

Amount in SAR mn; unless specified	Forecasts 3Q-14	Actual 3Q-14	Deviation (%)
Sales revenues	194.95	NA*	NM**
Net profit	44.19	44.23	0.09%
EPS (SAR)	1.09	1.09	-

Source: Company press release & Aljazira Capital *NA = Not available **NM = Not meaningful

Our position

- a) Q3-2014 financial results remained widely in line with our expectation.
- b) We reiterate our '**Underweight**' recommendation for the stock, with a 12-month price target of **SAR66.3/share**.
- c) The company's expected full year 2014 net profitability is **169.5mn (EPS; SAR4.17)**.

Explanations

- Budget announced its Q3-2014 financial result, posting net income of SAR44.23mn (EPS; SAR1.09); indicating an increase of 14.99%YoY and 4.69%QoQ.
- On half yearly basis, the company's cumulative net income was recorded at SAR126.36 (EPS; SAR3.11) as compared to the net income of SAR112.69mn (EPS; SAR2.77) recorded in the corresponding period last year.
- According to the press release, YoY increase was due to i) increase of revenue from rentals (long and short term) as a result of high demand of leasing vehicles and medium trucks added in its subsidiary Rahal ii) increase of gain on sale of vehicles on account of disposal of vehicle became due to sale. While, the QoQ increase in earnings was mainly due to increase in sale of vehicles.

Key Financial Data

Amount in SARmn; unless specified	3Q-2012	4Q-2012	1Q-2013	2Q-2013	3Q-2013	4Q-2013	1Q-2014	2Q-2014	3Q-2014
Sales revenues	146.4	153.4	157.4	162.9	168.68	179.54	177.94	190.20	NA*
Gross profit	25.2	8.97	25.3	26.7	28.3	34.6	29.6	31.2	27.1
Operating profit	NA*	1.9	8.9	11.5	13.02	18.4	12.2	13.7	11.2
Net profit	31.1	35.6	36.2	38.1	38.5	37.5	39.9	42.3	44.2
Number of shares (mn)	40.6	40.6	40.6	40.6	40.6	40.6	40.6	40.6	40.6
EPS (SAR)	0.77	0.88	0.89	0.94	0.95	0.92	0.98	1.04	1.09

Source: Company quarterly reports & Aljazira Capital *NA = Not available

Key Market data

Market capitalization (SARmn)	3,310.52
YTD price performance	51.48%
52-week high / low (SAR)	86.75 / 50.64
2013 – Prospective EPS*	4.17
2013 – Prospective PE*	19.56x
2013 – Prospective PBV*	3.65x
2013 – Expected Dividend yield*	2.8%

* Market data calculation is based on the market price of 22nd October 2014.

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1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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