

Vehicle Rental

Buy: 12M TP @ 80
Upside of +12.9%

Valuation Summary (TTM)

Price (SAR)	70.9
PER TTM (x)	16.2
P/Book (x)	2.0
P/Sales (x)	2.5
EV/Sales (x)	3.3
EV/EBITDA (x)	8.1
Dividend Yield (%)	2.1
Free Float (%)	91%
Shares O/S (mn)	78
YTD Return (%)	-13%
Beta	1.1

(mn)	SAR		USD
Market Cap	5,538		1,476
Enterprise Value	7,298		1,945
Price performance (%)	1M	3M	12M
United International Transport	0%	-1%	-26%
Tadawul All Share Index	-1%	-5%	-10%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	11,812	12,101	17,196
Avg Daily Volume (,000)	163	172	235
52 week	High	Low	CTL*
Price (SAR)	98.60	65.30	8.5

* CTL is % change in CMP to 52wk low

Major shareholders

Saudi Economic & Dev	5.0%
Fiera Capital Europe	2.2%
Vanguard Group Inc	2.0%
Others	90.8%

Other details

Exchange	Saudi Arabia
Sector	Commercial Services
Index weight (%)	0.3%

Key ratios	2022	2023	2024
EPS (SAR)	3.54	3.90	3.99
BVPS (SAR)	24.23	26.14	34.51
DPS (SAR)	2.00	1.50	1.45
Payout ratio (%)	56%	39%	36%



Budget Saudi: Performance comes in line

United International Transportation Co. (Budget Saudi) reported 2Q25 revenue of SAR545mn, up 28.1% YoY, supported by the acquisition of Auto World and an expanded fleet. However, revenue came in slightly below our estimate of SAR573mn, mainly due to a lower contribution from the resale segment. Top-line growth was primarily driven by a strong 65.1% YoY increase in leasing, supported by fleet additions from the acquisition. Rental sales also grew by a solid 9.6% YoY. In contrast, used car sales declined 7.9% YoY, reflecting ongoing challenges in the industry. Gross profit rose 41.4% YoY to SAR169mn, outpacing revenue growth, as gross margins improved to 31.1% in 2Q25 versus 28.2% in 2Q24. The margin expansion was largely due to a favorable sales mix, with rental operations (short and long-term) contributing a greater share of revenue. Conversely, the resale segment's profitability weakened, with margins falling to 6.0% in 2Q25 from 8.8% a year earlier. Operating costs rose 53.0% YoY, driven by higher SG&A expenses, which have remained elevated since the acquisition. Finance costs more than doubled YoY, reflecting higher leverage. The company's debt-to-equity ratio increased to 62.5% in 2Q25 from 33.7% in 2023, though we expect it to moderate gradually after 2025. Overall, net income rose 18.9% YoY to SAR83mn, supported by higher revenue and gross margin expansion partially offset by elevated operating and finance costs. Net income was in line with our forecast, as the revenue shortfall was compensated by lower-than-expected operating costs.

Investment thesis and valuations: Budget Saudi, the largest listed vehicle rental company in Saudi Arabia, operated a fleet of more than 53,500 vehicles in 2024. Following its recent acquisition of Auto World, the company added over 15,600 vehicles, primarily in the leasing segment, representing an increase of over 40% compared to pre-acquisition levels. The company delivered a strong 1H25 performance, supported by revenue growth and gross margin expansion. However, weakness in the resale segment, combined with higher operating and finance costs, tempered overall growth. We expect revenue momentum to remain robust, led by the company's core rental operations. While the resale segment is likely to remain under pressure, with both sales and margins facing headwinds, leasing and rental growth should more than offset this weakness. Budget Saudi currently trades at 16x its 2025e EPS, offering potential upside from current levels. Given its in-line 1H25 performance, we maintain our target price of **SAR80/share** and reiterate our **Buy** rating.

Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	988	1,025	1,378	1,971	2,216	2,326	2,417	2,511
Cost of sales	(655)	(667)	(932)	(1,415)	(1,511)	(1,568)	(1,608)	(1,652)
Gross profit	334	358	447	556	705	758	809	859
Operating expenses	(124)	(121)	(160)	(220)	(317)	(328)	(337)	(347)
Operating profit	210	237	287	336	388	430	472	512
Other income	20	31	35	59	62	63	64	65
Finance expenses	(2)	(9)	(37)	(72)	(95)	(77)	(55)	(30)
Earnings before tax	228	259	285	323	354	416	481	548
Tax	(8)	(7)	(8)	(11)	(12)	(14)	(16)	(19)
Net income	220	252	277	312	342	402	464	529

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
PP&E	1,531	2,131	2,482	3,766	3,804	3,756	3,728	3,717
Right to Use Assets	28	81	96	247	236	236	236	236
Other non-current assets	19	21	41	130	126	121	117	113
Total non-current assets	1,579	2,233	2,620	4,142	4,165	4,113	4,080	4,065
Inventory	8	11	35	97	104	108	111	114
Receivables	161	194	288	611	687	721	750	779
Cash & Cash Equivalents	105	21	34	86	104	122	135	145
Other current assets	32	61	36	72	81	85	88	91
Total current assets	306	287	393	867	976	1,036	1,084	1,129
Total assets	1,884	2,520	3,013	5,009	5,141	5,149	5,164	5,194
Share Capital	712	712	712	782	782	782	782	782
Total reserves	887	1,013	1,149	1,916	2,144	2,433	2,784	3,200
Minority interest	-	-	42	43	43	43	43	43
Total Equity	1,598	1,725	1,903	2,741	2,969	3,258	3,609	4,025
Payables	56	128	151	303	323	335	344	353
Short term debt	-	210	257	598	544	417	270	101
Short term lease liabilities	9	30	35	48	48	48	48	48
Other current liab.	141	157	240	196	208	215	220	225
Total current liabilities	207	524	683	1,144	1,122	1,015	881	728
Long term debt	-	162	295	822	747	573	371	139
Long-term lease liabilities	16	43	54	199	199	199	199	199
Other non-current liab.	63	66	78	103	103	103	103	103
Total non-current liabilities	79	271	427	1,124	1,050	876	673	442
Total Liabilities	286	796	1,110	2,268	2,172	1,891	1,555	1,170
Equity and liabilities	1,884	2,520	3,013	5,009	5,141	5,149	5,164	5,194

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	146	(291)	12	83	344	528	574	622
Cash from investments	(41)	(13)	(10)	(18)	(43)	(44)	(45)	(47)
Cash from financing	(146)	221	11	(13)	(283)	(465)	(515)	(565)
Net changes in cash	(41)	(83)	13	52	18	19	13	10
Cash balance	105	21	34	86	104	122	135	145







Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<u>Per Share (SAR)</u>								
EPS	3.1	3.5	3.9	4.0	4.4	5.1	5.9	6.8
BVPS	22.5	24.2	26.1	34.5	37.4	41.1	45.6	50.9
DPS	1.9	2.0	1.5	1.5	1.5	1.5	1.5	1.5
FCF/share	1.5	(4.3)	0.0	0.8	3.9	6.2	6.8	7.4
Revenue/share	13.9	14.4	19.4	25.2	28.4	29.8	30.9	32.1
<u>Valuations</u>								
M.Cap (SAR mn)	3,200	3,377	4,804	7,035	5,538	5,538	5,538	5,538
EV (SAR mn)	3,120	3,800	5,411	8,616	6,972	6,654	6,290	5,880
P/E	14.5x	13.4x	17.3x	22.6x	16.2x	13.8x	11.9x	10.5x
EV/EBITDA	7.2x	7.6x	8.9x	11.3x	7.4x	6.8x	6.1x	5.5x
EV/Sales	3.2x	3.7x	3.9x	4.4x	3.1x	2.9x	2.6x	2.3x
P/BV	2.0x	2.0x	2.6x	2.6x	1.9x	1.7x	1.6x	1.4x
P/S	3.2x	3.3x	3.5x	3.6x	2.5x	2.4x	2.3x	2.2x
Div. yield	4.2%	4.2%	2.2%	1.6%	2.0%	2.0%	2.0%	2.0%
FCF yield	3.3%	-9.0%	0.0%	0.9%	5.4%	8.7%	9.5%	10.4%
<u>Liquidity</u>								
Cash Ratio	0.5x	0.0x	0.0x	0.1x	0.1x	0.1x	0.2x	0.2x
Current ratio	1.5x	0.5x	0.6x	0.8x	0.9x	1.0x	1.2x	1.6x
Quick ratio	1.4x	0.5x	0.5x	0.7x	0.8x	0.9x	1.1x	1.4x
<u>Return ratio</u>								
ROA	11.7%	10.0%	9.2%	6.2%	6.7%	7.8%	9.0%	10.2%
ROE	13.8%	14.6%	14.9%	11.6%	11.7%	12.5%	13.0%	13.3%
ROCE	12.9%	10.9%	11.3%	7.6%	8.6%	9.6%	10.5%	11.4%
<u>Cash cycle</u>								
Inventory turnover	80.7x	60.5x	26.5x	14.5x	14.5x	14.5x	14.5x	14.5x
Payables turnover	11.6x	5.2x	6.2x	4.7x	4.7x	4.7x	4.7x	4.7x
Receivables turnover	6.1x	5.3x	4.8x	3.2x	3.2x	3.2x	3.2x	3.2x
Inventory days	4	6	14	25	25	25	25	25
Payable days	31	69	58	77	77	77	77	77
Receivables days	59	68	75	112	112	112	112	112
Cash Cycle	32	5	30	59	59	59	59	59
<u>Profitability ratio</u>								
Gross margins	33.8%	35.0%	32.4%	28.2%	31.8%	32.6%	33.5%	34.2%
EBITDA margins	43.9%	48.8%	44.1%	38.7%	42.5%	42.3%	42.4%	42.4%
Operating margins	21.3%	23.1%	20.8%	17.0%	17.5%	18.5%	19.5%	20.4%
PBT margins	23.1%	25.3%	20.7%	16.4%	16.0%	17.9%	19.9%	21.8%
Net margins	22.3%	24.6%	20.1%	15.8%	15.4%	17.3%	19.2%	21.1%
Effective tax rate	3.6%	2.7%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%
<u>Leverage</u>								
Total debt (SAR mn)	26	444	641	1,667	1,538	1,238	888	488
Net debt (SAR mn)	(79)	423	607	1,581	1,434	1,115	752	342
Debt/Capital	1.6%	20.5%	25.2%	37.8%	34.1%	27.5%	19.7%	10.8%
Debt/Equity	0.0x	0.3x	0.3x	0.6x	0.5x	0.4x	0.2x	0.1x
Debt/EBITDA	0.1x	0.9x	1.1x	2.2x	1.6x	1.3x	0.9x	0.5x
Net debt/EBITDA	-0.2x	0.8x	1.0x	2.1x	1.5x	1.1x	0.7x	0.3x

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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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