

## Transportation

## Theeb Rent a Car Co.

### First Cut – Theeb Rent a Car Co.

**Revenue growth continues to remain robust:** Theeb reported revenue grew by a strong 15.3% YoY to SAR288mn for 3Q23 and we expect the same to have been driven by its fleet expansion and higher sale from its vehicle resale operations.

**Lower margins impact profitability growth:** Gross profit increased by 3.8% YoY to SAR92mn and was aided by higher sales, though gross margins declined to 31.9% for 3Q23, compared to 35.4% a year back. We expect the fall in margins to have been impacted by higher proportion of revenue coming from resale operations. SG&A expenses increased by 60.2% YoY to SAR39mn, while finance expenses too increased. Overall net income fell by a 36.2% YoY to SAR34mn, with lower gross margins, higher SG&A expenses, and higher finance cost, more than making up for the growth in revenue.

**Weak performance, though our projections factor in the same:** Overall, the financial performance of Theeb was weak. For our estimates, we had factored in a slower recovery in the gross margins, as a result, the performance of the company has been broadly in line with the trend we had forecasted for 2H23e. The stock is currently quoting at c.18x its 2023e EPS and we currently have a target price of SAR71/share on Theeb.







in SAR mn	3Q23	2Q23	QoQ	3Q22	YoY	9M23	9M22	YoY	2022	2021	YoY	2023E	YoY
Revenue	288	283	1.8%	250	15.3%	835	698	19.6%	968	752	28.7%	1,083	11.9%
Gross profit	92	82	11.9%	89	3.8%	265	255	4.0%	355	248	42.9%	343	-3.3%
Gross margins (%)	31.9%	29.0%		35.4%		31.7%	36.5%		36.7%	33.0%		31.7%	
Operating profit	53	46	14.2%	64	-17.5%	158	167	-5.8%	228	152	49.7%	206	-9.4%
Operating margins	18.4%	16.4%		25.7%		18.9%	24.0%		23.5%	20.2%		19.1%	
Net income	34	30	14.8%	54	-36.2%	107	139	-23.6%	193	126	53.6%	145	-24.7%
Net margins	11.9%	10.6%		21.5%		12.8%	20.0%		19.9%	16.7%		13.4%	

## Key contacts

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## Rating Criteria and Definitions

Rating	Rating Definitions
 <b>Strong Buy</b>	<b>Strong Buy</b> 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%
 <b>Buy</b>	<b>Buy</b> 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%
 <b>Hold</b>	<b>Hold</b> 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%
 <b>Neutral</b>	<b>Neutral</b> 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%
 <b>Sell</b>	<b>Sell</b> 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%
 <b>Strong Sell</b>	<b>Strong Sell</b> 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%
<b>Not rated</b>	<b>Not rated</b> This recommendation used for stocks which does not form part of Coverage Universe

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