



United International Transportation Co. (Budget Saudi) posted net profit of SAR 62.5mn (-9.7% Y/Y) in Q2-22, in-line with our estimate of SAR 61.3mn. Revenue for the quarter stood at SAR 231.2mn (a decline of 0.5% Y/Y), below our estimate of SAR 255.4mn. The deviation from our estimates was likely to be due to lower-than-expected vehicle sales. Meanwhile, GP Margin improved to 39.6%, above our estimates of 34.0%, we believe the deviation from estimate was due to accounting methodology adjustment. The top line was impacted by lower sale of vehicles during the quarter, which was partly offset by improved performance of short-rental and vehicle leasing segments. We maintain our **“Overweight”** recommendation on the stock with a TP of **SAR 52.0/share**

- Budget Saudi's net income stood at SAR 62.5mn in Q2-22, in-line with our estimate of SAR 61.3mn. The Y/Y decrease of 9.7% is mainly attributed to slight decrease in revenue due to lower car sales and increase in OPEX. However, net profit was up 3.7% Q/Q mainly due to higher revenues supported by higher long-term rentals and better utilization in short-term rentals.
- Revenue declined 0.5% Y/Y to SAR 231.2mn in Q2-22, below our estimate of SAR 255.4mn. Despite lower vehicle sales revenues, demand for long term vehicle leasing business and the improved utilization of short-term rentals supported the top-line revenues.
- Gross profit stood at SAR 91.6mn in Q2-22, cost of sales showed a slight decrease of 0.7% Y/Y. Gross profit was above our estimate of SAR 86.9mn. Gross margin improved to 39.6% from 39.4% in Q2-21 and above our estimate of 34.0%. Accounting adjustments in depreciation methodology and a better fleet utilization likely to have supported GP margin.
- Operating profit decreased 6.6% Y/Y to SAR 66.9mn in Q2-22, above our estimate of SAR 64.3mn. The operating expenses increased 23.3% Y/Y, leading to operating margin contraction to 28.9% from 30.8% a year earlier.

AJC View: Budget Saudi's result in Q2-22 showed a recovery in its core business long-term lease and improved utilization in short-term rentals, meanwhile, the sold vehicles showed a decrease from last year. We believe the company will benefit from ongoing recovery in travel and higher number visitors expected this year. The company announced its board of director's recommendation of buyback of up to 7.12 million shares, the board's decision is based on the consideration that the share price in the market is lower than its fair value. The company still have a SAR 722.8mn in its retained earnings, we believe this bode well the company for future growth in its business. We maintain our recommendation of **“Overweight”** with a TP on Budget Saudi at **SAR 52.0/share**. The stock is currently trading at P/E of 13.6x and forward P/E of 11.9x based on our FY23 estimates. It provides dividend yield of 4.2% based on our FY23 estimates.

Results Summary

SARmn	Q2-21	Q1-22	Q2-22	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	232.4	248.3	231.3	-0.49%	-6.87%	-9.46%
Gross Profit	91.7	86.9	91.9	0.19%	5.74%	5.72%
<i>Gross Margin</i>	<i>39.4%</i>	<i>35.0%</i>	<i>39.6%</i>	-	-	-
EBIT	71.6	64.1	66.9	-6.64%	4.29%	4.66%
Net Profit	69.2	60.3	62.5	-9.66%	3.67%	1.92%
EPS	0.97	0.85	0.88	-	-	-

Source: Company reports, Aljazira Capital

Overweight

Target Price (SAR)	52.0
Upside / (Downside)*	8.4%

Source: Tadawul *prices as of 28th of July 2022

Key Financials

SARmn (unless specified)	FY20	FY21*	FY22E	FY23E
Revenues	964.9	988.1	989.3	1031.3
Growth %	-7.5%	2.4%	0.1%	4.2%
Net Income	202.4	219.9	268.3	286.3
Growth %	13.3%	8.6%	22.0%	6.7%
EPS	2.84	3.09	3.77	4.02

Source: Company reports, Aljazira Capital

*As reported in FY21 annual report before accounting adjustments

Key Ratios

	FY20	FY21*	FY22E	FY23E
Gross Margin	31.2%	33.8%	37.7%	38.0%
Net Margin	21.0%	22.3%	27.1%	27.8%
P/E (x)	13.4	15.1	12.7	11.9
P/B (x)	2.3	2.1	2.0	1.8
EV/EBITDA (x)	5.6	7.3	8.1	7.8
Dividend Yield	4.6%	4.1%	4.0%	4.2%

Source: Company reports, Aljazira Capital

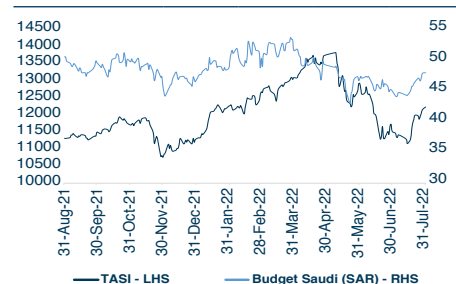
*As reported in FY21 annual report before accounting adjustments

Key Market Data

Market Cap (bn)	3.4
YTD %	2.90%
52 Week High/ Low	54.5/43.0
Shares Outstanding (mn)	71.2

Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, Aljazira Capital

Equity Analyst

Mashaal Al-Huthaily

+966 11 2256250

M.Alhuthayli@Aljaziracapital.com.sa



RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

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.

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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068