UNITED SECURITIES LLC.

Theeb Rent a Car Co

Sector : Vehicle Rental

HOLD

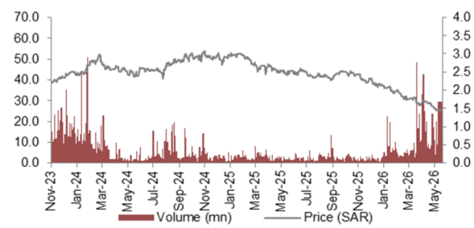
02 June 2026

- **Revenue grew 21.6% YoY in 1Q26, driven by growth across all segments.**
- **Margins contracted YoY and fell short of expectations.**
- **Profit down 24% YoY and broadly stable in line with our projections.**
- **For 2026e, we raise our revenue forecast to SAR 1.62bn and profit to SAR 174mn. We lower our target price to SAR 28 per share and retain our HOLD rating on Theeb.**

Theeb Rent a Car Co. (Theeb) reported 1Q26 revenue of SAR 410mnn, up 21.6% YoY. Revenue came in 25% above our forecast, as we had adopted a conservative stance amid ongoing regional conflict, anticipating temporary operational disruptions. Growth was driven by higher short and long-term rental revenues, supported by the opening of new branches, along with a strong increase in used car sales. Long-term lease revenue increased 25% YoY, while short-term rentals grew 3.1% YoY. Revenue from used car sales rose 48% YoY, reflecting higher vehicle disposals. Gross profit growth was contained to 5.6% YoY, as direct costs outpaced revenue growth, rising by 29.8% YoY. Consequently, gross margin contracted 440bps YoY to 29.2% in 1Q26. Operating expenses climbed 26.8% YoY due to higher administrative costs and increased credit loss provisions of SAR 22mn vs SAR 9mn in 1Q25, while other income rose 30% YoY. As a result, EBIT and EBITDA margins fell 500bps and 640bps YoY to 15.7% and 42.4% respectively. Finance costs rose 23.4% YoY, due to higher debt levels. Consequently, net income declined 24% YoY to SAR 34.5mn, with net margin narrowing by 510bps YoY to 8.4% in 1Q26. Profitability was broadly in line with our forecast, while overall margins fell below expectations.

Valuation and outlook: Theeb currently operates 70 branches, including 14 located in international and regional airports, supported by a fleet exceeding 44,000 vehicles. During the quarter, Theeb signed an MOU with Riyadah for Evaluation company, which specializes in smart technology solutions for rental and fleet management. The company also opened new branches in Dammam, Al-Majmaah and Riyadh, reflecting its ongoing efforts to strengthen its branch network. Recently, Theeb opened its third used car sales showroom in the Eastern Province, one of the largest sales outlets among car rental companies in Saudi Arabia. This reflects the company's strategy to enhance service integration and expand sales channels, as the used car sales division remains one of its key business segments. While revenue exceeded expectations, profitability was broadly in line and margins across the board underperformed due to increased costs and higher credit loss provisions. Based on the current results, we raise our 2026e revenue forecast to SAR 1.62bn (from SAR 1.54bn) and slightly increase net income to SAR 174mn (from SAR 170mn). Despite the revenue outperformance, growth risks remain elevated amid ongoing geopolitical escalation. Accordingly, we lower our target price to SAR 28 per share, implying a limited upside of 8.9% from current levels and retain our HOLD rating. The stock currently trades at 9.5x its 2026e EPS.

Target price (SAR)	**28.00**
Current price (SAR)	**25.70**
Return	**8.90%**



Exchange	Saudi Arabia
Index weight (%)	0.1%

(mn)	SAR	USD
Market Cap	1,695	452
Enterprise value	3,963	1,055

Major shareholders	
Al-Theeb Mohammed Ah	20%
HAMOUD ABDULLAH ALDH	6.8%
Saudi National Bank/	3.6%
Others	69.7%

Valuation Summary	
PER TTM (x)	9.8
P/Book (x)	1.8
EV/EBITDA (x)	5.7
Dividend Yield (%)	5.4
Free Float (%)	70%
Shares O/S (mn)	65
YTD Return (%)	-32%
Beta	0.8

Key ratios	2023	2024	2025
EPS (SAR)	3.30	4.25	2.73
BVPS (SAR)	16.97	19.31	13.86
DPS (SAR)	1.64	2.11	1.35
Payout ratio (%)	49.6%	49.7%	49.0%

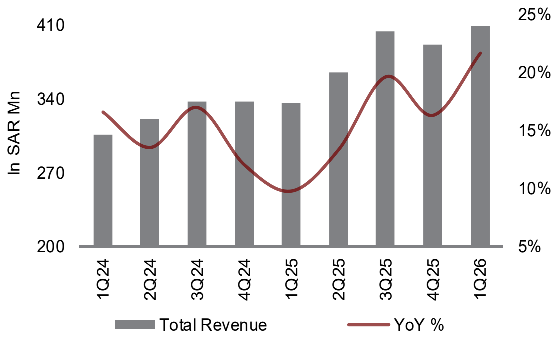
Price performance (%)	1M	3M	12M
Theeb Rent A Car Co	-11%	-18%	-40%
Tadawul All Share Index	-2%	5%	2%

52 week	High	Low	CTL*
Price (SAR)	45.73	25.02	2.7

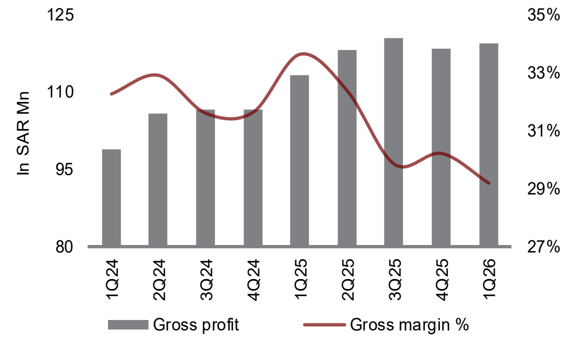
* CTL is % change in CMP to 52wk low

INVESTMENT RESEARCH – Saudi Arabia

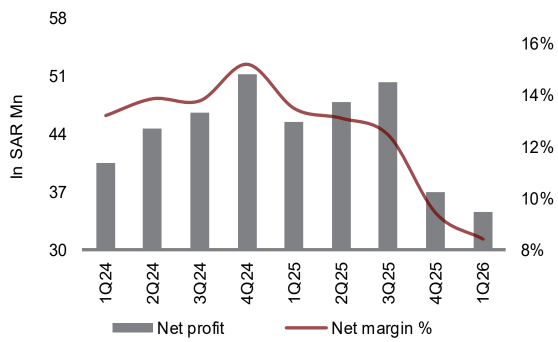
Revenue up 21.6% YoY driven by rental & leasing



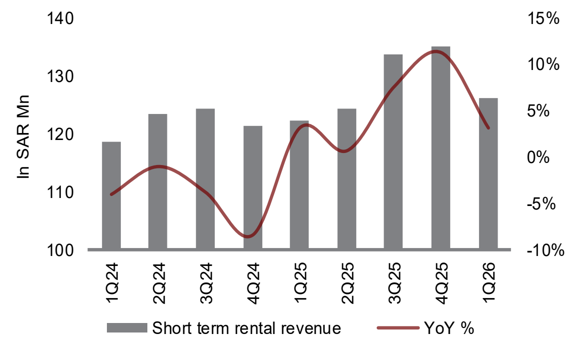
Gross margin weaken on rising direct costs



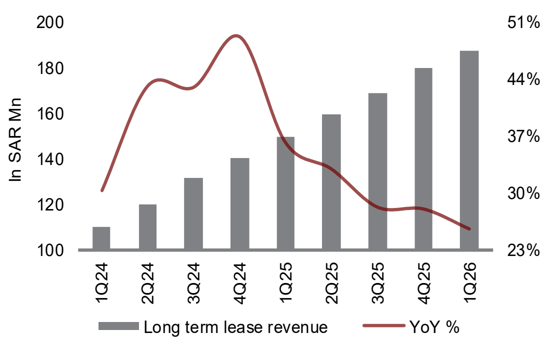
Higher costs and provisions weigh on net margin



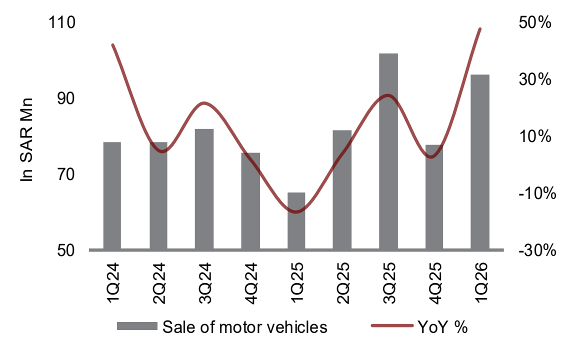
Rental revenue grew by 3.1% in 1Q26



Branch expansion drives leasing growth



Vehicle sales revenue surges in 1Q26



Income statement (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Revenue	**968**	**1,135**	**1,303**	**1,497**	**1,626**	**1,763**	**1,887**	**2,021**
Direct Costs	-616	-777	-885	-1,027	-1,137	-1,207	-1,274	-1,364
Gross Profit	**352**	**359**	**418**	**470**	**490**	**555**	**613**	**657**
Selling and marketing expenses	-49	-58	-67	-76	-85	-97	-113	-121
General and administrative expenses	-44	-54	-61	-65	-79	-88	-94	-101
Impaimnent loss on trade receivables	-31	-40	-24	-48	-52	-35	-38	-40
Investments and other	8	7	8	14	19	21	19	20
EBIT	**236**	**213**	**273**	**294**	**293**	**356**	**387**	**414**
EBITDA	**523**	**545**	**618**	**709**	**731**	**856**	**957**	**1,048**
Finance cost	-33	-61	-86	-109	-113	-124	-144	-159
PBT	**204**	**152**	**187**	**185**	**179**	**232**	**243**	**255**
Tax	-11	-9	-4	-5	-5	-6	-6	-6
Net Profit	**193**	**142**	**183**	**180**	**174**	**226**	**237**	**248**

Balance Sheet (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
PP&E	1,320	1,673	2,038	2,506	3,014	3,497	4,004	4,427
RUA	102	96	85	67	94	101	109	117
Total non-current assets	**1,422**	**1,769**	**2,123**	**2,573**	**3,108**	**3,598**	**4,113**	**4,543**
Current inventories	5	7	17	39	23	24	25	27
Trade and other current receivables	189	229	283	358	488	529	566	606
Prepayments and other receivables	139	173	110	176	-	-	-	-
Others	10	8	6	9	8	8	8	8
Cash and bank balances	100	52	35	28	36	42	59	64
Total current assets	**444**	**470**	**453**	**611**	**554**	**602**	**658**	**706**
TOTAL ASSETS	**1,866**	**2,239**	**2,576**	**3,183**	**3,662**	**4,200**	**4,771**	**5,249**
Share capital	430	430	430	645	645	645	645	645
Reserves	235	52	68	-	-	-	-	-
Retained earnings	-	247	332	255	340	480	603	733
Total Equity attributable to shareholders	**665**	**730**	**830**	**915**	**1,000**	**1,139**	**1,263**	**1,393**
Total equity	**665**	**730**	**830**	**915**	**1,000**	**1,139**	**1,263**	**1,393**
Long-Term Debt	455	569	683	977	1,211	1,611	2,011	2,311
Long-term lease liabilities	54	42	47	55	48	39	30	20
Other	35	39	43	49	50	50	50	50
Total non-current liabilities	**544**	**649**	**772**	**1,081**	**1,309**	**1,701**	**2,091**	**2,381**
Short-term Debt	442	557	699	954	1,059	1,059	1,109	1,159
Short-term lease liabilities	54	64	40	16	13	11	9	6
Car dealership payable	-	80	111	75	114	121	127	136
Payables	87	45	13	22	28	30	32	34
Accrued expenses	50	91	105	116	115	115	115	115
Zakat payable	25	23	5	5	5	6	6	6
Total current liabilities	**658**	**860**	**973**	**1,188**	**1,353**	**1,360**	**1,416**	**1,475**
Total liabilities	**1,201**	**1,509**	**1,745**	**2,269**	**2,662**	**3,061**	**3,508**	**3,856**
Total equity and liabilities	**1,866**	**2,239**	**2,576**	**3,183**	**3,662**	**4,200**	**4,771**	**5,249**

Cash Flow (in SAR Mn)	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Cash from operations	-66	-88	-39	-300	134	1	44	234
Investing cash flow	-5	-11	-12	-11	-11	-11	-11	-11
Financing cash flow	114	52	33	304	-116	16	-16	-218
Change in cash	42	-48	-17	-7	8	6	17	6
Beginning cash	58	100	52	35	28	36	42	59
Ending cash	**100**	**52**	**35**	**28**	**36**	**42**	**59**	**64**

Ratio Analysis	2022	2023	2024	2025	2026e	2027e	2028e	2029e
Per Share								
EPS (SAR)	4.491	3.304	4.249	2.795	2.705	3.510	3.672	3.852
BVPS (SAR)	15.462	16.969	19.313	14.181	15.506	17.664	19.581	21.597
DPS (SAR)	2.200	1.640	2.110	1.380	1.353	1.755	1.836	1.926
FCF per share (SAR)	-1.657	-2.304	-1.185	-4.817	1.921	-0.155	0.521	3.472
Valuation								
Market Cap (SAR, Millions)	2,967	2,829	3,294	2,425	1,658	1,658	1,658	1,658
EV (SAR, Millions)	3,872	4,008	4,727	4,399	3,953	4,337	4,758	5,089
EBITDA	523	545	618	709	731	856	957	1,048
P/E (x)	15.4	19.9	18.0	13.5	9.5	7.3	7.0	6.7
EV/EBITDA (x)	7.4	7.4	7.6	6.2	5.4	5.1	5.0	4.9
Price/Book (x)	4.5	3.9	4.0	2.7	1.7	1.5	1.3	1.2
Dividend Yield (%)	3.2%	2.5%	2.8%	3.7%	5.3%	6.8%	7.1%	7.5%
Price to sales (x)	3.1	2.5	2.5	1.6	1.0	0.9	0.9	0.8
EV to sales (x)	4.0	3.5	3.6	2.9	2.4	2.5	2.5	2.5
Liqiudity								
Cash Ratio (x)	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Current Ratio (x)	0.7	0.5	0.5	0.5	0.4	0.4	0.5	0.5
Quick Ratio (x)	0.7	0.5	0.4	0.5	0.4	0.4	0.4	0.5
Returns Ratio								
ROA (%)	10.3%	6.3%	7.1%	5.7%	4.8%	5.4%	5.0%	4.7%
ROE (%)	29.0%	19.5%	22.0%	19.7%	17.4%	19.9%	18.8%	17.8%
ROCE (%)	16.0%	10.3%	11.4%	9.0%	7.6%	8.0%	7.1%	6.6%
Cash Cycle								
Inventory turnover (x)	124	116	51	26	50	50	50	50
Accounts Payable turnover (x)	7.1	17.2	65.8	46.4	40.0	40.0	40.0	40.0
Receivables turnover (x)	2.9	2.8	3.3	2.8	3.3	3.3	3.3	3.3
Inventory days	3	3.2	7.2	13.9	7.3	7.3	7.3	7.3
Payable Days	51	21	6	8	9	9	9	9
Receivables days	124	129	110	130	110	110	110	110
Profitability Ratio								
Net Margins (%)	19.9%	12.5%	14.0%	12.0%	10.7%	12.8%	12.6%	12.3%
EBITDA Margins (%)	54.0%	48.0%	47.4%	47.4%	44.9%	48.6%	50.7%	51.9%
PBT Margins (%)	21.0%	13.3%	14.4%	12.3%	11.0%	13.2%	12.9%	12.6%
EBIT Margins (%)	24.4%	18.7%	21.0%	19.7%	18.0%	20.2%	20.5%	20.5%
Leverage								
Total Debt (SAR, Millions)	1,005	1,231	1,468	2,002	2,331	2,721	3,159	3,495
Net Debt (SAR, Millions)	905	1,179	1,433	1,974	2,295	2,679	3,100	3,431
Debt/Equity (x)	1.5	1.7	1.8	2.2	2.3	2.4	2.5	2.5
Net Debt/EBITDA (x)	1.7	2.2	2.3	2.8	3.1	3.1	3.2	3.3
Net Debt/Equity (x)	1.4	1.6	1.7	2.2	2.3	2.4	2.5	2.5

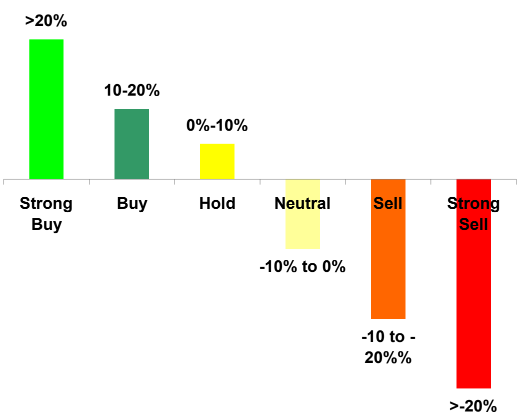
Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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