

Strong traction in leasing continues, short-term rental shows recovery with a growth after 4 quarters of decline, healthy operational performance amid improved utilization

Theeb Rent a Car Co. (Theeb)'s net profit jumped 12.1% Y/Y to SAR 45.4mn in Q1-25, in line with our estimate of SAR 43.7mn and market estimate of SAR 44.1mn. Rise in utilization rates across both segments aided in this strong Y/Y net income growth. However, net income declined 11.3% Q/Q mainly due to an increase in expected credit loss. Revenue increased 9.8% Y/Y to SAR 336.7mn, in line with our estimate of SAR 345.0mn. The revenue growth was driven by 36% Y/Y growth in the long-term rental segment and 3.2% Y/Y increase in short-term rentals, which reported growth after 4 quarters of decline. The revenues from sales of used vehicles appear to have declined sharply by 17% Y/Y. The GP margin expanded by ~140bps Y/Y to 33.6% and was above our estimate of 31.9%. We believe that lower-than-expected contribution from sale of used vehicles could have contributed in the gross margin expansion. The operating margin widened by 30bps to 20.6% and was marginally below our expectation of 20.7%. The operating margin expansion could be due to improved utilization rates across short-term and long-term rental segments, alongside better GP margin. We keep our TP of SAR 82.0/share on Theeb and maintain "Overweight" recommendation.

- Theeb reported net income of SAR 45.4mn, up 12.1% Y/Y in Q1-25. The bottom line was in line with our estimate of SAR 43.7mn. Increase in utilization rates across short and long-term rentals aided in this strong Y/Y net income growth. However, net income declined sharply by 11.3% due to an elevated expected credit loss, which had decreased significantly in Q4-24.
- Revenue in Q1-25 increased by 9.8% Y/Y to SAR 336.7mn and was in line with our estimate of SAR 345.0mn. It appears that the revenue growth was led by a 36% Y/Y surge in long-term rental segment to reach SAR ~149mn by Q1-25. While after 4 quarters of decline, the short-term rental revenues recorded a 3.2% growth to reach SAR ~122mn. It appears that revenues from the sale of used cars have declined 17% Y/Y to reach SAR ~65mn.
- Gross profit rose 14.5% Y/Y to SAR 113.2mn and was in line with our estimate of SAR 110.0mn. The GP margin grew 140bps Y/Y in Q1-25 to 33.6% and was above our estimate of 31.9%. GP margin could have been benefitted by lower-than-expected contribution from sale of used vehicles as the sale of used vehicles revenue came below our expectations.
- Operating profit rose 11.2% Y/Y to SAR 69.5mn in Q1-25 and was in line with our estimate of SAR 71.3mn. Operating margins widened to 20.6% in Q1-25 vs. 20.4% in Q1-24 (AJC estimate: 20.7%). The operating margin expansion could be due to improved utilization rates across short-term and long-term rental segments, alongside better GP margin.

AJC view and valuation: Theeb continued to post robust topline growth in Q1-25 and surprised us with a revenue growth in short-term rentals by reporting a 3.2% Y/Y growth after 4 quarters of decline. The revenue and profitability estimates were in-line with our estimates, despite an increase in expected credit loss, which had decreased significantly in Q4-24. Moreover, as anticipated, the long-term rental segment continues to drive growth. It appears that the challenges in short-term rental have bottomed out, however we await for more clarity on this. Additionally, the utilization rates have improved for both the segments. Thus, we reiterate our view that the long-term leasing business is likely to be the key growth driver for the company. Moreover, the growing car rental market in KSA will support the expansion of overall business. Thus, we forecast net income to grow 3.5% Y/Y to SAR 187mn in FY25E. The stock currently trades at P/E of 15.4 and EV/EBITDA of 7.0x based on our FY25E estimates. We keep our TP of SAR 82.0/share on Theeb and maintain "Overweight" recommendation.

SAR mn	Q1-24	Q4-24	Q1-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	306.6	336.9	336.7	9.8%	-0.1%	-2.4%
Gross Profit	98.9	106.5	113.2	14.5%	6.3%	2.9%
Gross Margin	32.2%	31.6%	33.6%	-	-	-
EBIT	62.5	61.6	69.5	11.2%	12.8%	-2.6%
Net Profit	40.5	51.2	45.4	12.1%	-11.3%	3.8%
EPS	0.94	1.19	1.05	-	-	-

Source: Company Reports, AlJazira Capital Research

Recommendation **Overweight**

Target Price (SAR) **82.0**

Upside / (Downside)* **22.6%**

Source: Tadawul *prices as of 13th of May 2025

Key Financials

SARmn (unless specified)	FY22	FY23	FY24	FY25E
Revenues	968	1,135	1,303	1,442
Growth %	28.7%	17.3%	14.7%	10.7%
Gross Profit	355	359	418	465
Net Income	193	142	183	187
Growth %	53.6%	-26.4%	28.6%	2.6%
EPS	4.49	3.30	4.25	4.36
DPS	2.15	1.82	1.93	2.50

Source: Company reports, AlJazira Capital Research

Key Ratios

	FY22	FY23	FY24	FY25E
Gross Margin	36.7%	31.6%	32.1%	32.3%
Net Margin	19.9%	12.5%	14.0%	13.0%
P/E (x)	15.4	19.9	16.5	15.4
P/B (x)	4.5	3.9	3.7	3.2
EV/EBITDA (x)	7.5	7.5	7.2	7.0
Dividend Yield	3.1%	2.8%	2.9%	3.7%

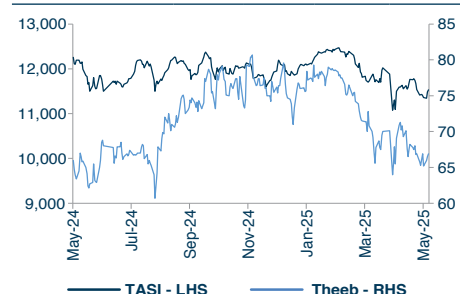
Source: Company reports, AlJazira Capital Research

Key Market Data

Market Cap (bn)	2.9
YTD%	-12.7%
52 week (High)/(Low)	81.5/59.2
Share Outstanding (mn)	43.0

Source: Company reports, AlJazira Capital Research

Price Performance



Source: Tadawul, AlJazira Capital Research

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RESEARCH DIVISION

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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.

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