

Vehicle Rental

Hold: 12M TP @ 71

Upside of +8.9%

Valuation Summary (TTM)

Price (SAR)	65.2
PER TTM (x)	14.9
P/Book (x)	3.3
P/Sales (x)	2.1
EV/Sales (x)	3.3
EV/EBITDA (x)	7.0
Dividend Yield (%)	3.2
Free Float (%)	67%
Shares O/S (mn)	43
YTD Return (%)	-15%
Beta	0.8

(mn)	SAR	USD	
Market Cap	2,804	747	
Enterprise Value	4,455	1,188	
Price performance (%)	1M	3M	12M
Theeb Rent A Car Co	-3%	-11%	0%
Tadawul All Share Index	-6%	-11%	-8%
Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	4,816	6,415	6,472
Avg Daily Volume (,000)	75	95	90
52 week	High	Low	CTL*
Price (SAR)	81.50	59.20	10.1

* CTL is % change in CMP to 52wk low

Major shareholders

Al-Theeb Mohammed	25.0%
Hamoud Abdullah	7.0%
Blackrock Inc	1.1%
Others	66.9%

Other details

Exchange	Saudi Arabia
Sector	Vehicle Rental
Index weight (%)	0.1%

Key ratios	2022	2023	2024
EPS (SAR)	4.49	3.30	4.25
BVPS (SAR)	15.46	16.97	19.31
DPS (SAR)	2.20	1.64	2.11
Payout ratio (%)	49%	50%	50%



Theeb: Favorable sales mix aid net income beat

Theeb Rent a Car Co. reported its 1Q25 revenue at SAR337mn, up 9.8% YoY, and was aided by growth in rental operations, even as used car sales came under pressure. It was also slightly higher than our expectation of SAR322mn by 4.7%. The topline growth was driven by a strong 36.1% YoY improvement in long-term leases, while short-term rental grew by a more modest 3.2% YoY. The used car sales segment on the other hand saw a decline of 16.9% YoY, in line with the broad trend in the industry. Gross profit improved 14.5% YoY, with gross margins increasing to 33.6% in 1Q25 vs 32.2% in 1Q24. This was despite the margins from the sale of used cars declining to 9.7% in 1Q25, compared to 19.3% in 1Q24, and comes on the back of an improved sales mix in favor of vehicle rental operations. Operating expenses increased by 19.9% YoY on higher SG&A costs. Finance cost on the other hand came higher by 21.3% YoY on higher debt. The leverage of the company at 66.3% (debt to capital) was a slight increase from 63.9% in 2024. We expect it to remain at this level in the medium term before moderating. Overall net income increased by 12.1% YoY to SAR45mn on higher topline and improved gross margins. It was also better than our forecast of SAR38mn on higher revenue and better than expected operating margins.

Investment thesis and valuations: Theeb is one of the three listed and a key player in the fragmented vehicle rental industry in Saudi. It operated with a fleet size of over 32,000 vehicles in 2024, increasing by 10% YoY and we expect this level of growth to continue in the medium term. The sale of the used car segment on the other hand is likely to remain under pressure, though the same was compensated by a strong performance from the vehicle rental operations in the current quarter. The ability of the company to continue its momentum in lease and rental will remain key for the company to maintain its financial performance. Overall, despite the bottomline beat we prefer to remain cautious and retain our target price on Theeb at **SAR71/share**, which implies a **Hold** rating.

Income Statement(SAR mn)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	631	660	752	968	1,135	1,303	1,435	1,580	1,739	1,912
Cost of sales	(410)	(498)	(504)	(616)	(777)	(885)	(971)	(1,045)	(1,146)	(1,254)
Gross profit	221	162	248	352	359	418	464	535	592	658
Operating expenses	(72)	(70)	(96)	(124)	(153)	(154)	(164)	(176)	(188)	(202)
Operating profit	149	92	152	228	206	264	300	360	404	456
Other income	0	8	6	9	7	9	9	10	10	10
Finance expenses	(25)	(32)	(26)	(33)	(61)	(86)	(106)	(121)	(132)	(136)
Earnings before tax	124	67	132	204	152	187	204	248	282	330
Tax	(8)	(4)	(7)	(11)	(9)	(4)	(5)	(6)	(7)	(8)
Net income	116	63	126	193	142	183	199	242	275	323

Balance Sheet(SAR mn)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
PP&E	1,027	979	1,156	1,320	1,673	2,038	2,423	2,781	3,113	3,335
Other non-current assets	47	120	89	102	96	85	74	62	51	40
Total non-current assets	1,074	1,099	1,245	1,422	1,769	2,123	2,497	2,844	3,164	3,375
Inventory	7	9	6	5	7	17	19	21	23	25
Receivables	85	109	139	189	232	283	312	344	378	416
Cash & Cash Equivalents	59	40	58	100	52	35	71	90	66	61
Other current assets	50	52	71	150	181	117	128	140	154	168
Total current assets	201	209	273	444	471	453	531	595	620	670
Total assets	1,276	1,307	1,518	1,866	2,241	2,576	3,027	3,439	3,785	4,045
Share Capital	154	430	430	430	430	430	430	430	430	430
Total reserves	295	52	137	235	300	400	501	622	761	923
Total Equity	449	482	567	665	730	830	931	1,052	1,191	1,353
Payables	95	72	134	87	125	125	137	147	161	176
Short term debt	289	297	327	442	557	699	870	1,012	1,108	1,148
Short term lease liabilities	15	35	54	54	64	40	38	33	28	23
Other current liab.	59	57	65	75	117	109	120	129	142	155
Total current liabilities	459	460	580	658	862	973	1,165	1,321	1,439	1,503
Long term debt	316	249	288	455	569	683	850	988	1,083	1,122
Long-term lease liabilities	29	93	55	54	42	47	39	34	29	24
Other non-current liab.	23	24	28	35	39	43	43	43	43	43
Total non-current liabilities	368	365	371	544	649	772	932	1,066	1,155	1,189
Total Liabilities	827	826	951	1,201	1,512	1,745	2,097	2,386	2,594	2,692
Equity and liabilities	1,276	1,307	1,518	1,866	2,241	2,576	3,027	3,439	3,785	4,045

Cash Flows(SAR mn)	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	(129)	126	47	(66)	(88)	(39)	(36)	43	116	275
Cash from investments	(4)	(4)	(6)	(5)	(11)	(12)	(12)	(13)	(13)	(13)
Cash from financing	159	(142)	(23)	114	52	33	84	(11)	(128)	(267)
Net changes in cash	26	(19)	18	42	(47)	(18)	36	19	(25)	(5)
Cash balance	59	40	58	100	53	35	71	90	66	61







Ratios	2019	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
<u>Per Share (SAR)</u>										
EPS	2.7	1.5	2.9	4.5	3.3	4.2	4.6	5.6	6.4	7.5
BVPS	10.4	11.2	13.2	15.5	17.0	19.3	21.6	24.5	27.7	31.5
DPS	-	-	1.5	2.2	1.6	2.1	2.3	2.8	3.2	3.7
FCF/share	(3.1)	2.8	0.9	(1.7)	(2.3)	(1.2)	(1.1)	0.7	2.4	6.1
Revenue/share	14.7	15.3	17.5	22.5	26.4	30.3	33.4	36.8	40.4	44.5
<u>Valuations</u>										
M.Cap (SAR mn)	2,653	2,653	2,653	2,783	2,804	2,804	2,804	2,804	2,804	2,804
EV (SAR mn)	3,243	3,286	3,319	3,688	3,983	4,237	4,530	4,780	4,986	5,060
P/E	22.9	41.9	21.1	14.4	19.7	15.3	14.1	11.6	10.2	8.7
EV/EBITDA	9.5	10.0	8.2	7.2	7.4	7.0	6.5	6.0	5.6	5.2
EV/Sales	5.1	5.0	4.4	3.8	3.5	3.3	3.2	3.0	2.9	2.6
P/BV	5.9	5.5	4.7	4.2	3.8	3.4	3.0	2.7	2.4	2.1
P/S	4.2	4.0	3.5	2.9	2.5	2.2	2.0	1.8	1.6	1.5
Div. yield	0.0%	0.0%	2.4%	3.4%	2.5%	3.2%	3.5%	4.3%	4.9%	5.7%
FCF yield	-5.0%	4.6%	1.5%	-2.6%	-3.5%	-1.8%	-1.7%	1.1%	3.7%	9.3%
<u>Liquidity</u>										
Cash Ratio	0.1	0.1	0.1	0.2	0.1	0.0	0.1	0.1	0.0	0.0
Current ratio	0.4	0.5	0.5	0.7	0.5	0.5	0.5	0.5	0.4	0.4
Quick ratio	0.4	0.4	0.5	0.7	0.5	0.4	0.4	0.4	0.4	0.4
<u>Return ratio</u>										
ROA	9.1%	4.8%	8.3%	10.3%	6.3%	7.1%	6.6%	7.0%	7.3%	8.0%
ROE	25.9%	13.1%	22.2%	29.0%	19.5%	22.0%	21.4%	23.0%	23.1%	23.8%
ROCE	13.6%	7.9%	11.8%	13.6%	10.5%	11.5%	11.0%	11.5%	11.7%	12.4%
<u>Cash cycle</u>										
Inventory turnover	60.6	58.1	90.0	124.1	115.6	50.6	50.6	50.6	50.6	50.6
Payables turnover	4.3	6.9	3.8	7.1	6.2	7.1	7.1	7.1	7.1	7.1
Receivables turnover	7.4	6.0	5.4	5.1	4.9	4.6	4.6	4.6	4.6	4.6
Inventory days	6	6	4	3	3	7	7	7	7	7
Payable days	84	52	96	51	58	51	51	51	51	51
Receivables days	49	60	67	70	73	78	78	78	78	78
Cash Cycle	(29)	14	(25)	23	19	35	35	35	35	35
<u>Profitability ratio</u>										
Gross margins	35.0%	24.5%	33.0%	36.4%	31.6%	32.1%	32.3%	33.9%	34.1%	34.4%
EBITDA margins	54.3%	49.6%	53.7%	53.1%	47.4%	46.7%	48.2%	50.5%	50.8%	50.6%
Operating margins	23.7%	13.9%	20.2%	23.5%	18.1%	20.3%	20.9%	22.7%	23.2%	23.9%
PBT margins	19.7%	10.2%	17.6%	21.0%	13.3%	14.4%	14.2%	15.7%	16.2%	17.3%
Net margins	18.4%	9.6%	16.7%	19.9%	12.5%	14.0%	13.9%	15.3%	15.8%	16.9%
Effective tax rate	6.5%	6.1%	5.1%	5.2%	6.3%	2.3%	2.3%	2.3%	2.3%	2.3%
<u>Leverage</u>										
Total debt (SAR mn)	649	673	724	1,005	1,231	1,468	1,797	2,067	2,248	2,317
Net debt (SAR mn)	590	633	666	905	1,179	1,433	1,726	1,977	2,182	2,257
Debt/Capital	59.1%	58.3%	56.1%	60.2%	62.8%	63.9%	65.9%	66.3%	65.4%	63.1%
Debt/Total assets	50.9%	51.5%	47.7%	53.8%	54.9%	57.0%	59.4%	60.1%	59.4%	57.3%
Debt/Equity	1.4	1.4	1.3	1.5	1.7	1.8	1.9	2.0	1.9	1.7
Debt/EBITDA	1.9	2.1	1.8	2.0	2.3	2.4	2.6	2.6	2.5	2.4
Net debt/EBITDA	1.7	1.9	1.6	1.8	2.2	2.4	2.5	2.5	2.5	2.3

Key contacts

Research Team

Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

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

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we endeavor to update on a reasonable basis the information discussed in this material, United Securities, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. United Securities LLC, and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. United Securities LLC and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.