August I 2023

KSA Car Rental and Leasing Sector

Accelerated growth on strong demand outlook

Ahmed Al-Mutawah

+966 11 225 6250

a.almutawah@aljaziracapital.com.sa

Saudi Arabia's car rental and leasing market is ready to witness healthy growth after a phase of recovery. The market size is expected to expand at a CAGR of 9.2% from SAR 7.5bn in FY23 to SAR 11.7bn in FY28. The key growth driver for short term car rentals is the expected growth in the tourism sector, supported by governments' multiple initiatives to develop the country as a preferred tourist destination for both religious and leisure travelers. The number of Hajj and Umrah visitors are expected register strong growth in FY23 and FY24. On the other hand, Saudi seasons, development of tourist sites, and hosting several entertainment events will continue to attract leisure travelers. Vehicle leasing demand is expected to be generated from growth in the logistics industry, e-commerce, establishment of new corporate offices and overall increase business activity. Thus, there is a reasonable amount of visibility for the sector's growth drivers. Hence, leading players are expanding their fleet size aggressively; in a confirmation of the anticipated high demand in the market. We recommend an "Overweight" rating on both Budget Saudi with TP of SAR 75.0/share and Theeb with TP of SAR 86.0/share, as we expect a good upside potential in both stocks at current valuation.

Tourism-boost a key driver for car rental demand

Saudi Arabia is experiencing a rebound in travel and tourism activity. The car rental business, particularly short-term rentals, are highly dependent on these activities. We see healthy growth potential for the Saudi tourism sector backed by solid government support.

Religious tourism is back in force: Religious tourism in the Kingdom is witnessing significant growth in the number of visitors compared to the past few years impacted by the pandemic. The number of visitors for Hajj season this year almost doubled to 1.85mn from 0.93mn FY22. The number is expected to reach a pre-COVID level in FY24, which could reflect a 25-30% Y/Y growth in our view. Similarly, the number of Umrah performers is also on the rise as the number reached 24.7mn (including both internal and external performers) surpassing 19.2mn in FY19. As for FY23, the number of Umrah performers is expected to continue strong growth, as a healthy number of performers are estimated to be registered during the month of Ramadan (7.4mn in first 8 days of Ramadan). Going forward, the government's efforts to expand Hajj and Umrah capacity, in line with VISION 2030 target of 30.0mn visitors by FY30, would continue to support higher number of visitors. Additionally, measures taken to ease processes such as 1) Makkah Route Initiative, 2) development of electronic platform "Nusuk", 3) e-visa facility for Umrah, would attract more performers. Thus, expected growth in religious visitors over the next few years is likely to aid expansion of short-term car rental business.

Fig 1. Hajj Pilgrims Trend (mn)

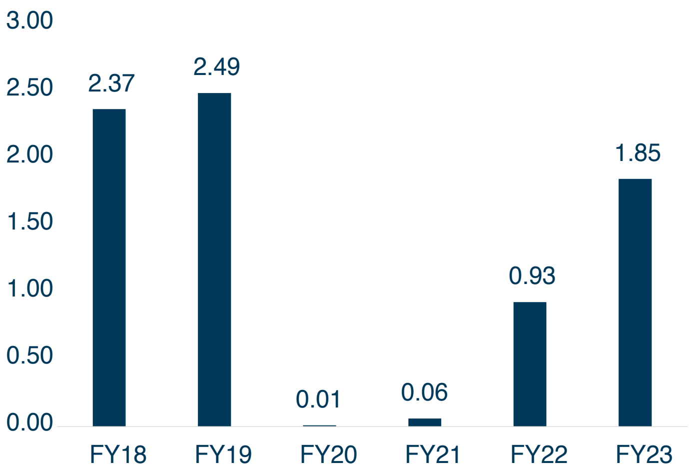
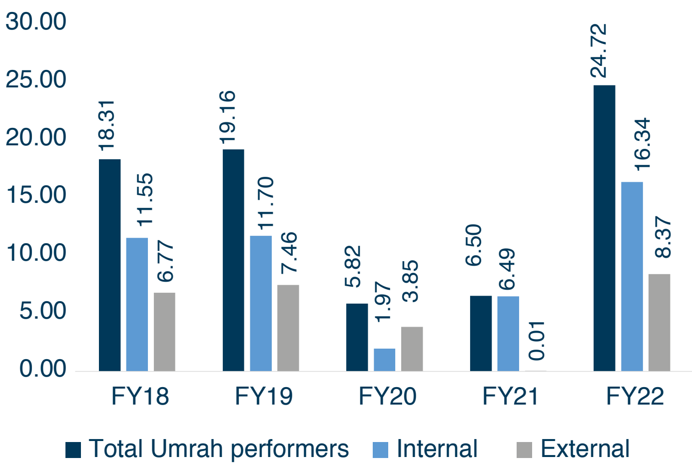


Fig 2. Umrah Performers Trend (mn)



Source: GASTAT, Aljazira Capital

Rising leisure activities to attract higher foreign tourists, international air traffic set to return to normal: In efforts to increase the tourism sector's contribution to GDP, the Kingdom is organizing several entertainment seasons such as the 'Riyadh Season' and 'Jeddah Season'. These seasons along with other events and festivals are attracting international tourists, which bodes well for car rental demand. The recovery in KSA's international air traffic, which was delayed amid COVID-19, has been showing good momentum and is set to return closely to FY19 levels in the near term. In FY22, the number of passengers at international airport stood at 85.8mn and no. of international flights operated was 671,000; as compared to 101.0mn passengers and 741,000 international flights in FY19; all of which are figures directly related to car rental demand. As of FY22, Budget Saudi had 13 out of a total of 90+ branches at airport locations, while Theeb had 14 branches at airport locations out of a total of 53. Airport locations contributed 30% to Budget Saudi's FY22 rental revenue. Hence, rising air traffic is likely to reflect in better fleet utilization at airport branches to generate higher revenue in coming period.

Fig 3. Airport Passenger Trend (mn)

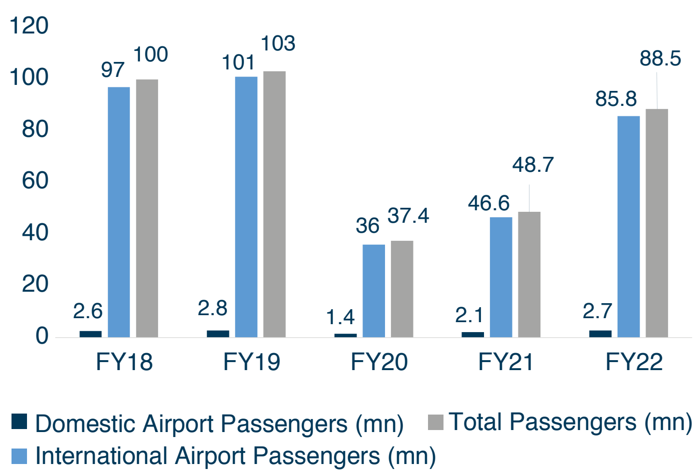
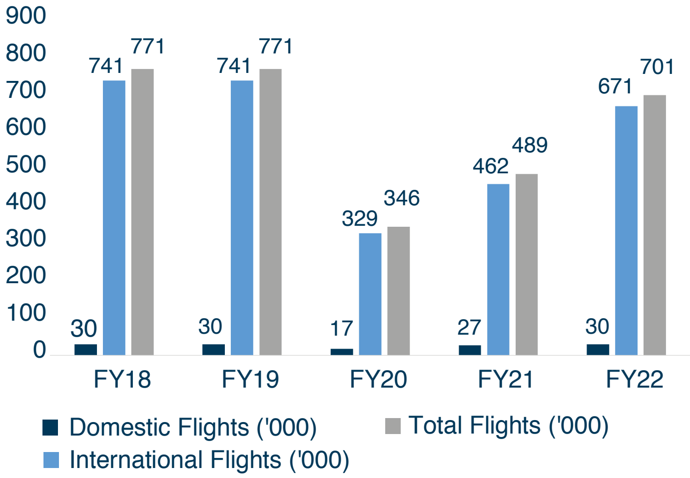


Fig 4. No. of Flights Trend ('000)



Source: GASTAT, Argaam, Aljazira Capital

Government focus on developing logistics sector and increase in number of corporate offices to derive vehicle leasing demand

Saudi government has laid a national strategy for transportation and logistics sector which is aimed at developing KSA into a global logistics hub. The logistic sector is one of the largest drivers of the demand for vehicle leasing. For instance, Budget Saudi deployed 12% of its leasing fleet to customers in the logistic sector, second only to courier services with a deployment of 19% of the fleet. Moreover, the country's regional headquarters program requires multinational companies (MNCs) to establish regional headquarters in Saudi Arabia starting January 2024. Further government initiatives to attract foreign investment are leading many companies setting up businesses in the Kingdom. This might potentially create demand for vehicle leasing from the corporate and commercial segments. Additionally, the rapidly growing e-commerce industry is also propelling the demand for leased vehicles. Acceleration in mega and giga projects would generate demand for leased trucks for construction activities. Overall, the expected pickup in economic activities across the sectors is set to benefit the vehicle leasing business.

Consumer preference leaning towards renting a vehicle

Online booking platforms have facilitated the ease of booking and procuring cars for travelers, and allows customers to browse through the range of cars at a one stop shop. Thus, there is a rising trend among individual travelers to rent a vehicle. On B2B side, government entities are also now shifting to leasing cars rather than owning them.

Highly fragmented market, rising competition and impact of inflation on costs and consumer spending are key challenges

The car rental and leasing market in Saudi Arabia is highly fragmented, with the top three players expected to hold around 25% of the market share in car rental. Online booking applications and websites have made it easier for new or smaller players to reach out to customers, exerting pressure on established players. However, we still believe that there is a possibility of market share consolidation among large players like Budget Saudi and Theeb, as they hold an upper hand in terms of large fleet size, expanded branch network, and financial strength.

Global inflation, despite easing recently, is still hovering above most economies' long term inflation targets. If high inflation persists for a longer period of time, it may exert pressure on car rental companies, which are expanding their fleets, due to high cost of vehicles. Moreover, inflation may increase maintenance costs as well. Additionally, negative impact of inflation on consumer spending on travel and tourism may hinder demand.

We recommend "**Overweight**" rating on both Theeb Rent a Car Co. (Theeb) with a TP of **SAR 86.0/share** and United International Transportation Co. (Budget Saudi) with a TP of **SAR 75.0/share.**

Downside risks to our view on the sector are: (1) less than expected pick up in travel and tourism activity in KSA, (2) prolonged global economic slowdown and its negative impact on the sector's demand, (3) delay in easing of inflation affecting consumer spending, and (4) geopolitical crises or pandemics hampering international traffic.

Table 1. Price target and recommendatio

Company Name	TP (SAR/share)	Upside/ (Downside)	Recommendation	FY23E Net Income (SAR mn)	FY24E Net Income (SAR mn)	FY23E DY
Budget	75.0	**14.5%**	**Overweight**	**277.0**	**309.6**	**3.1%**
Theeb	86.0	**26.5%**	**Overweight**	**163.4**	**203.5**	**2.9%**

Source: Tadawul, Aljazira Capital Research; prices as of 20th August 2023

United International Transportation Co. (Budget Saudi): Positioned well to grow in expanding market

Budget Saudi posted a robust growth of 33.3% Y/Y in revenue in H1-23 on account of sharp increase in car rental revenue (+47.4% Y/Y) due to improved tourism activity and sale of used vehicles (+50.9% Y/Y). The leasing segment also recorded a healthy growth of 17.2%. However, margins contracted due to higher contribution from sale of used vehicles and higher finance costs. We expect the growth momentum to continue in both the car rental and leasing segments over the medium to long term due to the growth expected in the sector. We believe Budget Saudi, with a large fleet size and leadership position in the market, is positioned well to benefit from upcoming demand in the sector. We recommend a TP of SAR 75.0/share and "Overweight" rating on the stock.

Car rental segment to lead topline growth: We expect a strong growth in the company's car rental revenue on the back of the anticipated healthy demand from overall increase in tourism related activities in the Kingdom. The company has already exceeded the quarterly revenue rate of FY18-19 in H1-23. The net addition of 2,455 vehicles in rental fleet during the last two years should continue to deliver growth in FY23. We forecast Budget Saudi's car rental revenue to increase at a CAGR of 16.5% during FY23-25E. We estimate high-single-digit average growth in car rental fleet and higher allocation to the segment from the total fleet (from 32.0% in FY22 to 34.0% in FY25E). Additionally, strong demand would reflect into healthy utilization of the fleet. Thus, the car rental segment is likely to play a vital role in the company's growth. In FY23E, we forecast car rental revenue growth at 29.7% followed by 11.1% growth in FY24E.

Vehicle leasing segment to get back into growth on market size expansion: Budget Saudi's vehicle leasing revenue under pressure, declining for four consecutive years during FY18-21. Revenue rose 8.8% Y/Y attributable to recovery from the pandemic. Going forward, we expect the vehicle leasing market size to expand on the back multiple supporting factors such as developments in the logistics sector, regional headquarter program, and acceleration in construction activities of mega and giga projects. The company underperformed the vehicle leasing market during pre-COVID period, registering a 4.3% CAGR against a CAGR of 8.2% for the market during FY14–19. However, based on the company's performance in the recent quarters and net addition of almost 4,000 vehicles in the last two years, we are of the view that the company would benefit from the expanding market and is likely to hold its market leading position. We forecast vehicle leasing revenue (48.4% of the total revenue in FY22) to record 8.0% CAGR during FY23-25E.

Higher contribution from used vehicles sales and rise in finance cost to weigh on profitability: The contribution from sale of used vehicles is estimated to be higher in FY23, as the company pushed the sale of around 2,000 vehicles from FY22 to FY23. Moreover, the change in VAT being only charged for the profit margin of selling used cars is likely to reflect positively on demand, as it effectively reduces vehicle price for the buyers. Used cars are typically expected to generate lower gross margins. Hence, higher revenue from this segment would put pressure on gross margin (FY23: 34.6% vs. 35.0% in FY22). Additionally, finance costs are anticipated to be higher in FY23 due to increased debt and higher interest rates.

AJC's view and valuation: Budget Saudi is expected to benefit from the upcoming growth in the sector, given its large fleet size, presence across the Kingdom, and market leading position. The company has been prudent in expanding its fleet by over 6,700 in FY22, which will enable it to cater the rising demand. We value Budget Saudi based on DCF (2.5% terminal growth and 7.4% WACC) and an FY24 P/E multiple (16.0x). DCF value stands at SAR 79.0/share, while valuation based on P/E multiple is SAR 70.0/share. Applying equal weights to both the methods we arrive at a blended TP of SAR 75.0/share, a 14.5% upside. Thus, we recommend an "Overweight" rating. Lower than expected fleet expansion, inability to generate healthy utilization rates, loss of market share to competitors are the **downside risks** to our valuation.

Recommendation	Overweight
Target Price (SAR)	75.0
Upside/(Downside)	14.5%

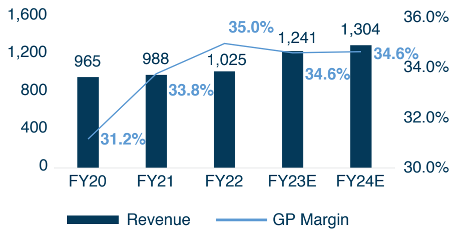
Source: Tadawul *prices as of 20th of August 2023

Key Financials

(in SAR mn, unless specified)	FY21	FY22	FY23E	FY24E
Revenues	988	1,025	1,241	1,304
Growth %	2.4%	3.7%	21.0%	5.1%
Gross Profit	334	358	429	451
Net Income	220	252	277	310
Growth %	8.6%	14.6%	9.9%	11.8%
EPS	3.09	3.54	3.89	4.35

Source: Company reports, Aljazira Capital

Revenue (SAR mn) and GP Margin



Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22	FY23E	FY24E
Gross Margin	33.8%	35.0%	34.6%	34.6%
Net Margin	22.3%	24.6%	22.3%	23.7%
ROE	14.1%	15.2%	15.5%	16.0%
ROA	12.1%	11.4%	10.2%	10.4%
P/E (x)	15.1	12.9	16.8	15.1
P/B (x)	2.9	2.7	2.5	2.3
EV/EBITDA (x)	7.3	5.5	7.9	7.4
Dividend Yield	4.1%	4.2%	3.1%	3.4%

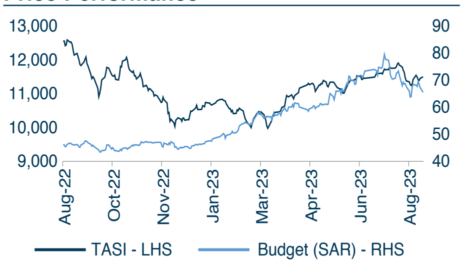
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (SAR bn)	4.7
YTD%	43.5%
52-week (High)/(Low)	79.8/43.1
Share Outstanding (mn)	71.2

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

Key Financial Data

Amount in SARmn, unless otherwise specified	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
Income statement									
Revenues	1,043	965	988	1,025	1,241	1,304	1,392	1,480	1,576
Y/Y	**0.2%**	**-7.5%**	**2.4%**	**3.7%**	**21.0%**	**5.1%**	**6.8%**	**6.3%**	**6.5%**
Cost of Sales	746	664	655	667	812	852	909	966	1,028
Gross profit	**297**	**301**	**334**	**358**	**429**	**451**	**483**	**514**	**548**
Selling and distribution expenses	(43)	(43)	(52)	(45)	(53)	(54)	(57)	(61)	(65)
Administrative expenses	(67)	(46)	(59)	(65)	(73)	(76)	(81)	(86)	(92)
Other operating income	2	15	20	31	25	26	28	29	31
Operating profit	**189**	**211**	**230**	**268**	**316**	**347**	**372**	**396**	**423**
Y/Y growth	**3.6%**	**11.7%**	**8.9%**	**16.6%**	**17.9%**	**9.7%**	**7.2%**	**6.5%**	**6.7%**
Financial charges	(5)	(3)	(2)	(9)	(32)	(30)	(30)	(30)	(30)
Profit before zakat	**184**	**209**	**228**	**259**	**284**	**318**	**342**	**367**	**393**
Zakat	(6)	(6)	(8)	(7)	(7)	(8)	(9)	(9)	(10)
Net income	**179**	**202**	**220**	**252**	**277**	**310**	**334**	**358**	**383**
Y/Y	**5.1%**	**13.3%**	**8.6%**	**14.6%**	**9.9%**	**11.8%**	**7.8%**	**7.1%**	**7.2%**
EPS (SAR)	2.51	2.84	3.09	3.54	3.89	4.35	4.69	5.02	5.39
Balance sheet									
Assets									
Cash & bank balance	5	146	105	21	88	70	49	76	141
Other current assets	186	226	201	266	248	263	284	305	327
Property & Equipment	1,227	1,348	1,531	2,131	2,455	2,589	2,727	2,802	2,877
Other non-current assets	2	2	19	21	21	21	21	21	21
Total assets	**1,453**	**1,749**	**1,884**	**2,520**	**2,904**	**3,046**	**3,194**	**3,328**	**3,502**
Liabilities & owners' equity									
Total current liabilities	215	163	207	524	548	548	546	535	531
Total non-current liabilities	78	72	79	271	496	489	466	431	404
Paid -up capital	712	712	712	712	712	712	712	712	712
Statutory reserves	182	202	224	224	224	224	224	224	224
Retained earnings	266	601	663	789	923	1,073	1,246	1,426	1,631
Total owners' equity	1,160	1,515	1,599	1,725	1,859	2,009	2,182	2,362	2,567
Total equity & liabilities	**1,453**	**1,749**	**1,884**	**2,520**	**2,904**	**3,046**	**3,194**	**3,328**	**3,502**
Cashflow statement									
Operating activities	230	284	146	(291)	(352)	(54)	(35)	75	99
Investing activities	(46)	(5)	(41)	(13)	345	238	245	224	226
Financing activities	(194)	(137)	(146)	221	74	(201)	(231)	(271)	(260)
Change in cash	(10)	142	(41)	(83)	66	(18)	(21)	28	65
Ending cash balance	**5**	**146**	**105**	**21**	**88**	**70**	**49**	**76**	**141**
Key fundamental ratios									
Liquidity ratios									
Current ratio (x)	0.9	2.3	1.5	0.5	0.6	0.6	0.6	0.7	0.9
Quick ratio (x)	0.7	2.1	1.3	0.4	0.5	0.5	0.4	0.5	0.7
Profitability ratios									
GP Margin	28.5%	31.2%	33.8%	35.0%	34.6%	34.6%	34.7%	34.7%	34.8%
Operating Margins	18.1%	21.9%	23.3%	26.2%	25.5%	26.6%	26.7%	26.8%	26.8%
EBITDA Margin	61.7%	49.4%	44.9%	50.2%	40.7%	41.5%	41.1%	40.4%	39.8%
Net Margins	17.1%	21.0%	22.3%	24.6%	22.3%	23.7%	24.0%	24.2%	24.3%
Return on assets	12.4%	12.6%	12.1%	11.4%	10.2%	10.4%	10.7%	11.0%	11.2%
Return on equity	15.6%	15.1%	14.1%	15.2%	15.5%	16.0%	15.9%	15.7%	15.6%
Market/valuation ratios									
EV/sales (x)	1.7	2.6	2.7	3.2	2.3	3.0	2.9	2.7	2.6
EV/EBITDA (x)	3.9	5.6	7.3	5.5	7.9	7.4	7.1	6.9	6.7
EPS (SAR)	2.51	2.84	3.09	3.54	3.89	4.35	4.69	5.02	5.39
Market price (SAR)*	36.5	38.0	46.6	45.7	65.5	65.5	65.5	65.5	65.5
Market-Cap (SAR mn)	2,597.6	2,704.3	3,312.8	3,248.8	4,661.4	4,661.4	4,661.4	4,661.4	4,661.4
Dividend yield	2.7%	4.6%	4.1%	4.2%	3.1%	3.4%	3.4%	3.8%	3.8%
P/E ratio (x)	14.5	13.4	15.1	12.9	16.8	15.1	14.0	13.0	12.2
P/BV ratio (x)	2.2	3.1	2.9	2.7	2.5	2.3	2.1	2.0	1.8

Source: Company reports, Aljazira Capital Research

Theeb Rent a Car Co. (Theeb): Conducive market environment and expanding market presence to keep growth momentum intact

Theeb has delivered a robust financial performance over the three years despite the headwinds from the pandemic, recording a revenue CAGR of 15.3% and net income CAGR of 17.5%. However, the company's performance was weaker in the recent quarter (Q2-23), as gross margin dropped significantly. We believe the drop in gross margin was partly due to lower utilization rates, and partly due to higher contribution from sale of used vehicles. We expect Theeb to show a better performance in Q3-23 and Q4-23, but gross margins may remain below FY22 levels. In the long term, the company's fundamentals, operating strengths, and market potential remain intact. Hence, the decline of the stock post Q2-23 results can be seen as an opportunity for long term investors. We recommend "Overweight" rating with a TP of SAR 86.0/share.

Continued fleet expansion and potential market share gain to drive growth: Theeb's fleet has expanded from approximately 19,000 in FY19 to over 25,000 in FY22. We expect the company to keep pace of its fleet expansion due to following reasons 1) high demand expected in short-term rental segment, where Theeb is the market leader, 2) growing customer base in leasing segment, 3) room for expansion of branch network (56 branches vs. more than 90 branches for the competitor Budget Saudi) and 4) proven business model that can support further expansions. Thus, we expect the company to add 7-8k more vehicles to its fleet by FY25E. The fleet expansion along with favorable market dynamics would support a healthy growth for the company in coming years. We forecast revenue CAGR of 10.3% and net income CAGR of 9.1% during FY23-25E.

Margins to contract in FY23, improvement expected FY24 onwards: Theeb's margins were under pressure in H1-23. Particularly in Q2-23, which saw gross margin dropped significantly. We believe the drop in gross margin was partly due to lower utilization rates and partly due to higher contribution from sale of used vehicles. The lower utilization may be due to seasonality during the month of Ramadan. We expect the company to show a better performance in Q3-23 and Q4-23, but gross margins may remain below FY22 levels. We forecast FY23 gross margins at 33.3% compared to 36.7% in FY22. As the revenue contribution from sale of used vehicles moderates and core rental and leasing segment drive the revenue with healthy utilization rates, margins are expected improve by FY24 onwards (FY24: 34.9%, FY25: 35.5%).

Spike in trade receivables impacting profits in the form of ECL provisions: Trade receivable on Theeb's balance sheet increased significantly from SAR 139.0mn in FY21 to SAR 189.4mn in FY22. As of June 2023, that amount has increased further to SAR 222.8mn. Subsequently, provisions for expected credit losses (ECL) have increased, ranging at 3-4% of the revenue.

Attractive valuation after recent decline in stock price: Theeb's stock price declined by ~13.0% since the company posted a weaker set of results for Q2-23. The stock currently trades at a forward P/E of 14.4x based on our FY24 estimates. We are confident in the company's fundamentals to support the stock price over the long run and hence perceive the current valuation to be attractive.

AJC's view and valuation: Theeb has potential to expand its business in both short term and long term rentals and deliver a strong growth in medium to long term. We believe the recent pressure on margins to be temporary. Nevertheless, the company's long-term growth prospects are unchanged and current valuation seems to be attractive with high upside potential. We value Theeb based on DCF (2.5% terminal growth and 6.6% WACC) and an FY24 P/E multiple (16.0x). DCF value stands at SAR 96.5/share, while valuation based on P/E multiple is SAR 75.7/share. Applying equal weights to both the methods we arrive at a blended TP of **SAR 86.0/share**, a **26.5%** upside. Thus, we recommend an "**Overweight**" rating. Less aggressive fleet expansion, failure to gain/maintain market share, competitive pressure and inability to generate utilization in line with fleet expansion are the **downside risks** to our valuation.

Recommendation	Overweight
Target Price (SAR)	86.0
Upside/(Downside)	26.5%

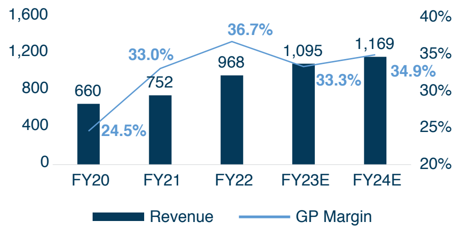
Source: Tadawul *prices as of 20th of August 2023

Key Financials

(in SAR mn, unless specified)	FY21	FY22	FY23E	FY24E
Revenues	752	968	1,095	1,169
Growth %	14.0%	28.7%	13.2%	6.7%
Gross Profit	248	355	365	408
Net Income	126	193	163	203
Growth %	98.8%	53.6%	-15.4%	24.5%
EPS	2.92	4.49	3.80	4.73

Source: Company reports, Aljazira Capital

Revenue (SAR mn) and GP Margin



Source: Company reports, Aljazira Capital

Key Ratios

	FY21	FY22	FY23E	FY24E
Gross Margin	33.0%	36.7%	33.3%	34.9%
Net Margin	16.7%	19.9%	14.9%	17.4%
ROE	22.2%	29.0%	22.0%	23.7%
ROA	8.3%	10.3%	8.0%	9.1%
P/E (x)	20.8	15.4	17.9	14.4
P/B (x)	4.6	4.5	3.9	3.4
EV/EBITDA (x)	8.1	7.5	6.9	6.9
Dividend Yield	1.5%	3.1%	2.9%	2.9%

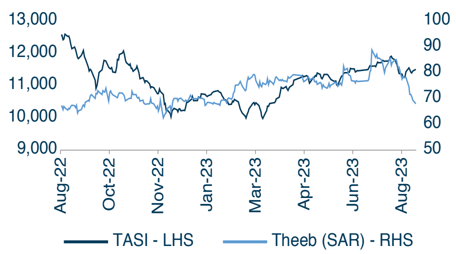
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (SAR bn)	2.9
YTD%	-1.5%
52-week (High)/(Low)	89.9/62.3
Share Outstanding (mn)	43.0

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

Key Financial Data

Amount in SARmn, unless otherwise specified	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
Income statement									
Revenues	631.1	660.0	752.4	968.0	1,095.5	1,168.9	1,298.8	1,451.1	1,618.9
Y/Y	**18.5%**	**4.6%**	**14.0%**	**28.7%**	**13.2%**	**6.7%**	**11.1%**	**11.7%**	**11.6%**
Cost	(410.0)	(498.0)	(503.9)	(612.8)	(730.7)	(761.0)	(837.7)	(930.5)	(1,032.7)
Gross profit	**221.2**	**162.0**	**248.5**	**355.1**	**364.8**	**407.9**	**461.1**	**520.6**	**586.1**
Operating Expenses	(65.0)	(59.7)	(70.2)	(95.9)	(102.6)	(113.5)	(123.5)	(135.1)	(147.5)
SG&A	(65.0)	(59.7)	(70.2)	(95.9)	(102.6)	(113.5)	(123.5)	(135.1)	(147.5)
Operating profit	**152.3**	**91.5**	**152.2**	**227.8**	**230.1**	**259.3**	**301.2**	**347.8**	**398.2**
Y/Y	**65.9%**	**-39.9%**	**66.3%**	**49.7%**	**1.0%**	**12.7%**	**16.2%**	**15.4%**	**14.5%**
Financing Expense (net)	(25.3)	(24.2)	(19.7)	(24.1)	(50.9)	(44.6)	(36.6)	(40.4)	(44.4)
Income before zakat	**127.0**	**67.4**	**132.5**	**203.7**	**179.2**	**214.7**	**264.6**	**307.3**	**353.9**
Zakat	(4.1)	(4.1)	(6.8)	(10.6)	(15.8)	(11.2)	(13.8)	(16.0)	(18.5)
Net income	**118.9**	**63.2**	**125.7**	**193.1**	**163.4**	**203.5**	**250.8**	**291.3**	**335.4**
Y/Y	**97.9%**	**-46.8%**	**98.8%**	**53.6%**	**-15.4%**	**24.5%**	**23.3%**	**16.1%**	**15.1%**
EPS (SAR)	2.77	1.47	2.92	4.49	3.80	4.73	5.83	6.77	7.80
Balance sheet									
Assets									
Cash & equivalent	59	40	58	100	103	127	199	254	318
Other current assets	142	169	215	344	372	367	388	411	437
Total current assets	201	209	273	444	475	495	586	665	755
Property plant & equipment	1,027	979	1,156	1,320	1,442	1,584	1,723	1,909	2,118
Other non-current assets	47	120	89	102	123	151	190	240	305
Total assets	**1,276**	**1,307**	**1,518**	**1,866**	**2,040**	**2,230**	**2,499**	**2,814**	**3,178**
Liabilities & owners' equity									
Total current liabilities	459	460	580	658	708	745	809	876	946
Long-term loans	316	249	288	455	501	526	578	636	700
Total other non-current liabilities	52	117	83	89	89	100	109	115	118
Paid -up capital	154	430	430	430	430	430	430	430	430
Statutory reserves	55	6	19	38	55	75	100	129	163
Retained earnings	239	45	118	197	258	355	473	628	822
Total owners' equity	449	482	567	665	742	860	1,003	1,187	1,415
Total equity & liabilities	**1,276**	**1,307**	**1,518**	**1,866**	**2,040**	**2,230**	**2,499**	**2,814**	**3,178**
Cashflow statement									
Operating activities	365	362	449	559	572	612	688	742	832
Investing activities	(4)	(4)	(6)	(5)	(55)	(59)	(65)	(73)	(81)
Financing activities	159	(142)	(23)	114	(50)	(62)	(25)	(23)	(23)
Change in cash	520	216	420	667	468	491	598	646	727
Ending cash balance	**59**	**40**	**58**	**100**	**103**	**127**	**199**	**254**	**318**
Key fundamental ratios									
Liquidity ratios									
Current ratio (x)	0.4	0.5	0.5	0.7	0.7	0.7	0.7	0.8	0.8
Quick ratio (x)	0.4	0.4	0.5	0.7	0.7	0.7	0.7	0.8	0.8
Profitability ratios									
Gross profit margin	35.0%	24.5%	33.0%	36.7%	33.3%	34.9%	35.5%	35.9%	36.2%
Operating margin	24.1%	13.9%	20.2%	23.5%	21.0%	22.2%	23.2%	24.0%	24.6%
EBITDA margin	54.8%	49.4%	53.6%	53.1%	51.9%	49.3%	50.5%	49.2%	49.9%
Net profit margin	18.8%	9.6%	16.7%	19.9%	14.9%	17.4%	19.3%	20.1%	20.7%
Return on assets	9.3%	4.8%	8.3%	10.3%	8.0%	9.1%	10.0%	10.4%	10.6%
Return on equity	26.5%	13.1%	22.2%	29.0%	22.0%	23.7%	25.0%	24.5%	23.7%
Leverage ratio									
Debt / equity (x)	1.45	1.40	1.28	1.51	1.48	1.36	1.28	1.19	1.09
Market/valuation ratios									
EV/sales (x)	NA	NA	4.4	4.0	3.6	3.4	3.1	2.8	2.6
EV/EBITDA (x)	NA	NA	8.1	7.5	6.9	6.9	6.1	5.7	5.1
EPS (SAR)	2.77	1.47	2.92	4.49	3.80	4.73	5.83	6.77	7.80
BVPS (SAR) - Adjusted	10.4	11.2	13.2	15.5	17.3	20.0	23.3	27.6	32.9
Market price (SAR)*	NA	NA	60.9	69.0	68.0	68.0	68.0	68.0	68.0
Market-Cap (SAR mn)	NA	NA	2,619	2,967	2,924	2,924	2,924	2,924	2,924
DPS (SAR)	1.16	0.70	0.91	2.15	2.00	2.00	2.50	2.50	2.50
Dividend yield	NA	NA	1.5%	3.1%	2.9%	2.9%	3.7%	3.7%	3.7%
P/E ratio (x)	NA	NA	20.8	15.4	17.9	14.4	11.7	10.0	8.7
P/BV ratio (x)	NA	NA	4.6	4.5	3.9	3.4	2.9	2.5	2.1

Source: Company reports, Aljazira Capital Research

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

RESEARCH DIVISION

Head of Sell-Side Research

Jassim Al-Jubran

+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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