

Vehicle Rental

Buy: 12M TP @ 71
Upside of +12.0%

Valuation Summary (TTM)

Price (SAR)	63.4
PER TTM (x)	14.3
P/Book (x)	3.1
P/Sales (x)	2.0
EV/Sales (x)	3.2
EV/EBITDA (x)	6.7
Dividend Yield (%)	3.5
Free Float (%)	67%
Shares O/S (mn)	43
YTD Return (%)	-17%
Beta	0.8

(mn)	SAR	USD	
Market Cap	2,726	726	
Enterprise Value	4,378	1,167	
Price performance (%)	1M	3M	12M
Theeb Rent A Car Co	-4%	-5%	-8%
Tadawul All Share Index	-4%	-6%	-8%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	4,443	4,504	5,603
Avg Daily Volume (,000)	62	69	83
52 week	High	Low	CTL*
Price (SAR)	81.50	60.00	5.7

* CTL is % change in CMP to 52wk low

Major shareholders

Al-Theeb Mohammed	25.0%
Hamoud Abdullah	7.0%
Blackrock Inc	1.1%
Others	66.9%

Other details

Exchange	Saudi Arabia
Sector	Commercial Services
Index weight (%)	0.1%

Key ratios	2022	2023	2024
EPS (SAR)	4.49	3.30	4.25
BVPS (SAR)	15.46	16.97	19.31
DPS (SAR)	2.20	1.64	2.11
Payout ratio (%)	49%	50%	50%



Theeb: Performance in-line

Theeb Rent a Car Co. reported 2Q25 revenue of SAR 365 mn, up 13.4% YoY, driven primarily by growth in leasing operations, while used car sales and short-term rentals remained largely flat. Revenue exceeded our forecast of SAR 352 mn by 3.8%. Top-line growth was led by a strong 32.8% YoY increase in long-term leases, while short-term rentals rose a marginal 0.7% YoY. The used car sales segment recorded a modest 3.6% YoY increase, consistent with industry trends. Gross profit grew 11.5% YoY on higher revenue, though gross margins slipped slightly to 32.4% in 2Q25 from 32.9% in 2Q24. The used car segment remained under pressure, with its gross margin falling to 5.2% in 2Q25 from 18.5% in 2Q24. Operating expenses rose 13.5% YoY due to higher selling and marketing costs, as well as increased credit loss provisions. Finance costs surged 27.1% YoY on higher debt levels. Company leverage (debt-to-capital) stood at 66.0% in 2Q25, slightly up from 63.9% in 2024, and is expected to hold near this level in the medium term before moderating. Net income increased 7.2% YoY to SAR 48 mn, supported by higher revenue but partially offset by lower gross margins and higher operating expenses. The result was broadly in line with our expectations of SAR 47 mn.

Investment thesis and valuations: Theeb is one of the largest vehicle rental companies in the Kingdom and one of only three publicly listed players in the sector. It operates a fleet of more than 32,000 vehicles and has delivered moderate growth in recent years, including a 15% YoY revenue increase in 2024. This momentum continued into 1H25, with revenue rising 12% YoY. However, margins have come under pressure, primarily due to intense competition in the vehicle resale market and a higher revenue contribution from the vehicle leasing segment. These developments were largely in line with our expectations and consistent with industry peers. We anticipate this trend will persist over the next two to three years. The key operational driver for Theeb will be its ability to sustain topline growth in line with its historical average while effectively managing margins. The stock is currently trading at 15x its 2025e EPS, suggesting further upside potential. Following its 2Q25 performance, we maintain our target price of **SAR 71 per share** but upgrade our rating to **Buy**.

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	752	968	1,135	1,303	1,435	1,580	1,739	1,912
Cost of sales	(504)	(616)	(777)	(885)	(971)	(1,045)	(1,146)	(1,254)
Gross profit	248	352	359	418	464	535	592	658
Operating expenses	(96)	(124)	(153)	(154)	(182)	(195)	(209)	(225)
Operating profit	152	228	206	264	282	340	383	433
Other income	6	9	7	9	9	10	10	10
Finance expenses	(26)	(33)	(61)	(86)	(106)	(121)	(135)	(141)
Earnings before tax	132	204	152	187	186	229	258	303
Tax	(7)	(11)	(9)	(4)	(4)	(5)	(6)	(7)
Net income	126	193	142	183	182	223	252	296

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
PP&E	1,156	1,320	1,673	2,038	2,423	2,781	3,113	3,335
Other non-current assets	89	102	96	85	74	62	51	40
Total non-current assets	1,245	1,422	1,769	2,123	2,497	2,844	3,164	3,375
Inventory	6	5	7	17	19	21	23	25
Receivables	139	189	232	283	312	344	378	416
Cash & Cash Equivalents	58	100	53	35	62	71	85	93
Other current assets	71	150	181	117	128	140	154	168
Total current assets	273	444	472	453	521	576	639	702
Total assets	1,518	1,866	2,241	2,576	3,018	3,420	3,804	4,077
Share Capital	430	430	430	430	430	430	430	430
Total reserves	137	235	300	400	491	603	729	877
Total Equity	567	665	730	830	921	1,033	1,159	1,307
Payables	134	87	125	125	137	147	161	176
Short term debt	327	442	557	699	870	1,012	1,134	1,188
Short term lease liabilities	54	54	64	40	38	33	28	23
Other current liab.	65	75	117	109	120	129	142	155
Total current liabilities	580	658	862	973	1,165	1,321	1,465	1,543
Long term debt	288	455	569	683	850	988	1,108	1,161
Long-term lease liabilities	55	54	42	47	39	34	29	24
Other non-current liab.	28	35	39	43	43	43	43	43
Total non-current liabilities	371	544	649	772	932	1,066	1,180	1,228
Total Liabilities	951	1,201	1,512	1,745	2,097	2,386	2,645	2,771
Equity and liabilities	1,518	1,866	2,241	2,576	3,018	3,420	3,804	4,077

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	47	(66)	(88)	(39)	(53)	25	96	253
Cash from investments	(6)	(5)	(11)	(12)	(12)	(13)	(13)	(13)
Cash from financing	(23)	114	52	33	92	(3)	(69)	(231)
Net changes in cash	18	42	(47)	(18)	27	9	14	8
Cash balance	58	100	53	35	62	71	85	93







Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<u>Per Share (SAR)</u>								
EPS	2.9	4.5	3.3	4.2	4.2	5.2	5.9	6.9
BVPS	13.2	15.5	17.0	19.3	21.4	24.0	27.0	30.4
DPS	1.5	2.2	1.6	2.1	2.1	2.6	2.9	3.4
FCF/share	0.9	(1.7)	(2.3)	(1.2)	(1.5)	0.3	1.9	5.6
Revenue/share	17.5	22.5	26.4	30.3	33.4	36.8	40.4	44.5
<u>Valuations</u>								
M.Cap (SAR mn)	2,653	2,783	3,057	3,039	2,726	2,726	2,726	2,726
EV (SAR mn)	3,319	3,688	4,235	4,472	4,461	4,722	4,940	5,029
P/E	21.1	14.4	21.5	16.6	15.0	12.2	10.8	9.2
EV/EBITDA	8.2	7.2	7.9	7.3	6.6	6.1	5.7	5.3
EV/Sales	4.4	3.8	3.7	3.4	3.1	3.0	2.8	2.6
P/BV	4.7	4.2	4.2	3.7	3.0	2.6	2.4	2.1
P/S	3.5	2.9	2.7	2.3	1.9	1.7	1.6	1.4
Div. yield	2.4%	3.4%	2.3%	3.0%	3.3%	4.1%	4.6%	5.4%
FCF yield	1.5%	-2.6%	-3.2%	-1.7%	-2.4%	0.4%	3.0%	8.8%
<u>Liquidity</u>								
Cash Ratio	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1
Current ratio	0.5	0.7	0.5	0.5	0.4	0.4	0.4	0.5
Quick ratio	0.5	0.7	0.5	0.4	0.4	0.4	0.4	0.4
<u>Return ratio</u>								
ROA	8.3%	10.3%	6.3%	7.1%	6.0%	6.5%	6.6%	7.2%
ROE	22.2%	29.0%	19.5%	22.0%	19.7%	21.6%	21.7%	22.6%
ROCE	11.8%	13.6%	10.5%	11.5%	10.4%	11.0%	11.1%	11.7%
<u>Cash cycle</u>								
Inventory turnover	90.0	124.1	115.6	50.6	50.6	50.6	50.6	50.6
Payables turnover	3.8	7.1	6.2	7.1	7.1	7.1	7.1	7.1
Receivables turnover	5.4	5.1	4.9	4.6	4.6	4.6	4.6	4.6
Inventory days	4	3	3	7	7	7	7	7
Payable days	96	51	58	51	51	51	51	51
Receivables days	67	70	73	78	78	78	78	78
Cash Cycle	(25)	23	19	35	35	35	35	35
<u>Profitability ratio</u>								
Gross margins	33.0%	36.4%	31.6%	32.1%	32.3%	33.9%	34.1%	34.4%
EBITDA margins	53.7%	53.1%	47.4%	46.7%	47.0%	49.3%	49.6%	49.4%
Operating margins	20.2%	23.5%	18.1%	20.3%	19.7%	21.5%	22.0%	22.7%
PBT margins	17.6%	21.0%	13.3%	14.4%	13.0%	14.5%	14.8%	15.8%
Net margins	16.7%	19.9%	12.5%	14.0%	12.7%	14.1%	14.5%	15.5%
Effective tax rate	5.1%	5.2%	6.3%	2.3%	2.3%	2.3%	2.3%	2.3%
<u>Leverage</u>								
Total debt (SAR mn)	724	1,005	1,231	1,468	1,797	2,067	2,299	2,396
Net debt (SAR mn)	666	905	1,178	1,433	1,735	1,996	2,214	2,303
Debt/Capital	56.1%	60.2%	62.8%	63.9%	66.1%	66.7%	66.5%	64.7%
Debt/Total assets	47.7%	53.8%	54.9%	57.0%	59.5%	60.5%	60.4%	58.8%
Debt/Equity	1.3	1.5	1.7	1.8	2.0	2.0	2.0	1.8
Debt/EBITDA	1.8	2.0	2.3	2.4	2.7	2.7	2.7	2.5
Net debt/EBITDA	1.6	1.8	2.2	2.4	2.6	2.6	2.6	2.4

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Rating Criteria and Definitions

Rating	Rating Definitions
 Strong Buy	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	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	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	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	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	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	Not rated This recommendation used for stocks which does not form part of Coverage Universe

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