Theeb Rent a Car Co.

Results Flash Note Q3-25

Earnings growth led by strong topline performance partly offset by margin contraction amid higher used car sales

Theeb Rent a Car Co. (Theeb)'s net profit grew 7.9% Y/Y to SAR 50mn in Q3-25, in line with our estimate of SAR 49mn. The earnings growth was driven by healthy revenue growth but partially offset by contraction of gross and operating margins and higher finance costs. The topline rose 19.6% Y/Y to SAR 404mn, above our estimate of SAR 378mn. The higher-than-expected revenue was primarily due to a sharp jump in used car sales (+24.2% Y/Y). The combined short-term and long-term rental revenue was up 18.2% Y/Y. The GP margin contracted by ~180bps Y/Y to 29.8% and was below our estimate of 31.8%. We believe increased contribution from sale of used vehicles weighed on the GP margin. Subsequently, operating margin also dropped by 130bps to 19.7%, below our expectation of 20.3%. OPEX growth was comparatively moderate at 14.4% Y/Y. We keep our TP of SAR 82.0/share on Theeb and maintain "Overweight" recommendation.

- Theeb reported net income of SAR 50mn, up 7.9% Y/Y in Q3-25, in line with our estimate of SAR 49mn. The bottom-line growth was driven by a strong increase in revenue of 19.6% Y/Y. However, gross and operating margin expansion coupled with higher finance cost restricted the net income growth. On Q/Q basis net income was up 5.0%, backed by revenue growth and lower OPEX (net), despite lower gross margin.
- Revenue jumped 19.6% Y/Y to SAR 404mn in Q3-25, as used car sales surged by 24.2% Y/Y and combined short-term and long-term rental revenue increased by 18.2% Y/Y. The revenue was slightly higher than our estimate of SAR 378mn, primarily due to higher used car sales during the quarter. The topline growth was sequentially too, at 10.6%; used car sales revenue increased 25.0% Q/Q, while combined short-term and long-term rental revenue rose by 6.5% Q/Q.
- Gross profit rose 13.0% Y/Y to SAR 120mn, matching our estimate. The GP margin decreased 180bps Y/Y in Q3-25 to 29.8% and was below our estimate of 31.8%. We believe higher revenue from used car sales was offset by the lower gross margin for the segment.
- Operating profit rose 12.2% Y/Y to SAR 80mn in Q3-25, in line with our estimate of SAR 77mn. Operating margin squeezed to 19.7% in Q3-25 from 21.0% in Q3-24 (AJC estimate: 20.3%). The operating margin contraction was attributable to GP margin reduction, while comparatively slower increase (+14.4% Y/Y) in OPEX (net) aided the margin.

AJC view and valuation: Theeb continues to deliver strong topline expansion in Q3-25. Overall, Theeb maintained a healthy operating performance, in our opinion. We anticipate the long-term rental segment to continue to drive growth in coming quarters. The short-term rental could see gradual recovery next year, as the growing KSA market is likely to support the expansion of the business, despite intense competition. The contraction of margins in Q3-25 seems to be due to higher contribution from used car sales (27.8% of revenue in Q3-25). That said, we expect cost base to expand due to the company's ongoing fleet expansion and broadening geographic footprints (now 65 branches across KSA). Additionally, the company's increased debt level will command higher finance costs. We forecast net income to grow 16.6% Y/Y to SAR 229mn in FY26E, backed by 7.9% revenue growth. The stock currently trades at P/E of 12.0x and EV/EBITDA of 6.0x based on our FY26E estimates, while FY26E dividend yield in 3.9%. We keep our TP of SAR 82.0/share on Theeb and maintain "**Overweight**" recommendation.

Results Summary

SAR mn	Q3-24	Q2-25	Q3-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	337	365	404	19.6%	10.6%	6.8%
Gross Profit	107	118	120	13.0%	2.0%	0.1%
Gross Margin	**31.6%**	**32.4%**	**29.8%**	-	-	-
EBIT	71	75	80	12.2%	5.7%	3.9%
Net Profit	**46**	**48**	**50**	7.9%	5.0%	2.2%
EPS	1.08	1.11	1.17	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation	**Overweight**
Target Price (SAR)	**82.0**
Upside / (Downside)*	**28.8%**

Source: Tadawul *prices as of 10th of November 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	1,135	1,303	1,492	1,610
Growth %	17.3%	14.7%	14.5%	7.9%
Gross Profit	359	418	475	517
Net Income	142	183	196	229
Growth %	-26.4%	28.6%	7.4%	16.6%
EPS	3.30	4.25	4.56	5.32
DPS	1.82	2.11	2.25	2.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	31.6%	32.1%	31.9%	32.1%
Operating margin	18.1%	21.0%	20.5%	20.6%
Net Margin	12.5%	14.0%	13.2%	14.2%
ROE	19.5%	22.0%	21.1%	21.7%
ROA	6.3%	7.1%	6.7%	7.1%
P/E (x)	19.9	18.0	13.9	12.0
P/B (x)	3.9	4.0	2.9	2.6
EV/EBITDA (x)	8.0	8.2	6.2	6.0
Dividend Yield	2.8%	2.8%	3.5%	3.9%

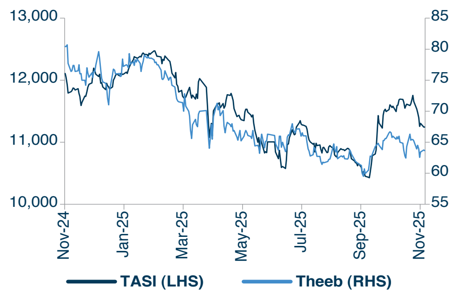
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	2.7
YTD%	-16.9%
52 week (High)/(Low)	81.50/58.15
Share Outstanding (mn)	43.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH DIVISION

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RATING TERMINOLOGY

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.

Disclaimer