

Strategy Statement of Seera Group Holding, Riyadh, Kingdom of Saudi Arabia, dated 24/04/1445H (corresponding to 08/11/2023G)

## **Seera Group's Board of Directors announces its strategy to deliver long-term and sustainable shareholder returns through positioning segments for value-unlocking initiatives, new strategic investments, and maximizing free cash flow per share**

As Seera Group Holding (the "Group") embarks on the next chapter in its journey, the Board of Directors (the "Board") is pleased to announce the approval of a strategy to deliver meaningful and sustained value for shareholders. In the pursuit of Seera Group's vision to be recognized as a strategic investor in the future of the Nation, with a balanced portfolio of Saudi Champions, delivering sustainable returns for shareholders, Seera's evolving strategy has three main pillars:

1. Operate as an engaged investor and steward of companies, governing with strong influence and expertise
2. Build & maintain an attractive, unique portfolio that offers long-term and sustainable total shareholder return
3. Adopt long-term capital strategies to deliver continuous appreciation of Seera's intrinsic value

In the following, the Board has provided an overview of the strategy, including guidance on the execution milestones.

### **Part I | Seera Group's Evolution to a Strategic Investor**

In 2017, Al Tayyar Travel Group was facing several challenges: high reliance on government travel spend, underdeveloped digital infrastructure, and increasing competitiveness in the travel sector. The Board launched a Transformation Program ("the Program") to achieve aggressive growth and diversification of investments, by restructuring the Group's portfolio in line with the new overall strategy.

Almost six years have passed since the launch of the Program, and despite the impact of the COVID-19 pandemic from 2020 to 2022, the Board has steered the Group through its evolution from a government travel management company to a portfolio of market leaders as below:

- **Travel Platform, Almosafer**, reshaped Al Tayyar's legacy travel business into the leading, digitally-driven platform in the Kingdom of Saudi Arabia, serving the entire travel ecosystem, built on the back of the consumer travel business line which recorded a triple-digit CAGR of 171% in net booking value, growing from SAR 189 million in FY 2016 to SAR 3,748 million in FY 2019, and represents an essential pillar to support the delivery of Vision 2030 tourism targets alongside the inbound tourism verticals, altogether the Travel Platform reported SAR 5,691 million in net booking value in YTD Q3 2023;
- **Car Rental, Lumi**, scaled at a CAGR of 46% from a fleet size of 3,600 vehicles in FY 2016 to 11,181 vehicles in FY 2019, and emerged at the top of the Saudi car rental market with 27,724 vehicles as of 30<sup>th</sup> September 2023, as a leading car lease and rental player leveraging powerful and scalable operational infrastructure;
- **UK-based Travel Investment, Portman Travel Group**, grew at a 22% CAGR from a net booking value of SAR 1,309 million in FY 2016 to SAR 2,351 million in FY 2019 (values determined on a constant currency basis), achieving SAR 2,085 million in YTD Q3 2023 through the acquisitive and organic growth of travel specialists in business, luxury leisure & sports travel;

The Group's Hospitality segment has had limited turnaround success, therefore, the focus has shifted to monetizing assets through divestments.

To facilitate the rapid scale-up of businesses within the portfolio, the Group previously extended operational support to business units from a strong corporate center, however, corporate functions have been devolved into individual businesses as Seera evolves from an operating holding to a strategic investor with a streamlined structure at the corporate level.

Today, the Group's Transformation Program has yielded successful results, and core segments of the portfolio are operationally and financially self-sufficient.

Moving forward, the Group will continue to play an instrumental role in growth and value creation within the portfolio by influencing strategic priorities and bringing to bear Seera's expertise as well as its deeply rooted relationships in the Saudi market.

## **Part II | Positioning of Key Segments within the Portfolio**

Seera Group's portfolio includes five key segments: the Travel Platform (Almosafer Travel & Tourism), Car Rental (Lumi Rental), Hospitality, the UK-based Travel Investment (Portman Travel Group) and an Investments segment, each positioned to deliver value in distinct ways as outlined below:

### **Travel Platform (Almosafer Travel & Tourism) | Strategic, Core | Value Creation stage**

In Q3 2022, Seera Group amalgamated the various subsidiaries operating Seera's travel and tourism businesses (consumer travel, business travel, destination management, and hajj & umrah) under the umbrella of hyper-growing and digitally-enabled Almosafer to create an integrated platform, built on unified sourcing, data, and technology infrastructure.

The Travel Platform is characterized by an asset-light and scalable business model that serves tourism flows across the Saudi Arabian travel ecosystem i.e. B2C and B2B; outbound, inbound, and domestic; leisure, business, and religious.

Almosafer has recovered to profitability post-COVID, achieving a net booking value of SAR 5,691 million and an EBITDA of SAR 49 million in YTD Q3 2023. The Travel Platform is fully self-sufficient, independently generating consistent and profitable growth<sup>1</sup>.

On a standalone basis, Almosafer is set to surpass historic performance levels and exceed SAR 10 billion in booking value by 2025 with an expected 1.5% EBITDA margin (determined as % of booking value). As the leading, tech-driven travel & tourism company in Saudi Arabia, Almosafer presents an attractive IPO opportunity within the next 2 to 3 years.

### **Car Rental (Lumi Rental) | Strategic, Core | Value Realization stage**

Lumi completed the initial public offering of 30% of its issued share capital on the main market of the Saudi Exchange ("tadawul") on 10/03/1445H (corresponding to 25/09/2023G). Seera plans to remain a major shareholder in the foreseeable future.

The Car Rental segment offers a balanced business model, with the long-term lease segment locking in future revenue and profitability, while short-term rental captures high-margin yet seasonally-driven performance, further complemented by the used car sales division to ensure efficient fleet turnover across both lease and rental, while maximizing purchase price recovery.

Lumi continues to monetize a significant fleet base at high EBITDA margins, recording a revenue of SAR 791 million and an EBITDA of SAR 415 million in YTD Q3 2023, fully self-sustaining its growth at scale.

The business has major opportunities for digital innovation in the mobility sector to create further upside and will remain highly profitable and a source of cash flow for the Group. Lumi is expected to grow its fleet size to approximately 35,000 vehicles by 2025 with an expected EBITDA margin of 50%.

### **Hospitality | Non-strategic, Non-core | Optimise to Exit**

Seera is transitioning to a more capital-efficient structure by divesting all Hospitality and unproductive legacy real estate assets under optimal conditions through the appropriate exit mechanisms. Seera aims to maximize the exit value for each asset to serve as the primary source of liquidity for the Group to fulfill its capital allocation strategy (details in Part III below).

### **UK-based Travel Investment (Portman Travel Group) | Strategic, Non-core | Value Creation stage**

Portman Travel Group has scaled significantly through M&As and organic growth in the UK and European travel & tourism sectors across three verticals: business, luxury leisure, and sports travel.

<sup>1</sup>As announced on 17/02/1444H (corresponding to 13/09/2022G), Seera Group signed a non-binding term sheet with the Public Investment Fund ("PIF") to invest up to SAR 1.554Bn for a 30% ownership stake in Almosafer (a portion of the total investment will be payable on achievement of agreed KPIs).

Portman is on track to achieve the critical mass of a formidable player in the European travel & tourism market, currently completing the acquisition of major travel brands including Agiito (a UK corporate travel, meeting, and event specialist) and Mike Burton Travel (active in travel arrangements for major sporting events worldwide).

The UK business has recorded a net booking value of SAR 2,084 million and an EBITDA of SAR 46 million in YTD Q3 2023, with an incremental annual EBITDA of SAR 65 million expected post-integration of new acquisitions.

Portman is set to grow at a CAGR of c. 50% on booking value until 2025 with an expected 3% EBITDA margin (determined as % of booking value). Seera aims to exit Portman through an appropriate divestment mechanism, including a potential IPO in the relevant market, within the next 3 to 5 years.

### **Investments | Strategic or Non-strategic (based on the investment opportunity), Non-core**

In the past, the Group adopted a buy-to-build philosophy towards investments, opportunistically investing in local and international businesses at various stages of growth within the travel, tourism, and adjacent sectors and nurturing them

into sector leaders. This exposure to potentially game-changing opportunities had been managed in a ring-fenced manner to support business scale-up and limit risk, as value is maximized in the short or long term. Notable examples include Careem, a successful investment in the ride-hailing sector of the Middle East that generated an approx. SAR 1.8 billion exit value upon its acquisition by Uber Technologies in 2019, in addition to existing portfolio segments that transitioned from within the umbrella of Investments to key segments of today's portfolio, such as: Almosafer, which began as a small hotel booking startup in 2014; Lumi, established to support internal divisions within the Group prior to expansion plans; and Portman Travel, a private equity investment in a UK-based travel management company.

Additionally, Seera undertakes passive investments offering alternative sources of liquidity, such as managed funds that offer diversification and flexibility for strategic liquidity as needed.

The Investment vertical enables Seera to fulfill its vision of investing in Saudi champions. Seera Group's strategy has shifted to focus on investments with a sustainable return profile that would support further cash flow generation. On that basis, the Group has invested in a private real estate fund to develop the Kayanat Central ("Kayanat") business park, details of which have been included in the following section.

### **Part III | Capital Allocation Approach**

The Group's capital allocation strategy will shift from investing in the current portfolio of companies, that are now independently sustaining their growth, to one that focuses on maximizing free cash flow per share through three key levers:

1. deleveraging the balance sheet;
2. new investment opportunities with a minimum internal rate of return (IRR) of 15%;
3. a potential share buy-back program;

The proceeds from the initial public offering of 30% of Lumi have been allocated with the key levers in mind as outlined below:

- Deleveraging of the Group's balance sheet given the current high-interest rate environment
- Re-investment in Portman Travel Group to finance strategic acquisitions including Agiito, Mike Burton Travel, and others to generate significant incremental EBITDA of SAR 65 million annually
- Investment in a private real estate fund to develop the Kayanat Central business park project in the city of Riyadh, an investment with an expected IRR of 15%, details of which have been included in the following section

On an ongoing basis, the Group will assess allocating capital to the proposed share buy-back program and other investment opportunities based on the investment opportunity profile, available liquidity, and the share price in the market.

## Overview of Investment in a Private Real Estate Fund to Develop the Kayanat Central Project in the City of Riyadh

In line with the Kingdom's objective to make the city of Riyadh one of the 10 largest city economies in the world, the Group has invested in a private real estate fund as the primary investor affiliated with Istithmar Capital that is compliant with Sharia standards (the "Fund"), with the aim of developing the Kayanat Central business park project in the northern region of the city of Riyadh, at the strategic intersection of Abu Bakr Al Siddiq and Anas Bin Malik roads, may God be pleased with them, providing easy access to main roads and key landmarks, located approximately 16 minutes away from the King Khalid International Airport (KKIA), 10 minutes away from the Riyadh Front Exhibition & Conventions Center (RFECC), 13 minutes away from King Salman Park, and 9 minutes from the New Murabba district project, one of the largest downtown developments in the world.

Kayanat intends to create an integrated, mixed-use development, with a land area of approximately 100,000 square meters, an expected built-up area (BAU) of more than 350,000 square meters, and a leasable area of over 150,000 square meters, consisting of offices and multiple retail offerings, with an average parking capacity over 4,000 slots to provide a distinctive and energy-efficient space that promotes an effective work environment, improves the quality of life, and drives economic growth.

The total cost of developing the project is estimated at approximately SAR 1.3 billion, and the Group plans to contribute SAR 600 million to the Fund. The remaining development CAPEX of the project will be obtained by the Fund through appropriate financing means. The project is expected to achieve an IRR of 15% and operating cash flows of approximately SAR 230 million annually, with its impact likely to start in the second half of 2026.

Commercial real estate in the Kingdom, especially in Riyadh, is experiencing unprecedented demand and growth in occupancy levels. The Group's strategy aims to build a resilient portfolio that can weather any unexpected circumstances that impact profitability or cash flows, as had occurred throughout the COVID-19 pandemic. Investment in this opportunity will boost the Group's financial position by generating a sustainable source of returns and cash flows for shareholders in the long term.

The Board will continue to steer Seera Group on its journey of reshaping sectors, fueling economies, and building a legacy of champions, guided by its objective to create enduring value within the portfolio and generate attractive, sustainable cash flows for shareholders.

Any material developments and updates regarding the Group's strategy will be disclosed according to the relevant regulations.

In conclusion, the Group extends its deepest gratitude to the honorable Custodian of the Two Holy Mosques and H.R.H. the Crown Prince and their wise government, for their vision and guidance in realizing the Kingdom's ambitious Vision 2030 objectives. We are also grateful to our esteemed shareholders and strategic partners for their unwavering support throughout the Group's transformation journey.

The Group will continue to strive towards greater achievements and create added value for the community and the local economy.