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# Theeb

## Rent A Car Co. (Theeb)

Earnings Review

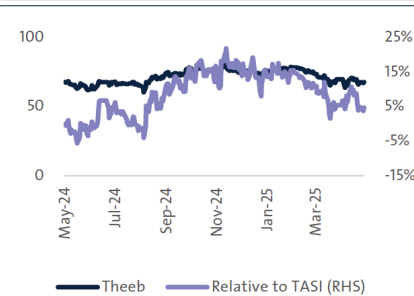
## Recommendation BUY

Market Price	65.5
Target Price	87.0
Upside/Downside	33%

## Stock Data

Market Cap Total/FF (USDmn)	766/517
Shares Total/FF (mn)	43/29
52 Week Hi-Low(SAR)	80.7/29
3/6/12 M Volume Traded (mnsh)	0.10/0.15/0.12
3/6/12 M Value Traded (USDmn)	1.8/2.8/2.4
3/6/12 M Relative Performance (%)	-2/12/5

## Theeb Stock Price Performance VS TASI



Source: ACC

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## Theeb Rent A Car Co. (Theeb)

## Earnings Review

# 1Q25 portends another year of strong earnings growth

## Theeb: 1Q25 earnings reflected the impact of change in revenue-mix

The 1Q2025 earnings for Theeb Rent a Car Co. (Theeb) met consensus expectations though we highlight underlying strong trends in revenues and EBITDA. Overall, the big change in revenue mix in 2024 towards leasing allowed the company to better handle the seasonality. We continue to believe 2025 will turn out to be another year with strong earnings following a significant earnings turnaround in 2024. We leave our earnings estimates broadly unchanged and reiterate our Buy rating on Theeb with DCF-based TP of SAR87 (33% upside.).

## Key Positives

**10% YoY growth in top-line** with growth in long-term leases (+36%) offsetting the impact of 15% decline in revenue from used car sales and soft performance of the rental segment (+3%). Revenues are flat sequentially with a 12% QoQ decline in used-car revenue. Revenue from leasing (6%) and short-term rentals (+1%) remained healthy.

**Strong EBITDA generation of SAR147mn, up 13/2% YoY QoQ**, translating into a healthy EBITDA margin of 43%, +100bps YoY/QoQ despite an increase in operational cost.

## Key Negatives

**Pick-up in credit provisioning in 1Q25** (our estimate: SAR5-6mn). It is pertinent to highlight Theeb's credit provisioning (%age of credit) dropped to 9% in 2024 from 4-year average of 18%.

**Operational costs increased (estimated 18% YoY)** in order to support the growth in the company's fleet size (up to 4Q:17% YoY) and the addition of new branches (five new branches to 61 by Dec-24).

## Theeb-Reiterate Buy with TP of SAR87

Theeb provides a leveraged exposure to our favorite theme on Travel & Tourism. Theeb remains on track to deliver on its growth strategy and rein in recent cost pressure. We reiterate our Buy rating with a TP of 87, suggesting a 33% upside. Theeb trades at CY2025 P/E of 14x and provides a healthy dividend yield of 4%. Theeb has outperformed the broader market by 7% and its peers by 12% in the past 12 months..

## Theeb: Financial Highlights (SARmn)

Year to 31 Dec	CY23	CY24	CY25E	CY26E	CY27E	CY28E
Revenues	1135	1303	1486	1653	1758	1855
Growth	17.3%	14.7%	14.1%	11.2%	6.4%	5.5%
PAT	142	183	209	230	254	274
EPS (SAR)	3.3	4.2	4.9	5.4	5.9	6.4
Growth	-26%	29%	15%	10%	11%	8%
DPS (SAR)	1.6	2.1	2.4	2.7	3.0	3.2
P/E (X)	20.3	15.8	13.8	12.5	11.3	10.5
D/Y (%)	2.4%	3.1%	3.6%	4.0%	4.4%	4.8%
ROE (%)	20.4%	23.4%	23.7%	23.2%	22.8%	22.0%

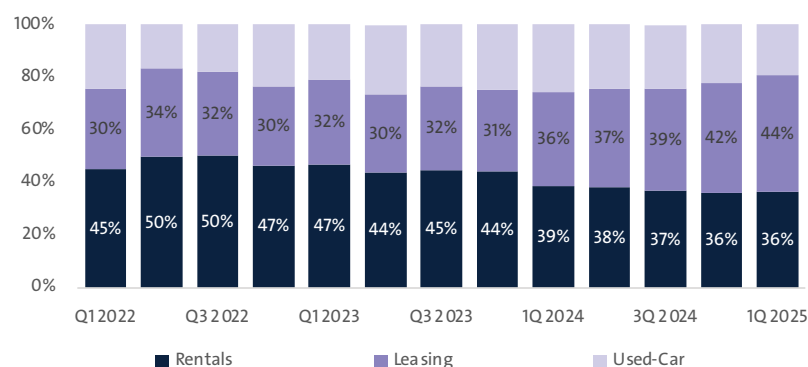
Source: Theeb, ACC Estimates

## Theeb: 1Q2025 Earnings Highlights

Theeb 2024 Earnings Snapshot					
SARmn	1Q24	1Q25	QoQ	4Q24	YoY
Revenues	307	337	10%	337	-0.1%
- Short-term rentals	119	122	3%	121	1%
- Long-term lease	110	149	36%	140	6%
- Used Car Sale	78	66	-15%	75	-12%
Gross Profit	99	113	14%	107	6%
Operating Profit	62	69	13%	62	13%
EBITDA	129	146	13%	143	2%
Profit Before Zakat	44	49	12%	46	6%
Net Profit	40	45	12%	51	-11%
EPS	0.94	1.05	12%	1.19	-11%
DPS	0.47	TBA		0.59	
<b>Margin</b>					
Gross Margin	32%	34%		32%	
EBITDA Margin	42%	43%		42%	
Net Margin	13%	13%		15%	

TBA=To be Announced Source: Company Announcement

### Theeb: Change in revenue mix accelerated in 2024



Source: Theeb, ACC

### Analyst Certification:

I/We, **Muhammad Fawad Khan, CFA, Abdulrahman Yusef Alnafia**, the author/s of this report, hereby certify that that: (i) views expressed in this report reflect the Research Analyst's personal views about all of the securities and (ii) no part of any of compensation of the author/s was, is, or will be directly or indirectly related to the specific recommendations or views expressed by in this report.

### Rating Methodology

Alinma Capital Company (ACC) follow a four-tier rating system based on total return methodology as per following details

**>+15% Total Return:** Stocks with +15% expected total return (including dividend yield) over the next 12-months are classified as Buy.

**5-15%:** Stocks with total return between 5-15% can be classified as Buy or Neutral.

**>-5%<+5% total return:** Stocks with total return between -5+5% can be classified as Neutral or Underperform

**Underperform-**Stocks which are expected to have <-5% total return

**Not Covered:** AIC has not assigned any rating on the stock

**Coverage Suspended:** AIC has temporarily suspended the coverage of the stock either in compliance with local regulation or other considerations

Price data for the listed securities is based on 15th May, 2025.

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