

Vehicle Rental

Buy: 12M TP @ 80
Upside of +15.3%

Valuation Summary (TTM)

Price (SAR)	69.4
PER TTM (x)	16.6
P/Book (x)	2.0
P/Sales (x)	2.6
EV/Sales (x)	3.4
EV/EBITDA (x)	8.4
Dividend Yield (%)	2.1
Free Float (%)	91%
Shares O/S (mn)	78
YTD Return (%)	-15%
Beta	1.1

(mn)	SAR	USD
Market Cap	5,425	1,446
Enterprise Value	7,057	1,881

Price performance (%)	1M	3M	12M
United International Transport	-4%	-8%	-8%
Tadawul All Share Index	-6%	-11%	-8%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	18,295	22,466	19,058
Avg Daily Volume (,000)	305	301	247
52 week	High	Low	CTL*

Price (SAR)	98.60	67.60	2.7
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* 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	90.9%

Other details

Exchange	Saudi Arabia
Sector	Vehicle Rental
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: Acquisition aids in performance

United International Transportation Co. (Budget Saudi) reported its 1Q25 revenue at SAR543mn, up 30.4% YoY, and was aided by the acquisition of Auto World, along with an improvement in both the fleet size and utilization. It was also slightly higher than our expectation of SAR530mn. Improvement in topline was primarily driven by a robust 71.7% YoY growth in lease on the back of addition to its fleet on account of the acquisition. Rental sales on the other hand grew by a more modest 2.4% YoY. Used car sales however saw a decline of 10.1% YoY, as the industry scenario in this segment remained challenging in the current year. Gross profit increased by a higher (relative to revenue) 34.9% YoY to SAR174mn, as gross margins improved to 32.0% for 1Q25 compared to 30.9% in 1Q24. This improvement comes despite the margins of used car sales declining to 0.2% for 1Q25 vs 11.2% in 1Q24, and comes on the back of improved sales mix in favour of rental operations. Operating costs increased by 39.7% YoY on higher SG&A expenses. Finance cost more than doubled YoY on account of higher leverage. Debt to equity has increased to 57.7% for 1Q25, compared to 33.7% in 2023 and we expect these to moderate gradually post 2025. Overall, net income increased by 18.1% YoY to SAR83mn, with the higher revenue and gross margins driving the improvement, even as higher operating expenses and finance cost limiting the growth to a certain extent. It was also higher than our forecast by 8% on higher topline and gross margins.

Investment thesis and valuations: Budget Saudi is the largest listed vehicle rental company in Saudi and operates with a total fleet size of 53,526. In 2024, its fleet size increased by c.50% YoY, driven mainly by the acquisition of Auto World, which added over 15,600 vehicles primarily in the leasing business. We expect the operating performance of Budget Saudi to be favourably aided by this acquisition, which will help it to consolidate its position in the highly fragmented industry. We see financial performance of the company remaining strong in 2025, even after considering that the pressure on used car resale business is likely to continue, with the finance cost remaining high. Despite the financial upside, we take into account that the acquisition was done through equity dilution and at what we consider was fair valuations. Given this, we do not see much upside to our target price on account of this transaction. The stock is currently quoting at 15.6x its 2025e EPS, which is at a discount to its historical valuation. Overall, we retain our target price on Budget Saudi at **SAR80/share**, which implies a **Buy** rating.

Income Statement(SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	965	988	1,025	1,378	1,971	2,340	2,535	2,681	2,786
Cost of sales	(664)	(655)	(667)	(932)	(1,415)	(1,590)	(1,724)	(1,823)	(1,895)
Gross profit	301	334	358	447	556	749	810	858	891
Operating expenses	(104)	(124)	(121)	(160)	(220)	(352)	(369)	(382)	(393)
Operating profit	197	210	237	287	336	397	442	475	498
Other income	15	20	31	35	59	59	60	61	62
Finance expenses	(3)	(2)	(9)	(37)	(72)	(96)	(85)	(64)	(40)
Earnings before tax	209	228	259	285	323	360	416	472	520
Tax	(6)	(8)	(7)	(8)	(11)	(12)	(14)	(16)	(18)
Net income	202	220	252	277	312	348	402	456	502

Balance Sheet(SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
PP&E	1,348	1,531	2,131	2,482	3,766	3,847	3,840	3,707	3,569
Right to Use Assets	26	28	81	96	247	247	247	247	247
Other non-current assets	2	19	21	41	130	128	125	123	120
Total non-current assets	1,377	1,579	2,233	2,620	4,142	4,221	4,212	4,076	3,936
Inventory	15	8	11	35	97	109	119	125	130
Receivables	189	161	194	288	611	726	786	831	864
Cash & Cash Equivalents	146	105	21	34	86	91	184	288	400
Other current assets	22	32	61	36	72	85	92	97	101
Total current assets	373	306	287	393	867	1,012	1,181	1,342	1,496
Total assets	1,749	1,884	2,520	3,013	5,009	5,233	5,392	5,418	5,431
Share Capital	712	712	712	712	782	782	782	782	782
Total reserves	803	887	1,013	1,149	1,916	2,150	2,439	2,781	3,170
Minority interest	-	-	-	42	43	43	43	43	43
Total Equity	1,515	1,598	1,725	1,903	2,741	2,975	3,264	3,607	3,995
Payables	26	56	128	151	303	340	369	390	405
Short term debt	3	-	210	257	598	569	495	347	179
Short term lease liabilities	7	9	30	35	48	48	48	48	48
Other current liab.	126	141	157	240	196	218	234	247	256
Total current liabilities	163	207	524	683	1,144	1,174	1,146	1,032	888
Long term debt	-	-	162	295	822	781	680	477	246
Long-term lease liabilities	17	16	43	54	199	199	199	199	199
Other non-current liab.	55	63	66	78	103	103	103	103	103
Total non-current liabilities	72	79	271	427	1,124	1,084	982	780	548
Total Liabilities	234	286	796	1,110	2,268	2,258	2,128	1,812	1,436
Equity and liabilities	1,749	1,884	2,520	3,013	5,009	5,233	5,392	5,418	5,431

Cash Flows(SAR mn)	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	284	146	(291)	12	83	272	466	654	713
Cash from investments	(5)	(41)	(13)	(10)	(18)	(43)	(44)	(45)	(47)
Cash from financing	(137)	(146)	221	11	(13)	(224)	(329)	(504)	(554)
Net changes in cash	142	(41)	(83)	13	52	5	93	104	112
Cash balance	146	105	21	34	86	91	184	288	400







Ratios	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<u>Per Share (SAR)</u>									
EPS	2.8	3.1	3.5	3.9	4.0	4.5	5.1	5.8	6.4
BVPS	21.3	22.5	24.2	26.1	34.5	37.5	41.2	45.6	50.6
DPS	1.8	1.9	2.0	1.5	1.5	1.5	1.5	1.5	1.5
FCF/share	3.9	1.5	(4.3)	0.0	0.8	2.9	5.4	7.8	8.5
Revenue/share	13.6	13.9	14.4	19.4	25.2	29.9	32.4	34.3	35.6
<u>Valuations</u>									
M.Cap (SAR mn)	2,339	3,200	3,377	4,939	5,425	5,425	5,425	5,425	5,425
EV (SAR mn)	2,220	3,120	3,800	5,546	7,006	6,930	6,663	6,209	5,697
P/E	11.6x	14.5x	13.4x	17.8x	17.4x	15.6x	13.5x	11.9x	10.8x
EV/EBITDA	4.7x	7.2x	7.6x	9.1x	9.2x	8.0x	7.1x	6.3x	5.5x
EV/Sales	2.3x	3.2x	3.7x	4.0x	3.6x	3.0x	2.6x	2.3x	2.0x
P/BV	1.5x	2.0x	2.0x	2.7x	2.0x	1.9x	1.7x	1.5x	1.4x
P/S	2.4x	3.2x	3.3x	3.6x	2.8x	2.3x	2.1x	2.0x	1.9x
Div. yield	5.3%	4.2%	4.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%
FCF yield	11.9%	3.3%	-9.0%	0.0%	1.2%	4.2%	7.8%	11.2%	12.3%
<u>Liquidity</u>									
Cash Ratio	0.9x	0.5x	0.0x	0.0x	0.1x	0.1x	0.2x	0.3x	0.5x
Current ratio	2.3x	1.5x	0.5x	0.6x	0.8x	0.9x	1.0x	1.3x	1.7x
Quick ratio	2.2x	1.4x	0.5x	0.5x	0.7x	0.8x	0.9x	1.2x	1.5x
<u>Return ratio</u>									
ROA	11.6%	11.7%	10.0%	9.2%	6.2%	6.6%	7.5%	8.4%	9.2%
ROE	13.4%	13.8%	14.6%	14.9%	11.6%	11.9%	12.5%	12.8%	12.7%
ROCE	12.8%	12.9%	10.9%	11.3%	7.6%	8.7%	9.4%	10.2%	10.7%
<u>Cash cycle</u>									
Inventory turnover	43.3x	80.7x	60.5x	26.5x	14.5x	14.5x	14.5x	14.5x	14.5x
Payables turnover	25.5x	11.6x	5.2x	6.2x	4.7x	4.7x	4.7x	4.7x	4.7x
Receivables turnover	5.1x	6.1x	5.3x	4.8x	3.2x	3.2x	3.2x	3.2x	3.2x
Inventory days	8	4	6	14	25	25	25	25	25
Payable days	14	31	69	58	77	77	77	77	77
Receivables days	71	59	68	75	112	112	112	112	112
Cash Cycle	65	32	5	30	59	59	59	59	59
<u>Profitability ratio</u>									
Gross margins	31.2%	33.8%	35.0%	32.4%	28.2%	32.0%	32.0%	32.0%	32.0%
EBITDA margins	49.0%	43.9%	48.8%	44.1%	38.7%	36.8%	36.9%	36.8%	36.9%
Operating margins	20.4%	21.3%	23.1%	20.8%	17.0%	17.0%	17.4%	17.7%	17.9%
PBT margins	21.6%	23.1%	25.3%	20.7%	16.4%	15.4%	16.4%	17.6%	18.7%
Net margins	21.0%	22.3%	24.6%	20.1%	15.8%	14.9%	15.9%	17.0%	18.0%
Effective tax rate	3.0%	3.6%	2.7%	2.7%	3.4%	3.4%	3.4%	3.4%	3.4%
<u>Leverage</u>									
Total debt (SAR mn)	28	26	444	641	1,667	1,597	1,422	1,072	672
Net debt (SAR mn)	(119)	(79)	423	607	1,581	1,505	1,238	784	272
Debt/Capital	1.8%	1.6%	20.5%	25.2%	37.8%	34.9%	30.3%	22.9%	14.4%
Debt/Equity	0.0x	0.0x	0.3x	0.3x	0.6x	0.5x	0.4x	0.3x	0.2x
Debt/EBITDA	0.1x	0.1x	0.9x	1.1x	2.2x	1.9x	1.5x	1.1x	0.7x
Net debt/EBITDA	-0.3x	-0.2x	0.8x	1.0x	2.1x	1.7x	1.3x	0.8x	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 This recommendation used for stocks which does not form part of Coverage Universe

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