

Vehicle Rental

Theeb Rent a Car Company

BUY: 12M TP @ 71

Valuation Summary (TTM)

Price (SAR)	59.700
PER TTM (x)	14.3
P/Book (x)	3.7
P/Sales (x)	2.4
EV/Sales (x)	4.1
EV/EBITDA (x)	6.6
Dividend Yield (%)	3.4
Free Float (%)	64%
Shares O/S (mn)	43
YTD Return (%)	-13%
Beta	0.7

(mn)	SAR	USD
Market Cap	2,567	684
EV	3,603	960

Price performance (%)	1M	3M	12M
Theeb Rent A Car Co	-5%	-29%	-14%
Tadawul All Share Index	-5%	-12%	-10%
Industry Index	-5%	-12%	-10%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (SAR ,000)	19,351	28,969	22,650
Avg Daily Volume (,000)	491	433	320

52 week	High	Low	CTL*
Price (SAR)	89.90	58.00	2.9

* CTL is % change in CMP to 52wk low

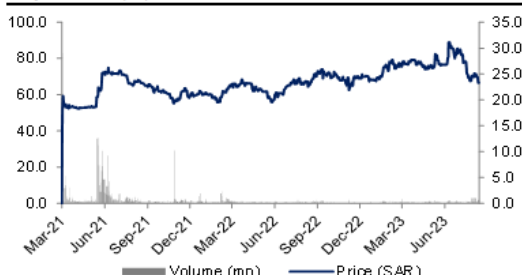
Major shareholders

Al Theeb Mohammed Ah	25%
Al Theeb Mohammed Ha	10.0%
BlackRock Inc	1.0%
Others	64.0%

Other details

Exchange	Saudi Arabia
Sector	Commercial Services
Index weight (%)	0.1%

Key ratios	2020	2021	2022
EPS (SAR)	1.47	2.92	4.49
BVPS (SAR)	11.20	13.19	15.46
DPS (SAR)	0.00	1.45	2.20
Payout ratio (%)	0%	50%	49%



Theeb is one of the leading players in the vehicle lease and rental market in Saudi Arabia operating with a fleet size of more than 25,000 vehicles in 2022. It is the second largest player in the industry in terms of fleet size, with a market share of c.10%. The company operates through 53 rental branches spread across the Kingdom with a presence in the Central (26% of total branches), airport (26%), West (19%), East (15%), South (9%), and North (4%). The short-term vehicle rental operation is the largest segment of Theeb accounting for 52% of the fleet size and 49% of the revenue in 2022. Its lease operation (vehicle rental for more than 1 year), is well diversified with a client base of more than 350 customers and with the top-5 industries it served accounting for 65% of the revenue in 2022. This is the second largest segment for the company accounting for 48% of its fleet and 33% of the revenue. The revenue of long-term leases is driven by agreements, which provides long-term stability and visibility to Theeb's performance. This is evident when we consider that the sale from this line of operation has exhibited consistent revenue growth, even during the Covid period. Sale of motor vehicles are the third largest line of business accounting for 18% of the revenue. In this segment, the company sells used vehicles from its fleet, which have been in service for 2 to 5 years. This business helps the company create a market for its used vehicles and also aids in maintaining the age of the fleet at a desired level. This segment also helps the company to maintain its topline during difficult market conditions. For instance, during times of Covid (2020) revenue from this segment grew by 71.5% YoY, as Theeb divested a part of its fleet to manage the slowing down of its rental operations. The company's fleet size has grown from 19,101 vehicles in 2019 to more than 25,000 vehicles by 2022, a CAGR of c.10%. Going forward we expect Theeb to continue to grow its fleet, as we forecast the number of vehicles to grow at a CAGR of c.10% between 2022-27e, which in turn is likely to keep the revenue of lease and rental operations buoyant. We also expect Theeb to maintain the age of its fleet at its desired levels, which will aid in a steady growth in revenue from its re-sale of vehicle segment. Overall, we have a positive view on Theeb and initiate coverage on the company with a **BUY** rating, and a target price of **SAR71/share**.

2023e profitability to come under pressure, though likely to recover thereafter: We expect revenue growth of Theeb will continue to remain strong in the medium term aided by consistent addition to the fleet. We have forecasted the revenue of Theeb to grow at a CAGR of 8% between 2022-27e and will be aided by a strong performance from the lease and rental operations and supported by a steady growth from the resale of motor vehicles. However, gross margins are likely to come under pressure in 2023e at the back of lower utilization of vehicles in the rental segment, which is likely to impact the net income during the year. We expect the margins to start increasing post 2023e, as the utilization of the new vehicles starts to improve. Overall, we forecast net income of Theeb to grow at a CAGR of 17% between 2023e-27e.

Leverage has been high historically: Leverage of Theeb has historically been on the higher side, with its debt to total capital averaging 58% between 2019-22. Constant additions to the fleet and the periodic churning within the fleet to maintain a young fleet, mitigated to a certain extent by the vehicle resale segment, have resulted in the dependence on debt financing. Going forward, we expect the leverage to marginally increase to 61% in 2023e, post which it is likely to decline, though it will continue to remain on the higher side.

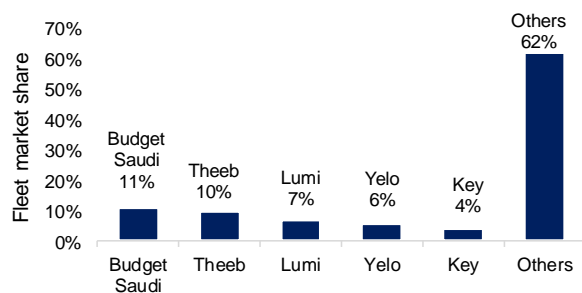
Valuations: Theeb's strong market position, growth in its fleet size, and steady improvement in the revenue from resale of vehicles are likely to keep the financial performance robust. Though we expect the margins to come under pressure in 2023e, the same is expected to improve thereafter. Its dependence on debt is likely to continue in the years ahead, though we expect it to remain under control. Theeb is currently quoting at 15x its 2024e EPS, which offers a upside of 19% from the current levels. Overall, we remain positive about the company's growth prospect and initiate coverage with a **BUY** rating at a target price of **SAR71/share**.

Strong and diversified presence in the vehicle leasing and rental market of Saudi Arabia

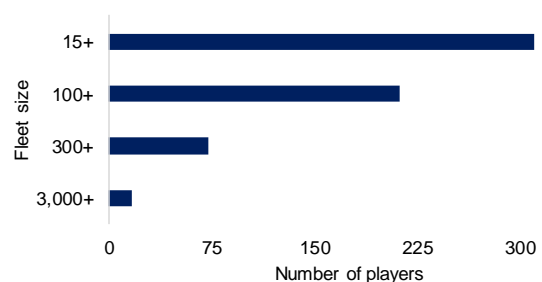
Theeb is one of the largest vehicle leasing and rental companies in the Kingdom and operating over 25,000 vehicles, through 53 branches, including 14 airport branches. It has a strong presence in the Saudi market as the second largest player in terms of fleet size, with a market share of c.10%. The company's strong presence comes in an industry that is highly fragmented and made up of a large number of small players, with the top 5 participants together accounting for a mere 38% of the market. Added to this, 51% of the industry participants are small with a fleet size of less than 100.

Second largest player in the vehicle leasing and rental industry.

Top-5 players account for a mere 38% of the fleet



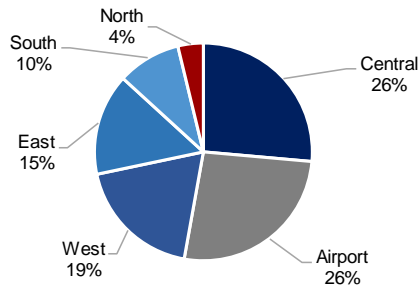
Smaller players make up 50%+ of the market



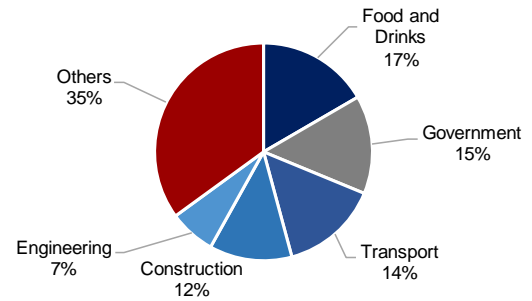
Source: Lumi Prospectus, and US Research (market share data is as of 2021 and fleet size data is as of 2022)

In this industry, Theeb has a diversified presence covering all the major regions in the Kingdom. Its Central and airport branches accounted for 26% each of its total network, followed by the Western region, which accounted for 19%, Eastern region (15%), Southern region (9%), and Northern region (4%). The revenue from its long-term leasing operation was also diversified, with food and drinks sector accounting for 17% of its revenue, followed by government and transport sectors, accounting for 15% each, construction (12%), engineering (7%), and other sectors (35%).

Branches across the main regions in the Kingdom



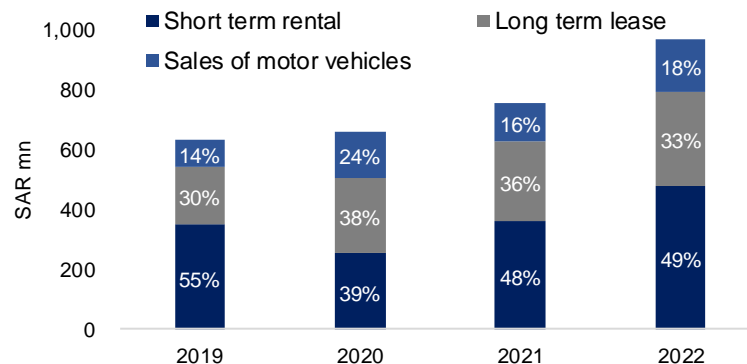
Lease revenue diversified across industry



Source: Company filings, and US Research

Theeb operates through three main segments, short-term rental which accounted for 49% of its 2022 revenue, followed by long-term lease revenue (33%), and sale of motor vehicles (18%).

Short term rental dominates revenue contribution



Source: Company filings, and US Research

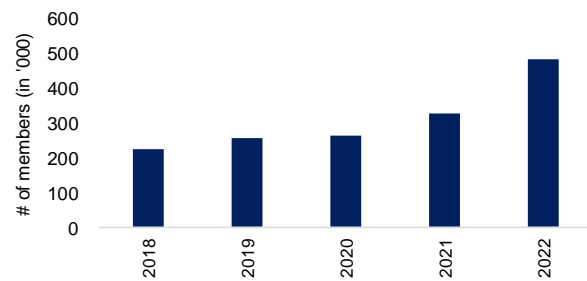
Nearly 50% of Theeb's revenue comes from short term rental operations.

Short-term rental revenue will continue to grow consistently aided by improvement in fleet size

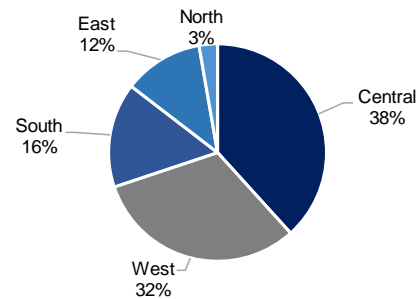
Short-term rental was the largest segment of Theeb accounting for 49% of the topline in 2022. Revenue from the rental of the fleet for a period lesser than a year is accounted for in this segment. Individuals account for a major portion of the customer base contributing to 85% of total sales in 2022, followed by corporate clients, which accounted for the balance 15%. The company operates this segment across the major regions of the country, with 38% of the 2022 topline contributed by the Central region, followed by 32% from the Western region, 16% from the Southern region, 12% from

the Eastern region, and the balance 3% from the Northern region. Revenue in this segment is driven by the overall increase in the movement of people on account of various factors, including tourism, and the overall development in the economy. The client base in this business varies from domestic travelers, foreign tourists, clients on business trips, and international expatriates. In 2022, the company operated with an average fleet size of 11,769 vehicles in this segment.

Consistent increase in the # of members for rental



Diversified rental revenue base



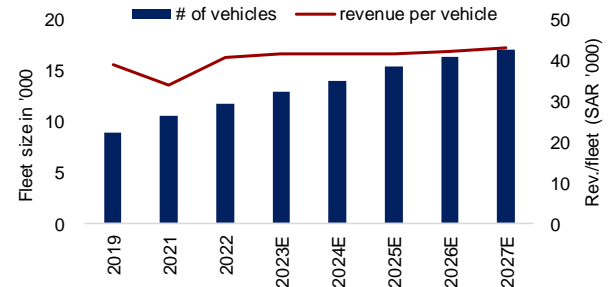
Source: Company filings, and US Research

Revenue from short-term rental increased at a CAGR of 11% between 2019 and 2022 and have been aided by a 10% (CAGR) growth in the average fleet size from 8,963 vehicles in 2019 to 11,769 vehicles in 2022. Revenue per vehicle on the other hand has grown marginally by c.1% CAGR for the same period. The growth in the overall revenue has also been relatively consistent, with the company registering growth continuously between 2019 and 2022, except for a fall in 2020, on account of Covid. However, post this, the revenue from this segment had posted a relatively quick recovery. The overall stability of the revenue has been at the back of steady growth in the segment's membership base, which has grown consistently from 256,560 in 2019 to 481,712 in 2022, a CAGR of more than 20%.

Rental revenue to grow consistently



Revenue to be driven by increase in fleet size



Source: Company filings, and US Research (historical revenue per vehicle are based on certain assumptions)

Going forward, we expect the growth momentum to continue as we forecast revenue from short-term rental to grow at a CAGR of 9% between 2022-27e and will be predominantly aided by a c.8% CAGR improvement in the fleet size.

**Long-term leasing
operations account for
48% of the average fleet
size and serves more than
350 customers.**

Long-term lease rental to continue to deliver robust performance

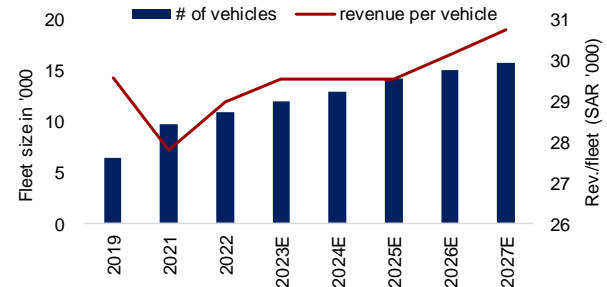
In this segment, vehicles are leased out for a fixed period and a pre-agreed rent. The period of rent is normally longer than one year and at times extends up to five years. The leased vehicles are offered at plans that are customized to suit the requirements of a specific client. These are aimed mainly at corporates and business owners, and offer flexibility to the clients, in terms of savings related to owning and maintaining non-core assets like vehicles. Theeb has a diversified presence in this segment serving a client base of more than 350 customers. The leased fleet accounted for 48% of the total fleet of the company in 2022.

Revenue from long-term leases increased at a CAGR of 18% between 2019 and 2022 and we expect it to have been aided by a 19% CAGR growth in the average fleet size. This segment provides stability to the overall performance of the company and has consistently reported revenue growth, as even during the Covid times, sales from long-term leases reported growth (+31% in 2020 and +8% in 2021).

Steady growth in lease revenue, even during Covid



Fleet expansion drives revenue growth



Source: Company filings, and US Research (historical revenue per vehicle are based on certain assumptions)

Going forward, we expect the segment will continue to grow, and we forecast the revenue from long-term leases to increase at a CAGR of 9% between 2022-27e and this will be predominantly aided by the growth in its fleet size.

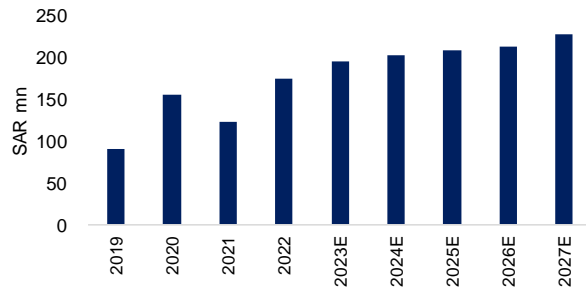
The resale of vehicles provides stability during difficult times

In this segment, Theeb sells its used vehicles after completing 2 to 5 years of service. The company utilizes its various sales channels for sales in this business, including its showrooms, public auctions, and online channels. Currently, Theeb has 2 showrooms in Riyadh and Jeddah.

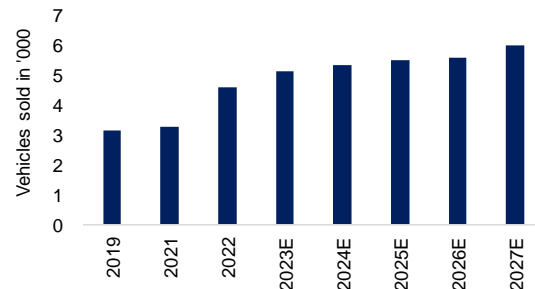
Revenue has grown consistently, but for 2021, due to higher base.

Revenue from the resale of vehicles grew at a CAGR of 25% between 2019-22 and was aided by the number of vehicles growing at a CAGR of 13% from 3,173 vehicles in 2019 to 4,615 vehicles in 2022. The revenue per vehicle grew at a CAGR of 10% for the same period. In line with its peers, Theeb's revenue from this segment reported a robust 71% YoY growth in 2020 (Covid period), which helped the company tide over the pressure of lower sales from the rental segment. Given that new vehicles demand better rentals, we expect the company to continuously churn its vehicles to maintain a relatively low average age of its fleet.

Sale of vehicles have reported robust growth



Vehicles sold to report steady growth



Source: Company filings, and US Research

Going forward, we expect the revenue from the resale of vehicles to grow at a CAGR of 5% between 2022-27e and will be predominantly aided by an increase in the number of vehicles sold during the period.

Revenue growth has been supported by increase in fleet size and the performance of the vehicle resale segment.

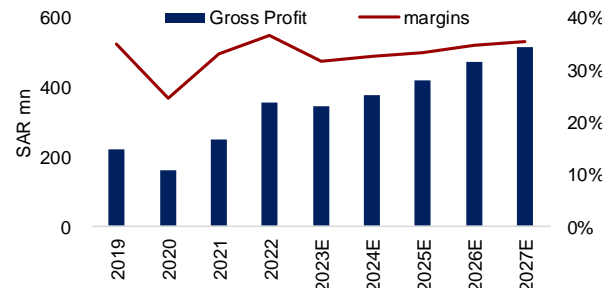
Financial performance is strong and likely to continue

Revenue of Theeb grew at a CAGR of 15% between 2019-22 to SAR968mn and was aided by a consistent increase in fleet size and steady growth from the vehicle resale segment. The total size of the fleet has increased from c.19,100 vehicles in 2019 to c.25,000 vehicles in 2022, a growth of c.10% CAGR. Going forward, we expect the growth momentum to continue, as we forecast revenue to grow at a CAGR of 8% between 2022-27e and will be driven by strong growth performance from the leasing and rental segment, and a steady growth in the sale of vehicles segment.

Revenue growth to remain strong



Margins to recover post 2023e

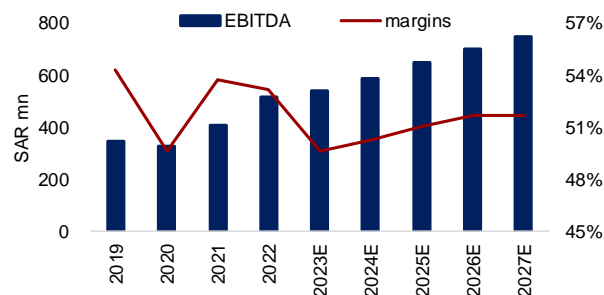


Source: Company filings, and US Research

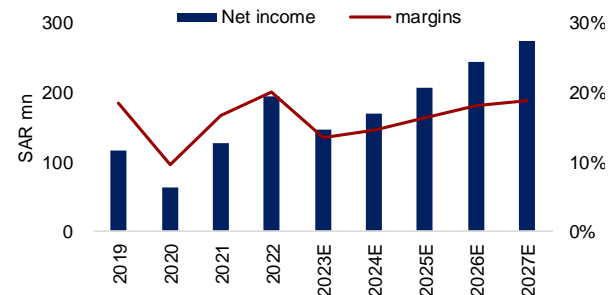
Gross margins come under pressure in 2023e, expect it to improve as utilization of fleet improves.

Gross profit increased by a CAGR of 17% between 2019-22 and was driven by the increase in revenue. Gross margins on the other hand improved from 35.0% in 2019 to 36.7% in 2022, though it came under pressure in 2020 (24.5%) and recovered in 2021 (33.0%). The pressure on margins in 2020 and 2021 has been at the back of lower revenue from rental operations in 2020, and an increase in the contribution of revenue from vehicle resale, which is a relatively lower-margin segment. In 2022, the company purchased more than 7,000 new vehicles, and these new vehicles are unlikely to be utilized fully. As a result, gross margins are likely to decline from 37% in 2022 to c.32% in 2023e and will start to recover steadily from thereon to reach c.36% by 2027e.

EBITDA growth to remain strong



Net income growth to recover post 2023e



Source: Company filings, and US Research

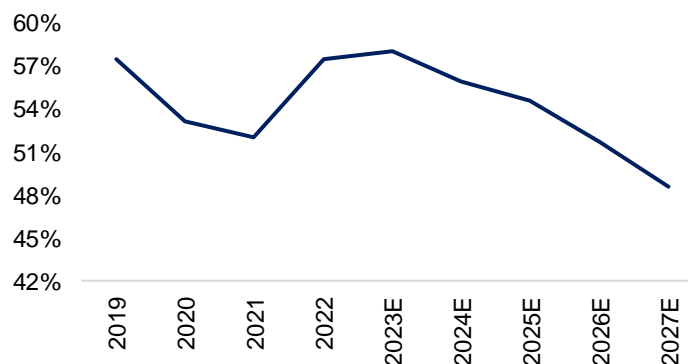
Operating costs increased by a CAGR of 21% between 2019-22, at the back of higher SG&A expenses and higher impairment on receivables. EBITDA increased by 14% CAGR between 2019-22, though the margin fell from 54.3% in 2019 to 53.1% in 2022. Higher operating costs was the main reason for the decline in the margins, despite an improvement in revenue and gross margins during the period. Finance costs increased by a CAGR of 9% for 2019-22, at the back of increasing debt and interest rates. Overall net income increased by a CAGR of 19% between 2019-22 and was aided by an improvement in revenue and gross margin. However, we expect the profitability for 2023e to come under pressure, owing to the pressure on gross margins. Though we expect the performance to improve thereafter, and register a CAGR of 17% between 2023-27e.

Leverage consistently high due to the constant increase in fleet.

Leverage has been historically high, though under control

Given the capital-intensive nature of the business, and the expansion in its fleet size, the leverage of Theeb has historically been high, with a debt to total capital averaging 58% during 2019-22. Going forward, we expect it to increase to c.60% in 2023e, though the same has been forecasted to decline thereafter. Overall, given the constant churning in the company's portfolio of vehicles we expect the leverage levels will continue to remain significant, though under control.

Debt to total capital historically high



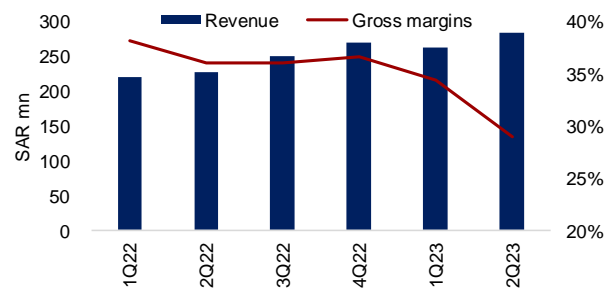
Source: Company filings, and US Research

1H23 profitability was under pressure due to lower utilization of the short-term fleet

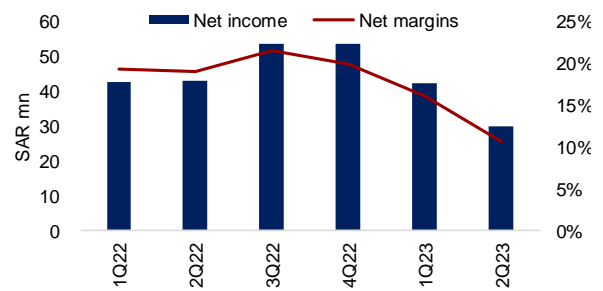
1H23 revenue of Theeb increased by 22.1% YoY to SAR546mn and was aided by growth across segments, especially sales of motor vehicles, which registered a YoY growth of 93% to SAR130mn. Revenue from long-term leases grew by 10% YoY to SAR168mn, while revenue from short-term rental grew by 9% YoY to SAR248mn.

Gross profit grew at a much lower 4.1% YoY and was impacted by the lower utilization of the short-term rental fleet, resulting in gross margins falling by c.550bps YoY to 31.6% for 1H23.

Gross margins comes lower despite strong revenue



Net income under pressure



Source: Company filings, and US Research

Operating expenses increased by 8% YoY to SAR68mn at the back of higher SG&A expenses, while finance costs increased by 108% YoY to SAR26mn, as there was an increase in both debt and cost of debt. Overall net income fell by 15.7% YoY to SAR72mn, despite a robust increase in revenue, and was impacted by lower utilization of rental fleet, increase in operating cost, and higher finance cost.

Valuations

Theeb has a strong market presence in the fragmented vehicle lease and rental market as the second largest player with a market share of c.10%, in terms of fleet size. The company has managed to maintain a strong growth in revenue even during challenging times. Though we expect the financial performance to come under pressure in 2023e, the same is likely to recover thereafter providing consistent financial performance. Theeb is currently quoting at 15x its 2024e EPS, which provides further upside to the stock.

Discounted Cash Flow (SAR mn)	2023E	2024E	2025E	2026E	2027E
Net operating profit after tax	189	212	242	278	306
Add Depreciation	331	354	383	400	417
Working capital changes	143	159	160	163	178
Less: Capex	(594)	(613)	(679)	(632)	(656)
Free cash flow to equity	69	112	107	208	245
PV of free cash flow to equity	68	103	91	166	182
Sum of PV of free cash flow to equity					611
Add: Terminal value					3,455
EV					4,066
Less: Net debt					(996)
Equity value					3,070
Fair value per share (SAR)					71

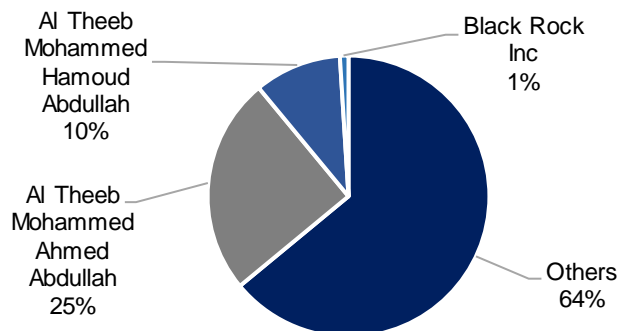
Cost of Capital	
Risk free rate	4.1%
Adjusted beta	0.7x
Equity risk premium	4.7%
Cost of equity	7.5%
Cost of debt	6.5%
Target debt to capital	10.0%
Terminal growth	2.0%
WACC	7.4%

We have valued the company using DCF, based on a WACC of 7.4% and terminal growth of 2.0%, and have arrived at a target price of **SAR71/share**. We see an upside of 19% to the stock from the current levels and initiate coverage on Theeb with a **BUY** rating.

About the Company

Theeb Rent a Car is one of the largest vehicle leasing and rental companies with over 30 years of experience. It operates with a fleet of more than 25,000 and has a diversified presence across the Kingdom with 53 rental branches, with it located across the country, and includes 14 airport branches. The company services more than 480,000 members through its rental segment. It also operated 9 vehicle maintenance centers, and 2 used vehicle sales branches in Riyadh and Jeddah. Its leasing business has more than 350 customers and a diversified presence across all the major industries. The company was listed on the Saudi Stock Exchange in 2021 with a paid-up capital of SAR430mn. In 2022, 49% of its revenue were from short-term rental operations, 33% of revenue was from long-term leasing operations, and the balance 18% was from the resale of used vehicles.

Shareholding pattern



Board of Directors		
S.no	Name	Position
1	Mr. Mohammed Ahmed Abdullah Al-Theeb	Chairman
2	Mr. Riyadh Saleh Hamad Al Malik	Vice Chairman
3	Mr. Mohammed Hamoud Abdullah Al-Theeb	Board Member
4	Mr. Selim Chidiac	Board Member
5	Mr. Haitham Tofik Ibrahim AlForaih	Board Member
6	Mr. Naif Mohammed Ahmed Al-Theeb	Managing Director

Source: Bloomberg, Company filings, and US Research

Income Statement(SAR mn)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Revenue	631	660	752	968	1,083	1,165	1,264	1,354	1,447
Cost of sales	(410)	(498)	(504)	(613)	(740)	(787)	(842)	(883)	(934)
Gross profit	221	162	248	355	343	378	421	471	514
Operating expenses	(72)	(70)	(96)	(127)	(137)	(147)	(160)	(171)	(183)
Operating profit	149	92	152	228	206	231	261	300	331
Other income	0	8	6	9	8	8	9	9	9
Finance expenses	(25)	(32)	(26)	(33)	(56)	(55)	(47)	(46)	(46)
Earnings before tax	124	67	132	204	159	184	223	262	294
Tax	(8)	(4)	(7)	(11)	(14)	(15)	(17)	(19)	(22)
Net income	116	63	126	193	145	169	207	243	273

Balance Sheet(SAR mn)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
PP&E	1,027	979	1,156	1,320	1,456	1,582	1,740	1,830	1,915
Other non-current assets	47	120	89	102	95	88	81	74	67
Total non-current assets	1,074	1,099	1,245	1,422	1,551	1,670	1,820	1,904	1,981
Inventory	7	9	6	5	6	6	7	7	8
Receivables	85	109	139	189	227	245	265	284	304
Cash & Cash Equivalents	59	40	58	100	124	48	39	45	65
Other current assets	50	52	71	150	201	216	233	249	265
Total current assets	201	209	273	444	558	515	544	585	642
Total assets	1,276	1,307	1,518	1,866	2,109	2,184	2,365	2,489	2,623
Share Capital	154	430	430	430	430	430	430	430	430
Total reserves	295	52	137	235	307	378	481	601	736
Total Equity	449	482	567	665	737	808	911	1,031	1,166
Payables	95	72	134	87	141	150	160	168	177
Short term debt	289	297	327	442	502	504	540	542	541
Short term lease liabilities	15	35	54	54	46	40	34	27	21
Other current liab.	59	57	65	75	84	89	95	100	105
Total current liabilities	459	460	580	658	772	782	828	837	844
Long term debt	316	249	288	455	517	518	556	558	557
Long-term lease liabilities	29	93	55	54	48	42	35	28	22
Other non-current liab.	23	24	28	35	35	35	35	35	35
Total non-current liabilities	368	365	371	544	600	595	625	622	613
Total Liabilities	827	826	951	1,201	1,372	1,377	1,454	1,458	1,458
Equity and liabilities	1,276	1,307	1,518	1,866	2,109	2,184	2,365	2,489	2,623

Cash Flows(SAR mn)	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Cash from operations	(129)	126	47	(66)	87	130	124	226	263
Cash from investments	(4)	(4)	(6)	(5)	(5)	(6)	(6)	(6)	(6)
Cash from financing	159	(142)	(23)	114	(58)	(201)	(127)	(215)	(237)
Net changes in cash	26	(19)	18	42	24	(76)	(9)	5	20
Cash balance	59	40	58	100	124	48	39	45	65







Ratios	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
<u>Per Share (SAR)</u>									
EPS	2.7	1.5	2.9	4.5	3.4	3.9	4.8	5.7	6.3
BVPS	10.4	11.2	13.2	15.5	17.1	18.8	21.2	24.0	27.1
DPS	-	-	1.5	2.2	1.7	2.3	2.4	2.9	3.2
FCF/share	(3.1)	2.8	0.9	(1.7)	1.9	2.9	2.7	5.1	6.0
Revenue/share	14.7	15.3	17.5	22.5	25.2	27.1	29.4	31.5	33.7
<u>Valuations</u>									
M.Cap (SAR mn)	2,653	2,653	2,653	2,783	2,567	2,567	2,567	2,567	2,567
EV (SAR mn)	3,243	3,286	3,319	3,688	3,556	3,623	3,691	3,678	3,642
P/E	22.9	41.9	21.1	14.4	17.6	15.2	12.4	10.6	9.4
EV/EBITDA	9.5	10.0	8.2	7.2	6.6	6.2	5.7	5.3	4.9
EV/Sales	5.1	5.0	4.4	3.8	3.3	3.1	2.9	2.7	2.5
P/BV	5.9	5.5	4.7	4.2	3.5	3.2	2.8	2.5	2.2
P/S	4.2	4.0	3.5	2.9	2.4	2.2	2.0	1.9	1.8
Div. yield	0.0%	0.0%	2.4%	3.4%	2.8%	3.9%	4.0%	4.8%	5.4%
FCF yield	-5.0%	4.6%	1.5%	-2.6%	3.2%	4.9%	4.6%	8.6%	10.0%
<u>Liquidity</u>									
Cash Ratio	0.1	0.1	0.1	0.2	0.2	0.1	0.0	0.1	0.1
Current ratio	0.4	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.8
Quick ratio	0.4	0.4	0.5	0.7	0.7	0.7	0.6	0.7	0.8
<u>Return ratio</u>									
ROA	9.1%	4.8%	8.3%	10.3%	6.9%	7.8%	8.7%	9.8%	10.4%
ROE	25.9%	13.1%	22.2%	29.0%	19.7%	21.0%	22.7%	23.6%	23.4%
ROCE	13.6%	7.9%	11.8%	13.6%	11.2%	12.1%	12.6%	13.7%	14.3%
<u>Cash cycle</u>									
Inventory turnover	60.6	58.1	90.0	123.4	123.4	123.4	123.4	123.4	123.4
Payables turnover	4.3	6.9	3.8	7.1	5.3	5.3	5.3	5.3	5.3
Receivables turnover	7.4	6.0	5.4	5.1	4.8	4.8	4.8	4.8	4.8
Inventory days	6	6	4	3	3	3	3	3	3
Payable days	84	52	96	51	68	68	68	68	68
Receivables days	49	60	67	70	76	76	76	76	76
Cash Cycle	(29)	14	(25)	22	10	10	10	10	10
<u>Profitability ratio</u>									
Gross margins	35.0%	24.5%	33.0%	36.7%	31.7%	32.5%	33.3%	34.8%	35.5%
EBITDA margins	54.3%	49.6%	53.7%	53.1%	49.6%	50.2%	51.0%	51.7%	51.7%
Operating margins	23.7%	13.9%	20.2%	23.5%	19.1%	19.8%	20.7%	22.1%	22.8%
PBT margins	19.7%	10.2%	17.6%	21.0%	14.7%	15.8%	17.7%	19.4%	20.3%
Net margins	18.4%	9.6%	16.7%	19.9%	13.4%	14.5%	16.4%	18.0%	18.8%
Effective tax rate	6.5%	6.1%	5.1%	5.2%	8.6%	8.1%	7.5%	7.2%	7.3%
<u>Leverage</u>									
Total debt (SAR mn)	649	673	724	1,005	1,113	1,104	1,164	1,156	1,140
Net debt (SAR mn)	590	633	666	905	989	1,056	1,124	1,111	1,075
Debt/Capital	59.1%	58.3%	56.1%	60.2%	60.2%	57.7%	56.1%	52.9%	49.4%
Debt/Total assets	50.9%	51.5%	47.7%	53.8%	52.8%	50.5%	49.2%	46.5%	43.5%
Debt/Equity	1.4	1.4	1.3	1.5	1.5	1.4	1.3	1.1	1.0
Debt/EBITDA	1.9	2.1	1.8	2.0	2.1	1.9	1.8	1.7	1.5
Net debt/EBITDA	1.7	1.9	1.6	1.8	1.8	1.8	1.7	1.6	1.4

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	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.