Saudi Car Rental Sector

June 16, 2025

Robust demand set to drive sector growth

We initiate coverage on Saudi Arabia's Car Rental sector with a "Positive" outlook. The sector is poised for growth, driven by a unique combination of factors. The country's economic diversification efforts, major upcoming events, and the Regional Headquarters (RHQ) program (~600 companies relocated) are expected to underpin the demand for mobility solutions. During 2018-23, the sector recorded a CAGR of 4.4% in ST rentals and 10.2% in LT lease fleet size. This growth in demand is expected to continue and will be fueled not only by expanding tourism (including religious tourism) but also by a rising number of business travelers and expatriates drawn by new economic opportunities. Together, these trends are set to elevate the importance of the car rental services. We expect the demand for car rentals to closely align with the projected growth of non-oil GDP, which is expected to average 4.1% between 2025-30f. We believe that the current levels provide an attractive entry point and have an Overweight rating on United International Transportation Co – Budget (BUDGET AB), Theeb Rent a Car Co. (THEEB AB) and Lumi Rental Co. (LUMI AB).

Aiming for 150 mn tourists by 2030f: Saudi Arabia aims to increase the number of tourists to 150 mn by 2030f after successfully achieving the initial target of 100 mn visitors in 2023, 7 years ahead of schedule. The number of tourists in KSA has surged by 2.7x in the last four years, up from 46.3 mn in 2020 to 127 mn in 2024. We expect tourism in the Kingdom to continue to rise on the back of ongoing cultural, sports and entertainment events, including the Esports World Cup, WWE shows, FIFA World Cup, and season-based events. The government has a stated goal for the tourism sector which aims to increase the contribution to GDP from the existing 6.8% in 2024 to 10.0% by 2030f.

Influx of companies moving headquarters to Saudi Arabia: This demand driver can be broken down into two phases: in the first phase, an influx of employees (both local and expatriate) will require reliable transportation options, as around 600 international companies have established their regional headquarters in the Kingdom; and, in the second, on a recurring basis, more business travel will necessitate car rentals for meetings, conferences, and client engagements.

Government to prioritize leasing vehicles over purchasing: The government introduced a regulation (Cabinet Decree No. 545) in Feb 2025 regarding the purchasing and leasing of vehicles by government entities. The said regulation encourages government entities to prioritize leasing over purchasing. As the government is a significant stakeholder, we believe this regulation will boost demand for leased vehicles, positively impacting the listed car rental companies.

Population growth to drive demand: We believe that the sector will capitalize on the country's growing population, which increased at a 20-year CAGR of 2.4% from 2003-23. The KSA's population is expected to grow at a CAGR of 2.0% during 2025–30f, supported by its strong historical growth and an influx of expatriates seeking to capitalize on economic opportunities.

Inherent demand drivers are intact: The corporate sector's ongoing inclination for the leasing model stems from its flexibility, including lower capital requirements, a diverse selection of vehicles, and minimized risks tied to ownership. In contrast, younger individuals and expatriate communities typically favor rentals for their short-term needs instead of long-term ownership. In addition, the hot and humid climate combined with the convenience to travel flexibly should continue to sustain demand for the car rental sector.

Valuation: Despite the sector's high growth potential, the companies are trading at a discount compared to their historical average multiples. Budget is trading at a discount of 23.5% on a 2025e PER of 12.8x compared to its 1 year average forward PER. Theeb is trading at a PER of 13.7x, reflecting a discount of 16.5% versus its 1 year average forward PER. Additionally, Lumi is trading at a discount of 17.7% on a 2025e PER of 14.9x compared to its 1 year average forward PER. We have an Overweight rating on Budget, Theeb and Lumi with Dec-25e target prices of SAR 84.6/share, SAR 77.4/share and SAR 72.3/share, respectively.

Risk: The rise of ride-hailing apps along with the opening of the Riyadh Metro could negatively affect the demand for car rental companies. Fluctuations in tourism and business-related travel demand and global economic shifts can also impact demand.

INITIATION OF COVERAGE

SECTOR COVERAGE

	Bloomberg Code	Last Price (SAR)	Rating	Target Price (SAR)
Budget	BUDGET AB	69.2	Overweight	84.6
Theeb	THEEB AB	63.7	Overweight	77.4
Lumi	LUMI AB	57.4	Overweight	72.3

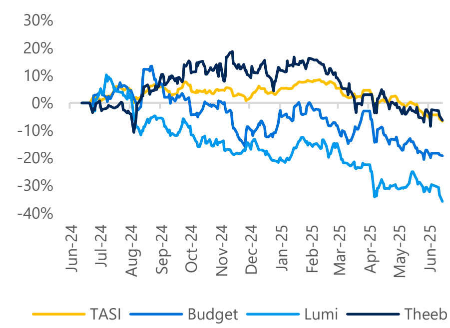
Last Price as of June 15th, 2025

VALUATIONS (2025e)

	PBV (x)	PER (x)	RoAE (%)	Div. Yld (%)
Budget	1.9	12.8	14.8	3.9
Theeb	2.9	13.7	22.7	3.6
Lumi	2.2	14.9	16.1	-

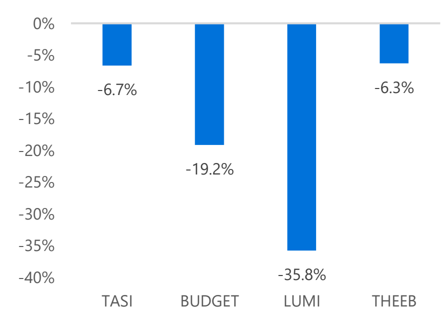
Source: Company Financials and anbc research

PRICE PERFORMANCE



Source: Bloomberg and anbc research

RELATIVE PERFORMANCE – CAR RENTAL (1Y)



Source: Bloomberg and anbc research

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Valuation Table

		Budget	Theeb	Lumi	Median
Last price (SAR)		69.2	63.7	57.4	
Rating		**Overweight**	**Overweight**	**Overweight**	
Target Price (SAR)		**84.6**	**77.4**	**72.3**	
Upside/Downside (%)		22.2%	21.5%	25.9%	
Dividend Yield (%)		3.9%	3.6%	-	
Total Return (%)		26.1%	25.1%	25.9%	
Growth (2019-24)	Revenue	89%	106%	388%	106%
	Gross profit	87%	89%	487%	89%
	Earnings	74%	57%	509%	74%
Growth (2024-29f)	Revenue	62%	52%	48%	52%
	Gross profit	44%	63%	55%	55%
	Earnings	138%	96%	173%	138%
EV/SALE (x)	2023	4.0	3.5	4.1	4.0
	2024	3.3	3.2	3.1	3.2
	2025e	2.8	3.0	2.8	2.8
	2026f	2.6	2.8	2.4	2.6
EV/EBITDA (x)	2023	8.6	7.2	9.0	8.6
	2024	8.0	6.8	6.9	6.9
	2025e	6.2	6.2	6.2	6.2
	2026f	5.7	5.8	5.2	5.7
PBV (x)	2023	2.6	3.8	3.1	3.1
	2024	1.9	3.3	2.6	2.6
	2025e	1.9	2.9	2.2	2.2
	2026f	1.7	2.6	1.9	1.9
PER (x)	2023	17.7	19.3	19.7	19.3
	2024	16.3	15.0	17.5	16.3
	2025e	12.8	13.7	14.9	13.7
	2026f	10.6	11.6	12.8	11.6
Dividend yield (%)	2023	2.9	2.6	-	2.7
	2024	2.1	3.3	-	2.7
	2025e	3.9	3.6	-	3.8
	2026f	4.8	4.2	-	4.5

Source: Company Financials and anbc research

Last price as of June 15th, 2025

Executive Summary

Expanding tourism to be a key catalyst for car rental companies: Saudi Arabia aims to attract 150 mn tourists by 2030f, driven by its growth and strong track record of achieving tourist targets ahead of schedule. To highlight, KSA set an initial target of 100 mn visitors by 2030f; however, the Kingdom achieved it 7 years ahead of the targeted year in 2023. We believe that the large influx of tourists will boost the demand for the services provided by car rental companies. We estimate that the total fleet size (including short term rental and long term leasing) will grow at a CAGR of 6.8% during 2024-30f to reach 464K units.

Growing population to drive demand for the sector: We project that Saudi Arabia's population will grow at a CAGR of 2.0% during 2024–30f. This growth rate is supported by the Kingdom's historical population CAGR of 2.4% during 2003-23, as well as the expected rise in the expatriate population as economic activity stays elevated in the country. This increase is expected to drive higher demand for rental and leased vehicles, creating opportunities for companies like Budget, Theeb, and lumi to benefit from the rising market needs.

Corporates to fuel lease market growth: In 2021, Saudi Arabia launched the Saudi Program for Attracting Regional Headquarters (RHQ) to incentivize and encourage multinational corporations to open their regional headquarters in the Kingdom's capital. As of end 2024, reportedly around 600 international companies' have opened their regional headquarters in the country. *(Source: SPA.)*

As corporates are inclined towards leasing vehicles for their employees, we believe the initiative to attract foreign offices will support demand in the lease segment of car rental companies. We project that the long-term leasing fleet size will grow at CAGR of 8.8% during 2024-30f.

KSA to attract expats to capitalize on expanding economic activity: Saudi Arabia aims to adopt a diversified economic model by reducing reliance on oil and increasing output from non-oil sectors such as tourism, entertainment, technology, and sustainable energy. The Kingdom plans to invest in critical sectors like technology, infrastructure, healthcare, and logistics to diversify its economy. This large investment will attract foreign business, making it an operational hub, while the surge in economic activity will attract expatriates, leading to heightened demand for car rental services.

Risks and Market Challenges: Key risks include increase in vehicle costs plus low resale value of vehicles, and increased competition from public transport infrastructure like the Riyadh Metro and increased usage of ride hailing apps, which could impact rental demand. Fluctuations in tourism levels and shifting global economic activity could also impact the sector. Effective fleet management and pricing strategies will be critical to navigating these challenges.

Budget (Overweight, Target Price: SAR 84.6/share): We believe Budget, with a market share of 18% post-acquisition of AutoWorld, is well positioned to capitalize on the growing population, expanding tourism, and the increasing preference among corporates for leasing vehicles rather than owning them. We project Budget's fleet size to grow at a CAGR of 7.8% during 2024–30f, reaching 84.2K vehicles by 2030f. Revenue is expected to reach SAR 3.5 bn, reflecting a CAGR of 9.9% over 2024-30f. We also estimate that Budget will realize an additional value of SAR 26.7 mn from vehicle purchase discounts synergy and SAR 50.3 mn from insurance cost savings during our forecast period. Budget is currently trading at a 2025e PER of 12.8x, translating into a 23.5% discount from its 1 year average of forward PER of 16.8x.

Theeb (Overweight, Target Price: SAR 77.4/share): We anticipate Theeb, with its presence in key regions of the Kingdom and a well-established workshop infrastructure, to be well positioned to capitalize on the growing short-term rental and long-term leasing markets. We project Theeb's fleet size to grow at a CAGR of 6.8% during 2024–30f, reaching 52K vehicles by 2030f. Revenue is expected to reach SAR 2.2 bn, reflecting a CAGR of 8.8% during 2024-30f. Theeb's strong used car sold (UCS) margins have positioned it as a stand out in the listed car rental space. The industry witnessed a sharp decline in UCS margin, where Lumi experienced the largest decline of 22.3 percentage points to -0.7% in 2024 followed by Budget with a decline of 9.9 percentage points to 7.4% in 2024. However, Theeb recorded a decline of 9.3 percentage points to 16.7% - the highest UCS margin in 2024. Theeb is currently trading at a 2025e PER of 13.7x, translating into a 16.5% discount from its 1 year average of forward PER of 16.4x.

Lumi (Overweight, Target Price: SAR 72.3/share): Lumi is well positioned to capitalize on the expanding car rental market through its focused strategy of fleet optimization, exclusive presence in NEOM, and an impressive purchase price recovery exceeding 70%—the highest among listed peers. Fleet optimization initiatives have driven a utilization rate of 80.6% in the short-term rental segment in 2024, rising to 84.9% in 4Q24. We project Lumi's fleet size to grow at a CAGR of 7.7% during 2024–30f, reaching 53k vehicles by 2030f. LUMI has led the fleet size during 2019-24, however, we expect the pace of fleet size to stabilize compared to its peers over 2025-30f. Revenue is expected to reach SAR 2.5 bn, reflecting a CAGR of 8.4% during 2024-30f. Lumi is currently trading at a 2025e PER of 14.7x, translating into a 17.7% discount from its 1 year average of forward PER of 18.1x.

Expansion of non-oil GDP and population growth to drive demand

Growth in LT leases fleet size to outpace growth in ST rentals

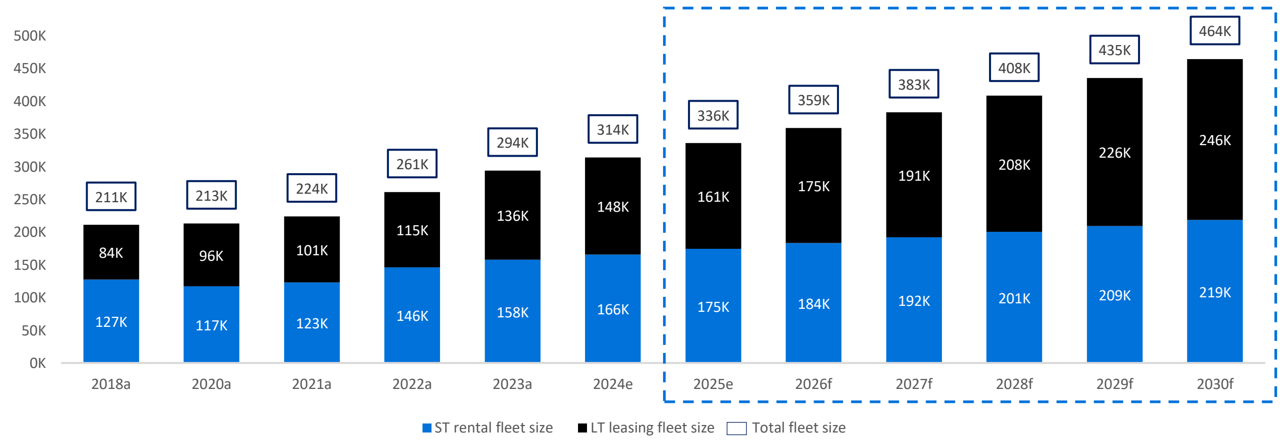
The total fleet size grew at a CAGR of 6.8% during 2018–23 (2024 data not available), reaching 294K vehicles, including 136K in long-term leasing and 158K in short-term rentals. We expect the increase in the long-term leasing fleet size to exceed the growth of the short-term rental fleet during our forecasted period of 2024-30.

The long-term (LT) leases experienced a notable growth of 10.2% in fleet size during 2018–23. Our analysis shows that the LT car rental market growth is positively correlated with Saudi Arabia's population growth. We project that the long-term leasing fleet size will reach 245,900 units by 2030f, registering a CAGR of 8.8% during our forecast period.

The fleet size of short-term (ST) rentals recorded a 5-year CAGR of 4.4% during 2018–23. Non-oil GDP growth has a strong positive correlation with ST rentals growth. We expect the fast-changing economic landscape which is increasingly welcoming visitors to Saudi, especially from the corporate side to be incorporated through the increase in non-oil GDP growth rate. ST rental fleet size is expected to grow at a CAGR of 4.8% during 2024-30f.

Notably, our projected CAGR of 4.8% for the short-term (ST) rental fleet is higher than the actual historical CAGR of 4.4% during 2018-23, exceeding the historical growth of the ST car rental market. The upward revision is driven by the correlated factor—non-oil GDP growth—which is expected to outpace its historical growth, thereby contributing to a higher ST rental fleet size.

***Chart 1: Total fleet grew at CAGR of 6.8% during 2018-23**



Source: AutoWorld prospectus and anbc research

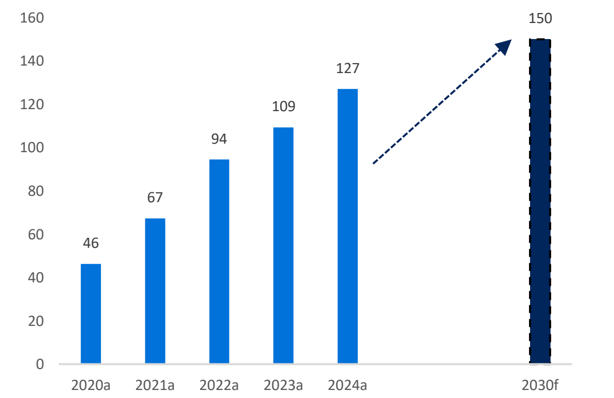
**2019 and 2024 data are not available. We have used estimated numbers for 2024*

Tourism: A key demand driver for short term rental segment

Saudi Arabia aims to attract 150 mn visitors by 2030f

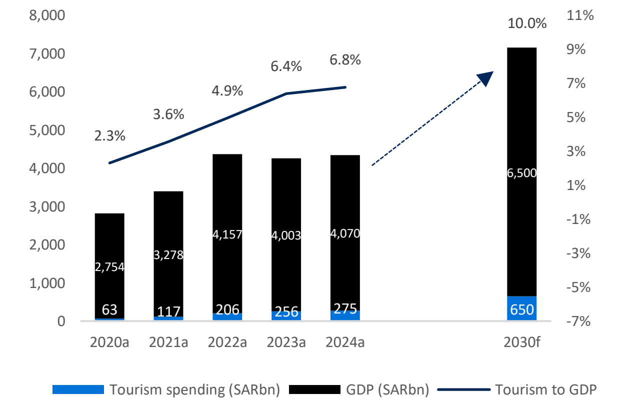
Tourism is one of the most integral sectors under Vision-2030, as the KSA aims to reach 150 mn tourists by 2030f after achieving the previous target of 100 mn tourists 7 years ahead of schedule. To unlock the potential of the non-oil sector, the Kingdom has increased its focus on the tourism industry, which has proven to be beneficial for the government as the number of tourists swelled by 2.7x to 127 mn in 2024 (Click here for news) compared to 46.3 mn in 2020. This robust growth in visitors surged the country's tourism spending by 4.4x to SAR 275 bn in 2024 compared to SAR 63 bn in 2020. Given the current tourism growth, we believe that the set target of 150 mn is achievable. The contribution of tourism to the country's GDP has increased from 2.3% in 2020 to 6.8% in 2024. The government aims to boost the sector's contribution to 10% of GDP by 2030f.

Chart 2: KSA to achieve the target of 150 mn visitors



Source: Ministry of Tourism and anbc research

Chart 3: Tourism contribution to GDP is on the rise

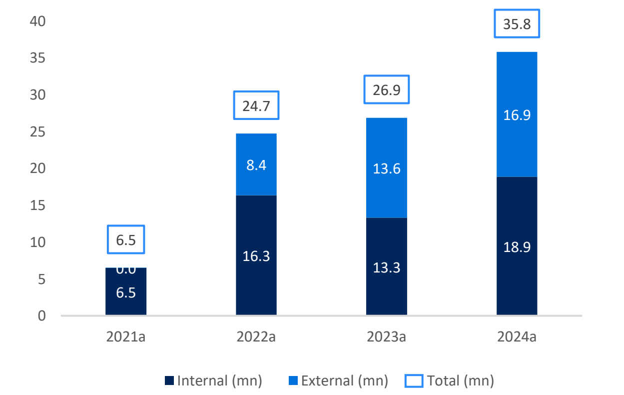


Source: GSTAT, Ministry of Tourism, and anbc research

KSA plans to boost international pilgrims to 30 mn by 2030f

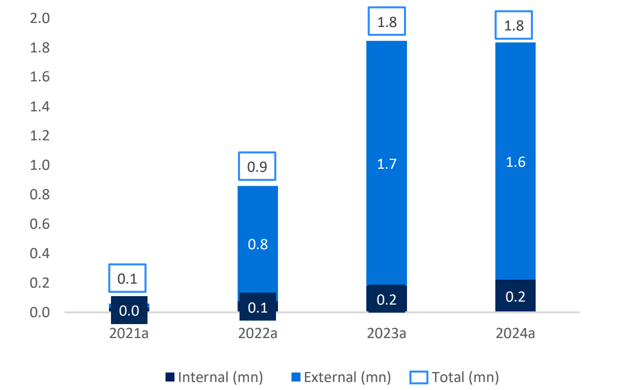
Saudi Arabia aims to increase external pilgrims to 30 mn by 2030f, up from 18.5 mn in 2024. To this end, the government has taken several important measures, such as simplifying the visa procedures by introducing visa-on-arrival for pilgrims who are residents of the EU, USA, and UK. Additionally, the officials plan to add 320,000 hotel rooms by 2030, with more than half located in the holy cities of Mecca and Medina. To facilitate pilgrims, KSA renovated the King Abdulaziz Airport to enhance its passenger capacity to 30 mn per year by the end of 2026, including a dedicated terminal for Hajj pilgrims. Moreover, the government plans to build four new metro lines to serve the holy sites in Mecca. These measures will help increase the influx of external pilgrims, thereby boosting the demand for car rental services for ferrying pilgrims around the holy cities and religious tourism spots.

Chart 4: Umrah pilgrims (mn)



Source: GSTAT, anbc research

Chart 5: Hajj pilgrims (mn)



Source: GSTAT, anbc research

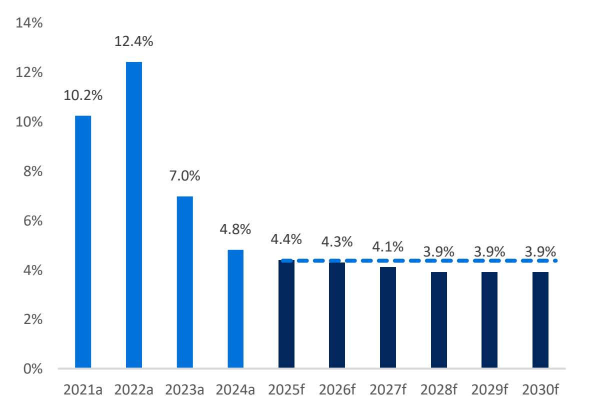
Saudi Arabia hosted 37.6 mn pilgrims (106.5% of total KSA's estimated population in 2024) for Umrah and Hajj, with 18.5 mn external pilgrims. Initially, the government aimed to increase external pilgrims to 15 mn by 2025e, a target it successfully achieved two years ahead of 2023, and 30 mn by 2030f. In 2024, KSA achieved 62% of this target, implying the current variance versus target is 11.5 mn visitors.

Macroeconomic Drivers Supporting Growth

Under Vision-2030, Saudi Arabia is undergoing a transformation, where the country aims to achieve diversification and reduce its reliance on oil. One of the key aspects of Vision-2030 is the economic diversification, where the Kingdom plans to invest in non-oil sectors such as tourism, technology, and renewable energy. Another key feature of this initiative is social development, which includes spending on education, healthcare, and culture. Additionally, the government plans to transform the country into a global transportation and trade hub in the region. Moreover, Vision-2030 aims to attract foreign investment in KSA, which will further boost the country's economy.

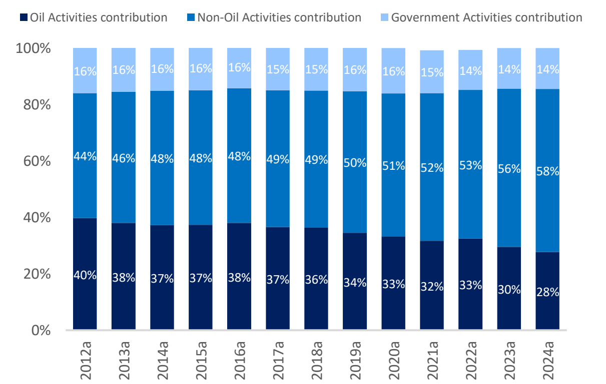
Following government initiatives, KSA has experienced an increase in non-oil real GDP growth and the non-oil GDP contribution to total gross value increased to 57.8% in 2024 compared to 44.2% in 2012. We project that KSA's non-oil real GDP will increase by an average of 4.1% during 2025-30f.

Chart 6: Non-oil GDP to avg 4.1% during 2025-30f



Source: GSTAT, IMF and anbc research

Chart 7: Non-oil contribution to GDP*



Source: GSTAT and anbc research

** Excluding net taxes*

The Shift toward Digital and Sustainable Mobility

Budget has developed a comprehensive mobile application that allows users to browse a wide range of vehicles, select the nearest location from 111 branches, and book cars in just a few simple steps. The app also facilitates instant booking confirmations and offers features such as loyalty program enrollment and 24/7 roadside assistance.

Theeb has introduced a mobile application that enables electronic reservations across its network of branches, electronic payments, and access to customer information such as invoices, contracts, reservations, and membership points. The app aims to improve and expedite the implementation of electronic services, enhancing overall customer satisfaction.

Lumi offers an omnichannel platform that includes a mobile application, website, and WhatsApp integration, providing customers with seamless online and branch booking experiences. The company emphasizes speedy bookings, easy payments, and hassle-free pick-up and drop-off processes. In late 2023, Lumi signed a five-year SAR 28 mn contract with MachinesTalk, a leading IT solutions provider in the region. This allowed Lumi to incorporate and integrate technologies such as Internet of Things (IoT) and Artificial Intelligence to bolster operational efficiency within their network.

These digital advancements align with Saudi Arabia's Vision-2030 objectives, aiming to modernize the transportation sector and improve customer experiences through technological innovation. By embracing digital solutions, these companies not only enhance service delivery but also position themselves competitively in a rapidly evolving market landscape.

Key Stakeholders Driving Growth and Innovation

Saudi Arabia's car rental sector is undergoing a period of transformation, supported by economic diversification, technological development, and changing consumer mobility needs. At the center of this evolution are three main stakeholder groups that are shaping the industry's growth path.

Government and Regulatory Authorities: The Ministry of Transport and Logistics Services (MOTLS) provides strategic oversight and policy direction for the transport sector, while the Transport General Authority (TGA) is responsible for regulatory compliance, fleet licensing, and consumer protection. Together, their initiatives support sustainability, digital mobility integration, and fleet electrification in alignment with the transportation goals of Vision 2030.

Car Rental Companies and Fleet Operators: Leading players such as Budget, Theeb, and Lumi continue to dominate the market by offering a range of short-term rentals, long-term corporate leasing, and fleet management services. These companies serve a broad customer base that includes tourists, business travelers, expatriates, and corporate clients, while strategically managing fleet renewal through the sale of used vehicles.

Customers and Business Clients: There is growing demand for flexible and on-demand mobility solutions among government organizations, corporate clients, expatriates, and ride-hailing providers. As Saudi Arabia remains focused on attracting international tourists and increasing corporate investments, demand for rental and leasing services over traditional vehicle ownership is gaining momentum.

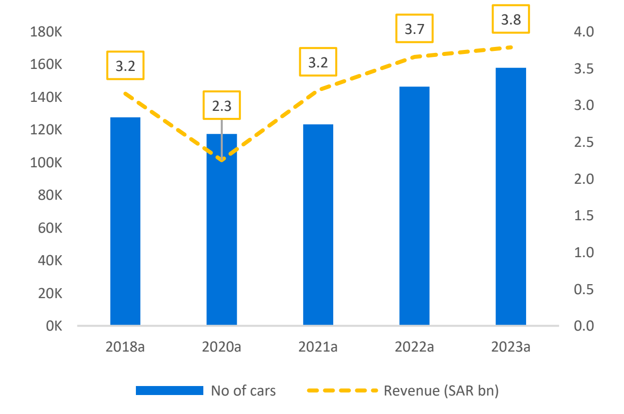
Market Data

Table 1: Transport General Authority (TGA) Fleet Licensing

No. of licensed companies	Car rental contracts	Rental offices
750	12 mn	3,000

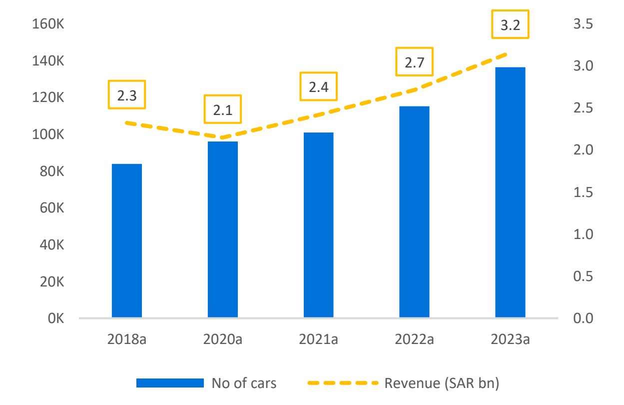
Source: TGA and anbc research

***Chart 8: ST rental market size - KSA**



Source: AutoWorld prospectus and anbc research
**2024 data is not available*

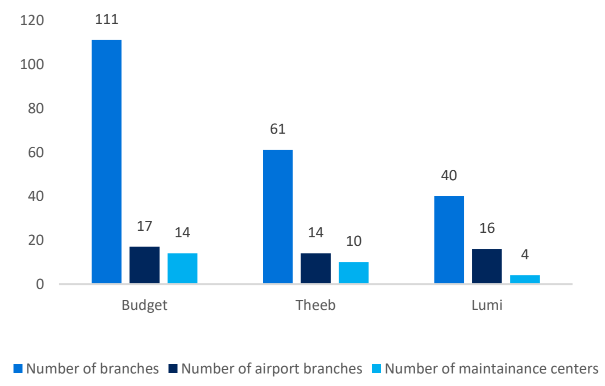
***Chart 9: LT lease market size - KSA**



Source: AutoWorld prospectus and anbc research
**2024 data is not available*

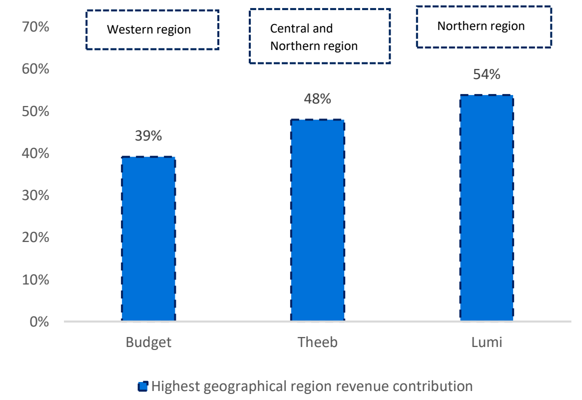
Comparative Analysis in Charts

Chart 10: Budget has the highest no. of branches



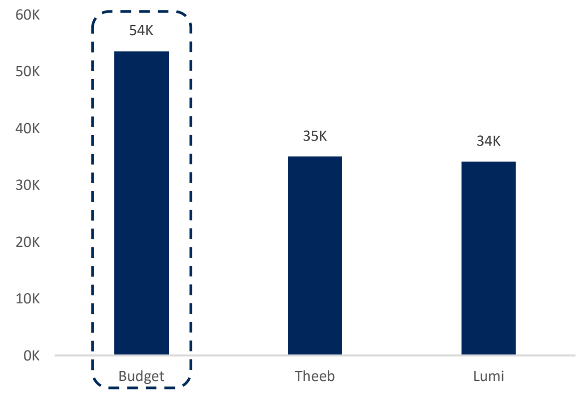
Source: Company Financials and anbc research

Chart 11: Geographical presence – 2024



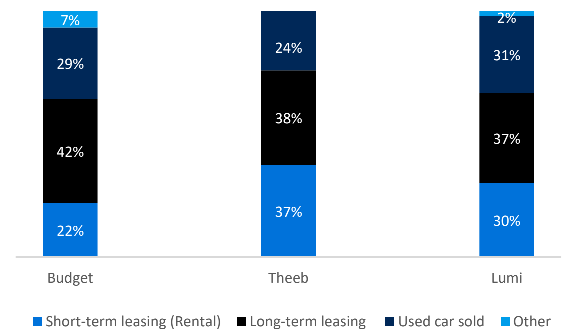
Source: Company Financials and anbc research

Chart 12: Budget leads in fleet size - vehicles



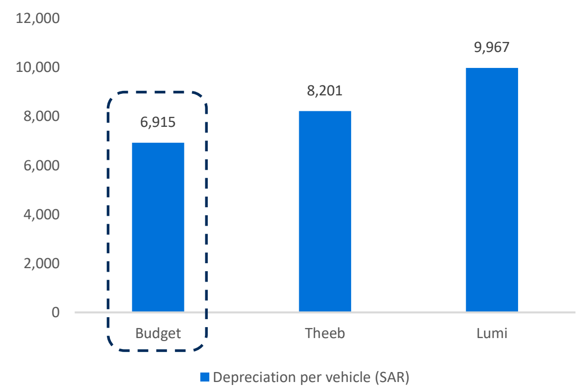
Source: Company Financials and anbc research

Chart 13: Segment-wise revenue contribution – 2024



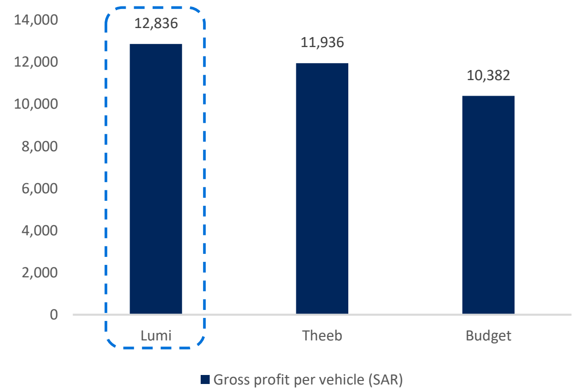
Source: Company Financials and anbc research

Chart 14: Budget recorded lowest dep/vehicle - 2024



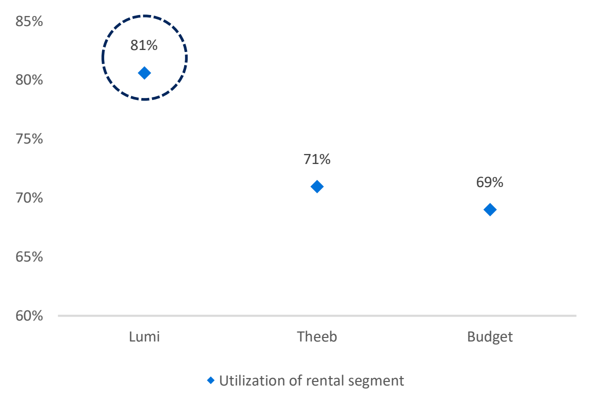
Source: Company Financials and anbc research

Chart 15: Gross profit per vehicle - 2024



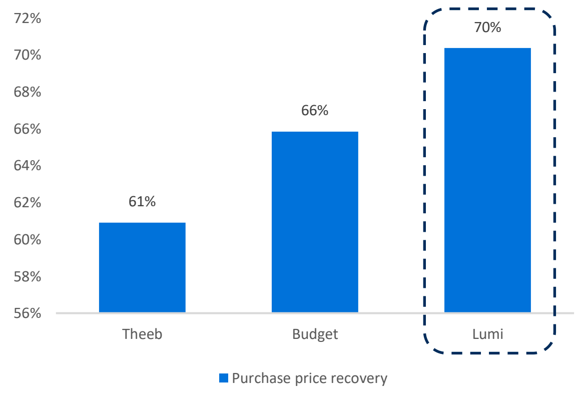
Source: Company Financials and anbc research

Chart 16: Utilization – ST rentals (2024)



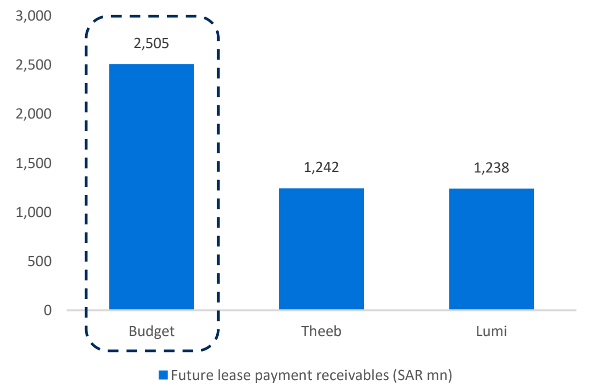
Source: Company Financials and anbc research

Chart 17: Purchase price recovery - 2024



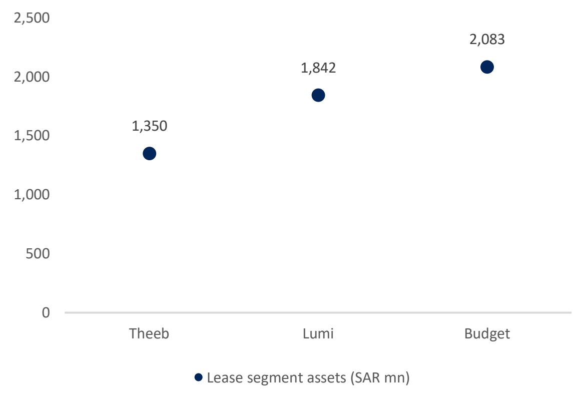
Source: Company Financials and anbc research

Chart 18: Future lease receivables - 2024



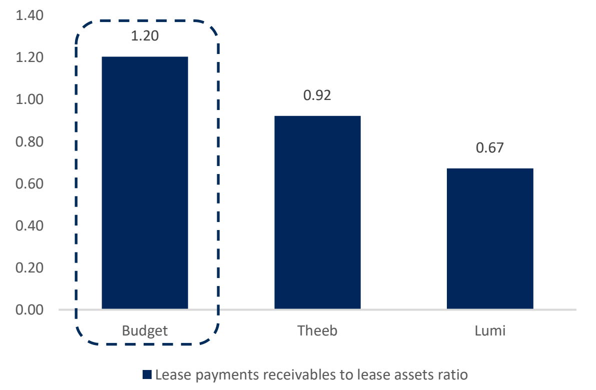
Source: Company Financials and anbc research

Chart 19: Lease segment assets - 2024



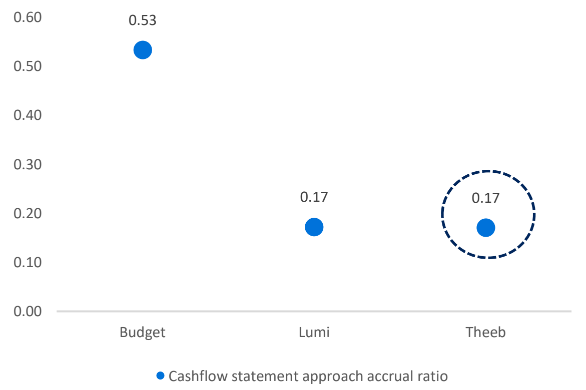
Source: Company Financials and anbc research

Chart 20: Lease receivables / lease asset ratio - 2024



Source: Company Financials and anbc research

*Chart 21: Earnings quality - 2024



Source: Company Financials and anbc research

**Cashflow accrual ratio = (PAT-CFO-CFI)/Average net operating assets*

Key Risks

Rising popularity of public transport and ride hailing services: The transport sector is undergoing continuous development and structural shifts, with projects like the Riyadh Metro, and emerging transportation models such as ride-hailing apps (Uber, Careem) and self-driving vehicles (TGA revealed that self-driving taxi project will be launched in Riyadh soon, (click here for news) potentially impacting demand for short-term car rentals and altering customer preferences.

Increase in competition and threat to market share: Intense competition could lead to price reductions, lower margins, higher promotional spending, and increased pressure to offer superior vehicles. If unable to meet these challenges, Budget may face negative impacts on their business, financial performance, and future growth.

Changes in regulatory compliance: The car rental sector in KSA is governed by various regulations that may impact the operations and costs of all car rental listed companies. Non-compliance or changes in licensing requirements could lead to fines, reputational damage, and reduced competitiveness.

Lower utilization in the short-term rental segment: Our model assumes a utilization rate in line with performance in 2024. However, any decline in utilization would materially impact segment revenues and, in turn, profitability.

Used car resale value: The growing presence of Chinese vehicles further depresses resale values; the actual recovery rate could fall short of our assumptions. This would reduce proceeds from used car sales and negatively affect overall profitability.

Lower than expected realization of synergies: This risk is specific to Budget. We expect the synergy to improve the overall margins following the acquisition of AutoWorld; however, lower-than-expected realization of synergies would impact the profitability of the company.

INITIATION OF COVERAGE

United International Transportation Co. (Budget Saudi)

June 16, 2025

We initiate coverage on Budget with a target price of SAR 84.6/share and an 'Overweight' rating. Budget, being the largest player in the industry with 18% of market share after acquiring AutoWorld, is expected to capitalize on the growing car rental market. We project the Budget's fleet size to grow at a CAGR of 7.8% during 2024-30f, reaching 84.2K by 2030f. Revenue is expected to increase to SAR 3.5 bn by 2030f, reflecting a CAGR of 9.9% during 2024-30f. We expect gross margin to improve in 2025e, reaching 32.4% compared to 28.2% in 2024 due to synergies arising on the back of the AW acquisition. We believe the acquisition will reduce insurance and fixed cost per vehicle, supported by central departments and branches. These developments will improve the gross earnings. We forecast net earnings to increase by a CAGR of 17.0% compared to a 5-year CAGR of 11.8% during 2019-24.

AutoWorld's acquisition boosts fleet size and market share: Budget acquired AutoWorld in August 2024 with a fleet size of around 16k vehicles; however, by the end of 2024, the company had 13,304 vehicles. Budget's fleet size increased by 47% YoY in 2024 mainly due to AutoWorld's acquisition and organic growth of 3,989 vehicles. We believe that Budget will capitalize on synergies post-acquisition from optimized procurement, consolidated administrative functions, insurance cost savings, and debt refinancing at a lower rate.

Larger fleet to drive procurement discounts: We believe that a 47% YoY increase in the fleet size in 2024 will provide Budget with great negotiation leverage for the procurement of vehicles, spare parts, and oil. This will increase rebates and reimbursement from the vendor. AutoWorld received a 1.0% discount on the vehicle purchases in 2022, lower than the average rebate of 3-5%. We believe that following the acquisition of Autoworld, Budget will get higher discount due to its large procurement size.

Lower insurance cost per vehicle to add value of SAR 50 mn: AutoWorld had the highest insurance cost of SAR 2,513/vehicle in 2023 compared to other three listed players. Budget, in contrast, had the lowest insurance cost of SAR 986/vehicle in the same year. Cumulatively, this should lower the incidence of insurance per vehicle translating into a savings of SAR 50 mn over 2025-30f.

AutoWorld's profitability improves post-acquisition: The acquisition materialized in Aug-24, with Budget consolidating the 5-months of AutoWorld's financials. Post-acquisition, AutoWorld recorded a revenue of SAR 249 mn and a net income of SAR 37 mn during Aug-24 to Dec-24 compared to a revenue and a net income of SAR 369 mn and SAR 11 mn during the first seven months (Jan-24 to July-24) pre-acquisition, indicating strong improvement in both revenue and bottom line after the transaction.

Receivable days expected to improve: The trade receivable turnover decreased from 4.8x in 2023 to 3.2x in 2024, resulting in 113 days' worth of sales outstanding compared to 76 days in 2023. This is mainly driven by delay in lease receivables by AutoWorld's customers. We believe that DSO will remain under pressure in 2025e and 2026f, with improvements expected from 2027f onwards as new contracts with favorable payment terms become a major portion of receivables.

Risks: The key downside risk for Budget is an increase in competition, which can decrease the pricing and negatively impact the earnings. Additionally, public transportation and the rise of ride-hailing platforms pose a major threat to Budget's services. Lower than expected realization of synergies is risk to aur investment thesis.

RATING SUMMARY — **Overweight**

Target Price (SAR)	84.6
Upside/Downside	22%
Div. Yield (%)	4%
Total Exp. Return	26%

Source: Company Financials and anbc research

ISSUER INFORMATION

Bloomberg Code	BUDGET AB
Last Price (SAR)	69.2
No of Shares (mn)	78
Market Cap bn (SAR/USD)	5.4/1.4
52-week High / Low (SAR)	98.6/65.3
12-month ADTV (mn) (SAR/USD)	19.0/5.1
Free Float (%)	95%
Foreign Holdings (%)	18%

Last price as of June 15th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	4.3	5.4	6.5	7.4
PER (x)	16.3	12.8	10.6	9.4
PBV (x)	1.9	1.9	1.7	1.6
DPS (SAR)	1.5	2.7	3.3	3.7
D. Yld. (%)	2.1	3.9	4.8	5.3
RoAE (%)	13.4	14.8	16.6	17.3
RoAA (%)	7.8	8.3	9.7	10.5

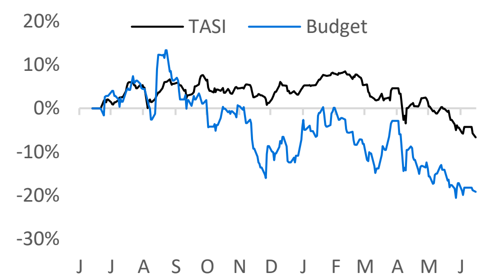
Source: Company Financials and anbc research

FINANCIALS (SAR MN)

	2024a	2025e	2026f	2027f
Revenue	1,971	2,325	2,501	2,681
Gross Pro.	556	753	851	937
EBITDA	817	1,046	1,143	1,240
Net Inc.	312	422	510	578
EPS	4.3	5.4	6.5	7.4
DPS	1.45	2.7	3.3	3.7

Source: Company Financials and anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg and anbc research

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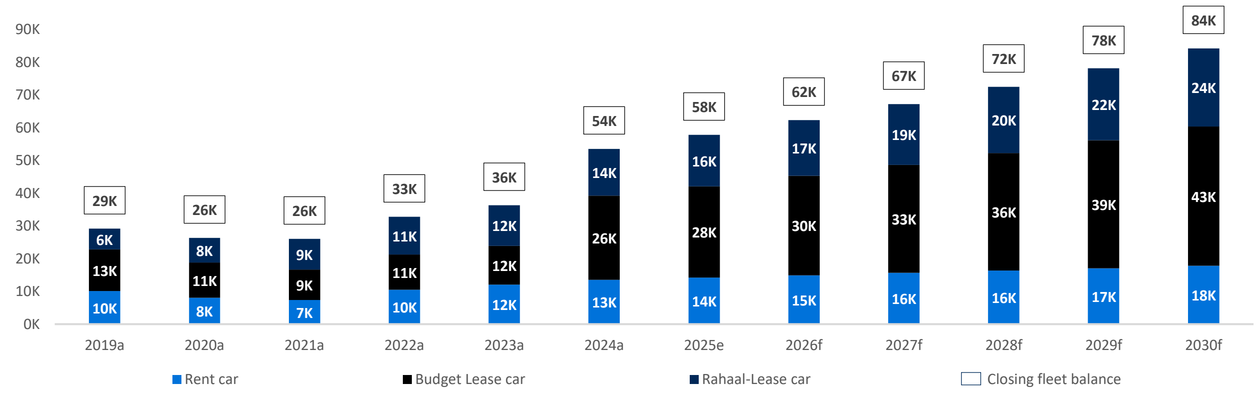
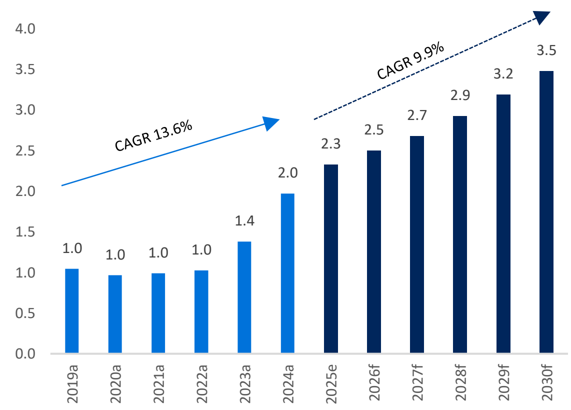
Investment Thesis

Chart 22: Budget fleet size to record CAGR of 7.8% during 2024-30f



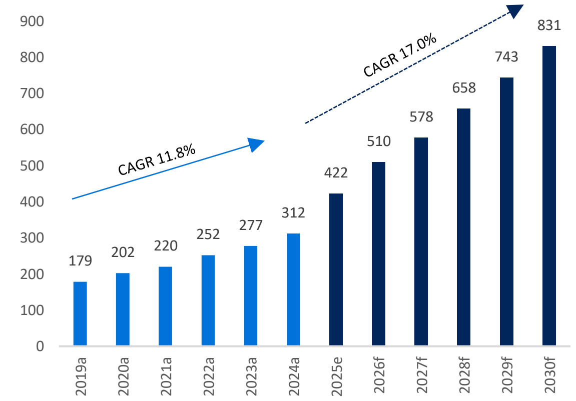
Source: Company Financials and anbc research

Chart 23: Revenue trajectory – SAR bn



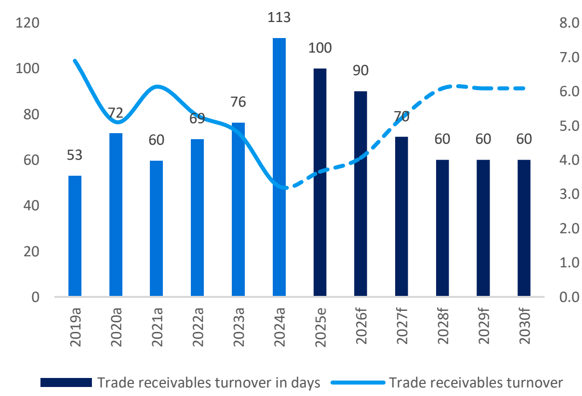
Source: Company Financials and anbc research

Chart 24: Net profit trajectory – SAR mn



Source: Company Financials and anbc research

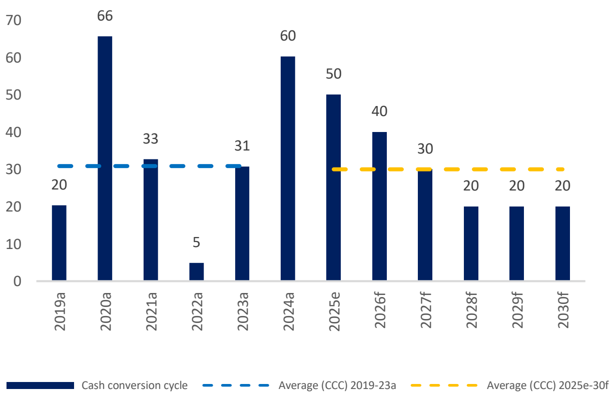
*Chart 25: We expect DSO to improve 2027f onwards



Source: Company Financials and anbc research

**DSO: Days sales outstanding*

Chart 26: Cash conversion cycle



Source: Company Financials and anbc research

Driving growth through strategic acquisitions in 2024

In August 2024, Budget completed the acquisition of AutoWorld—after receiving approval from regulatory bodies—by issuing 7.0 mn shares in exchange for 0.3 mn shares (representing 100% of AutoWorld's outstanding shares). This consideration of SAR 624.4 mn against net assets of SAR 575.0 mn resulted in the goodwill of SAR 49.4 mn.

Since the acquisition, the company reported revenue of SAR 249 mn and a net income of SAR 37 mn during August 2024 to December 2024, translating to a net profit margin of 15.0%, compared to a margin of 3.1% during Jan-24 to July-24, when the company recorded net sales of SAR 369 mn and earnings of SAR 11 mn. The improvement in margin indicates that synergies have started to materialize.

Table 2: Goodwill

AutoWorld	31st July 2024 (SAR mn)
Total assets	1,495
Total liabilities	920
Net assets	**575**
Purchase consideration	624
Goodwill	**49**

Source: Company Financials and anbc research

Table 3: Net profit margin

AutoWorld	Aug-24 to Dec-24	Jan-24 to July-24
Revenue (SAR mn)	249	369
Net profit (SAR mn)	37	11
Net profit margin	**15.0%**	**3.1%**

Source: Company Financials and anbc research

On 4 April 2024, Aljozoor Alrasekha Trucking Co. (Rahaal), a subsidiary of Budget, entered into a Share Purchase Agreement (SPA) with the selling shareholder to acquire 70% equity interest in Overseas Development LLC, a UAE-based logistics company. The target company offers a wide range of services, including air and sea cargo, heavy truck transport, customs brokerage, cold storage, cargo packaging, warehousing, and loading/unloading operations.

The total purchase consideration amounted to SAR 8.0 mn, which is to be paid in cash. The transaction was completed on 25 December 2024, while the fair value assessment of the acquired assets and assumed liabilities was finalized as of 31 December 2024. During the year, Overseas Development LLC reported revenue of SAR 45.0 mn and a net income from continuing operations of SAR 6.9 mn.

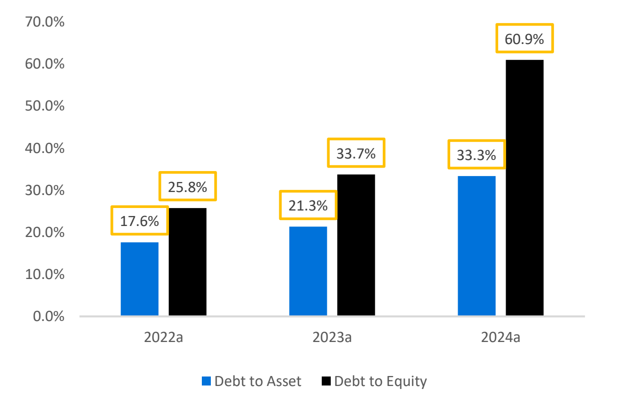
Table 4: Overseas Development

Particular	31st December 2024 (SAR mn)
Total assets	28.2
Total liabilities	14.9
Net assets	**13.4**
Purchase consideration at 70%	8.0
Bargain purchase gain	**1.4**

Source: Company Financials and anbc research

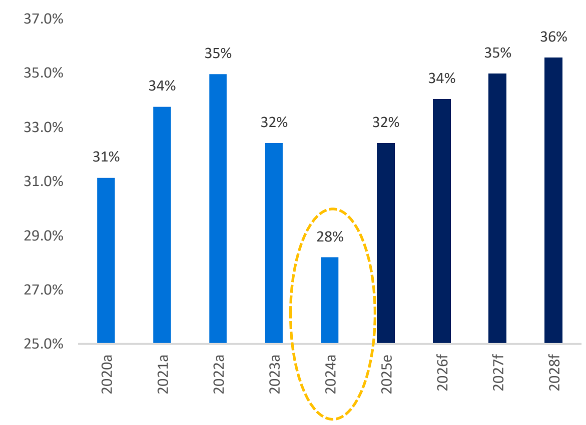
Following the acquisition in 2024, the company witnessed a change in its capital structure and margins. Budget's equity-to-asset ratio decreased from 63% in 2023 to 55% in 2024. Total assets increased by 66% YoY in 2024. The expansion in balance sheet is driven by the transfer of assets and liabilities from AutoWorld and Overseas Development LLC. On the income statement side, Budget's gross margin declined by 420bps YoY to 28.2% in 2024, due to a change in the cost re-classification. Going forward, we expect the gross margins to progressively improve as the impact of synergies kick in. This should gradually improve the gross margins to 36% by 2028f.

Chart 27: Debt-to-asset and debt-to-equity ratios



Source: Company Financials and anbc research

Chart 28: Gross profit margin



Source: Company Financials and anbc research

Budget emerges as the biggest player in the listed sector

The acquisition of AutoWorld has increased the total fleet size of Budget by 33% to 54k vehicles in 2024, making it a market leader in the car rental sector. The expansion in terms of touchpoints should allow Budget to improve its customer reach and simultaneously also allow the company to procure vehicles and spare parts at a better discount. To highlight, AutoWorld gets a 1.0% discount on vehicle purchase, which is lower than the industry average of 3-5%. Mobilizing a discount at the lower end of this range i.e. 3% (excluding discounts on spare parts), should translate in total savings of SAR 26.7 mn for AutoWorld over 2025-30f, translating into annual savings of SAR 4.5-6.6 mn during 2025-30f.

Table 5: Vehicle procurement discount impact

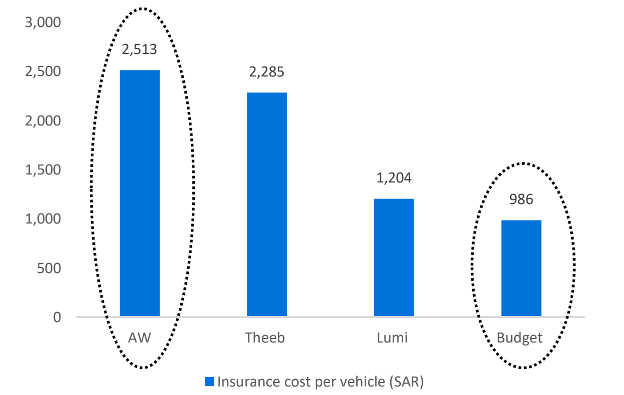
Particular	2025e	2026f	2027f	2028f	2029f	2030f
AutoWorld's vehicle capex (SAR mn)	226	244	264	285	308	332
Expected purchase vehicles by AutoWorld	3,326	3,592	3,879	4,190	4,525	4,887
Discount of 2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Expected discount/rebate (SAR mn)	4.5	4.9	5.3	5.7	6.2	6.6
Discount factor	1.00	0.92	0.85	0.78	0.71	0.66
PV of expected saving (SAR mn)	4.52	4.49	4.46	4.43	4.40	4.37
Total value addition (SAR mn)	**26.7**					

Source: Company Financials and anbc research

Synergies from lower insurance costs expected at SAR 50.3 mn

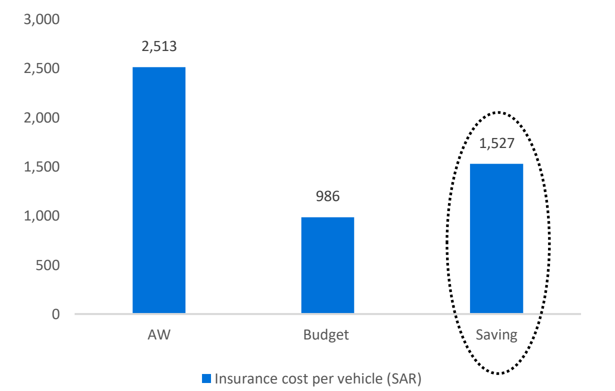
We expect a convergence to take place in the insurance cost per vehicle between AutoWorld and Budget. To capture the standalone nature (pre-dilution), we have made an assessment based on the 2023 financials for budget when it incurred the lowest insurance cost per vehicle (~SAR 986 per vehicle) among listed players whereas we have extrapolated the 9M 23 financials to annualize the insurance cost for AutoWorld which seems to be on the other end of the spectrum, incurring the highest insurance cost per vehicle of SAR 2,513 per vehicle. The convergence between both the figures should lower the insurance cost for Autoworld to SAR 1,527 per vehicle and lead to a PV of total savings (from lower insurance cost) to SAR 50.3 mn over 2025-30f.

Chart 29: Insurance cost per vehicle (SAR)



Source: Company Financials and anbc research

Chart 30: Convergence in ins. cost/ vehicle expected



Source: Company Financials and anbc research

Table 6: AW lower insurance cost impact

Particular	2025e	2026f	2027f	2028f	2029f	2030f
Insurance cost saving (SAR)	1,527	1,527	1,527	1,527	1,527	1,527
Expected purchase vehicles by AutoWorld	3,326	3,592	3,879	4,190	4,525	4,887
Existing fleet size (2024)	13,304					
Expected Saving (SAR mn)	25	5	6	6	7	7
Discount factor	1.00	0.92	0.84	0.77	0.71	0.65
PV of saving (SAR mn)	25.4	5.0	5.0	4.9	4.9	4.9
Total value addition (SAR mn)	**50.3**					

Source: Company Financials and anbc research

Valuation

Our valuation of Budget is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 84.6/sh. This target price suggests an upside potential of 22.2%, in addition to a dividend yield of 3.9%, resulting in a total expected return of 26.1%. We have an 'Overweight' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 10.3%, assuming the risk-free rate of 4.96%, a beta of 1.0 (source: Bloomberg), and a risk premium of 5.13%. The cost of debt is calculated by dividing the loan finance cost to total debt, we arrive at 7.2% for the cost of debt. To calculate the weighted average cost of capital, we have calculated the weight of equity/debt at 55/45% and assumed a terminal growth rate of 3.0%. This translates into a value of SAR 84.6/sh. The sum of the present value of FCFF amounted to SAR 1.8 bn, while the present value of the terminal value totaled SAR 6.4 bn. After subtracting the net debt of SAR1.6 bn, we have calculated the equity value of SAR 6.6 bn till Dec-2025e.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	393	441	472	450	508	9,832
Discount factor	x	0.92	0.84	0.78	0.71	0.66	0.66
PV of FCFF	SAR mn	361	372	366	321	333	6,442

Sum of FCFF	SAR mn	1,753
PV of terminal value	SAR mn	6,442
Net debt	SAR mn	1,583
Equity value	SAR mn	6,611
Number of shares	mn	78
Target price	**SAR**	**84.58**
Current price	SAR	69.2

Earnings Sensitivity:

		WACC				
		6.8%	7.8%	8.8%	9.8%	10.8%
Growth rate	2.0%	103.88	82.02	66.63	55.22	46.43
	2.5%	116.22	89.97	72.12	59.20	49.41
	3.0%	147.69	108.89	84.58	67.93	55.80
	3.5%	152.26	111.49	86.23	69.05	56.61
	4.0%	180.08	126.54	95.51	75.26	61.01

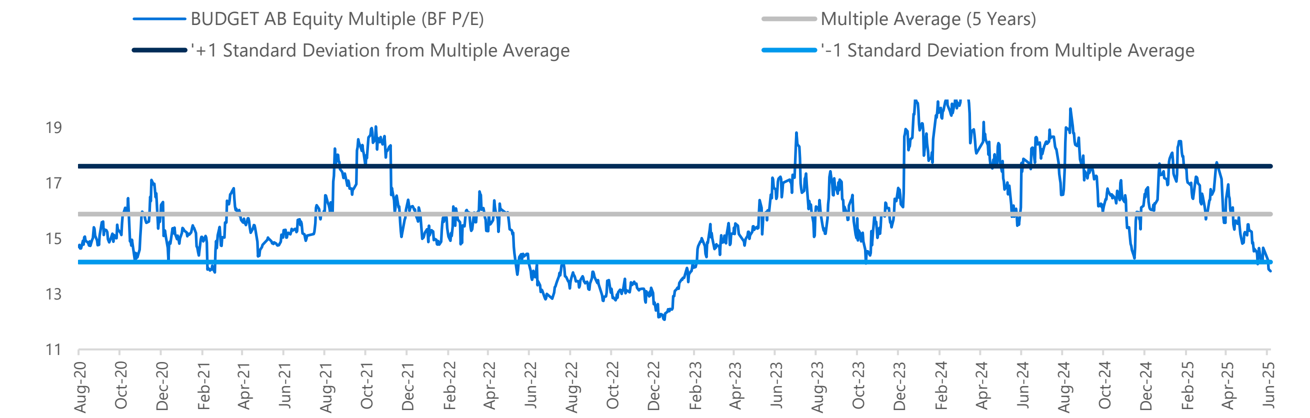
Source: Company Financials and anbc research

Table 7: Bloomberg consensus (Budget Relative Valuation vs. Self)

	Current vs. 5Y Average Historical Multiple				Implied @ Hist. Avg.	
Metric	**Current(x)**	**Hist Avg(x)**	**Diff (%)**	**# SD**	**Hist Avg(x)**	**Price (SAR)**
BF P/E	13.8	15.9	-12.9	-1.2	15.9	79.5
BF EV/EBITDA	6.5	6.2	5.5	0.2	6.2	64.5
BF EV/EBIT	14.1	15.1	-6.8	-0.6	15.1	75.8
BF EV/Rev	2.8	3.3	-15.7	-0.8	3.3	85.9

Source: Bloomberg and anbc research
Last price as of June 15th, 2025

Chart 31: Blended Forward P/E



Source: Bloomberg and anbc research
Last price as of June 15th, 2025

Company Overview

Table 8: Key Shareholders

Shareholder	(%)
First Qima Investment Fund	5.73%
SEDCO Holding	5.00%

Source: Tadawul and anbc research
As of June 15th, 2025

Table 9: Foreign ownership - Budget Saudi (TASI)

Foreign ownership	Maximum Limit	Actual
	49.00%	17.56%

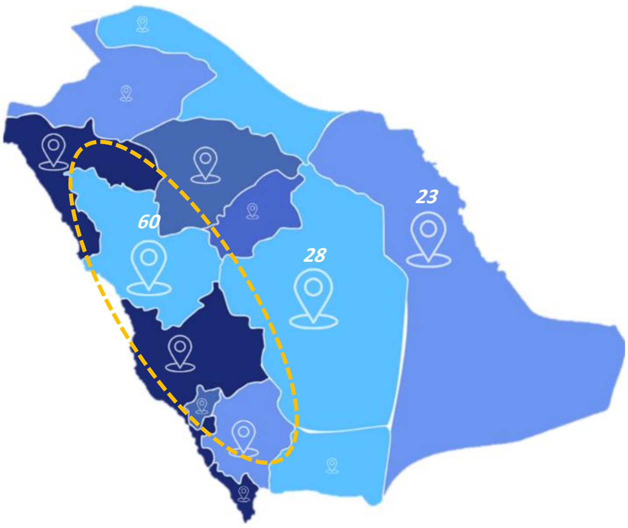
Source: Tadawul and anbc research
As of June 15th, 2025

Table 10: Subsidiary Information

Company	Percentage Of Property	Main Business
Aljozoor Alrasekha Transportation Company Ltd.	100%	Operating in leasing trucks and vans. Transporting goods and operating in warehousing and stores.

Source: Tadawul and anbc research

Chart 31: Geographic Presence



Budget maintains a robust nationwide presence with a total of 111 branches across Saudi Arabia. The Western and Southern regions represent the company's primary area of operation, hosting **60** branches. The Central Region follows with 28 locations, while the Eastern and Northern regions collectively account for 23 branches. This regional distribution highlights Budget's strategic focus on high-demand urban and touristic zones, particularly in the western corridor.

Source: Company Financials and anbc research

Financial Summary

Income statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Revenue	SAR mn	1,971	2,325	2,501	2,681	2,922	3,186	3,477
Cost of Revenue	SAR mn	1,415	1,572	1,650	1,743	1,883	2,035	2,201
Gross Profit	**SAR mn**	**556**	**753**	**851**	**937**	**1,039**	**1,151**	**1,275**
Operating Expenses	SAR mn	220	246	270	296	325	357	392
Operating Profit	SAR mn	336	508	581	641	714	795	884
Other Income	SAR mn	57	19	22	25	27	28	31
Finance Cost	SAR mn	72	90	76	68	60	54	54
Profit Before Tax	**SAR mn**	**323**	**437**	**528**	**598**	**681**	**769**	**860**
Zakat Tax	SAR mn	11	15	18	20	23	26	29
PAT	**SAR mn**	**312**	**422**	**510**	**578**	**658**	**743**	**831**
Number of Share	mn	73	78	78	78	78	78	78
EPS	SAR	4.25	5.40	6.52	7.39	8.42	9.51	10.63

Balance Sheet								
Property and equipment	SAR mn	3,766	3,904	4,113	4,378	4,661	4,969	5,303
Right to use asset	SAR mn	247	226	231	230	230	230	230
Intangible assets	SAR mn	115	130	131	132	133	134	135
Financial assets FV through OCI	SAR mn	15	15	15	15	15	15	15
Total non-current assets	**SAR mn**	**4,142**	**4,275**	**4,490**	**4,754**	**5,039**	**5,348**	**5,683**
Inventories	SAR mn	97	86	90	96	103	112	121
Trade receivables	SAR mn	611	637	617	514	480	524	571
Prepayment and others	SAR mn	70	82	89	95	103	113	123
Cash and cash equivalents	SAR mn	86	71	116	187	72	146	238
Current assets	SAR mn	867	876	912	892	759	894	1,054
Total Assets	**SAR mn**	**5,009**	**5,151**	**5,402**	**5,646**	**5,798**	**6,241**	**6,737**
Share capital	SAR mn	782	782	782	782	782	782	782
Share premium	SAR mn	554	554	554	554	554	554	554
Statutory reserve	SAR mn	224	224	224	224	224	224	224
Retained earnings	SAR mn	1,137	1,348	1,600	1,888	2,218	2,586	3,002
Equity attributable to owners	SAR mn	2,697	2,909	3,160	3,449	3,778	4,146	4,563
NCI	SAR mn	43	43	43	43	43	43	43
Total equity	**SAR mn**	**2,741**	**2,952**	**3,204**	**3,492**	**3,822**	**4,189**	**4,606**
Bank borrowings	SAR mn	822	1,069	1,015	972	778	782	786
Employee benefits	SAR mn	103	103	103	103	103	103	103
Lease liabilities	SAR mn	199	251	293	332	374	419	466
Total non-current liabilities	**SAR mn**	**1,124**	**1,423**	**1,411**	**1,407**	**1,255**	**1,304**	**1,354**
Bank borrowings	SAR mn	598	267	254	243	194	196	196
Lease liabilities-current portion	SAR mn	48	25	35	35	35	35	35
Trade and other payable	SAR mn	303	301	316	287	310	335	362
Accrued expenses and other liabilities	SAR mn	178	178	178	178	178	178	178
Zakat payable	SAR mn	13	0	0	0	0	0	0
Total current liabilities	**SAR mn**	**1,144**	**776**	**788**	**747**	**722**	**748**	**776**
Total liabilities and equity	**SAR mn**	**5,009**	**5,151**	**5,402**	**5,646**	**5,798**	**6,241**	**6,737**

Company Financials and anbc research

Cashflow statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	312	422	510	578	658	743	831
Add: Non-cash expenses	SAR mn	422	519	539	574	613	656	702
Changes in Working Capital	SAR mn	-290	-40	25	61	40	-36	-40
Cash from operation	**SAR mn**	**444**	**901**	**1,073**	**1,213**	**1,312**	**1,363**	**1,493**
Capex	SAR mn	-1,945	-652	-754	-838	-898	-965	-1,037
Other investments	SAR mn	-2	2	0	0	0	0	0
Cash from Investment	**SAR mn**	**-1,946**	**-651**	**-754**	**-838**	**-898**	**-965**	**-1,037**
Add Finance cost after Tax	SAR mn	69	87	74	66	58	52	52
FCFF	**SAR mn**	**-1,433**	**337**	**393**	**441**	**472**	**450**	**508**
Net debt	SAR mn	1,028	-55	-16	-15	-200	50	51
Less Finance cost after Tax	SAR mn	-69	-87	-74	-66	-58	-52	-52
FCFE	**SAR mn**	**-474**	**196**	**304**	**360**	**213**	**448**	**507**
Changes in Equity	SAR mn	526	-211	-258	-289	-328	-375	-414
Cash from financing	**SAR mn**	**1,554**	**-266**	**-274**	**-304**	**-529**	**-325**	**-363**
Net changes in Cash	SAR mn	52	-15	46	71	-115	73	93
Opening Balance	SAR mn	34	86	71	116	187	72	146
Closing Balance	**SAR mn**	**86**	**71**	**116**	**187**	**72**	**146**	**238**

Key Ratios	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Margins							
Gross margin	28%	32%	34%	35%	36%	36%	37%
EBITDA margin	41%	45%	46%	46%	46%	46%	46%
Operating margin	20%	23%	24%	25%	25%	26%	26%
Pretax margin	16%	19%	21%	22%	23%	24%	25%
Net margin	16%	18%	20%	22%	23%	23%	24%
Returns							
ROA	8%	8%	10%	10%	11%	12%	13%
ROTA	6%	8%	9%	10%	11%	12%	12%
ROE	13%	15%	17%	17%	18%	19%	19%
ROCE	10%	12%	13%	13%	14%	15%	15%
Health							
Cash /share	1.2	0.9	1.5	2.4	0.9	1.9	3.0
LT debt / share	13.9	16.9	16.7	16.7	14.7	15.4	16.0
ST debt / share	8.8	3.7	3.7	3.6	2.9	2.9	3.0
Net debt / share	21.6	19.7	18.9	17.8	16.7	16.4	15.9
Debt to asset	33%	43%	41%	38%	34%	33%	32%
Debt to equity	61%	75%	69%	62%	52%	49%	46%
Equity to asset	55%	57%	59%	62%	66%	67%	68%
EBIT/ interest	5.5	5.9	7.9	9.8	12.4	15.3	16.9
Activity Ratios							
Current ratio	0.8	1.1	1.2	1.2	1.1	1.2	1.4
Quick ratio	0.7	1.0	1.0	1.1	0.9	1.0	1.2
Days sales outstanding	83.3	98.0	91.5	77.0	62.1	57.5	57.5
Days in inventory	17.1	21.3	19.5	19.5	19.3	19.3	19.2
Days in payables	58.5	70.2	68.3	63.1	57.8	57.8	57.7
Cash conversion cycle	41.8	49.1	42.7	33.3	23.6	19.0	19.0
Growth							
Revenue growth	43%	18%	8%	7%	9%	9%	9%
Gross profit growth	24%	36%	13%	10%	11%	11%	11%
EBITDA growth	27%	28%	9%	9%	9%	9%	9%
Operating profit growth	23%	34%	15%	10%	11%	11%	11%
Pretax profit growth	13%	35%	21%	13%	14%	13%	12%
Net profit growth	12%	35%	21%	13%	14%	13%	12%
EPS growth	9%	27%	21%	13%	14%	13%	12%

Source: Company Financials and anbc research

INITIATION OF COVERAGE

Theeb Rent a Car Co. (Theeb)

June 16, 2025

We initiate coverage on Theeb with a Dec-25 target price of SAR 77.4/share and an "Overweight" rating. The company is well-positioned to capitalize on the growing car rental market, supported by its strong presence in key regions (Central, Eastern, and Western), robust cash earnings, and healthy lease receivables. Theeb operates in key regions of Saudi Arabia, with 21 branches in the Central region (16 of which are in Riyadh), 15 branches in the Western region, and the remaining branches spread across in Eastern, Northern and Southern regions of KSA. The company has consistently generated sustainable cash earnings during the historical period under review, recording an average five-year cash flow accrual ratio of 0.16x — the best among listed players.

A well spread-out presence: Theeb is a well-established company in Saudi Arabia, with the second-largest network (among listed players) of 61 branches, including 14 airport locations that contribute approximately 40% of the total short-term car rental segment revenue. Around 43% of Theeb's branches are located in the Central and Northern regions, which altogether account for 48% of total short-term rental car segment revenue. This is followed by the Western and Southern regions, with 39% of the company's branches, contributing 39% to short-term rental segment revenue. The Eastern region has 11 branches and contributes 13% to revenue.

Strategic advantage in Riyadh's economic growth: Theeb has the largest concentration of branches in Riyadh, accounting for 26% of company's total branches in the city—the highest among listed companies. Budget holds 22% of its total branches in Riyadh, while Lumi has 12%. Riyadh is expected to become the center of KSA's economic transformation, with anticipated investments of USD 195 bn (SAR 732 bn).

Leading used car sales margins: Theeb's gross margins on used car sales have been least impacted in the car rentals industry. To highlight, used car sales margins have been severely impacted in 2024 due to companies phasing out Chinese vehicles which have historically generated lower resale value. Theeb stands out in this regard as the gross margins on used car sales declined by 9.3 percentage points YoY to 16.7%. This compares to declines of 22.3 percentage points to -0.7% for Lumi and 9.9 percentage points to 7.4% for Budget. We expect that the company will continue to report gross margins on used car sales in the range of 17-18%, which should provide to support the bottom-line.

Net income to reach SAR 399 mn by 2030f: Revenues are expected to increase 7.6% YoY to SAR1.4bn in 2025e on the back of 17.0% YoY increase in LT leases and 5.0% YoY increase in sale of used vehicles. Overall, we expect revenues to cross SAR 2.1 bn by 2030f. For 2025e, we expect gross margins to remain flattish (-30bps YoY) to 31.8% in 2025e and 32.5% in 2026f. Gross margins are expected to reach 35.0% by 2030f. Overall, we expect net income to record a 2025-2030f CAGR of 14.8% to SAR399mn.

Valuation: Theeb is currently trading at a 2025e PER of 13.7x, translating into a 16.5% discount from its 1 year average of forward PER of 16.4x.

Risk: The launch of projects like the Riyadh Metro, along with intensifying competition from other players in the car rental industry, could pressure pricing and margins, adversely impacting profitability.

RATING SUMMARY — **Overweight**

Target Price (SAR)	77.4
Upside/Downside	21%
Div. Yield (%)	4%
Total Exp. Return	25%

Source: Company Financials and anbc research

ISSUER INFORMATION

Bloomberg Code	THEEB AB
Last Price (SAR)	63.7
No of Shares (mn)	43
Market Cap bn (SAR/USD)	2.7/0.7
52-week High / Low (SAR)	81.5/59.2
12-month ADTV (mn) (SAR/USD)	9.0/2.4
Free Float (%)	68%
Foreign Holdings (%)	6%

Last price as of June 15th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	4.3	4.6	5.5	6.4
PER (x)	15.0	13.7	11.6	9.9
PBV (x)	3.3	2.9	2.6	2.3
DPS (SAR)	2.1	2.3	2.7	3.2
D. Yld. (%)	3.3	3.6	4.2	5.0
RoAE (%)	23.4	22.7	23.9	24.6
RoAA (%)	7.6	7.5	8.1	8.6

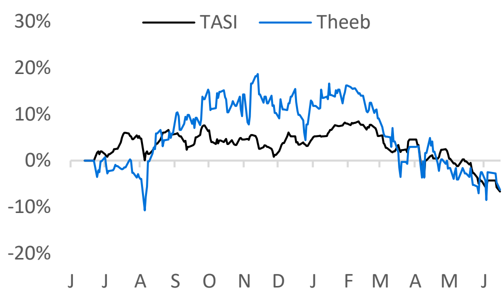
Source: Company Financials and anbc research

FINANCIALS (SR MN)

	2024a	2025e	2026f	2027f
Revenue	1,303	1,402	1,531	1,669
Gross Pro.	418	447	498	554
EBITDA	618	679	743	812
Net Inc.	183	200	237	275
EPS	4.2	4.6	5.5	6.4
DPS	2.1	2.3	2.7	3.2

Source: Company Financials and anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg and anbc research

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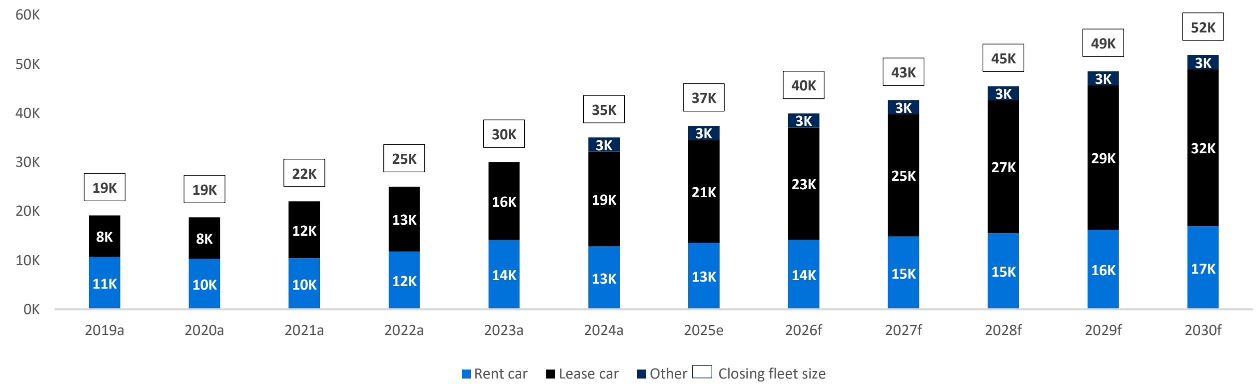
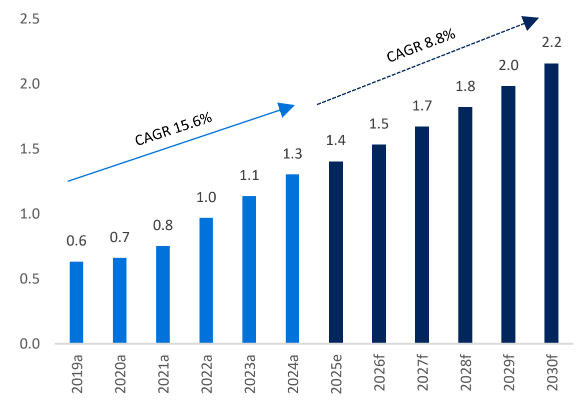
Investment Thesis

Chart 32: Theeb fleet size to record CAGR of 7.8% during 2024-30f*



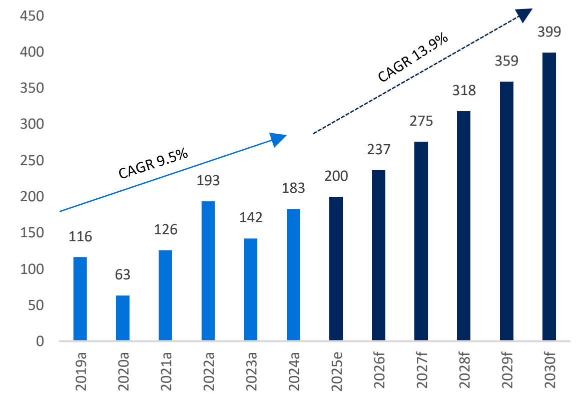
Source: Company Financials and anbc research

Chart 33: Revenue trajectory – SAR bn



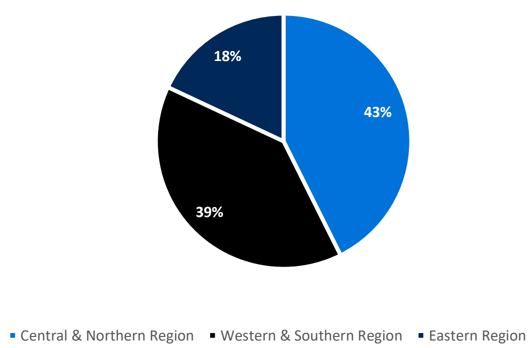
Source: Company Financials and anbc research

Chart 34: Net profit trajectory – SAR mn



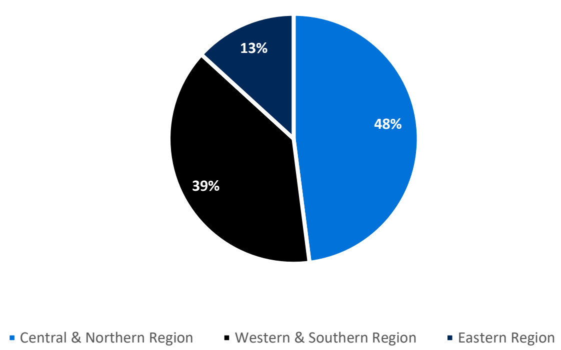
Source: Company Financials and anbc research

Chart 35: Geographical presence - branches



Source: Company Financials and anbc research

Chart 36: Geographical presence – revenue cont.



Source: Company Financials and anbc research

**There were 2,865 vehicles with unidentified segments, which we categorized under the 'Other' segment.*

Theeb to capitalize on development in Riyadh

Riyadh is undergoing significant development, mainly driven by the Saudi Vision-2030 initiative, which aims to diversify the economy beyond oil and establish Riyadh as a global hub. The city has become the Kingdom's main economic center, creating nearly half of all new jobs in the last five years. The government's Regional Headquarters (RHQ) program has attracted many multinational companies to Riyadh, increasing the demand for services such as rental car companies. Additionally, Riyadh's population is expected to grow from 7.0 mn in 2022 to 9.6 mn by 2030f, registering a CAGR of 4.1%— more than double the expected population growth of Saudi Arabia.

Riyadh is undergoing major development, with numerous large-scale projects involving investments of USD 195 bn (SAR 732 bn) that are transforming the city into a regional economic and cultural hub. The projects listed below are reshaping Riyadh's infrastructure, economy, and urban landscape, positioning it as the Kingdom's new economic powerhouse and a key regional hub by 2030.

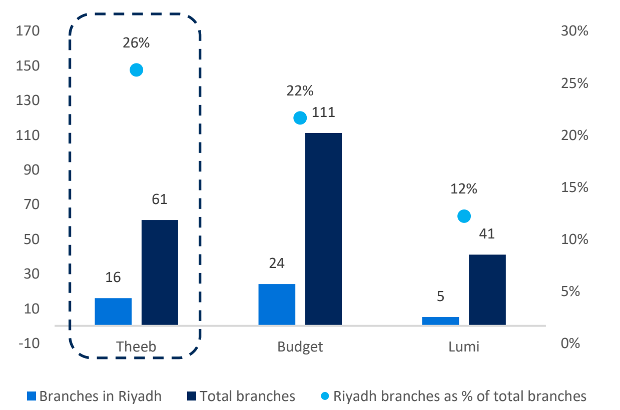
Table 11: Riyadh development projects

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
The North Pole	20.0	75.0	2030
Sports Boulevard	6.8	25.5	2030
Riyadh Expo 2030	7.8	29.3	2030
Qiddiya	21.8	81.8	2030
New Murabba	50.0	187.5	2030
Misk Foundation City	4.0	15.0	2028
King Salman Park	10.4	39.0	2027
King Abdullah Financial District	10.5	39.4	2027
Dirayah Gate	63.9	239.6	2027

Source: knight frank and anbc research

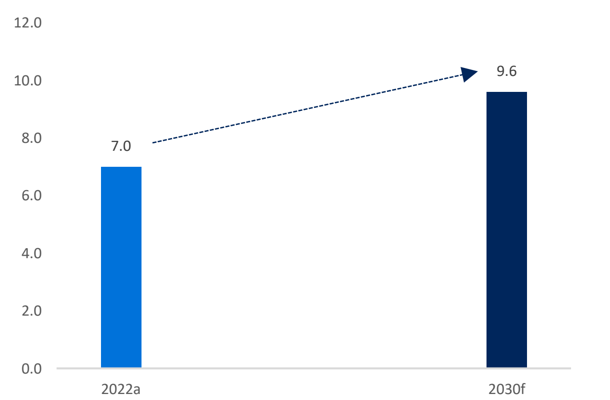
We expect Riyadh's development and its role as a regional hub to boost demand for both short-term and long-term car rentals. The largest impact is likely to be on Theeb, which has the highest proportion of branches in Riyadh (26%) among listed companies. Budget and Lumi have 22% and 12% of their total branches in Riyadh, respectively. This illustrates that Riyadh's growth will benefit Theeb the most.

Chart 37: 26% of Theeb's branches are in Riyadh



Source: Company Financials and anbc research

Chart 38: Riyadh's pop. expected at 9.6 mn by 2030f



Source: GSTAT and anbc research

Theeb is poised to benefit from development in western region and religious tourism

Jeddah, the Red Sea gateway, is undergoing a robust transformation with development projects worth USD 134 bn (SAR 503 bn). The investment in infrastructure is expected to attract people and companies to Jeddah to capitalize on economic opportunities. As corporates prefer the car leasing model rather than owning vehicles, we believe Theeb will particularly benefit from these developments due to its strong presence in the western region, especially in Jeddah.

Table 12: Jeddah giga projects

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
Shams Al Arous	2.0	7.5	2025
Red Sea Global	17.0	63.8	2030-35
Knowledge Economic City	8.0	30.0	2025
King Abdullah Economic City	27.0	101.3	2028
Jeddah Economic City	20.0	75.0	2028
Jeddah Central	20.0	75.0	2030
Jeddah Historic District	5.0	18.8	2030

Source: knight frank and anbc research

In the western region of Saudi Arabia, around 17 giga projects are currently underway with a total value of USD 185.5 bn (SAR 696 bn), the majority of which are in Jeddah. These development projects will establish infrastructure to facilitate the migration of people and companies to the western region to capitalize on the ongoing development. We believe that tourists and immigrants entering Jeddah will help boost demand for short-term car rental services, while the influx of corporates into the city will increase the market size for long-term car leasing.

Religious tourism makes a major contribution to Saudi Arabia's GDP, as the Kingdom attracted more than 16.9 mn Umrah and 1.6 mn Hajj pilgrims in 2024. KSA aims to increase the number of international pilgrims to 30 mn by 2030f. To facilitate the pilgrims, the Kingdom has introduced projects worth USD 53.0 bn (SAR 199 bn), all to be completed by 2030f. We believe the large influx of pilgrims will boost demand for car rental companies' services, and due to Theeb's strong presence in the western region, we expect it to capitalize on this opportunity.

Table 13: Makkah region project

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
Rua Al Haram	N/A	N/A	2030
Masar-Makkah	10.0	37.5	2030
Jabal Omar	6.0	22.5	2030

Source: knight frank and anbc research

Valuation

Our valuation of Theeb is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 77.4/sh. This target price suggests an upside potential of 21.5% in addition to a dividend yield of 3.6%, resulting in a total expected return of 25.1%. We have a 'Overweight' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 8.7%, assuming the risk-free rate of 4.96%, a beta of 0.723 (from Bloomberg), and a risk premium of 5.13%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 6.4%. To calculate the weighted average cost of capital, we have calculated the weight of equity/debt at 47/53% and assumed a terminal growth rate of 3.0%. This translates into a value of SAR 77.4/sh. The sum of the present value of FCFF amounted to SAR 774 mn, while the present value of the terminal value totaled SAR4.0 bn. After subtracting the net debt of SAR 1.4 bn, we have calculated the equity value of SAR 3.3 bn till Dec-2025e.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	142	168	196	221	248	5,715
Discount factor	x	0.93	0.87	0.81	0.75	0.70	0.70
PV of FCFF	SAR mn	132	145	158	166	173	3,986

Sum of FCFF	SAR mn	774
PV of terminal value	SAR mn	3,986
Net debt	SAR mn	1,433
Equity value	SAR mn	3,327
Number of shares	mn	43
Target Price	**SAR**	**77.37**
Current price	SAR	63.7

Earnings Sensitivity:

		Growth Rate				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC	5.5%	115.7	138.3	170.1	218.0	298.5
	6.5%	81.4	94.0	110.3	132.1	162.7
	7.5%	59.7	67.6	77.4	89.6	105.2
	8.5%	44.7	50.1	56.5	64.1	73.5
	9.5%	33.8	37.6	42.1	47.3	53.4

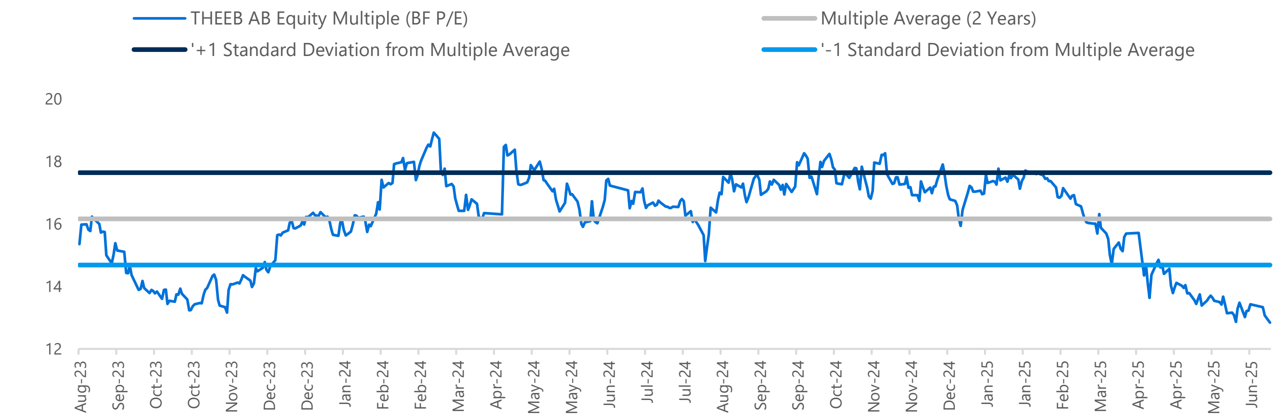
Source: Company Financials and anbc research

Table 14: Bloomberg consensus (Theeb Relative Valuation vs. Self)

Current vs. 2Y Average Historical Multiple					Implied @ Hist. Avg.	
Metric	**Current(x)**	**Hist Avg(x)**	**Diff (%)**	**# SD**	**Hist Avg(x)**	**Price (SAR)**
BF P/E	12.8	16.2	-20.6	-2.2	16.2	80.2
BF EV/EBITDA	6.2	6.5	-5.8	-0.8	6.5	70.0
BF EV/EBIT	14.0	15.9	-11.8	-1.6	15.9	77.4
BF EV/Rev	3.0	3.2	-6.9	-1.0	3.2	71.2

Source: Bloomberg anbc research
Last price as of June 15th, 2025

Chart 39: Blended Forward P/E



Source: Bloomberg and anbc research
Last price as of June 15th, 2025

Company Overview

Table 15: Key Shareholders

Shareholder	
Mohammed Ahmed Abdullah Al-Theeb	25.00%
Hamoud Abdullah Al-Theeb Holding Company	7.00%

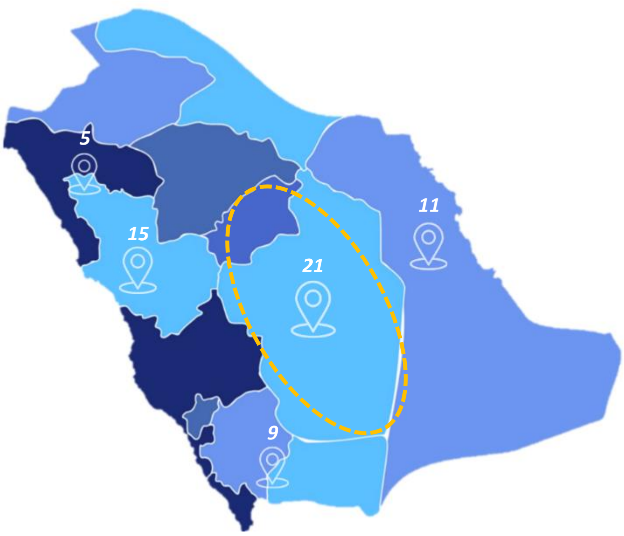
Source: Tadawul and anbc research
As of June 15th, 2025

Table 16: Foreign ownership - Theeb (TASI)

Foreign ownership	Maximum Limit	Actual
	49.00%	5.99 %

Source: Tadawul and anbc research
As of June 15th, 2025

Chart 40: Geographic Presence



Theeb's branch network comprises 61 locations, demonstrating strong coverage across all key regions of the Kingdom. The Central Region accounts for the largest share with **21** branches, followed by 15 in the Western Region and 11 in the Eastern Region. Additionally, the company maintains a presence in the Southern Region with 9 branches and operates 5 locations in the Northern Region, indicating a relatively even spread with a focus on central and western markets.

Source: Company Financials and anbc research

Financial Summary

Income statement	**Units**	**2024a**	**2025e**	**2026f**	**2027f**	**2028f**	**2029f**	**2030f**
Revenue	**SAR mn**	**1,303**	**1,402**	**1,531**	**1,669**	**1,818**	**1,979**	**2,156**
Cost of Revenue	SAR mn	885	956	1,033	1,115	1,203	1,298	1,401
Gross Profit	**SAR mn**	**418**	**447**	**498**	**554**	**615**	**682**	**755**
Operating Expenses	SAR mn	154	162	179	197	217	240	265
Operating Profit	SAR mn	264	284	319	357	398	442	490
Other Income	SAR mn	9	10	11	12	13	14	15
Finance Cost	SAR mn	86	90	87	86	85	88	96
Profit Before Tax	**SAR mn**	**187**	**204**	**242**	**282**	**326**	**367**	**408**
Zakat Tax	SAR mn	4	5	6	7	8	9	10
PAT	**SAR mn**	**183**	**200**	**237**	**275**	**318**	**359**	**399**
Number of Share	mn	43	43	43	43	43	43	43
EPS	SAR	4.25	4.64	5.50	6.41	7.40	8.34	9.27
DPS	SAR	2.11	2.3	2.7	3.2	3.7	4.1	4.6

Balance Sheet								
Property and equipment	SAR mn	2,038	2,186	2,345	2,515	2,696	2,895	3,112
Right to use	SAR mn	85	90	95	100	105	110	115
Intangible assets	SAR mn	0	0	0	0	0	0	0
Non-current assets	**SAR mn**	**2,123**	**2,276**	**2,440**	**2,615**	**2,801**	**3,005**	**3,227**
Inventories	SAR mn	17	12	13	14	15	16	17
Accounts receivables	SAR mn	283	288	315	343	374	407	443
Prepayment and other current assets	SAR mn	110	119	130	142	154	168	183
Contract assets, net	SAR mn	6	7	7	8	9	9	10
Amount due from related party	SAR mn	0	0	0	0	0	0	0
Bank balance and cash	SAR mn	35	58	210	134	77	182	326
Current assets	**SAR mn**	**453**	**484**	**674**	**640**	**628**	**782**	**979**
Total assets	SAR mn	**2,576**	**2,760**	**3,115**	**3,255**	**3,429**	**3,787**	**4,206**
Share capital	SAR mn	430	430	430	430	430	430	430
Statutory capital	SAR mn	68	68	68	68	68	68	68
Retained earnings	SAR mn	332	433	554	691	850	1,033	1,234
Total equity	SAR mn	**830**	**931**	**1,052**	**1,189**	**1,348**	**1,531**	**1,732**
Non-current portion of term loans	SAR mn	683	954	860	1,033	1,217	1,358	1,541
Employee's defined benefit liability	SAR mn	43	46	49	52	56	59	64
Non-current portion of lease liability	SAR mn	47	50	53	56	59	62	65
Non-current liabilities	SAR mn	**772**	**1,049**	**961**	**1,141**	**1,331**	**1,480**	**1,669**
Current portion of term loan	SAR mn	699	500	800	600	400	400	400
Current portion of lease liabilities	SAR mn	40	42	44	46	48	50	52
Car dealership payable	SAR mn	111	134	145	157	169	183	197
Accounts payable	SAR mn	13	0	0	0	0	0	0
Derivatives instrument at FVPL	SAR mn	0	0	0	0	0	0	0
Contract liability	SAR mn	0	0	0	0	0	0	0
Accrued exp and other payable	SAR mn	105	98	107	117	127	139	151
Zakat provision	SAR mn	5	5	5	5	5	5	5
Current Liabilities	SAR mn	**973**	**780**	**1,102**	**925**	**750**	**776**	**805**
Total liabilities and equity	SAR mn	**2,576**	**2,760**	**3,115**	**3,255**	**3,429**	**3,787**	**4,206**

Source: Company Financials and anbc research

Cashflow statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	183	200	237	275	318	359	399
Add: Non-cash expenses	SAR mn	345	385	413	443	476	510	547
Changes in Working Capital	SAR mn	-2	-1	-16	-17	-19	-20	-22
Cash from operation	**SAR mn**	**526**	**583**	**634**	**702**	**775**	**848**	**923**
Capex	SAR mn	-698	-538	-577	-618	-662	-713	-769
Other investments	SAR mn	0	0	0	0	0	0	0
Cash from Investment	**SAR mn**	**-698**	**-538**	**-577**	**-618**	**-662**	**-713**	**-769**
Add Finance cost after Tax	SAR mn	84	88	85	84	83	86	94
FCFF	**SAR mn**	**-88**	**133**	**142**	**168**	**196**	**221**	**248**
Net debt	SAR mn	237	77	211	-22	-11	146	187
Less Finance cost after Tax	SAR mn	-84	-88	-85	-84	-83	-86	-94
FCFE	**SAR mn**	**65**	**122**	**268**	**61**	**102**	**282**	**342**
Changes in Equity	SAR mn	-82	-99	-116	-138	-159	-176	-198
Cash from financing	**SAR mn**	**155**	**-22**	**95**	**-159**	**-170**	**-30**	**-10**
Net changes in Cash	SAR mn	-17	23	152	-76	-57	105	144
Opening Balance	SAR mn	52	35	58	210	134	77	182
Closing Balance	**SAR mn**	35	58	210	134	77	182	326

Key Ratios	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Margins							
Gross margin	32%	32%	33%	33%	34%	34%	35%
EBITDA margin	47%	48%	49%	49%	49%	49%	49%
Operating margin	21%	21%	22%	22%	23%	23%	23%
Pretax margin	14%	15%	16%	17%	18%	19%	19%
Net margin	14%	14%	15%	17%	17%	18%	18%
Returns							
ROA	8%	7%	8%	9%	10%	10%	10%
ROTA	7%	7%	8%	8%	9%	9%	9%
ROE	23%	23%	24%	25%	25%	25%	24%
ROCE	15%	17%	15%	17%	19%	19%	20%
Health							
Cash /share	0.6	1.1	3.8	2.4	1.4	3.3	5.9
LT debt / share	26.7	28.1	31.9	31.5	31.3	34.0	37.4
ST debt / share	13.3	18.2	16.6	19.8	23.2	25.8	29.2
Net debt / share	13.4	9.9	15.3	11.7	8.1	8.2	8.2
Debt to asset	26.1	27.0	28.1	29.1	29.9	30.7	31.5
Debt to equity	68%	66%	66%	63%	61%	60%	59%
Equity to asset	210%	196%	196%	174%	154%	147%	143%
EBIT/ interest	32%	34%	34%	37%	39%	40%	41%
Activity Ratios							
Current ratio	0.6	0.5	0.7	0.6	0.5	0.5	0.6
Quick ratio	0.4	0.6	0.6	0.7	0.8	1.0	1.2
Days sales outstanding	67.3	71.8	74.4	71.8	71.9	71.9	71.9
Days in inventory	2.7	5.0	5.6	4.3	4.3	4.3	4.3
Days in payables	58.7	51.4	51.4	51.4	51.4	51.4	51.4
Cash conversion cycle	11.3	25.4	28.6	24.8	24.8	24.8	24.9
Growth							
Revenue growth	17%	15%	8%	9%	9%	9%	9%
Gross profit growth	2%	16%	7%	11%	11%	11%	11%
EBITDA growth	4%	13%	10%	9%	9%	9%	9%
Operating profit growth	-10%	28%	8%	12%	12%	11%	11%
Pretax profit growth	-26%	23%	9%	19%	16%	15%	13%
Net profit growth	-26%	29%	9%	19%	16%	15%	13%
EPS growth	-27%	29%	9%	19%	16%	15%	13%

Source: Company Financials and anbc research

INITIATION OF COVERAGE

Lumi Rental Co. (Lumi)

June 16, 2025

We initiate coverage on Lumi with a Dec-25 target price of SAR 72.3/share and a "Overweight" rating. We believe Lumi is well-positioned to capitalize on the growing car rental market through its strategy of fleet optimization, a strong presence in NEOM, and a robust purchase price recovery of over 70% — the highest among listed players. The company's fleet optimization efforts have led to a short-term rental segment, with a utilization rate of 80.6% in 2024 (84.9% in 4Q 24 and 77.9% in 1Q 25). We expect this utilization to remain above 80% throughout our forecast period, driven by continued optimization strategies. We believe this advantage, coupled with ongoing investment in NEOM, an influx of tourists, and infrastructure development, will positively impact Lumi's fleet size and bottom line.

Strategic shift improves fleet optimization: Lumi's fleet size grew by 2.6% in 2024 compared to 2023. During this time, the short-term car rental segment recorded a decline of 17.3% YoY, while the lease car segment expanded by 14.4% YoY. This strategic shift improved fleet optimization, as Lumi focused on the leasing model to enhance fleet utilization. As a result, the utilization rate of the short-term rental segment increased to 80.6% in 2024, up from 65.1% in 2023. We believe this strategic focus will allow Lumi to secure corporate lease contracts.

Purchase price recovery to remain stable 2025e onwards: Lumi recorded a purchase price recovery (PPR) rate of 70.7% in 2024 — the highest among listed companies. However, we expect the PPR to remain stable to 69% in 2025e and beyond, as the resale car market has become competitive due to the growing presence of Chinese vehicles. Notably, Lumi's fleet does not include Chinese vehicles.

A strong presence in NEOM: Lumi holds exclusive vehicle leasing rights for the NEOM project for a three-year period, concluding on March 31, 2026. Beyond NEOM, the company maintains a strong foothold in the northern region, which accounted for 54% of its total revenue in 2024 and 51.2% in Q125. Given its well-developed infrastructure—including a 20,000 sqm workshop, we have assumed Lumi will successfully extend its exclusive leasing rights in NEOM.

Absence of Chinese vehicles in Lumi's fleet mix: Lumi has deliberately structured its fleet to exclude Chinese vehicles, a strategic decision driven by their relatively lower resale value in the Saudi market, rather than vehicle performance. Chinese brands typically experience greater depreciation and reduced demand in the secondary market, which can erode overall fleet profitability. Instead, Lumi prioritizes established global manufacturers like Toyota, Hyundai, and Nissan, whose vehicles are better recognized for maintaining strong resale value and holding buyer preference in both corporate and individual segments.

Valuation: Lumi is currently trading at a 2025e PER of 14.9x, translating into a 17.7% discount from its 1 year average of forward PER of 18.1x.

Risks: The key downside risk for Lumi is an increase in competition. Additionally, any potential loss of exclusivity in NEOM projects may provide headwinds to the growth prospects.

RATING SUMMARY	Overweight
Target Price (SAR)	72.3
Upside/Downside	26%
Div. Yield (%)	-
Total Exp. Return	26%

Source: Company Financials and anbc research

ISSUER INFORMATION	
Bloomberg Code	LUMI AB
Last Price (SAR)	57.4
No of Shares (mn)	55
Market Cap bn (SAR/USD)	3.2/0.8
52-week High / Low (SAR)	99.4/54.0
12-month ADTV (mn) (SAR/USD)	14.8/3.9
Free Float (%)	30%
Foreign Holdings (%)	3%

Last price as of June 15th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	3.3	3.9	4.5	6.0
PER (x)	17.5	14.9	12.8	9.6
PBV (x)	2.6	2.2	1.9	1.6
DPS (SAR)	-	-	-	-
D. Yld. (%)	-	-	-	-
RoAE (%)	16.1	16.1	16.0	17.9
RoAA (%)	5.4	6.1	6.8	8.8

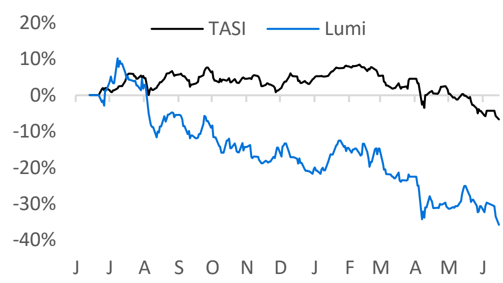
Source: Company Financials and anbc research

FINANCIALS (SR MN)

	2024a	2025e	2026f	2027f
Revenue	1,550	1,647	1,829	1,998
Gross Pro.	438	462	497	557
EBITDA	702	751	854	951
Net Inc.	180	212	247	328
EPS	3.3	3.9	4.5	6.0
DPS	-	-	-	-

Source: Company Financials and anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg and anbc research

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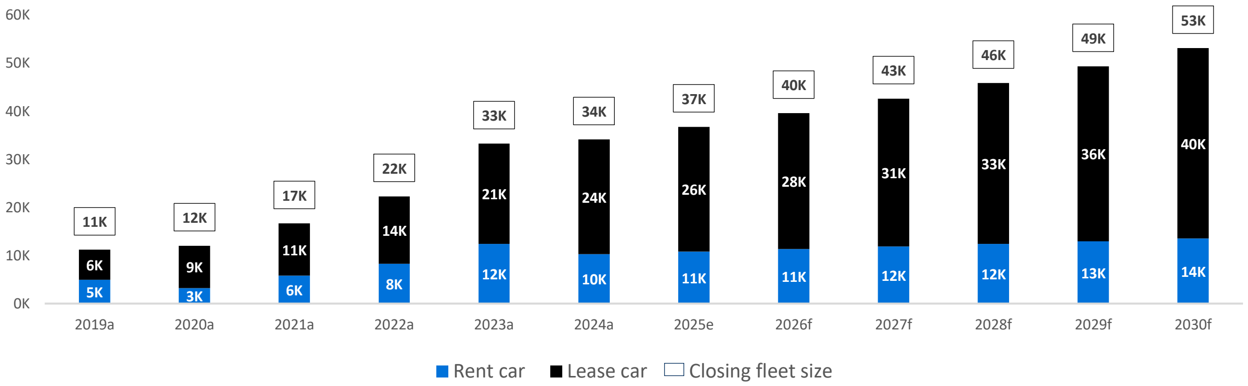
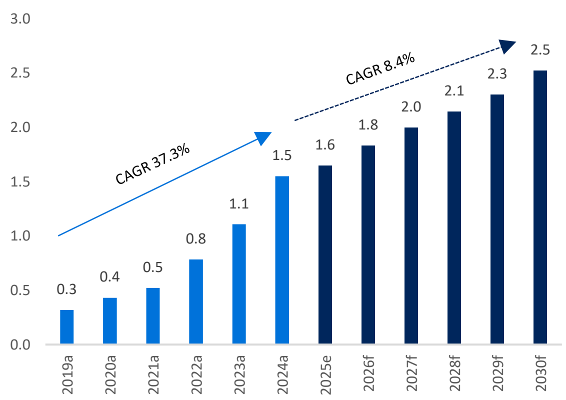
Investment Thesis

Chart 41: Lumi fleet size to record CAGR of 7.7% during 2024-30f



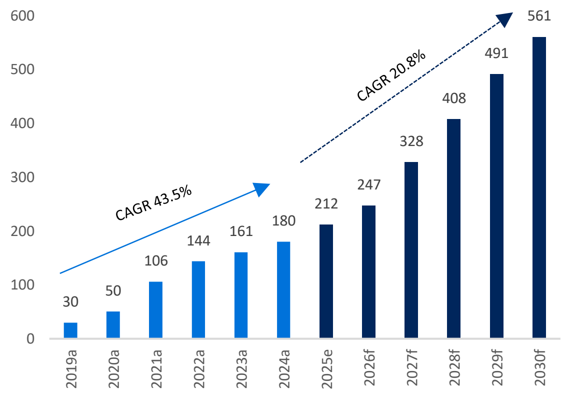
Source: Company Financials and anbc research

Chart 42: Revenue trajectory – SAR bn



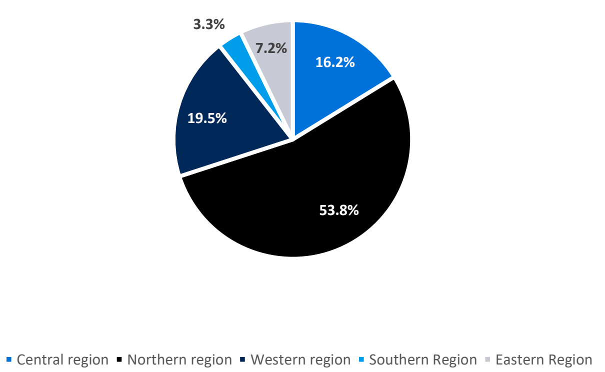
Source: Company Financials and anbc research

Chart 43: Net profit trajectory – SAR mn



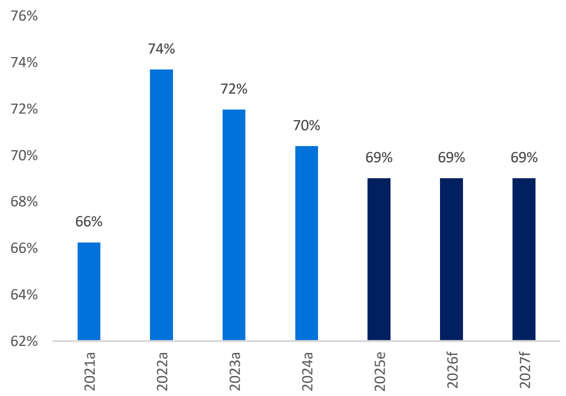
Source: Company Financials and anbc research

Chart 44: Geographical presence - revenue cont.



Source: Company Financials and anbc research

Chart 45: PPR* expected to remain flat

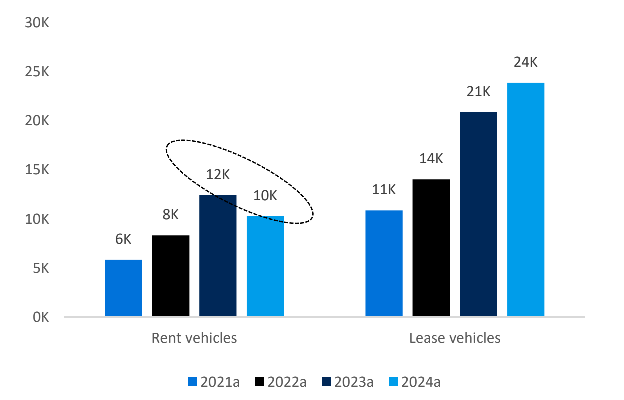


*Source: Company Financials and anbc research * Purchase price recovery*

Lumi's strategic shift to commercial vehicle leasing

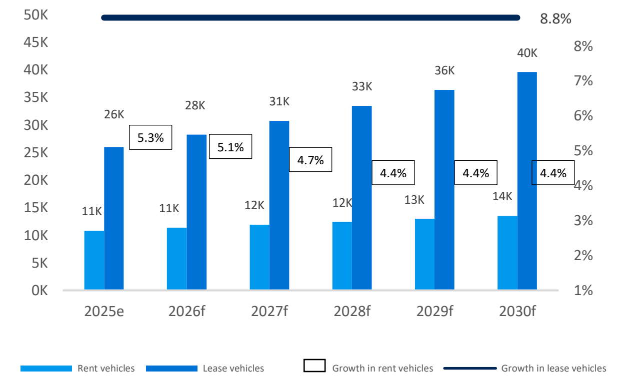
Lumi aims to shift its strategic focus towards expanding commercial vehicle leasing to major companies. The company aims to optimize fleet utilization and the growing corporate inclination towards the leasing model. This strategic shift is evident in the performance of both the short-term rental and long-term leasing segments. In 2024, the number of vehicles in the short-term rental segment declined by 17.3% YoY, while the fleet size of the leasing segment increased by 14.4% YoY. As a result, the utilization rate of short-term rental vehicles improved to 80.6% in 2024, compared to 65.1% in 2023. We expect the utilization rate to remain around 80% throughout the forecast period.

Chart 46: Strategy shift towards commercial leasing



Source: Company Financials and anbc research

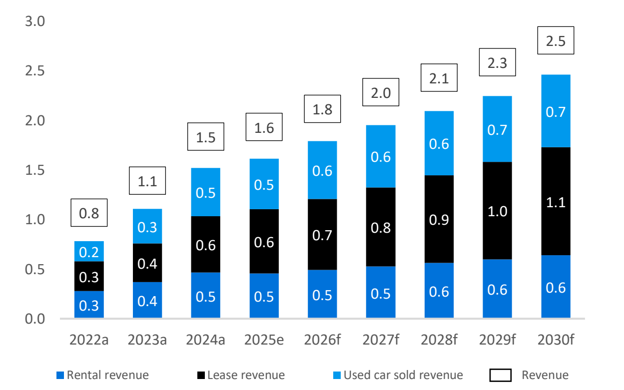
Chart 47: LT leases vs ST rentals – Growth comparison



Source: Company Financials and anbc research

We anticipate that the higher growth rate in the leasing segment will make it the largest contributor to total revenue, followed by revenue from used vehicle sales. We project the leasing segment's contribution to total revenue to reach 43% by 2030f, followed by used car sales revenue, accounting for 29% of total revenue.

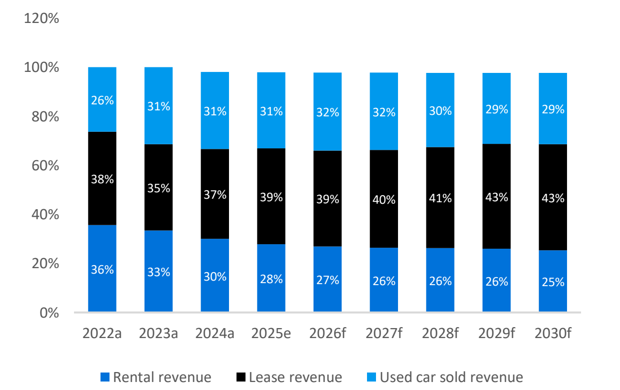
Chart 48*: Revenue contribution



Source: Company Financials and anbc research

**All figures are in SAR mn*

Chart 49: ST rental cont. to reach 25% by 2030f



Source: Company Financials and anbc research

Valuation

Our valuation of Lumi is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 72.3/sh. This target price suggests an upside potential of 25.9%. We have a 'Overweight' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 9.5%, assuming the risk-free rate of 4.96%, a beta of 0.875 (from Bloomberg), and a risk premium of 5.13%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 8.4%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 6.4% in 2024. To calculate the weighted average cost of capital, we have calculated the weight of equity/debt at 83/17% and assumed a terminal growth rate of 3.0%. This translates into a value of SAR 72.3/sh. The sum of the present value of FCFF amounted to SAR 1.4 bn, while the present value of the terminal value totaled SAR4.1 bn. After subtracting the net debt of SAR 1.5 bn, we have calculated the equity value of SAR 4.0 bn till Dec-2025e.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	347	368	361	351	392	6,407
Discount factor	x	0.91	0.84	0.77	0.70	0.64	0.64
PV of FCFF	SAR mn	318	308	277	246	251	4,106

Sum of FCFF	SAR mn	1,399
PV of terminal value	SAR mn	4,106
Net debt	SAR mn	1,530
Equity value	SAR mn	3,976
Number of shares	mn	55
Target Price	**SAR**	**72.28**
Current price	SAR	57.4

Earnings Sensitivity:

		Growth Rate				
WACC		2.00%	2.50%	3.00%	3.50%	4.00%
	7.3%	95.4	105.9	118.9	135.3	156.7
	8.3%	75.7	82.8	91.2	101.4	113.9
	9.3%	61.5	66.5	72.3	79.1	87.2
	10.3%	50.6	54.3	58.6	63.4	69.0
	11.3%	42.1	45.0	48.1	51.7	55.8

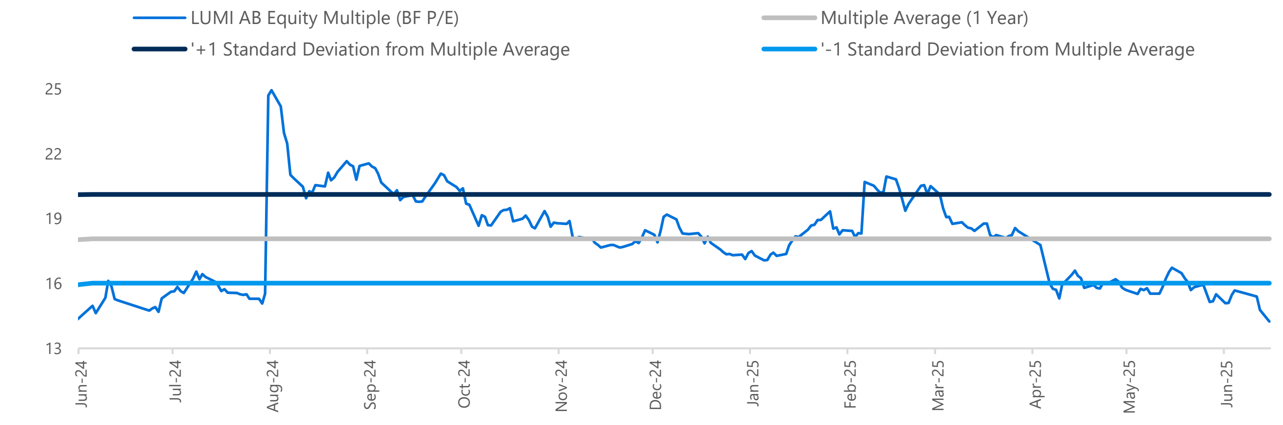
Source: Company Financials and anbc research

Table 17: Bloomberg consensus (Lumi Relative Valuation vs. Self)

	Current vs. 1Y Average Historical Multiple				Implied @ Hist. Avg.	
Metric	**Current(x)**	**Hist Avg(x)**	**Diff (%)**	**# SD**	**Hist Avg(x)**	**Price (SAR)**
BF P/E	14.3	18.1	-21.2	-1.9	18.1	72.8
BF EV/EBITDA	6.2	7.8	-20.5	-2.2	7.8	80.0
BF EV/EBIT	13.9	17.0	-17.8	-2.2	17.0	76.4
BF EV/Rev	2.8	3.6	-22.2	-1.7	3.6	82.5

Source: Bloomberg and anbc research
Last price as of June 15th, 2025

Chart 50: Blended Forward P/E



Source: Bloomberg and anbc research
Last price as of June 15th, 2025

Company Overview

Table 18: Key Shareholders

Shareholder	
Seera Holding Group	70.00%

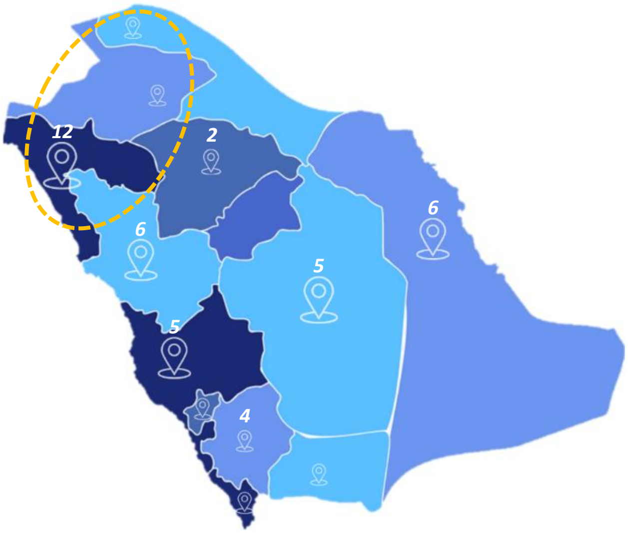
Source: Tadawul and anbc research
As of June 15th, 2025

Table 19: Geographic Presence

Foreign ownership	Maximum Limit	Actual
	49.00%	3.14%

Source: Tadawul and anbc research
As of June 15th, 2025

Chart 51: Locations



Lumi operates a network of 40 branches across Saudi Arabia, with the widest footprint in the Northern Region where it maintains **12** branches, establishing a clear monopoly in that area. The company is also present in the Western Region with 11 branches, followed by 6 in the Eastern Region and 5 in the Central Region. The remaining locations are spread across the Southern Region, reflecting a balanced yet strategically focused geographical distribution.

Source: Company Financials and anbc research

Financial Summary

Income statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Revenue	SAR mn	1,550	1,647	1,829	1,998	2,144	2,300	2,520
Cost of Revenue	SAR mn	1,112	1,185	1,332	1,440	1,524	1,619	1,781
Gross Profit	**SAR mn**	**438**	**462**	**497**	**557**	**620**	**681**	**738**
Operating Expenses	SAR mn	154	157	161	164	168	171	175
Operating Profit	**SAR mn**	**284**	**305**	**337**	**393**	**452**	**509**	**563**
Other Income	SAR mn	34	33	34	38	45	54	60
Finance Cost	SAR mn	133	121	117	95	79	59	48
Profit before Tax	SAR mn	185	218	254	337	419	504	575
Zakat Tax	SAR mn	5	6	6	9	11	13	15
PAT	**SAR mn**	**180**	**212**	**247**	**328**	**408**	**491**	**561**
Number of Share	mn	55	55	55	55	55	55	55
EPS	SAR	3.3	3.9	4.5	6.0	7.4	8.9	10.2

Balance Sheet								
Vehicles	SAR mn	2,860	2,938	2,980	3,052	3,193	3,414	3,665
Property and equipment	SAR mn	31	41	49	57	56	54	53
Right to use asset	SAR mn	78	74	66	55	41	24	4
Capital work in progress	SAR mn	16	20	10	0	0	0	0
Intangible asset	SAR mn	4	4	4	4	4	4	4
Investment in subsidiaries	SAR mn	11	11	11	11	11	11	11
Non-current assets	SAR mn	**3,000**	**3,088**	**3,120**	**3,179**	**3,305**	**3,507**	**3,737**
Trade receivables	SAR mn	268	285	317	346	371	398	436
Prepayment & others	SAR mn	66	70	78	85	91	98	107
Cash and cash equivalents	SAR mn	30	105	132	136	223	362	603
Due from related party	SAR mn	0	0	0	0	0	0	0
Inventories	SAR mn	10	11	12	13	14	15	17
Current Asset	SAR mn	**374**	**472**	**539**	**581**	**700**	**874**	**1,163**
Total Assets	**SAR mn**	**3,374**	**3,560**	**3,659**	**3,760**	**4,005**	**4,380**	**4,900**
Share capital	SAR mn	550	550	550	550	550	550	550
Retain earnings	SAR mn	607	819	1,066	1,394	1,802	2,294	2,854
Other reserve	SAR mn	26	26	26	26	26	26	26
Statutory reserve	SAR mn	29	29	29	29	29	29	29
Total Equity	**SAR mn**	**1,212**	**1,424**	**1,671**	**2,000**	**2,408**	**2,899**	**3,460**
Loan and borrowings	SAR mn	1,013	1,000	857	670	527	409	317
Lease liabilities	SAR mn	41	66	75	86	101	120	144
Employees' service benefit	SAR mn	22	22	22	22	22	22	22
Non-current liabilities	**SAR mn**	**1,076**	**1,088**	**954**	**778**	**651**	**551**	**483**
Trade payables	SAR mn	398	424	477	516	546	580	638
Loans and borrowings	SAR mn	596	539	462	361	284	220	171
Lease liabilities	SAR mn	40	30	35	40	47	56	68
Accruals and other liabilities	SAR mn	47	50	55	60	65	69	76
Current Liabilities	SAR mn	**1,086**	**1,047**	**1,033**	**982**	**946**	**930**	**957**
Total liabilities and equity	**SAR mn**	**3,374**	**3,560**	**3,659**	**3,760**	**4,005**	**4,380**	**4,900**

Source: Company Financials and anbc research

Cashflow statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	180	212	247	328	408	491	561
Add: Non-cash expenses	SAR mn	384	413	483	520	560	609	673
Changes in Working Capital	SAR mn	-312	7	18	7	2	4	16
Cash from operation	**SAR mn**	**253**	**632**	**748**	**854**	**970**	**1,105**	**1,250**
Capex	SAR mn	-515	-501	-515	-579	-685	-811	-904
Other investments	SAR mn	-11	0	0	0	0	0	0
Cash from Investment	**SAR mn**	**-526**	**-501**	**-515**	**-579**	**-685**	**-811**	**-904**
Add Finance cost after Tax	SAR mn	130	118	114	92	77	57	46
FCFF	**SAR mn**	**-144**	**249**	**347**	**368**	**361**	**351**	**392**
Net debt	SAR mn	255	-56	-206	-271	-197	-155	-106
Less Finance cost after Tax	SAR mn	-130	-118	-114	-92	-77	-57	-46
FCFE	**SAR mn**	**-18**	**76**	**27**	**4**	**87**	**139**	**240**
Changes in Equity	SAR mn	7	0	0	0	0	0	0
Cash from financing	**SAR mn**	**262**	**-56**	**-206**	**-271**	**-197**	**-155**	**-106**
Net changes in Cash	SAR mn	-12	76	27	4	87	139	240
Opening Balance	SAR mn	41	30	105	132	136	223	362
Closing Balance	**SAR mn**	**30**	**105**	**132**	**136**	**223**	**362**	**603**

Key Ratios	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Margins							
Gross margin	28%	28%	27%	28%	29%	30%	29%
EBITDA margin	45%	46%	47%	48%	49%	51%	51%
Operating margin	21%	21%	20%	22%	23%	24%	25%
Net margin	12%	13%	14%	16%	19%	21%	22%
Returns							
ROA	5%	6%	7%	9%	11%	12%	12%
ROTA	5%	6%	7%	9%	10%	11%	11%
ROE	16%	16%	16%	18%	19%	19%	18%
Health							
Cash /share	0.5	1.9	2.4	2.5	4.1	6.6	11.0
LT debt / share	19.2	19.4	16.9	13.8	11.4	9.6	8.4
ST debt / share	11.6	10.3	9.0	7.3	6.0	5.0	4.3
Net debt / share	30.2	27.8	23.6	18.6	13.4	8.1	1.8
Debt to asset	64%	60%	54%	47%	40%	34%	29%
Debt to equity	178%	150%	119%	88%	66%	51%	42%
Equity to asset	36%	40%	46%	53%	60%	66%	71%
EBIT/ interest	2.4	2.8	3.2	4.6	6.3	9.6	13.1
Activity Ratios							
Days sales outstanding	60	61	60	61	61	61	60
Days in inventory	2.0	3.3	3.2	3.3	3.3	3.3	3.2
Days in payables	184	127	123	126	127	127	125
Cash conversion cycle	-122	-62	-60	-62	-63	-62	-61
Growth							
Revenue growth	40%	6%	11%	9%	7%	7%	10%
Gross profit growth	15%	6%	8%	12%	11%	10%	8%
EBITDA growth	40%	7%	14%	11%	11%	11%	11%
Operating profit growth	36%	6%	10%	16%	15%	13%	11%
Pretax profit growth	12%	18%	16%	33%	24%	20%	14%
Net profit growth	12%	18%	16%	33%	24%	20%	14%
EPS growth	12%	18%	16%	33%	24%	20%	14%

Source: Company Financials and anbc research

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