United International Transportation Co.

Investment Update

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

Poised to leverage largest fleet size and expanded market reach; attractive valuation warrants re-rating; upgrade to "Overweight"

Budget Saudi has emerged as the leading player in the Kingdom's car rental market, commanding the largest vehicle fleet following its acquisition of AutoWorld (AW). Moreover, the company's expanded market reach and healthy car rental demand outlook are expected to deliver double-digit growth in topline (FY24-29E CAGR: 8.2%). Furthermore, Budget remains well-positioned for future fleet expansion with leverage under control despite acquisition of AW (0.62x D/E as of FY24). However, lower margins in AW's business and higher finance costs related to AW's debt will weigh on the company's margins. Nevertheless, the company has delivered impressive GP and operating margins in H1. Moreover, margins are expected to improve gradually with the realization of synergies (SAR 30-50mn by FY26E). Thus, we forecast net income to increase at CAGR of 14.3% during FY24-29E. We retain our TP on Budget at SAR 84.0/share. However, we upgrade our rating to "Overweight", as current market value at 13.9x FY25E P/E seems to be lucrative and provides a good upside potential of 27.9%.

Fleet expansion and AutoWorld boost Budget's performance; net income up 20.8% Y/Y in Q2-25: Budget's revenue rose 28.1% Y/Y to SAR 544.7mn (largely in line with AJC's estimate of SAR 568mn). The revenue growth was attributable to increase in rental and leasing fleet coupled with consolidation of AutoWorld. Leasing (+65.1% Y/Y) led revenue growth due to AutoWorld acquisition effect, followed by short-term rental segment (+9.6% Y/Y) which showcased a good recovery after a subdued Q1. The used vehicle sales declined 7.9% Y/Y due to lower number of vehicles sold and sales mix. Gross profit jumped 41.4% Y/Y to SAR 169mn, GP margin expanded by ~290 bps Y/Y to 31.1%, which was below our expectation of 31.7%. Operating profit rose 34.9% Y/Y to SAR 111mn (in line with AJC's estimate of SAR 110mn) with the operating margin standing at 20.4% vs. 19.4% in Q2-24. OPEX came below our expectations and also eased from the previous quarter's level despite almost same revenue. Net income grew to SAR 85.6mn (+20.8% Y/Y) in Q2-25, in line with AJC's estimate of SAR 82.5mn, as higher finance expenses partially wiped-out operating income growth.

Fleet expansion to be core focus area in coming years: In FY24 overall fleet increased 51.5% as 18.2K vehicles (4.9K organic and 13.3K inorganic) were added, with AutoWorld adding 13.3K vehicles. Budget devised strategy to enhance its focus on fleet expansion, wherein AutoWorld optimizes its fleet by retiring less profitable assets and increases the long-term lease contracts. Headwinds from Chinese cars fleet have bottomed out as limited no. vehicles are yet to be sold. Thus, the impact on margins would be limited in FY25E. We expect the overall fleet to increase by 9.8% in FY25E to reach 58.8K. Leasing fleet to drive this growth (10.5% growth) with its fleet reaching 44.2K, and rental fleet to grow to 14.6K (7.8% growth). Given the sectoral tailwinds led by rising tourism and robust demand for used vehicles, we forecast the overall fleet size to expand at 5.1% CAGR over FY25-29E and to reach 71.8K by FY29E. Which is a conservative forecast compared to the management guidance of 8-10% rise in fleet beyond FY25, given highly competitive landscape in the short-term rental business.

AutoWorld integration to bolster long-term lease segment's growth but exert pressure on overall profitability margins: AutoWorld has strengthened Budget's market positioning in car rental segment by making it the largest company in terms of fleet size. AutoWorld's strong presence in the Eastern region and the Oil & Gas sector bodes well for Budget's long-term leasing business. Through this acquisition, we expect leasing revenues to grow at 12.5% CAGR over FY24-29E, to reach a revenue base of SAR 1,504mn by FY29E. However, integration could exert pressure on the overall profitability margins due to its nature to be a lower margin business. Further higher leverage in AutoWorld could pressurize the net income too.

Recommendation	Overweight
Target Price (SAR)	84.0
Upside / (Downside)*	27.9%

Source: Tadawul *prices as of 15th of September 2025

Key Financials

in SAR mn, (unless specified)	FY23	FY24E	FY25E	FY26E
Revenues	1,378	1,971	2,241	2,470
Growth %	34.4%	43.0%	13.7%	10.2%
Gross Profit	447	556	706	800
Net Income	277	312	369	446
Growth %	10.0%	12.4%	18.5%	20.9%
EPS	3.55	3.99	4.72	5.71
DPS	1.50	1.45	1.75	2.25

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24E	FY25E	FY26E
Gross Margin	32.4%	28.2%	31.5%	32.4%
Net Margin	20.1%	15.8%	16.5%	18.1%
ROE	15.5%	13.7%	13.1%	14.6%
ROA	10.0%	7.8%	7.2%	8.3%
P/E	22.3	20.5	13.9	11.5
P/B	2.5	1.7	1.6	1.5
EV/EBITDA (x)	8.4	6.3	4.9	4.5
Dividend Yield	1.9%	1.8%	2.7%	3.4%

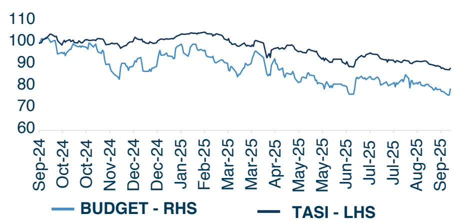
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap (SAR bn)	5.1
YTD%	-19.8%
52 weeks (High)/(Low)	98.60/71.00
Share Outstanding (bn)	78.2

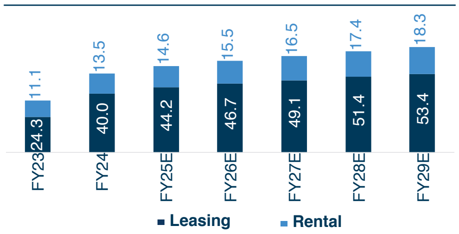
Source: Company reports, Aljazira Capital

Price Performance



Source: Tadawul, AlJazira Capital Research

Budget's fleet size ('000)



Source: Company, AlJazira Capital Research

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

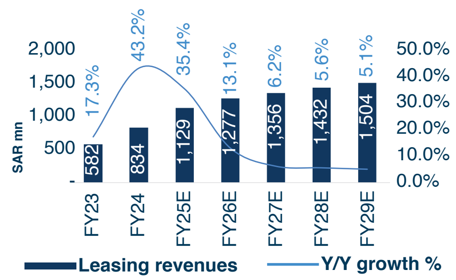
Short-term rental segment's organic growth to continue: Budget's short-term rental revenue witnessed robust growth of 13.6% Y/Y in FY24, driven by increased utilization and better pricing strategy. This indicates its ability to leverage its market position in a growing but competitive market. However, in the short-term we believe the heated competitive intensity among the incumbents could result in price wars for gaining market share. This could mute the growth of short-term rental revenues. That said, the segment witness signs of recovery in Q2-25. We expect short-term rental revenues to grow by 4.2% Y/Y in FY25E. However, over longer-term we believe the short-rental business is well placed to continue its growth due to – 1) its diverse and largest branch network among its peers, 2) ongoing fleet expansion (from 7k+ in FY21 to ~13k in FY24), 3) rising domestic and international travel and 4) increasing number of visitors for both religious and leisure tourism. We forecast the short-term rental fleet to expand at 6.3% CAGR over FY24-29E, thus aiding it to expand the revenues to SAR 574mn, implying a 5.8% revenue CAGR.

Pressure on Used-vehicle sales persists amid changed market dynamics: For last few quarters Budget Saudi experienced headwinds in used-vehicle sales business due to declining prices of used-cars resulting from higher supply of Chinese cars. Although currently the company has limited fleet of Chinese cars which are pending for sale, overall no. of used vehicles sold as well as price per vehicle are down. Accordingly, we expect the used-vehicle revenues to increase from SAR 575mn in FY24 to SAR 657mn by FY29E, implying 2.7% CAGR over FY24-29E, consider higher base in FY24.

Cost synergies from AutoWorld, and enhanced focus on government & corporate contracts to aid in margin expansion over FY25-29E: AutoWorld operates in a lower-margin business than Budget due to its focus on long-term leasing and a different customer mix, impacting Budget's overall margin profile. However, management expects SAR 50mn in cost synergies by FY26E from insurance savings, vehicle purchase discounts, and rebates, helping offset this impact. Additionally, the company's expansion in government and corporate contracts should drive margin growth. Despite reclassification from SG&A to COGS, gross profit (GP) margin has remained robust in H1-25 at 31.5% (vs. 28.2% in FY24). We expect it to improve, reaching 33.0% by FY29E, driven by i) cost synergies from AutoWorld, ii) operating leverage, and iii) an increased focus on government and corporate contracts. Similarly, the operating margin is projected to dip to expand to 23.2% by FY29E.

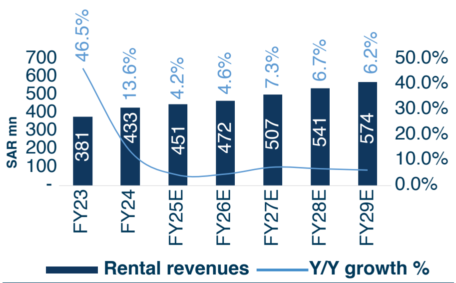
Balance sheet leverage to ease with planned debt restructuring, thus aiding the net margin expansion: Budget's leverage level increased from 0.34x debt/equity as of FY23 to 0.62x by FY24. Despite this sharp increase, it was still ~1/3rd the industry average, thus placing it comfortably for the upcoming capex on fleet expansion. However, we don't see any need to further leverage the balance sheet given healthy cash generation. Thus, we expect the debt to ease going forward. Moreover, AutoWorld integration already achieved SAR 350mn of debt restructuring, with a part of remaining SAR 400mn expected to be restructured in the coming quarters. This debt restructuring coupled with rate cuts would lower finance expenses. We forecast finance expenses to increase from SAR 72mn in FY24 to SAR 99mn in FY25E (1st full year integration) and gradually decrease to SAR 64mn by FY29E, and thus aid in net margin expansion from 15.8% in FY24 to 20.8%.

Leasing revenues



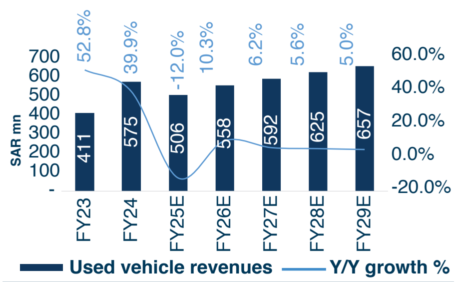
Source: Company, AlJazira Capital Research

Rental revenues (SAR MN)



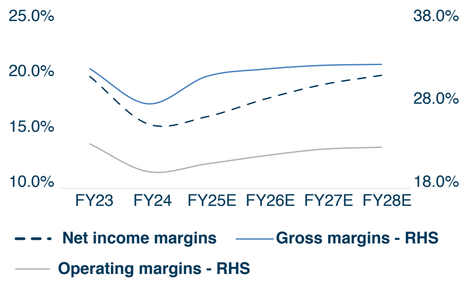
Source: Company, AlJazira Capital Research

Used-vehicle revenues (SAR MN)



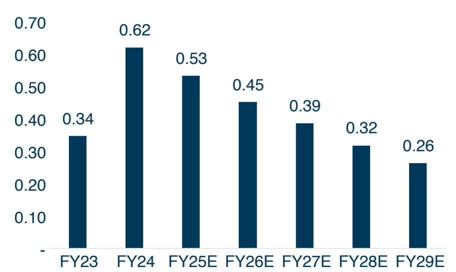
Source: Company, AlJazira Capital Research

Margin profile



Source: Company, AlJazira Capital Research

Debt/equity ratio



Source: Company, AlJazira Capital Research

AJC view and valuation: Budget's acquisition of AutoWorld will give it a lead over peers with expanded scale of operation. Over the long term we expect it to maintain its healthy growth in short-term and long-term segments. Cost synergies post integration to support margin expansion. Despite the more leveraged AutoWorld's balance sheet, Budget's financial position is expected to be comfortable to support any further expansion to gain most out of the upcoming growth in sector. We forecast Budget's fleet to expand at CAGR (FY24-29E) of 6.0% to reach over 71.8K by FY29E, translating into revenue CAGR of 8.2% and net profit CAGR of 14.3% over FY24-29E. We value Budget Saudi with 50% weightage to DCF (WACC = 9.4% and terminal growth = 2.5%) and 50% weightage to P/E (19.0x) valuation applied to FY26E EPS and discounted at WACC to arrive at a TP of **SAR 84.0/share**. Full realization synergies from the AW acquisition are expected by FY26E, hence we believe it will better reflect the company's earnings profile. We upgrade our rating to "**Overweight**", as current market value at 13.9x FY25E P/E seems to be lucrative and provides a good upside potential of 27.9%.

Blended Valuation:

Valuation Methodology	TP (SAR)	Weight	Weighted TP
DCF	78.0	50%	39.0
P/E (19.0x; FY26E discounted at WACC)	90.0	50%	45.0
TP (SAR/share)			**84.0**
Upside/Downside			**27.9%**

Source: AlJazira Capital Research

Key Financials

Amount in USD mn, unless otherwise specified	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement							
Revenues	1,378	1,971	2,241	2,470	2,626	2,778	2,924
Y/Y	**34.4%**	**43.0%**	**13.7%**	**10.2%**	**6.3%**	**5.8%**	**5.3%**
Cost of Sales	932	1,415	1,535	1,670	1,764	1,862	1,958
Gross profit	**447**	**556**	**706**	**800**	**862**	**915**	**966**
Y/Y	**24.6%**	**24.4%**	**27.0%**	**13.3%**	**7.8%**	**6.1%**	**5.6%**
Gross margin	**32.4%**	**28.2%**	**31.5%**	**32.4%**	**32.8%**	**32.9%**	**33.0%**
Selling and distribution expenses	(60)	(89)	(119)	(131)	(136)	(142)	(148)
Administrative expenses	(89)	(120)	(173)	(191)	(199)	(209)	(219)
Other operating income	35	57	70	78	83	87	92
Operating profit	**322**	**394**	**469**	**542**	**597**	**638**	**678**
Y/Y	**20.0%**	**22.6%**	**19.0%**	**15.4%**	**10.1%**	**6.9%**	**6.3%**
Operating margin	**23.4%**	**20.0%**	**20.9%**	**21.9%**	**22.7%**	**23.0%**	**23.2%**
Finance cost	(37)	(72)	(99)	(93)	(83)	(71)	(64)
Profit before zakat	**285**	**323**	**371**	**449**	**513**	**567**	**614**
Zakat	(8)	(11)	(10)	(11)	(13)	(14)	(15)
Net income	**277**	**312**	**369**	**446**	**509**	**562**	**607**
Y/Y	**10.0%**	**12.4%**	**18.5%**	**20.9%**	**14.1%**	**10.3%**	**8.1%**
Net Margin	**20.1%**	**15.8%**	**16.5%**	**18.1%**	**19.4%**	**20.2%**	**20.8%**
EPS	**3.55**	**3.99**	**4.72**	**5.71**	**6.51**	**7.18**	**7.77**
DPS	**1.50**	**1.45**	**1.75**	**2.25**	**2.75**	**3.00**	**3.25**
Balance sheet							
Assets							
Cash & bank balance	34	86	228	320	377	418	489
Other current assets	359	779	813	843	924	1,014	1,117
Property & Equipment	2,482	3,766	3,834	3,904	3,975	4,048	4,122
Other non-current assets	41	61	61	61	61	61	61
Total assets	**3,013**	**5,009**	**5,269**	**5,477**	**5,702**	**5,922**	**6,186**
Liabilities & owners' equity							
Total current liabilities	683	1,144	1,277	1,279	1,264	1,232	1,207
Total non-current liabilities	427	1,124	1,027	972	927	860	804
Paid -up capital	712	782	782	782	782	782	782
Statutory reserves	224	224	224	224	224	224	224
Retained earnings	924	1,137	1,369	1,640	1,934	2,261	2,614
Total owners' equity	1,861	2,143	2,375	2,646	2,940	3,267	3,620
Total equity & liabilities	**3,013**	**5,009**	**5,269**	**5,477**	**5,702**	**5,922**	**6,186**
Cashflow statement							
Operating activities	8	83	(146)	(159)	(189)	(152)	(132)
Investing activities	(10)	(18)	570	581	593	605	617
Financing activities	14	(13)	(281)	(331)	(347)	(412)	(413)
Change in cash	13	52	143	92	57	41	71
Ending cash balance	**34**	**86**	**228**	**320**	**377**	**418**	**489**
Key fundamental ratios							
Liquidity ratios							
Current ratio (x)	0.6	0.8	0.8	0.9	1.0	1.2	1.3
Quick ratio (x)	0.5	0.6	0.7	0.8	0.9	1.0	1.1
Profitability ratios							
GP Margin	32.4%	28.2%	31.5%	32.4%	32.8%	32.9%	33.0%
Operating Margins	23.4%	20.0%	20.9%	21.9%	22.7%	23.0%	23.2%
EBITDA Margin	47.8%	39.5%	33.5%	33.6%	33.9%	33.7%	33.6%
Net Margins	20.1%	15.8%	16.5%	18.1%	19.4%	20.2%	20.8%
Return on assets	10.0%	7.8%	7.2%	8.3%	9.1%	9.7%	10.0%
Return on equity	15.5%	13.7%	13.1%	14.6%	15.2%	15.4%	15.2%
Leverage ratio							
Debt/equity (x)	0.34	0.62	0.53	0.45	0.39	0.32	0.26
Market/valuation ratios							
EV/sales (x)	2.3	2.8	2.2	1.5	1.4	1.4	1.3
EV/EBITDA (x)	8.4	6.3	4.9	4.5	4.2	4.1	4.1
EPS (SAR)#	3.55	3.99	4.72	5.71	6.51	7.18	7.77
BVPS (SAR)#	23.80	34.51	37.48	40.94	44.70	48.89	53.41
Market price (SAR)*	79.0	81.9	65.7	65.7	65.7	65.7	65.7
Market-Cap (SAR mn)	6,175.2	6,401.9	5,135.6	5,135.6	5,135.6	5,135.6	5,135.6
Dividend yield	1.9%	1.8%	2.7%	3.4%	4.2%	4.6%	4.9%
P/E ratio (x)	22.3	20.5	13.9	11.5	10.1	9.1	8.5
P/BV ratio (x)	2.5	1.7	1.6	1.5	1.3	1.2	1.1

Source: Company reports, Aljazira Capital Research, # calculated based on new number of shares, * market price as of September 15, 2025

RESEARCH DIVISION

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

RESEARCH DIVISION

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RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer