July 2026

United International Transportation Co.(BUDGET)

Investment Update

Regional escalation weighs on FY26E profitability; solid portfolio mix ensures medium-term growth; reiterate "Overweight" rating

Budget maintains its dominant market leadership within the Saudi car rental sector, underpinned by a well-diversified operating model and a strategic focus on long-term earnings sustainability. While recent regional re-escalations are projected to weigh on short-term rental demand and exert near-term pressure on operating margins, steady used vehicle prices should partially mitigate these headwinds. Consequently, we expect net income to fall to SAR 245mn in FY26E before staging a robust recovery toward SAR 390mn by FY28E as macroeconomic conditions normalize and core growth drivers re-engage. The earnings recovery is supported by: i) a rebound in air traffic and utilization rates, driving a 2.8% CAGR in short-term rental revenue to SAR 501.3mn by FY28E; ii) Reduced finance charges, OPEX normalization, and revised assumptions bringing depreciation back to baseline levels, alongside disciplined expansion will drive gradual deleveraging, reducing Debt/EBITDA from 1.4x in FY25 to 1.3x in FY28E ; and iii) an expanding contribution from Rahaal, whose 52% rate premium over traditional leasing is expected to expand its fleet to 21.2k units, propelling total lease revenue to SAR 1,337mn by FY28E. We believe these near-term headwinds are largely reflected in the current share price. Trading at an attractive P/E of 9.2x FY27E, Budget offers compelling upside as profitability recovers. Accordingly, we maintain our "Overweight" recommendation with revising down target price to SAR 41.0/share (from earlier SAR 62.1/share).

High OPEX, coupled with geopolitical headwinds, weighed heavily on profitability in Q1-26: Budget recorded a 1.6% Y/Y growth in revenue to SAR 552mn, supported by logistics revenue of SAR 41mn (up 9.2% Y/Y) and long-term lease revenue of SAR 286.4mn (up 1.9% Y/Y). Despite the pressure from Auto World (AW), where more than 50% of operations are concentrated in the eastern region, the segment's new contracts and diversified sector exposure provided support to the overall topline. Used Car Sales (UCS) recorded a 2.5% Y/Y increase to SAR 118mn. However, the segment's GPM declined to -8% in Q1-26 vs 0.2% in Q1-25, highlighting the pricing pressure in the secondhand market. Meanwhile, the short-term rental segment recorded a 2.4% Y/Y decline in revenue to SAR 106mn, reflecting the slowdown in tourism flows, with 18 branches located at airports absorbing directly the decline in air traffic activities. The company's GPM contracted by 982bps Y/Y to 22.2%, driven by three main factors: i) the change in residual value and useful life estimates, which resulted in approximately SAR 20mn of additional depreciation expense; ii) the continued decline in secondhand market prices, which weighed on UCS margins; and iii) higher insurance expenses following the company's shift from hybrid insurance to fully comprehensive coverage, adding approximately SAR 5-8mn in costs and expected to continue over the upcoming quarters. Lastly, low utilization rates in the rental segment also weighed on margins, with management indicating that utilization fell below the 50% level. The company reported a net income of SAR 34.4mn, less than half of Q1-25's bottom line of SAR 78.4mn, primarily due to the factors mentioned above, in addition to an increase in ECL to SAR 7mn. However, we expect net income to recover in Q2-26 on quarterly basis by 88% reaching SAR 64.8mn; supported by 11% Q/Q growth in revenue reflecting Hajj session and secondhand market prices recovery in June.

The re-escalation of regional tensions is expected to maintain soft utilization and pricing, while a medium-term recovery remains intact: The S-T rental segment highly sensitive to two key factors: tourism flows and competition, which significantly influences pricing power. As of 5M-26, tourism arrivals declined by approximately 5-6%, roughly 2mn fewer tourists. Accordingly, the weak utilization rates witnessed in Q1-26 are expected to persist through Q2-Q3 FY26E, driven by the re-escalation of regional tensions, which is likely to keep airfares elevated due to airline capacity cuts and higher jet fuel-related costs, while ongoing macroeconomic uncertainty continues to weigh on consumer sentiment.

Recommendation	**Overweight**
Target Price (SAR)	**41.0**
Upside / (Downside)*	**42.3%**

Source: Tadawul *prices as of 21th July 2026

Key Financials

SARmn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	1,971	2,419	2,426	2,579
Growth %	43.0%	22.7%	0.3%	6.3%
Gross Profit	560	686	597	692
Net Income	315	346	245	328
Growth %	13.5%	9.9%	-29.0%	33.6%
EPS	3.01	3.31	2.35	3.14
DPS	1.08	1.12	1.05	1.35

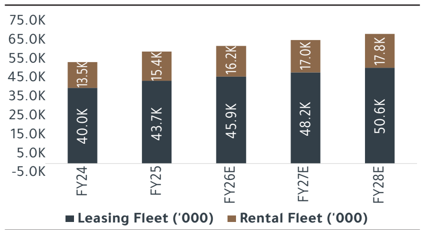
Source: Company reports, Aljazira Capital Research

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	28.4%	28.4%	24.6%	26.8%
EBIT Margin	20.2%	18.9%	14.5%	16.8%
Net Margin	16.0%	14.3%	10.1%	12.7%
ROE	14.7%	14.6%	9.8%	12.2%
ROA	6.3%	6.5%	4.5%	5.9%
P/E (x)	27.2	18.9	12.3	9.2
P/B (x)	0.8	0.7	0.7	0.6
EV/EBITDA (x)	9.0	5.2	1.7	1.6
Dividend Yield	1.3%	1.8%	3.6%	4.7%

Source: Company reports, Aljazira Capital Research

Fig 1. Fleet Composition



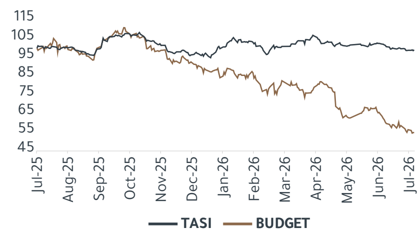
Source: AlJazira Capital Research, Company reports

Key Market Data

Market Cap(bn)	3.01
YTD%	(38.2%)
52 week (High)/(Low)	59.0/28.5
Share Outstanding (mn)	104.5

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Bloomberg, AlJazira Capital Research

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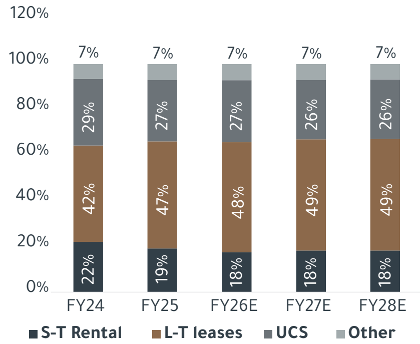
In addition, the highly fragmented nature of the market intensifies price competition, resulting in a highly price sensitive operating environment. We forecast the S-T rental segment to generate revenue of SAR 425mn in FY26E (down 7.9% Y/Y), reflecting low utilization rates of 50-55% during Q2-Q3 before gradually normalizing in Q4-26. Rental rates are also expected to remain under pressure, ending the year at an average of SAR 26.3k per vehicle (down 12% Y/Y). Looking ahead, we expect the segment to recover in FY27E, supported by major events such as the Asia Cup and recovery in air traffic. Accordingly, we forecast revenue to grow at a CAGR of 2.8% over FY25-28E to SAR 501mn, driven by fleet expansion to 17.0k vehicles by FY28E (5.0% CAGR). We also expect rental rates to gradually recover from FY26E, reverting to a normalized level of SAR 28.0k per vehicle by FY28E.

Portfolio diversification and Rahaal premium power sustainable growth: Budget's balanced fleet portfolio across Budget Lease (25%), Auto World (22%), and Rahaal (27%) provides broad sector exposure, underpinning the resilience of its long-term leasing operations. Rahaal remains the primary growth engine, expanding its share of segment revenue from 58% in FY21 to 71% in FY25. Notably, Rahaal's Eastern Region revenue expanded by 51% YoY to SAR 266.8mn in FY25, highlighting strong localized corporate demand. Rahaal continues to command a pricing premium, generating average lease rates 52% higher than Budget Lease and Auto World (AW) over the past eight years. While we expect Rahaal to sustain its outperformance over the forecast period, we anticipate the Eastern Region's contribution to gradually normalize toward its historical average during FY26E-FY27E. Rahaal's fleet is projected to expand to 21.2K vehicles by FY28E (CAGR 10%), providing additional support for revenue growth. Overall, we expect the long-term leasing segment to maintain its positive momentum, supported by the company's diversified customer base, broad regional footprint, Rahaal's continued expansion, and the ongoing restructuring of the AW portfolio. We forecast the total leasing fleet to increase to 45.9K vehicles in FY26E therefore reaching 50.6K vehicles by FY28E. While average lease rates are expected to improve to approx. SAR 26.4K per vehicle. Accordingly, we forecast total long-term leasing revenue to increase to SAR 1,169mn in FY26E (+3.1% Y/Y) and continue expanding at a CAGR of 5.7% FY25-28E to SAR 1,337mn, supported by a richer portfolio mix, disciplined pricing, and sustained fleet expansion.

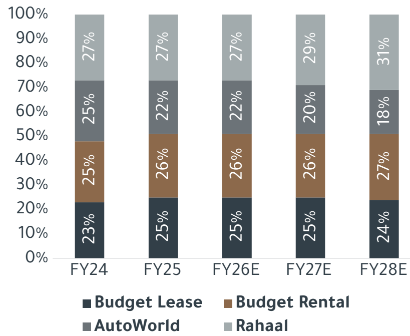
Margins are expected to remain under pressure in FY26E, primarily due to weak UCS margins and elevated operating expenses however gradual recovery is expected in the medium term: The UCS segment has faced persistent pressure as a result of market oversupply and the increasing presence of Chinese vehicle brands. However, the latest CPI data for June 2026 indicates that used car prices increased by 0.1% M/M, marking the first monthly increase since the beginning of the year. Despite this improvement, prices remain 4.1% below June 2025 levels, suggesting that a sustained recovery in the second-hand vehicle market has yet to materialize. As agency inventories tighten and new vehicle delivery times extend, used car prices are expected to increase, providing temporary support to UCS margins. Nevertheless, this improvement is unlikely to be structural due to the offset of weaker performance in core operation activities in this scenario. As regional geopolitical tensions ease and supply conditions normalize, UCS margins are expected to revert to their normalized break-even levels. Accordingly, we forecast normalized UCS revenue to remain broadly stable, reaching SAR 714.6 million by FY28E. Total revenue for the company is expected to marginally grow by 0.3% Y/Y to SAR 2,426mn in FY26E to grow afterward at a CAGR 4.2% FY25-28E to SAR 2,739mn. The company's gross profit margin (GPM) is expected to decline by 373bps to 24.6% in FY26E, primarily driven by: (i) more conservative assumptions for residual values and useful lives, which are expected to increase depreciation expense by approx. SAR 20mn in Q1-26; even if used car prices recover and residual value assumptions are revised during the year, the upside to GPM is expected to remain limited given the overall level of market prices and pressure from core operation business; and (ii) higher insurance costs, which increased by approx. SAR 8mn in Q1-26 and are expected to remain elevated following the shift to a new insurance package. Looking ahead, as revenue growth improves and used car prices gradually recover, we expect GPM to recover progressively, reaching 27.9% by FY28E.

Fig 2: Revenue contribution by segment



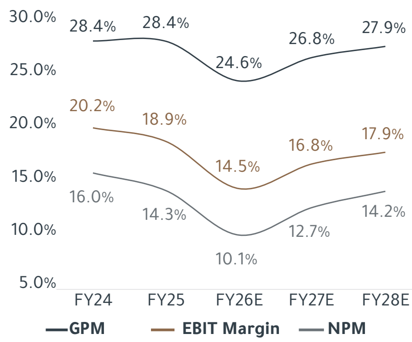
Source: Company reports, AlJazira capital Research

Fig 3: Fleet Mix



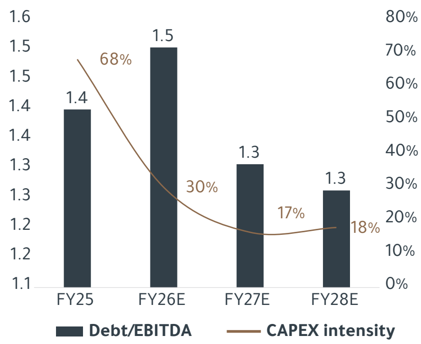
Source: Company reports, AlJazira capital Research

Fig 4: Profitability Trends



Source: Company reports, AlJazira capital Research

Fig 5: Capex levels vs Leverage

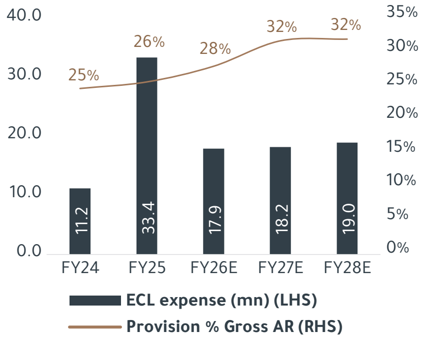


Source: Company reports, AlJazira capital Research

Lower CAPEX intensity drives deleveraging and dividend upside: Following aggressive fleet expansion (12.5% CAGR over FY23-25 to 59.1k vehicles, largely fueled by the AW acquisition), Capex/Revenue peaked at 30.1% in FY25. As fleet growth moderates to a 5.0% CAGR over FY25-28E (reaching 68.4k vehicles), CAPEX intensity is expected to drop significantly to an average of 18.0% of revenue in FY26-28E. Reduced capital requirements will accelerate deleveraging, bringing Debt/EBITDA down from 1.4x in FY25 to 1.3x in FY28E. In terms of receivables, we forecast provisions at an average of 30% of gross receivables in FY26-28E, up from 26% in FY25, considering AW high exposure to governmental clients along with the marginal deterioration in receivables quality, with high quality receivables share from gross outstanding declined by 177bps to 58% in FY25. The deleveraging coupled with lower interest environment in FY28E and our provisions assumptions, we expect net income to reach SAR 390mn in FY28E (CAGR 4.1% FY25-28E) recovering from the trough of SAR 245mn in FY26E. The company Solid dividend capacity would enable it to expand its dividend payout to an average of 47.1% in the forecasted period vs 37.3% FY23-25.

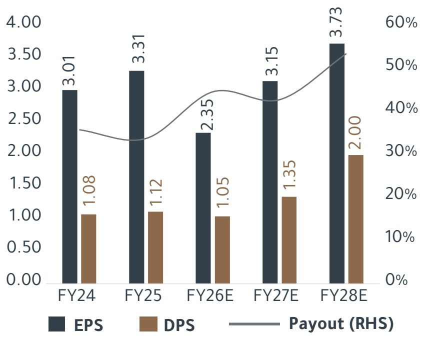
AJC view and valuation: Budget is a leading market player despite the fragmented market structure; the company has reinforced in presence via its strong business portfolio. While short-term challenges stem from low utilization rates in S-T rental and elevated OPEX, recovery is expected over the medium term. As a reflection of the current situation net income is expected to record SAR 245mn (down 29.0% Y/Y); absorbing 373bps contraction in GPM due to the increase in depreciation expenses & insurance, coupled with the low utilization in S-T rental. However, performance rebound is evident we expect the topline to grow at a CAGR of 4.5% FY25-28E, supported by fleet expansion to 68.4K vehicle by FY28E along with higher contribution from high margin business (Rahaal), which will be translated to growth in bottom line by CAGR 4.1% FY25-28E. The company stock price decreased by 38.2% YTD, bringing us to an attractive forward P/E of 9.1x FY27E with a PEG 0.40 compared to Theeb 0.19, and Lumi 0.84, which shows that all the key players are currently trading at a discount compared to the projected future growth in earnings. We apply a blended valuation approach for Budget. Our 50% weightage to DCF (WACC = 9.6% and terminal growth = 2.5%), 50% weightage to P/E multiple of 14.0x for FY27E EPS (discounted on the cost of equity 11.1%), help us arrive at a revised blended **TP of SAR 41.0 per share**, which implies an upside of 42.3%. Hence, we retain our rating at "**Overweight**".

Fig 6: ECL Provisions



Source: Company reports, AlJazira capital Research

Fig 7: Dividend Payout



Source: Company reports, AlJazira capital Research

Valuation Methodology

All figures in SAR, unless specified	Fair value	Weights	Weighted average
DCF	42.0	50%	21.0
P/E (14.0x FY27E - discounted)	39.6	50%	19.8
Weighted average price target			**41.0**
Up/Downside (%)			**42.3%**

Source: Tadawul *prices as of 21th July 2026

United International Transportation Co.(BUDGET)

Investment Update

aljazira capital الجزيرة كابيتال

Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	1,378	1,971	2,419	2,426	2,579	2,739	2,882	3,017
Y/Y	**34.4%**	**43.0%**	**22.7%**	**0.3%**	**6.3%**	**6.2%**	**5.2%**	**4.7%**
Cost of Sales	932	1,412	1,733	1,829	1,887	1,976	2,072	2,154
Gross profit	**447**	**560**	**686**	**597**	**692**	**764**	**810**	**863**
Y/Y	**24.6%**	**25.3%**	**22.6%**	**-12.9%**	**15.9%**	**10.3%**	**6.1%**	**6.5%**
Gross margin	**32.4%**	**28.4%**	**28.4%**	**24.6%**	**26.8%**	**27.9%**	**28.1%**	**28.6%**
Selling and distribution expenses	(60)	(89)	(101)	(108)	(113)	(119)	(124)	(130)
Administrative expenses	(89)	(120)	(180)	(183)	(193)	(205)	(215)	(224)
Other operating income	35	57	87	63	64	68	72	75
Operating profit	**322**	**398**	**458**	**351**	**434**	**491**	**529**	**571**
Y/Y	**20.0%**	**23.8%**	**14.9%**	**-23.2%**	**23.4%**	**13.1%**	**7.8%**	**7.9%**
Operating margin	**23.4%**	**20.2%**	**18.9%**	**14.5%**	**16.8%**	**17.9%**	**18.4%**	**18.9%**
Finance cost	(37)	(76)	(108)	(105)	(101)	(95)	(97)	(97)
Profit before zakat	**285**	**323**	**350**	**248**	**332**	**396**	**432**	**474**
Zakat	(8)	(11)	(8)	(6)	(8)	(10)	(11)	(12)
Net income	**277**	**315**	**346**	**245**	**328**	**390**	**425**	**466**
Y/Y	**10.0%**	**13.5%**	**9.9%**	**-29.0%**	**33.6%**	**18.9%**	**9.0%**	**9.6%**
Net Margin	**20.1%**	**16.0%**	**14.3%**	**10.1%**	**12.7%**	**14.2%**	**14.7%**	**15.4%**
EPS	**2.65**	**3.01**	**3.31**	**2.35**	**3.15**	**3.73**	**4.06**	**4.45**
DPS	**1.12**	**1.08**	**1.12**	**1.05**	**1.35**	**2.00**	**2.15**	**2.50**
Balance sheet								
Assets								
Cash & bank balance	34	86	57	72	95	105	143	152
Other current assets	359	779	806	801	744	795	841	842
Property & Equipment	2,482	3,766	4,039	4,172	4,331	4,506	4,623	4,775
Other non-current assets	41	61	68	72	77	82	88	94
Total assets	**3,013**	**5,009**	**5,288**	**5,435**	**5,567**	**5,810**	**6,019**	**6,191**
Liabilities & owners' equity								
Total current liabilities	683	1,144	1,261	1,163	1,125	1,144	1,141	1,114
Total non-current liabilities	427	1,124	1,045	1,162	1,153	1,204	1,223	1,225
Paid -up capital	712	782	782	782	782	782	782	782
Statutory reserves	224	224	224	224	224	224	224	224
Retained earnings	924	1,137	1,368	1,500	1,683	1,860	2,057	2,257
Total owners' equity	1,861	2,143	2,374	2,506	2,689	2,866	3,063	3,263
Total equity & liabilities	**3,013**	**5,009**	**5,288**	**5,435**	**5,567**	**5,810**	**6,019**	**6,191**
Cashflow statement								
Operating activities	8	74	120	194	273	226	331	374
Investing activities	(10)	(18)	(31)	(5)	(8)	(8)	(9)	(9)
Financing activities	14	(4)	(116)	(175)	(241)	(209)	(285)	(355)
Change in cash	13	52	(27)	15	24	9	38	10
Ending cash balance	**34**	**86**	**57**	**72**	**95**	**105**	**143**	**152**
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	0.6	0.8	0.7	0.8	0.7	0.8	0.9	0.9
Quick ratio (x)	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Profitability ratios								
GP Margin	32.4%	28.4%	28.4%	24.6%	26.8%	27.9%	28.1%	28.6%
Operating Margins	23.4%	20.2%	18.9%	14.5%	16.8%	17.9%	18.4%	18.9%
EBITDA Margin	47.8%	39.7%	39.4%	35.5%	36.7%	37.3%	36.7%	36.7%
Net Margins	20.1%	16.0%	14.3%	10.1%	12.7%	14.2%	14.7%	15.4%
Return on assets	9.2%	6.3%	6.5%	4.5%	5.9%	6.7%	7.1%	7.5%
Return on equity	14.9%	14.7%	14.6%	9.8%	12.2%	13.6%	13.9%	14.3%
Leverage ratio								
Debt/equity (x)	0.34	0.62	0.59	0.56	0.52	0.51	0.49	0.46
Market/valuation ratios								
EV/sales (x)	3.1	3.9	2.9	2.0	0.6	0.5	0.5	0.5
EV/EBITDA (x)	11.6	9.0	5.2	1.7	1.6	1.4	1.3	1.3
EPS (SAR)#	2.65	3.01	3.31	2.35	3.14	3.73	4.06	4.45
BVPS (SAR)#	17.80	25.80	28.14	29.40	31.15	32.85	34.73	36.64
Market price (SAR)*	79.0	81.9	46.7	28.9	28.9	28.9	28.9	28.9
Market-Cap (SAR mn)	8,258.7	8,561.8	4,877.8	3,019.1	3,019.1	3,019.1	3,019.1	3,019.1
Dividend yield	1.4%	1.3%	1.8%	3.6%	4.7%	6.9%	7.4%	8.7%
P/E ratio (x)	29.8	27.2	18.9	12.3	9.2	7.7	7.1	6.5
P/BV ratio (x)	1.1	0.8	0.7	0.7	0.6	0.6	0.6	0.5

Source: Tadawul, Company's reports, Aljazira Capital Research *prices as of 21th July 2026

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RESEARCH DIVISION

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RATING TERMINOLOGY

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.

Disclaimer