

Journey of strategic diversification



2018 has been a successful and significant year in the evolution of our business into the multi-service partner of choice in the Kingdom, despite ongoing market challenges.

As Saudi Arabia continues to go through a transformation to become a global economic powerhouse, driven by the ambitious Vision 2030, companies are adapting by becoming more strategically efficient to create sustainable and competitive value propositions. These realities were reflected on our day-to-day business through our customers' demands for more cost-efficient goods and services. We responded by applying strategic efficiency measures that meet our customers' requirements while maintaining the highest standards of quality and delivering strong bottom line results for our investors.

Our In-Flight division performed well in 2018 recording a total revenue of SAR 1.627 billion, which reflects an increase of 7.9% versus last year. This strong performance was driven by the growth of the Kingdom's aviation sector. Our human and capital investments in this sector will continue over the years to maintain our position as the market leader and the partner of choice to our national and international partners.

In addition to our traditional in-flight catering services, our core complementary hospitality services of the travellers' journey recorded strong performance through our airport lounge operations. We continue to have a positive outlook for this segment, as the Kingdom actively pursues the development of the tourism sector by promoting domestic tourism and attracting international tourists. This will have a direct positive impact on the aviation industry and our core operations.

Affected by global and domestic declines in traditional and on-board retail, our Retail operations faced serious challenges over the year. To mitigate these challenges, strategic plans have been actioned to reassess our overall

retail strategy. A core element of these plans is the enforcement of a solid profit and loss assessment model that focuses on revenue and profit margins. This model will act as the core factor for future expansions and has been applied on each of our current outlets to assess their individual performances and the feasibility of their existence. Moreover, a significant investment has been made in our online platforms to capitalise on the strong brand equity and heritage of our Skysales brand and the shopping preferences of the millennial generation.

Our newly established Hajj & Umrah division continued its outstanding performance as it delivered more than 600,000 meals for more than 60,000 pilgrims over a five-day period during the Hajj season. Aggressive expansion plans have been put into action to capitalise on the annual forecasted increase in religious tourism in Makkah and Madinah driven by the Kingdom's Vision 2030 and associated initiatives, with a stated goal of attracting 30 million religious tourists by 2030.

As the market of catering and facilities services continuous to mature through the specific and individual requirements of the clients, our Catering & Facilities division was able to grow its geographic footprint while providing customers with unique bundles of services. This ensures the continuation of our market position as a one-stop-shop and partner of choice for support services that improve the working environments of our clients' human assets.

Driven by our core value of transparency, we tried through this year's annual report to give the reader a deep look into our operational and financial performance over the year, in addition to a clear outlook to the future of our organisation.

We will continue to evolve as an organisation in 2019, keeping the focus on developing our people and creating a performance-driven culture, while applying the best international standards and practices of governance.

Wajdy Al-Ghabban
Chief Executive Officer

