



الطيار
Al Tayyar

Investor update presentation

January 2016

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Section 1

Introduction

Al Tayyar Travel Group Holding Co (ATG) at a glance

- With market capitalization of about US\$ 4.8 billion, ATG is the leading integrated travel service provider in the MENA region
- ATG is the leading travel management service provider of corporate and government travel with interest in hospitality sector
- Enabled by a robust technology platform, ATG serves its clients through a global network of more than 430 branches
- ATG is building a strong position in the religious tourism market in Makkah through a vertical integration strategy owning large number of hotels
- ATG has consistently won prestigious awards and recognitions from its partners and leading airlines



Top sales award
(2009, 2010, 2011,
2012, 2013)



Passengers Sales
award
(1994, 1995, 1996,
2010, 2011, 2012
and 2013)



Newly awarded
Exclusive GSA



Sale Excellence
awards
(2009, 2010, 2011,
2012, 2013)



Top agent award
(1999, 2002, 2004,
2005, 2011, 2012
& 2013)



Top agent award
(2009, 2010, 2011,
2012, 2013)



Top low-cost carrier in the
GCC



Silver award
(2010, 2011,
2012, 2013)



Top sales agent fro
(2008, 2009, 2010, 2011,
2012, 2013, 2014) in
Central province

ATG's success story

- IPO in June 2012
- Acquisition of Muthmerah Real Estate company

- Acquisition of Mawasim

- Acquisitions of Elegant Resorts, CTM, and Al Hanove

- Acquisition of 100% of Muthmerah
- Investment in Careem 2014

2012

2013

2014

2015

- Formation of private jet operating company

- Increase of stake in Muthmerah Real Estate company

- Kenzi Hotel

- Acquisition of Thakher in 2015

ATG has coupled its successful organic growth with vertical and horizontal acquisitive approach

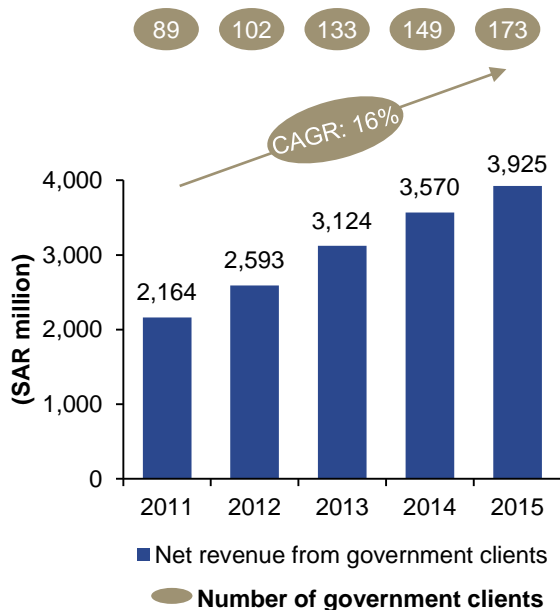


Section 2

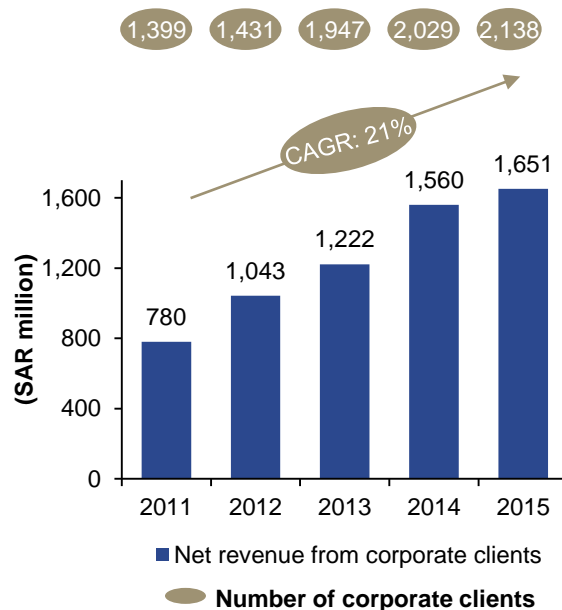
Update on financial performance

ATG delivers its full suite of products and services to a highly valued client base ...

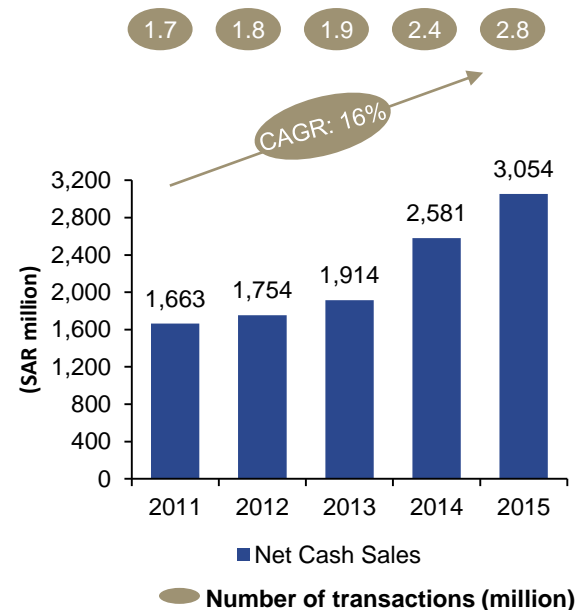
Growth in government revenue



Growth in private corporate revenue



Growth in cash sales (Retail)



Note: cash sales is mainly retail clients but includes sales to other travel agencies



ATG's services are extended to a large number of established corporate and government agencies. Additionally ATG's foreign subsidiaries are serving more than 750 government and corporate clients in their respective countries.

ATG has registered strong financial performance...

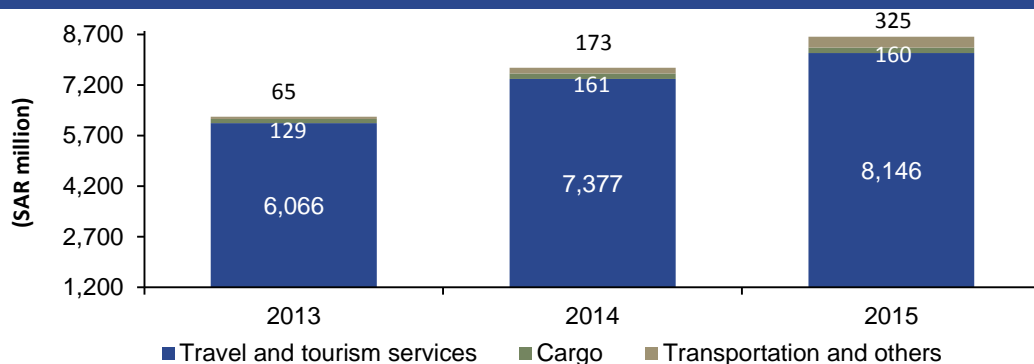
Highlights of the income statement

In SAR million	Q4 2015	Q4 2014	FY 2015	FY 2014	Comments
Revenue	2,185	2,186	8,631	7,711	<ul style="list-style-type: none"> ATG has achieved top line growth of about 12%, from core ticketing segment 7% along with tourism & transportations/others revenue growth by 35% & 45% due to acquisition of Elegant Resorts, CTM, Al Hanove & Hanay. Gross margin has been maintained around 20% with +/- 1% fluctuation which is considered normal in the business Increase in marketing expenses and G&A in 2015 is attributed to adjustment in wages and due to consolidation of new subsidiaries acquired during the year 2014 (e.g. CTM, ER, CTS, Hanove, Fayfa) Other operating income mainly consist of incentives received from airlines and GDSs (i.e. Amadeus, Galileo) Net profit growth for the period is 4% but the Normalized net profit growth is 9% after excluding the impact of gain on Jarwal disposal in 2014 and impairment loss recorded on equity investment in 2015.
COGS	(1,764)	(1,778)	(6,815)	(6,091)	
GP	421	408	1,816	1,621	
GPM	19%	19%	21%	21%	
Selling exp	(76)	(66)	(284)	(242)	
Admin exp	(128)	(95)	(424)	(311)	
Other operating income	54	36	173	111	
Other income (expense)	(37)	(30)	(58)	11	
EBIT	234	253	1,223	1,190	
EBIT margin	11%	12%	14%	15%	
Interest	(7)	(6)	(19)	(16)	
zakat	(11)	(11)	(36)	(42)	
Minority	(0)	(3)	(7)	(13)	
Net income	215	231	1,162	1,119	
Net income margin	10%	11%	13%	15%	

ATG's financial performance was largely driven by growth in air travel demand and increase in market share as well as by new business acquisitions

...driven by organic growth and acquisitions

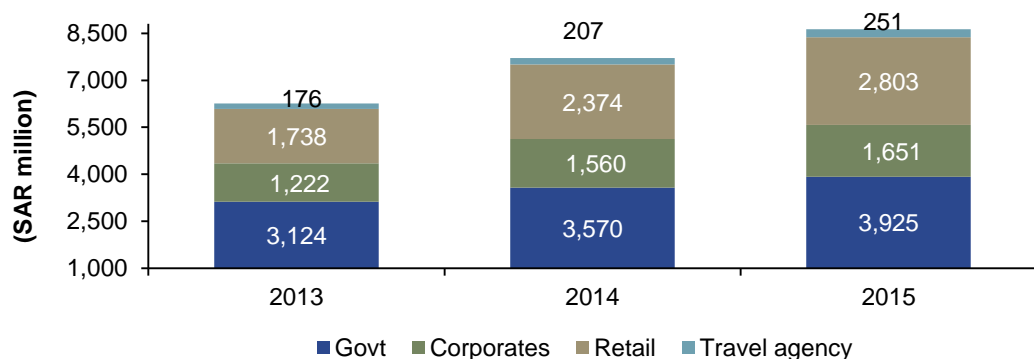
Net revenue by business segment



Comments/outlook

- Ticketing currently contributes close to 81% of ATG's net revenue
- The contribution from the hospitality segment, primarily in Makkah, is expected to start 2016

Net revenue by client



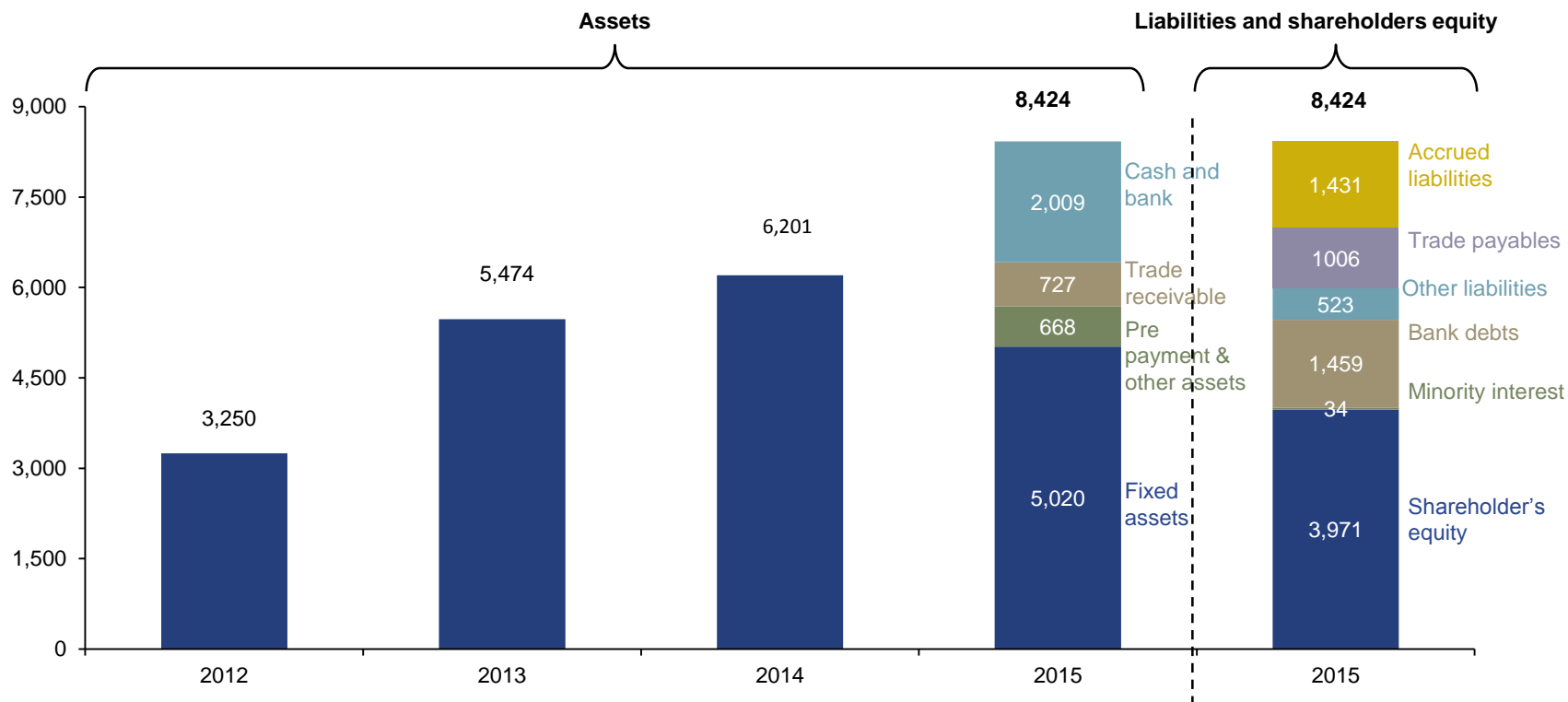
Comments/outlook

- Revenues from government clients grew by 10% whereas revenues from corporate and retail clients grew by 6% and 18% respectively
- ATG is looking to increase its market share in the retail segment

ATG financial performance has been driven mainly by growth in ticketing services

...with robust balance sheet...

Highlights of ATG balance sheet



The vast majority of ATG's assets are in working capital related to its core operations of ticketing and more importantly to its investments in the hospitality segment in Makkah

...coupled with strong cash flow generating capacity...

Highlights of cash flow statement					
In SAR million	2012	2013	2014	2015	Comments
Net profit for the year	755	943	1,119	1,162	<ul style="list-style-type: none"> • ATG has achieved relatively high cash conversion results • Cash flow generated from reduction in working capital is largely attributed to pre-payment from key government clients • The majority of investments is related to the acquisition of the additional stake in Muthmerah, CTM, Elegant Resorts & Kenzi hotel
Cash from change in working capital	459	1,214	44	332	
Net Cash flow from operating activities	<u>1,215</u>	<u>2,157</u>	<u>1,163</u>	<u>1,493</u>	
Cash flow used in investing activities (net)	(472)	(370)	(735)	(2,422)	
Cash flow from financing activities	(92)	26	(42)	984	
Dividend paid	(311)	(443)	(545)	(5)	
Increase/decrease in cash	<u>339</u>	<u>1,370</u>	<u>(158)</u>	<u>50</u>	
Cash at beginning	407	747	2,117	1,959	
Cash in hand	747	2,117	1,959	2009	

ATG generates substantial operating cash flow enabling it to make significant discretionary investments in its core businesses such as online platform and more importantly in new business segments in Hajj and Umrah hospitality



Section 3

overview of E-Commerce initiatives



Tab A

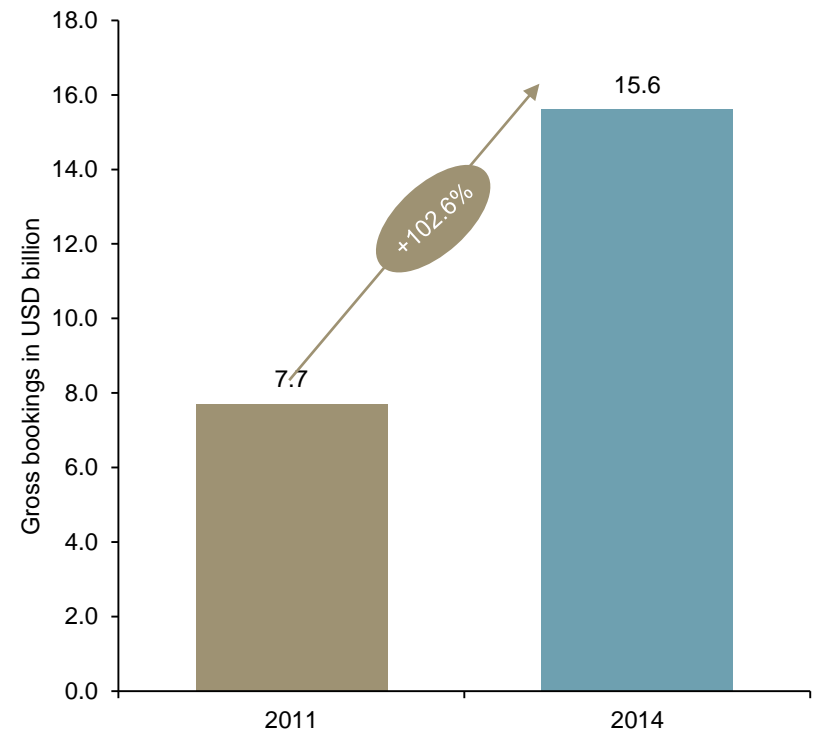
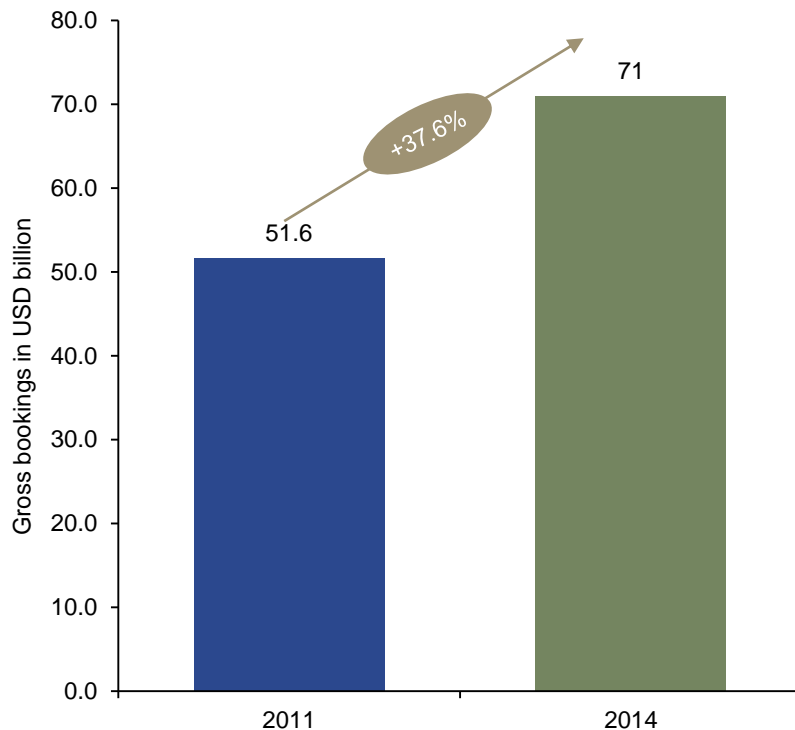
ATG's new OTA project

Most of the Middle East travel industry growth in the last 4 years has been fueled by online travel growth

While the overall B2C and unmanaged business travel market in the Middle East has grown by 37.6% from 2011 to 2014...



... the online share of the overall market more than doubled!



Source: PhocusWright

Industry experts expect most of the future growth to come from mobile and online consumer sales

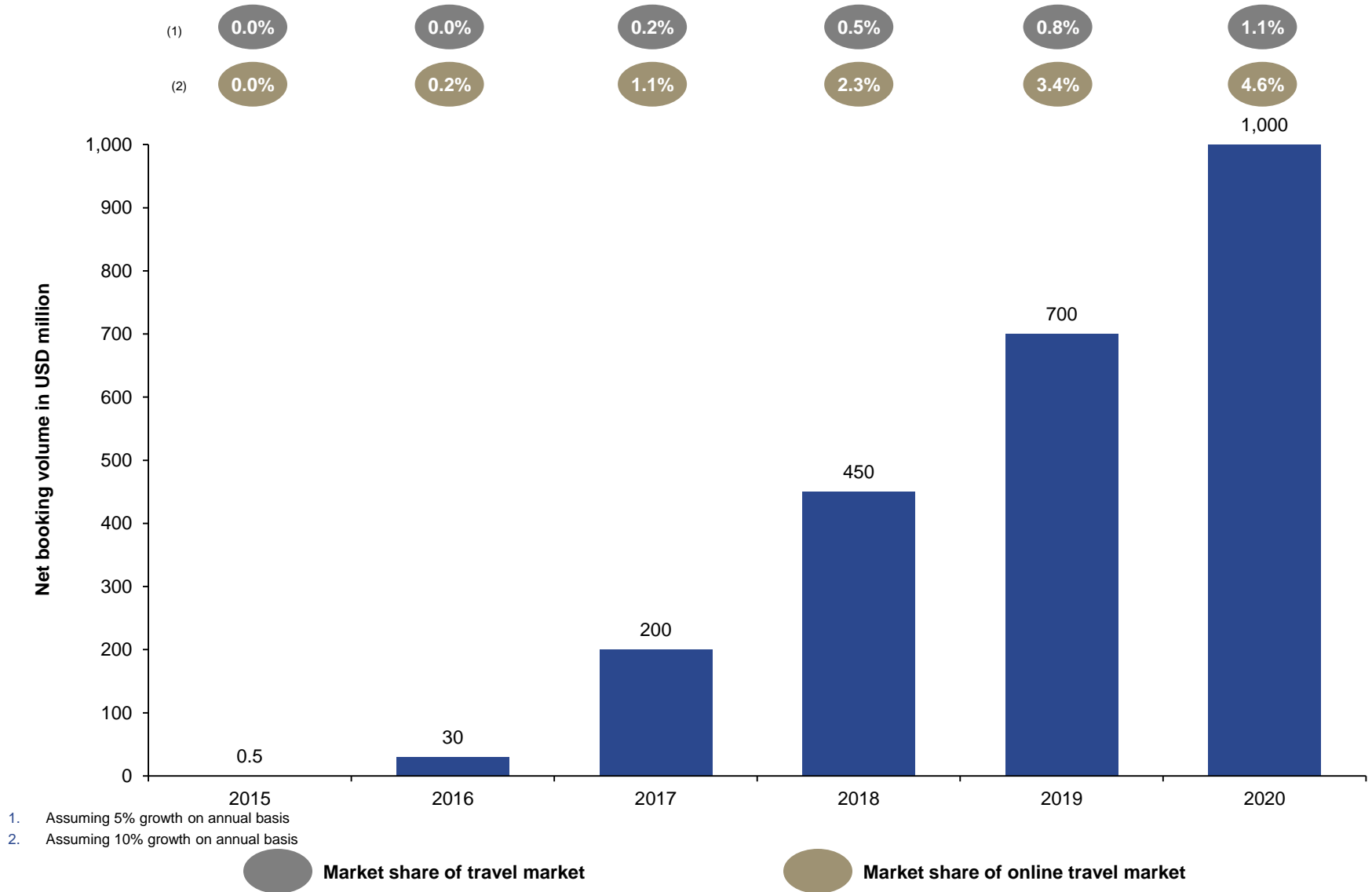
ATG has invested in a new online player with sustainable competitive advantage

The formal setup	<ul style="list-style-type: none">• A separate entity has been created in Dubai to enable the required speed of implementation• Al Tayyar Group owns this entity entirely (100%)• The entity operates outside of the existing Al Tayyar Group boundaries, i.e., like an independent startup
The Team	<ul style="list-style-type: none">• The Founding Team for the new entity consists of internationally experienced online entrepreneurs (Alumni from McKinsey, Cleartrip, Sukar.com/ Souq.com, etc.)• The Al Tayyar Group CEO heads the Board of Directors of the new entity, and is supported by key people from the Group's Board as well as from the Senior Management of Al Tayyar Group
Purchasing Advantage	<ul style="list-style-type: none">• Being able to benefit from Al Tayyar Group's size, history, and existing senior relationships within the travel industry, the new online business benefits from better pricing as well as better availability of inventory in various markets• Given Al Tayyar Group's international presence, the new online business can optimize its offers, its payment streams, as well as its IATA structure
Technology	<ul style="list-style-type: none">• The new online business builds its IT platform based on the latest technologies (same technology as Facebook, LinkedIn, etc.)• The clear focus going forward is Mobile and Tablets• A big data infrastructure is built from day one to enable extensive personalization and micro-targeting to optimize conversions

Our strategy for the new online unit is built on a very simple principle:

“Benefit from the Group's power while being able to run at a speed that is required from startup businesses to be successful”

ATG plans to build a profitable billion dollar online business



ATG OTA's roadmap is very ambitious both in terms of product and regional expansion




	Short Term (1 – 2 years)	Mid Term (3 – 4 years)	Long Term (5 – 10 years)
	Build	Grow	Dominate
Build and grow the core business to become the dominating Online Travel Agent in and for the MENA region	<p>Build the technological infrastructure</p> <ul style="list-style-type: none"> • Mobile driven • Own booking engine • Direct integration with major providers • Big data platform with predictive pricing and extreme personalization <p>Gradually launch different product verticals</p> <ul style="list-style-type: none"> • Flights & Transportation • Hotels • Activities & Tours • Packaged Holidays <p>Gradually expand into various countries</p> <ul style="list-style-type: none"> • KSA • UAE & rest of GCC • Iran, Egypt & Levant 	<p>Expand the technological infrastructure</p> <ul style="list-style-type: none"> • Improve predictive analytics engine • Further integration with key inventory providers • More Automation <p>Optimize different product verticals</p> <ul style="list-style-type: none"> • Ensure product leadership by improving key features • Ensure price leadership by sophisticated prediction and superior procurement <p>Further expansion into inbound relevant markets</p> <ul style="list-style-type: none"> • Pakistan, Indonesia & Malaysia • Western Europe • North America 	<p>Ensure Number 1 position in core markets and solid growth position in peripheral markets</p>
Develop and roll out plan to enter and dominate the Islamic Tourism Sector	<ul style="list-style-type: none"> • The global Muslim population will exceed 2.2 billion people within the coming 1-2 years. In 2013, their outbound travel spend is estimated at USD 140 billion (Thomas Reuters "State of The Global Islamic Economy"). • Still, there is not a single globally branded travel product that serves this massive demand. • Al Tayyar's new online business will develop products for both the religious pilgrimage tourism (Haj & Umrah to Mecca/Medina) as well as religious holiday packages ("Halal Trips") targeting this huge market. 		



Tab B

Careem

Main competitors are Uber and EasyTaxi, Uber is more direct; Careem has the best-fit product for the region

			
Technology	Customized to region (mobile apps, web, butler)	Best suited for mature markets (mobile apps)	Generic emerging markets (mobile apps)
Car types	Private limousines	Private limousines	Taxis
Services	NOW, LATER, REPEAT	NOW	NOW
Target market	Consumers, Corporates	Consumers	Consumers
Reliability	Very high	Driver/location dependent	Low
Contact center	24/7 Call Center/Email	No	In some markets
Payment	Credit Card, Invoice, Cash	Credit Card	Cash
Brand	Strong regional	Strong global	Emerging market mass
Cloud/white-label	Yes	No	No

Unlike others, we are purely focused on the region and react fastest to regional needs

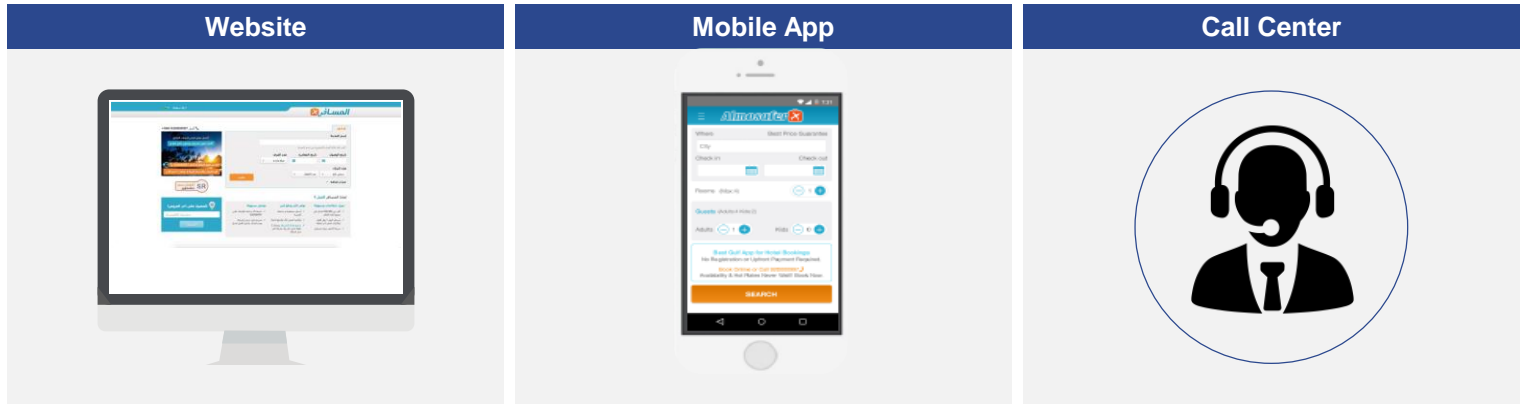


Tab C

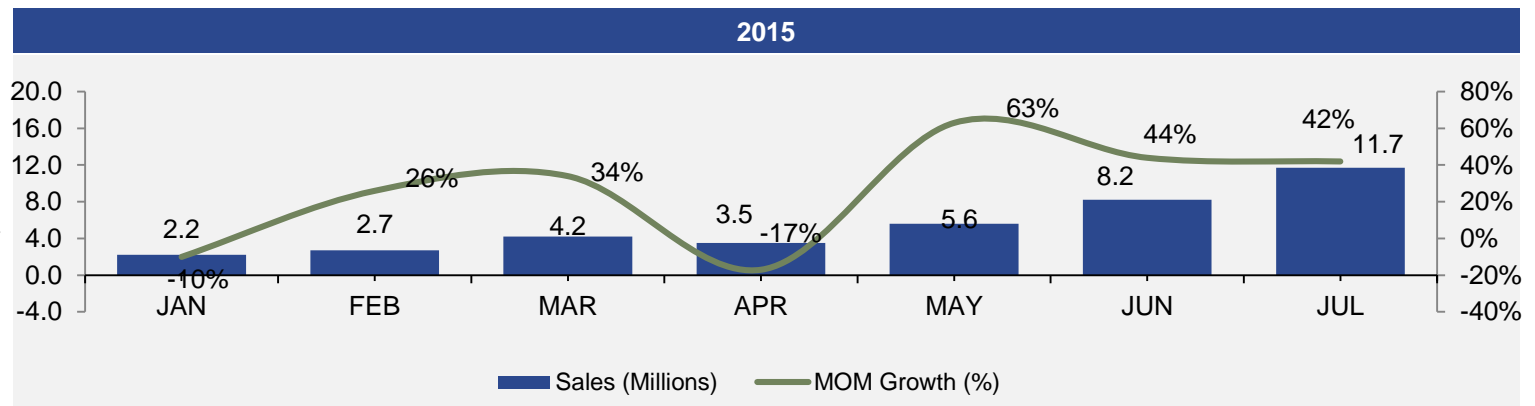
Almosafer

Almosafer is a local OTA startup offering more than 500,000 hotels around the globe through Mobile Tablet apps

Sales Channels



Financial performance



500K

Hotel around the globe

+100

Employee in 2015

%273

Sales growth in 2014

SAR26M

Total sales in 2014

SAR140M

Annualized sales in 2015



First Arabic mobile app for hotel booking



Section 6

Update on Makkah investments

Makkah market represents an attractive growth opportunity

Makkah is located in the western region of Saudi Arabia

It is considered the most holy city of Islam and the direction prayer (qibla) in which all Muslims should offer their prayers

Each year, during the Islamic month of Dhu'l-Hijja, Muslims from across the globe perform Hajj, in fulfillment of one of the Five Pillars of Islam



Description	
AlHaram and Holy sites	<ul style="list-style-type: none"> • Al Masjid AlHaram is the world largest mosque and surrounds the holiest site in Islam, AlKa'aba AlMusharrafa • Al Masjid AlHaram is currently undergoing the largest expansion to date; the proposed expansion will accommodate over 2.2 million worshippers from across the globe • The recent completion of Al Jamarat Bridge project has solved one of the main bottlenecks of Hajj
Infrastructure projects	<ul style="list-style-type: none"> • The capacity of King Abdulaziz International Airport (KAIA) will increase to 30 million passengers by 2016 • Taif International Airport Project will increase the number of pilgrims in Makkah • The Harmain High Speed Rail Project is expected to enhance the quality of transportation of pilgrims between the holy cities of Makkah and Madinah via Jeddah, Rabigh, King Abdullah Economic City and KAIA • The first phase of Makkah Metro project is now operational, linking the holy sites of Mina, Arafat and Muzdalifah • Other phases of Makkah Metro Project are under development
Muslim population	<ul style="list-style-type: none"> • The growth in Muslim population across the globe is one of the main drivers for the current and expected growth in Hajj and Umrah pilgrims,

Source: The Company

Number of Hajj and Umrah pilgrims is expected to triple over the next 3 years

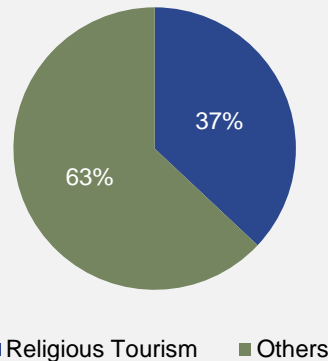
Religious tourism accounts for almost 37% of all inbound trips into Saudi Arabia

The Government of Saudi Arabia reduced the number of visas granted for religious tourism in 2013, 2014 and 2015 due to the expansion project of the Holy Mosque

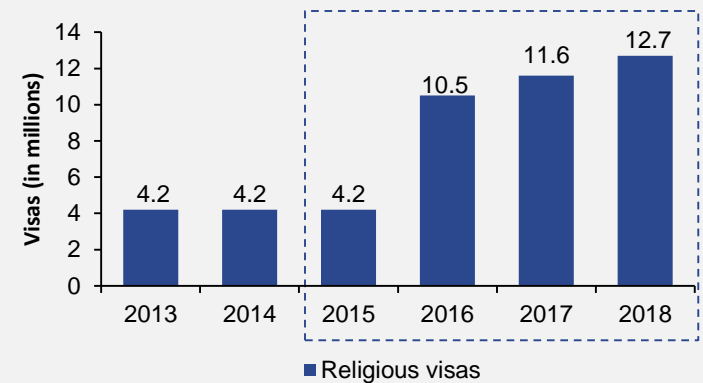
Saudi Arabia plans to approximately triple the number of visas granted for religious tourism purposes (2015-2018)

The number of Hajj and Umrah Pilgrims are expected to grow in the near future due to finalization of expansion plans of the Holy Mosque

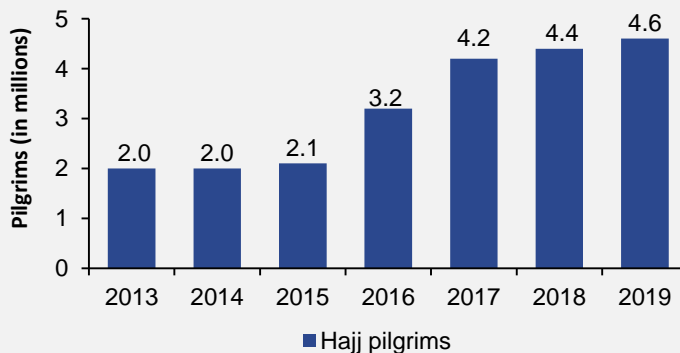
Religious tourism share of total inbound trips to KSA



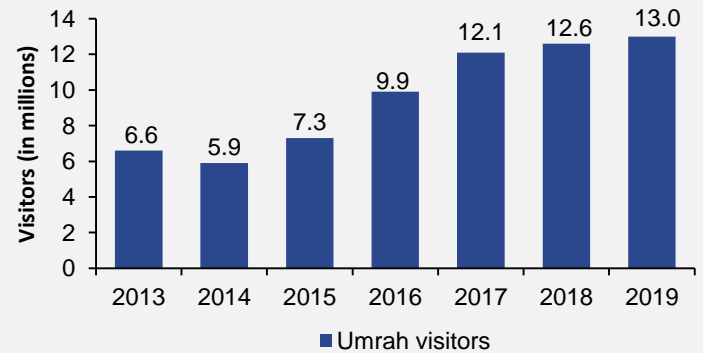
Expected religious visas granted



Projections of Hajj pilgrims



Projections of Umrah visitors

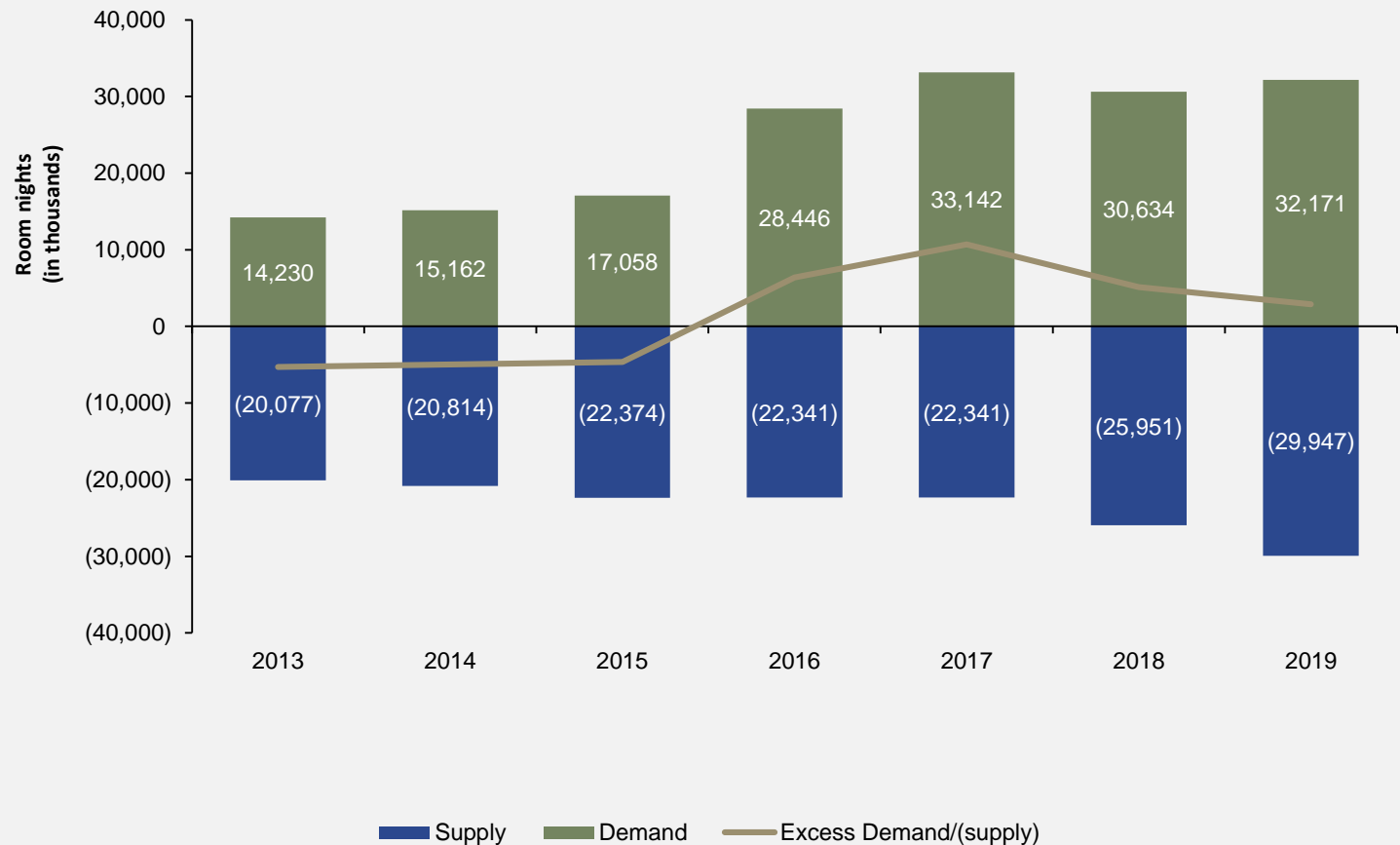


Room demand is expected to exceed supply starting from 2016

The current expansion of AlHaram resulted in a downward pressure on the occupancy rates in the market

Post AlHaram expansion project, demand is expected to exceed the supply of rooms available

Forecasted Makkah hotel supply and demand



Source: The Company

ATG's strategy for religious tourism in Makkah is based on complete vertical integration of the value chain

	Description
Build indigenous operating capabilities	<ul style="list-style-type: none">• ATG has acquired Mawasim, a leading travel and tourism service provider in Makkah• Mawasim buys rooms in the wholesale market to provide accommodation to its pilgrim clients in Makkah and Madinah• Mawasim has expanded its scope of operations to include operating 4 and 3 star hotels
Control accommodation supply	<ul style="list-style-type: none">• Fully and majority owned hospitality assets in Makkah and potentially Madinah; and• Long-term leased hospitality assets with tenors no less than 3 years
Develop hotel operating capabilities	<ul style="list-style-type: none">• ATG has acquired Equinox, the company deals in the business of providing integral and strategic consultation of asset management in the hospitality and hotel industry• Equinox also provides hotel consultations such as operation and management of hotel assets
Transportation logistics	<ul style="list-style-type: none">• ATG has just obtained a ground transportation license in Makkah• ATG is the General Sales Agent (GSA) for a number of regional and international airlines including Fly Dubai, Arabian Airline, Gulf Air, Aljazeera Airline and Nile Air among many others
Capture customer base from major originating jurisdictions	<ul style="list-style-type: none">• Acquiring controlling stake in established tour operators in key jurisdictions; and• Building strong affiliations with others as well

The room is the most important component of the Umrah/Hajj package, hence ATG, with its large room inventory and operational capabilities will have more negotiation leverage with accommodation suppliers, thus shifting control of pricing to ATG

Muthmerah is a leading real estate developer and owner in Makkah

Muthmerah has developed residential and commercial towers

Tower Name	3 rd Ring Road	Masafi Hotel	Beer Balela	Albawaba 1 & 2	Sheabquresh Hotel	New Jarwal Hotel
Property use	Offices	Hotel	Hotel	Retail	Hotel	Hotel
Distance from Haram	4 KM	0.3KM	0.3KM	NA	0.45KM	0.75KM
No of rooms (residential) / GLA (office and retail)	31,300 sqm	192	547	8,298 sqm	491	290
Expected Rental income p.a (SAR mn)	20	9	32	3	30	12
Expected delivery	Q4 2015	Q4 2015	Delivered	Delivered	Q4 2016	Q4 2016
Expected market value (SAR mn)	350	160	550	33	350	120

3rd Ring Road



Masafi Hotel



Beer Balela Hotel



Al Bawaba






Shebalquresh



Note: Muthmerah owns two parcels of land that have been under compulsory purchase order by the government which their book value is over SAR 360 million

ATG has recently acquired a premier hotel asset located in front of the new expansion phase of the Holy Mosque

Description			
Hotel overview	<ul style="list-style-type: none"> • ATG has acquired a new 5 star hotel in Makkah to provide accommodation to its pilgrim clients in Makkah and Madinah • The hotel is located at Jabal El Kaaba and in a few steps away from King Abdullah new extension of the Holy mosque • In addition to guestrooms, the hotel has facilities of three luxurious restaurants, coffee shop and a prayer area 	  	
Location	<ul style="list-style-type: none"> • 50 meters distance from King Abdullah Gate and • 290 meters distance from King Fahad Gate 		
Rooms	<ul style="list-style-type: none"> • 30 story hotel that accommodates 422 rooms and furnished apartments • 72 Rooms (Holy Mosque View), 36 Suits (HM View) and 52 furnished apartment (HM view) • 156 Rooms (City View), 48 Suits (with city view) and 58 Furnished apartment (city view) 		
Capital structure	<ul style="list-style-type: none"> • The property is acquired for SAR 1.5 billion • SAR 270 million paid in cash by ATG and • SAR 1,230 million is to be paid in 20 equal (half yearly) installments 		
Expected rental	<ul style="list-style-type: none"> • The property is expected to start at cash operating profit of SAR 110 million for the 1st year of operation in 2016 		

This property represents an addition of a new product to ATG's portfolio in Makkah.

Thakher is a mega hospitality city for Hajj and Umrah pilgrims with close proximity to the holy mosque

Site overview



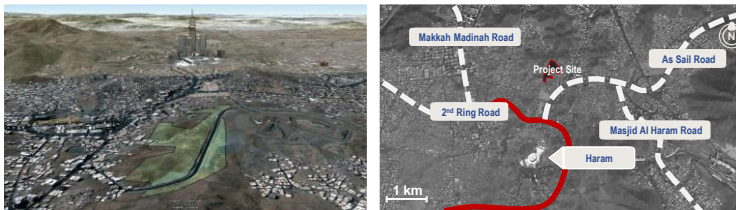
Overview

District	Rai Thakher
Plot size	322,832 sqm
Tenure	Assumed freehold
Distance from the Holy Mosque	1.4 km north of the Holy Mosque
Vacancy	Currently vacant
Shape	Irregular land shape

Market comparison

	Thakher	Jabal Omar
Plot size	322,832 sqm	230,000 sqm
Location	North of the Holy Mosque	West of the Holy Mosque

Site description and location



- Located in Rai Thakher district in Makkah, a city positioned in Western Saudi Arabia that is highly noted for its religious significance to the Muslim population across the globe
- Located approximately 200 meters away from Makkah Municipality and 950 meters north of the Second Ring Road. The land plot is accessible via Ria Thakhar Street in addition to an access point from Al Saydah Zainab master plan
- Benefits from its 1.4km distance from the Holy Mosque, as well as its proximity to the main arteries of the city
- No limitation in terms of use, enhancing the site's development potential
- Irregular shape that is characterized by its mountainous topography with a rocky soil nature

Source: The Company

ATG will capitalize on a well located project to complete its vertical integration strategy, which will fuel future growth

Acquisition of a 25% strategic stake in Thakher will allow ATG to capitalize on the tremendous growth opportunity in tourism associated with religious tourism in Makkah through greater vertical integration

	ATG strategy and benefits
Complete vertical integration	<ul style="list-style-type: none"> • ATG's strategy for investing in Makkah is based on achieving a complete vertical integration in the supply chain of the religious tourism segment • ATG's current investments across its Makkah portfolio includes, travel and tourism services, long-term leased hospitality assets, transportation logistics and tour operators • Securing strategic land will facilitate further downward integration through the development of the plot(s)
Strategic location	<ul style="list-style-type: none"> • The site is well located 1.4km north of the Holy Mosque with a partial view of the Mosque • The site is located approximately 200 meters away from Makkah Municipality and 950 meters north of the Second Ring Road. The land plot is accessible via Ria Thaker Street in addition to an access point from Al Saydah Zainab master plan
Tremendous growth in religious tourism	<ul style="list-style-type: none"> • Makkah tourism depends on its religious significance as local and international Muslim pilgrimages perform Hajj and Umrah • Religious tourism accounts for almost 37% of all inbound trips into Saudi Arabia, and more than 50% of all inbound travel expenditures into the Kingdom • Saudi Arabia is more than doubling the capacity of the Holy Mosque reaching nearly 2.2 million worshippers by 2015 • Saudi Arabia targets to nearly double the number of Umrah and Hajj pilgrims by 2016 to accommodate the growing number of Muslims across the globe • King Abdulaziz International Airport phase I expansion is expected to be completed by end of 2015, with capacity reaching 30 million passengers per year
Recent acquisitions in Makkah	<ul style="list-style-type: none"> • In addition to Mawasim Tours, Muthmerah Real Estate Investment company, Nile Air and AlHonove Travel, the proposed acquisition will further diversify ATG's Makkah Real Estate and religious tourism portfolio

Source: The Company

Equinox has the knowledge of Makkah hospitality market with a team of years of accumulated experience

Hotel owners should look for independent asset management companies: independent from traditional hotel consulting companies to avoid conflict of interest (e.g. leaking of financial information), and independent from the owner to guaranty complete objectivity and superior results.

In general, Equinox fills the gap where ownership requires experts to undertake complete responsibility of management contracts, managing the manager, benchmarking property performance, and the capital improvement decision. Following are the key areas of our hotel asset management services

