JUNE 2026

CHERRY

Initiating Coverage

Focus on Short-term rental, challenges in UCS

We initiate our coverage on Cherry with a Neutral rating and a PT of SAR27.4. We believe the long-term outlook of the Saudi car rental sector is positive driven by expanding corporate sector, growth in tourism and major upcoming events. Cherry, as one of the notable players in the sector, are well positioned to benefit from the potential growth. The company managed a fleet of 16.9k vehicles in 2025, supported by 23 short term rental branches across regional cities within Saudi. Leasing is the largest and most stable business line, contributing 73.1% of total revenues in 2025, supported by a SAR1.2bn backlog. We expect revenues to record a 2025-30f CAGR of 11.0% to SAR873mn, led by fleet expansion and the focus on the rental segment. Net income is expected to reach SAR112mn by 2030f, reflecting a 2025-30f CAGR of 9.6%. The stock trades at 2026f P/E of 8.9x vs the peer group median of 10.5x.

- **Tourism, a key driver:** Tourism is a key focus of Vision 2030 with a targeted contribution to GDP of 16% by 2034f. Saudi aims to reach 150mn visitors and create 16mn jobs related to the sector by 2030f. In 2025, Saudi had 123mn domestic and international visitors, reflecting a 2020-24 CAGR of 21.7%. These targets continue to generate significant short-term mobility requirements for hotels, logistics, and event operators. In general, the short-term rental segment is expected to record a 2024-2029f CAGR of 4.2% to reach SAR2.2bn. Beyond that, major events (Expo 2030, World Cup 2034) are expected to drive growth further.
- **Corporate headquarter movement to drive the demand for LT leasing:** Saudi's corporate sector continues to expand across logistics, retail, and contracting, creating sustainable growth in B2B demand for fleet services as outsourcing remains the preferred model. Corporate clients account for c45% of total long-term leasing volumes, with contract duration ranging 1-5 years and the historic renewal rates exceeding 70%. In general, the long-term leasing segment is expected to record a 2024-2029f CAGR of 14.1% to reach SAR7.2bn.
- **UCS margins impacted by low-cost Chinese alternatives:** The Saudi used-vehicle market reached SAR60.1bn in 2025, up from SAR35.3bn in 2020, representing a CAGR of 11.2% over the period. Used car sales is facing strong competition from low-cost Chinese alternatives, which has impacted margins in 2024-25, with Q1 26 results showing that the negative impact persists. Accordingly, UCS margins contracted to c3.65% in 2025 vs c11.5% in 2024. Going forward, we expect used car sales margins to remain under pressure, with a range of 3%-5%.
- **Initiate coverage with a Neutral rating and a PT of SAR27.4:** We initiate coverage on Cherry with a Neutral rating and a PT of SAR27.4. The company is positioned to benefit from growth in long term leasing and short-term rental demand, supported by corporate expansion, tourism growth and its established operating base. However, pressure on used car sales margins and rising competition from low-cost Chinese alternatives are expected to limit upside. The stock trades at 2026f P/E of 8.9x vs the peer group median of 10.5x.

Summary Financials

SAR mn	2025	2026f	2027f	2028f	2029f	2030f
Revenues	518	702	662	729	799	873
Gross profit	154	171	171	191	212	232
Gross margin (%)	*29.8%*	*24.4%*	*25.8%*	*26.2%*	*26.6%*	*26.6%*
EBIT	132	145	141	156	175	188
EBIT margin (%)	*25.5%*	*20.7%*	*21.4%*	*21.4%*	*21.9%*	*21.5%*
Net Income	71.0	86	88	95	104	112
Net Income margin (%)	*13.7%*	*12.2%*	*13.3%*	*13.0%*	*13.0%*	*12.8%*
EPS	2.37	2.85	2.93	3.16	3.47	3.74

Source: Cherry, SNB Capital Research estimates

NEUTRAL

Price target (SAR)	27.4
Current price (SAR)	25.4
Upside/Downside (%)	8.3

VALUATION MULTIPLES

	25	26f	27f
P/E	10.7	8.9	8.7
P/BV	1.3	1.2	1.0
EV/EBITDA	5.8	5.3	5.8
DPS	0.5	0.4	0.4

Source: SNB Capital Research estimates

MAJOR SHAREHOLDERS

Investor	% Ownership
Saudi Edarah Holding	69.0%
Abdulaziz Saleh AlSowail	1.05%
Foreign Investors	2.15%

Source: Saudi Exchange, SNB Capital Research. As of 01 June 2026.

STOCK DETAILS

M52-week range H/L (SAR)	22.4/31.7
Market cap (USD mn)	203
Shares outstanding (mn)	30
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	5M
Absolute	(6.5)	0.6	3.4
Rel. to market	(4.9)	(2.2)	(2.2)

Avg daily turnover (mn)	SAR	USD
1M	10.0	2.7
3M	12.4	3.3

Reuters code	4265.SE
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