year-on-year, driven by improved take rates, primarily, and a strong travel mix. And new initiatives, which we will be covering in a moment in our next section.

Now let's move on to the gross profit and EBITDA by segment. As you can see on the left side of the slide, gross profit for the group saw a substantial 32% year-on-year increase in the first nine months of 2024. The primary contributors to this growth were our UK-based travel investment and the Almosafer travel platform, each contributing more than 30% of the total gross profit. EBITDA also grew by 23% year-on-year in the first nine months of 2024, with double-digit growth across all key segments. The car rental segment was the largest contributor, making up 70% of the group EBITDA. Now let's move on to the detailed segment overview. And with that, I will hand over to my colleague, Mr. Muzzammil Ahussain, to discuss Almosafer travel platform. Over to you, Muzzammil.

Muzzammil Ahussain: Thank you, Muhammad. And it's a pleasure to be here. Everyone, good afternoon. In the third quarter of 2024, Almosafer reported a marginal increase in net booking value, to approximately SAR 2 billion, bringing the total for the first nine months of the year to SAR 5.7 billion, which remained largely stable year-on-year, despite, as Muhammad previously mentioned, the recent regulatory changes in the first quarter of this year. Excluding the impact of those changes, adjusted NBV grew by 28% in the first nine months of the year, driven by strong gains in consumer travel, and Hajj and Umrah, and the online distribution businesses. Although NBV remained stable, revenue grew to SAR 738 million in the first nine months, up 31%, supported by higher take rates across the business, the growth of Hajj and Umrah, and significant growth in the non-air bookings in consumer travel. Gross profit increased by 19%, while OpEx rose by 12% over the first nine months of the year. Despite these challenges and the shift in the regulatory changes, EBITDA has grown 11% for the first nine months of the year too, reaching SAR 55 million.

If we go now to the next slide to discuss net booking value by business line. Across all the business lines, apart from the government business, net booking value remained extremely healthy. Consumer travel recorded one of its strongest quarters ever, reaching SAR 1.7 billion in the third quarter, growing 28% year-on-year in the first nine months. Business travel was down 77%. Excluding the government shift, business travel grew by 33% to SAR 328 million in the first nine months. We are continuing our focus on acquiring new accounts in the business travel space and growing our non-air business there. Online distribution continuing triple-digit growth across the business, reaching SAR 255 million in the first nine months. Hajj and Umrah, as expected, due to the shift of the Hajj period into the second quarter, saw a light third quarter as expected, which is usually immediately post Hajj. We continue to be positive on Hajj and Umrah going forward. For the first nine months of the year, Hajj and Umrah grew two and a half times. Destination management nearly doubled its net booking value for the first nine months, fuelled by the launch of our program with the Ministry of Education for student trips, as well as significant wins in the MICE area for different MICE projects across the Kingdom.

We'll now look at the revenue trends across the business. Consumer travel continues to see healthy revenue growth, where revenues have grown 45% for the first nine months of the year, supported by improved take rates and the addition of continued ancillary high-margin products on the platform, which we're seeing great success with. And business travel dropped 43% for the first nine months, as expected. However, this is much less than the NBV decline. This is due to higher margins on our non-air bookings. Other business lines primarily have consistent trends, especially Hajj and Umrah and DMC, as they are linked to the NBV quite closely.

From a performance metric side, the consumer travel has seen strong growth in the third quarter of 2024, with flight segments of 34%, and room nights increasing 29%. These businesses were both healthy on the domestic and international growth. Business travel, excluding the government travel business, grew 59% in flight segments, and over 2.5 times in room nights. Hajj and Umrah, as discussed earlier, was quite soft in the quarter, but we continue to have strength in our key inbound markets of Indonesia, UAE, Singapore, Libya, and Morocco. And destination management was able to serve over 17 times more passengers this year, in the third quarter, driven by school trips and our work with the various tourism and MICE projects in the Kingdom. And the distribution sector continues to show strong gains in the flight segment. And because of newly released technology, exponential growth in our hotel business. I'll hand it back over to Muhammad to cover the other operating segments. Thank you.

Muhammad Khalid: Thank you, Muzzammil. Let's have a quick look at Lumi financial performance. In the third quarter of 2024, Lumi's revenue increased by 38% year-on-year, reaching SAR 403 million, driven by strong demand across all our diverse service offerings. Gross profit for this third quarter reached SAR 116 million, up by 22% from the previous year. Operating expenses in third quarter were flat year-on-year, as the lower cost from IPO-related employee incentive scheme was offset by an increase in general administrative expenses for the period. EBITDA for the third quarter was standing at SAR 174 million, 36% up from the previous year, showcasing Lumi's operational efficiencies achieved during the period. Now, let's have a look at some of the Lumi's business performance metrics on the next slide.

As shown on the slide, by the end of third quarter, 2024, Lumi reached 11 thousand rental vehicles and 23 thousand leased vehicles. Cash flow from operations totalled SAR 452 million for the first nine months of 2024. And it has been under some pressure, particularly from higher working capital needs in the first half of the year. Lumi continued investing in its fleet with SAR 639 million spent in the first nine months of 2024, while this is lower than the same period of 2023, but still it represents a substantial investment done during the year. During the first nine months, used car sales rose significantly, with number of vehicles sold up by 50% from the same period of last year.

Now let's move on to our UK based travel investment on the next slide. The growth in Portman Group during the nine months period was primarily driven by the acquisitions of Agiito Travel and Mike Burton Travel, that were concluded late last year. These acquisitions, along with the rising travel demand, led an 86% increase in net booking value in the first nine months of the year. Revenue for the same period grew by 43%, primarily associated with different IFRS reporting requirements for the top line metrics, while the gross profit surged 90%, directly reflecting the growth in the net booking value. Post-acquisitions, operating expenses rose by 91% year-on-year in the first nine months. But if we look at the quarterly OpEx increase, it has showed a downward trajectory. Like, the first quarter of 2024 exhibited 102% year-on-year growth, second quarter – 92%, and third quarter – 81%, indicating early synergies starting to reflect in the financials of the Portman Group. The full realization of these synergies and integration benefit is ahead of us, with more impact expected in the coming quarters. If we look at the EBITDA, EBITDA also rose significantly, reaching SAR 84 million for the period, an 84% increase from the previous year.

Now let's have a look at the Portman performance by business line on the next slide. As shown on the left side of the slide, our business travel segment saw a 13% increase in trips during the first nine months of 2024, driven by recent acquisition, particularly Agiito Travel. Clarity has now moved up to become the sixth largest travel management company in the UK. In the luxury travel segment, we saw slight pressure on average order value, but the customer retention remained strong throughout the period. Similarly, sports travel also showed a robust growth during the period, with 30% increase in the number of events delivered, totalling nearly two thousand in the first nine months of the 2024, as well as a 10% rise in the number of travellers. We are quite strong in sports division, specifically within the football, and are proud to serve the top football clubs in the UK, including Newcastle United, Manchester United, Manchester City, Liverpool, Chelsea, and other well-known clubs within the Kingdom. Portman aims to drive future growth through strategic partnerships and synergies within the group. That's it from Portman. And let's have a quick look at the hospitality segment performance.

During the third quarter of 2024, our hospitality segment faced some pressure on its financial metrics, primarily due to a shift in the Georgian calendar versus the Hijri calendar, which means moving 10 days of Hajj season from third quarter to second quarter. However, on a year-to-date basis, hospitality division showed strong growth across all the hotel portfolios. This improvement was driven by increased demand from both inbound and domestic tourists, higher occupancy rate, and increase in average daily rates. Gross profit for the segment also rose by 11% year-on-year for the first nine months, reaching SAR 77 million for the period. Similarly, EBITDA for the period has been SAR 62 million, which is slightly lower than the last year, primarily due to one-off income of around SAR 12 million that was posted last year in 2023 financials. As we transition to an asset-light model, focusing on managing and franchising third-party-owned hotels, we expect greater synergies and improved operational efficiencies in the future within the hospitality segment.

Now, let's move on to the final slide with the hospitality segment metrics, before opening the floor for questions. If we look at the operational business performance metrics, as I mentioned, in the first nine months of 2024, we saw continued improvement in our hospitality business performance. Room nights sold increased by 5% year-on-year, reaching 194 thousand during the period, with an average daily rate rising by 4%, reaching to SAR 475 for the nine-month period. Our total number of operational room keys remained the same, steady at 2,283, while the occupancy rates improved by one percentage point, reaching 71% for the period. Similarly, revenue per available room also rose by 6%, reaching SAR 338 for the period, reflecting more profitable operations for current period. And we expect similar trajectory to carry on. I will now conclude the presentation and open the floor for all of you who have follow-up questions. Over to you.

Muhammad Saad: Thank you, management. Ladies and gentlemen, the Q&A session is currently open. You can either raise your hand or type in your question in the Q&A chat. We have a question from Taher. Taher, I have unmuted you. Please introduce yourself and ask your question. You are requested to please limit your question to a maximum of two at a time. Please go ahead.

Taher Safieddine: Good afternoon, gents. This is Taher from JP Morgan. Thank you very much for the call. Just maybe if we can focus on the Q3 results rather than nine months, just on quarterly numbers. It seems that there are a couple of one-offs. There was one-off Lumi IPO expense last year. Also, I think some Careem income or hold backs, if I'm not mistaken. So just on a normalized net profit, Q3 was down based on our calculations. So, I just want to understand, when should we expect this EPS momentum to pick up? I mean, clearly, it has been a soft, maybe a bit more disappointing performance, over the first nine months of the year. So how should we think about underlying net profit growth as we move into the coming quarters? I think that would be my first question. And the second question, on the divestment program. I mean, we've been hearing about this for quite some time. You outlined it back in your strategy. But we are yet to see any sizable developments on that front. I mean, how should we think about the divestment specifically in the hospitality portfolio? I'll just limit this to two and then I'll come back in the queue for any follow-ups.

Muhammad Khalid: Sure. If I can, I will be responding to the first question, then I will move on to the second one, unless Mr. AlWaleed wants to respond. From the normalized profit point of view, there have been a couple of one-offs, as you rightly mentioned, but the key component for this profitability is the non-controlling interest of Lumi. As we all know, till last year, September, Lumi has been 100% owned entity of Seera. The impact of non-controlling interest of Lumi is almost SAR 12 million for the net profit. If we compare the profit before NCI, you will see the normalized profit of current period 20%-30% higher than the last year. So that's why we were saying that there have been one-offs, positive and negative. As we said in Lumi, there have been incentives, while there has been compensation of other income or other gains, like one-off Careem gain of SAR 14.8 million, which was, to a large extent, knocked off against the OpEx or other components that have been in the other business segments. Well, as I mentioned, the key is the non-controlling interest. We are considering that the fourth quarter of 2024 will be apples-to-apples comparison from the NCI point of view, specifically from Lumi consolidation. So, we will not see that big gap from quarter versus quarter. It's not only quarter three. And if we will be fair to our results, principally, Lumi non-controlling interest has been one of the key components from quarter one till now, as one of the reasons for the lower profitability.

Secondly, on the hospitality, significant number of small properties have been divested. And as you can see recently, we began to execute the share buyback, against these proceeds that we will be getting from our divestment of hospitality assets. Until or before the announcement of the third quarter, around SAR 100 million has been already executed against the share buyback program. As we continue to proceed with this any major announcements will be announced in due course. But we still stick to the original plan of having the complete real estate divestment within 18 to 24 months. That's what I can say. Probably Mr. AlWaleed can add more on the hospitality.

AlWaleed AlNasser: We have covered it. I mean, did we answer your question?

Taher Safieddine: Yeah. I mean, just on the hospitality, so the fair assumption is to think about this by end of 2025, even including the big assets like Sheraton, if I'm not mistaken. Is that the timeline you are providing now, in 18 months, ideally, fair to assume by end of 2025, you will be done with the hospitality investment program?

AlWaleed AlNasser: We're not interested in a fire sale. And we want to divest at appropriate exit values. We're regularly assessing the opportunities that we have. And once we have the appropriate, let's say, divestment mechanism, we'll go for it directly. We're not waiting for the end of 2025, but will execute as soon as we have an appropriate divestment opportunity.

Taher Safieddine: Okay. All right. Thank you. Clear.

AlWaleed AlNasser: Okay.

Muhammad Saad: Thank you. Our next question comes from the line of Abdulrahman. Abdulrahman, you have been unmuted. Please go ahead with your question.

Abdulrahman Al-Salloom: Yeah. Thank you, management, for the presentation. This is Abdulrahman Al-Salloom, from Alinma Investment. I have a couple of questions. The first one is regarding Kayanat. Can you just shed some light on its contribution in the third quarter results? And when you expect the break even for that project? And for Almosafer IPO, if you can just give us an update. Last request, which is not a question, if you allow me, you have mentioned SAR 100 million have been executed for the share buyback program, how much is the remaining and by how much time would you execute this, the remaining amount of the share buyback program? Thank you very much.

Muhammad Khalid: Great. If I may to comment on Kayanat. So, broader level, Kayanat is expected to generate cash flow by late-2027. And the annualized cash inflow or we can say the dividend that we expect from this project is around SAR 230 to SAR 250 million, considering it's being managed under a fund, and Seera is the single shareholder for this project. Almosafer, although Muzzammil will be in better position to respond, as announced earlier is ready for the IPO, but we will be waiting for the right moment, I will say, within, like two, maximum three years, it will be, Inshallah, in the market, unless Mr. Muzzammil can add a bit more.

Muzzammil Ahussain: I mean, yeah, we announced last year that two to three years is the target. So that would be, you know, sometime in the end of 2025 or 2026. We have no updates to that timeline. As and when we make progress on formal process, we will communicate. But we're on track with the previously committed timeline.

Muhammad Khalid: Yeah. On the last question, which was the share buyback. So, our general assembly approved it, and as per the regulatory requirement, the maximum we can go for is 10% of our capital which can be bought back. So, with SAR 100 million, we have executed around 1.4%. And we will keep on executing until we reach the point. It does not mean it will be blind execution; it will depend on the share price and the available liquidity. We have time till end of May 2025 to execute the initially approved share buyback program for the first tranche. And, considering it's connected with the proceeds from the divestment of real estate assets, the more the assets will be divested, the faster the pace of share buyback will be.

Muhammad Saad: Thank you, management. There's a question from Mr. Abdullah Shabi, you have been unmuted. Please go ahead with the question.

Abdullah Shabi: Okay. First, my name is Abdullah Shabi. I'm a private investor in Seera. I'm not linked with any kind of financial group or any team. My first question is, all the branches of Seera showing a very good growth in income, in gross profits, revenues, but at the end, the net profits not showing any improvement. Are there any strategies going on now with Seera, to improve the net profits for each business of Seera? This is my first question. The second one is, as for the ending of the year 2023, the cash in the hand of Seera was very high, almost like more than SAR 1 billion. Now it's almost like SAR 550 million by end of the second quarter. We have doubts now that Seera is not distributing a half riyal per share, even though they have a lot of cash in their hands because they are not believing in the future. How can you convince us that this is not the case?

Muhammad Khalid: Sure. If I can respond to the second part of it, then probably our CEO will jump in on the first part. Broader level, as you have rightly mentioned, all the business segments, if they are going in positive trajectory, why not a strong bottom line at the group level? Because here, the key challenge, as Muzzammil has explained in detail, for Almosafer, is a game of the scale. First, we reach to a specific scale where the operational efficiencies, synergies and all the business dynamics work quite well. Then every single riyal sold straight hits to the bottom line. Like in Almosafer, which we acquired back in 2014, it was in significant losses. So, the first five years was a period of losses, where we had to achieve the synergies, achieve the scale, reach to a point where we significantly invest in our infrastructure and technology, make it like leading travel player in the market, and then dictate our terms. Now Almosafer is in a position with no peer in the Middle East. So, this is the trajectory that we will carry on going forward.

Similarly, if we look at Portman business, this has been, again, a game of scale, where we did lot of M&As over the period. And the recent M&As, which have been Agiito Travel and Mike Burton Travel, had significant positive impact on the overall performance and the business dynamics within Portman. Lumi historically was the only business in addition to hospitality, which was straightforward from day one with clear asset base, yields, and returns. But unfortunately, or we will say, as part of the financial metrics, because post IPO, now we are consolidating 70% profit of Lumi within the business. So, to understand the results, we must see the overall dynamics of each business and to see how it is progressing. However, I absolutely align with you. It's going in the right direction. And every quarter going forward will be much better and prospective is stronger than previous quarters. So, this is how we see the development going forward. But of course, considering we are in the travel and tourism industry, every quarter is different than the previous quarter. That's one.

Secondly, on your other question, on the cash balances that we have at the group level, if we recall couple of quarters back when we announced the Seera strategy, one of the key pillars of Seera strategy in the high-interest rate environment, we wanted to deleverage the Seera group balance sheet. Which means all the debts within the Seera Group, whether it is within Seera, within hospitality, or Almosafer, except for Lumi, considering it has a minority stake and it's an independent listed company. So, that was one of the reasons you might have seen a significant cash position at the end of last year, which has been slightly down because we paid off all the debts. And if we just look at the finance cost as of today, it's over SAR 100 million. So, this was one of the key pillars, or key use of the funds. And on top of it, we need to understand a bit more on liquidity or funding requirements within the businesses. In the UK, as a travel provider, you take the ownership and responsibility to bring back the customer from each destination, which means 70% of any booking must be retained in the cash form as a reserve. It's a requirement. So, it's not cash that can be used even for our own purposes. It must be retained. It's like what we generally used to have in KSA in the form of the bank guarantees. It apparently looks slightly different in the balance sheet, but it's not really the free cash or available cash for its use, or even the payment. As you rightly said, I, as a CFO, as well as the group CEO, and Almosafer CEO, we would love to pay back to the shareholders. And that's why one of the strategic directions we explored was how we can find different mechanisms to pay back this cash or equity to our shareholders. So as a first step, the share buyback program was executed. And more options will be exercised going forward, once we have more funds through divestment, and hospitality, and other sectors. Sorry, I believe it was a bit detailed, but I hope I have responded to the questions. Mr. Waleed can add on, or Mr. Muzzammil, if I missed something in between.

Muhammad Saad: Thank you. Thank you, management. I would be taking on a few questions in the Q&A chat. There's a question, what is the bottom line for Almosafer for both third quarter 2024, and nine months of 2024?

Muzzammil Ahussain: Sure. So Almosafer has been profitable for every quarter now. We will be disclosing more details on the profitability in due course. Almosafer is profitable for the first nine months of the year.

Muhammad Saad: Okay, great. Ladies and gentlemen, you can type in your question in the Q&A chat or raise your hand if you have any question. There's a question from Mr. Faisal. Faisal, I'm unmuting you. Please introduce yourself, the institution that you represent, and ask your question.

Faisal: I only have one question regarding the PIF acquisition of Almosafer breaking down. I would like to ask the management to shed some light on that please.

Muzzammil Ahussain: Sure. It feels like a long time ago. So, in the conversation with the PIF, we agreed to part our ways. We continue to work together very closely. We are partners of many of the big PIF projects, for example, we've recently announced our project with Riyadh Air. Our working relationship continues to go well. The reason for termination of the transaction is primarily around how to deploy the funds, and a difference in strategy. Almosafer strategic direction is to be an asset-light player, connecting supply and demand. The suggested approach was different, where a lot of the funds would have been used to move into a different type of business model, focused on heavier assets, away from the asset-light tech, digital model. But I think it's safe to say that the Almosafer business has significantly recovered. We haven't seen any slowdown because of the termination of the transaction. And we continue to partner and work very closely with the PIF and its companies.

Muhammad Saad: Thank you. There's another question. What is the net profit margin for Almosafer? But I think we are not disclosing that at the time. Is that correct, Mr. Muzzammil?

Muzzammil Ahussain: That's correct.

Muhammad Saad: There's a question. What are the expected proceeds from hospitality sector divestment?

Muhammad Khalid: As of today, our net booking value is starting somewhere around SAR 3 billion. And we expect the proceeds to be closer to that sum. We are quite positive considering the real estate sector is going up in KSA. So, we can say, as of today, around SAR 3 billion cash proceed is expected over the divestment period.

Muhammad Saad: Thank you. There is a question. Can you share your guidance for net booking value for Almosafer in 2024? I believe this was shared in earlier earnings calls. But if Mr. Muzzammil would like to highlight that.

Muzzammil Ahussain: Yes. So, we guided for net booking value for 2024 between SAR 7.2 billion to SAR 7.5 billion, which is slightly down year-on-year. And over the coming three years, we expect that to grow to SAR 12 billion by 2027.

Muhammad Saad: Thank you. There is a question from Alowi Alimirah. I'm unmuting you. Please go ahead with your question.

Alowi Alimirah: Is there any update in terms of the Mecca property, and how are you seeing the prices there? And related to that, are you having any update discussions in terms of foreigners being allowed to buy Mecca?

Muhammad Khalid: As we mentioned earlier for Mecca property, we are waiting for the regulations to come into force. It cannot happen overnight, but we should expect the regulations change in the next 6 to 12 months. And once the regulation is in place, then we'll be in a quite good position to have a sizable gain on the property. Because this is one of the iconic properties next to the Haram, with direct access. So, like everyone, we are waiting for the regulations, and it will be, Inshallah, soon announced. We cannot give a committed timeline, because this regulation is expected to come from the government. But for sure, that's something that we are keeping our eyes on.

Alowi Alimirah: And then related to that, has the operation improved in terms of utilization and rates?

Muhammad Khalid: Yeah, absolutely. Overall, our occupancy has been above 80% specifically the months of Ramadan, till the Hajj. And as of today, the occupancy is at 86% plus. So, we are seeing quite positive response from the market for this specific hotel. And of course, the occupancy has been going up across the Kingdom, irrespective of the property. So, even the properties surrounding the Sheraton have been growing quarter-on-quarter in the last eight years, subject to seasonality, of course, because the peak seasons of Ramadan and Hajj cannot be beaten by any other season. But overall, if we compare year-on-year or quarter-on-quarter, there is 4% to 6% growth in every reporting period.

Muhammad Saad: Thank you. Very clear. I believe there are no further questions at the moment. If the management would like to give any concluding remarks, please go ahead.

Muhammad Khalid: Thank you everyone for joining us. I hope we have responded to all the queries. And if there is something that has not been completely covered, or there is any additional information required by anyone, we are all available, so reach us directly. Thank you very much.

Muzzammil Ahussain: Thank you.

Muhammad Saad: Thank you, management. Thank you, participants. Have a great day.

Muhammad Khalid: Thank you, Muhammad.

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-on-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).