

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 15<sup>th</sup> 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

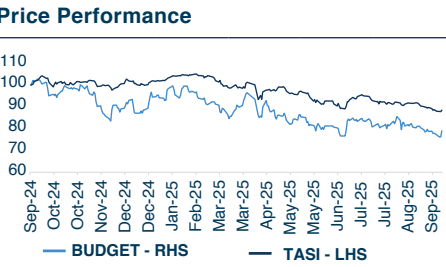
Source: Company reports, Aljazira Capital Research

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%

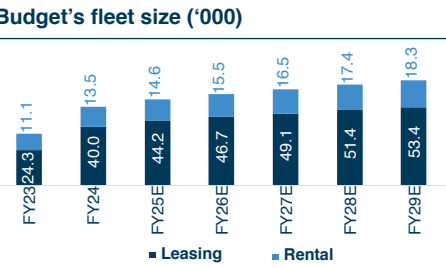
Source: Company reports, Aljazira Capital

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



Source: Tadawul, Aljazira Capital Research



Source: Company, Aljazira Capital Research

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

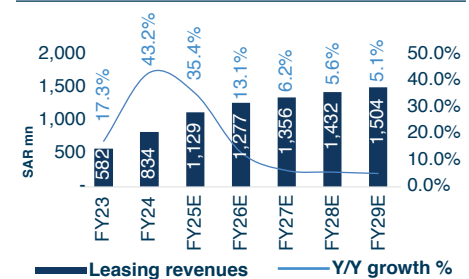
**Short-term rental segment's organic growth to continue:** Budget's short-term rental revenue witnessed robust growth of 13.6% Y/Y in FY24, driven by increased utilization and better pricing strategy. This indicates its ability to leverage its market position in a growing but competitive market. However, 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.

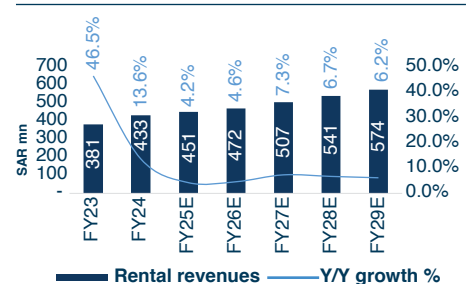
**Balance sheet leverage to ease with planned debt restructuring, thus aiding the net margin expansion:** Budget's leverage level increased from 0.34x debt/equity as of FY23 to 0.62x by FY24. Despite this sharp increase, it was still ~1/3rd the industry average, thus placing it comfortably for the upcoming 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



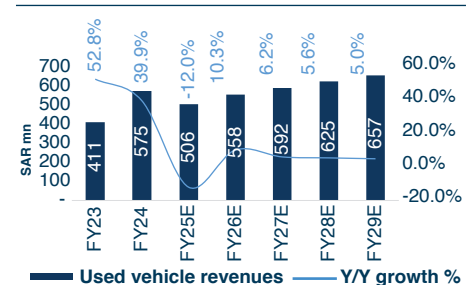
Source: Company, AlJazira Capital Research

### Rental revenues (SAR MN)



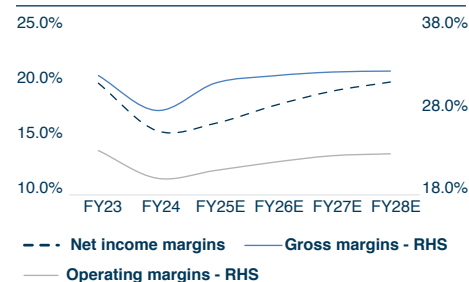
Source: Company, AlJazira Capital Research

### Used-vehicle revenues (SAR MN)



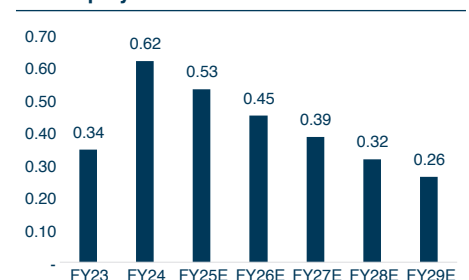
Source: Company, AlJazira Capital Research

### 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
<b>Income statement</b>							
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
<b>Balance sheet</b>							
<b>Assets</b>							
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
<b>Liabilities &amp; owners' equity</b>							
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
<b>Cashflow statement</b>							
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
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
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
<b>Profitability ratios</b>							
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%
<b>Leverage ratio</b>							
Debt/equity (x)	0.34	0.62	0.53	0.45	0.39	0.32	0.26
<b>Market/valuation ratios</b>							
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, Aljazeera 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

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

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

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of securities, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. Some securities maybe, by nature, of low volume/trades, or may become so, unexpectedly in special circumstances, and this might increase the risk on the investor. Some fees might be levied on some investments in securities. Aljazira Capital, its employees, one or more of its board members, its affiliates, or its clients may have investments in the securities or assets referred to in this report. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

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