

Lumi Rental Co. (Lumi)

June 16, 2025

We initiate coverage on Lumi with a Dec-25 target price of SAR 72.3/share and a "Overweight" rating. We believe Lumi is well-positioned to capitalize on the growing car rental market through its strategy of fleet optimization, a strong presence in NEOM, and a robust purchase price recovery of over 70% — the highest among listed players. The company's fleet optimization efforts have led to a short-term rental segment, with a utilization rate of 80.6% in 2024 (84.9% in 4Q 24 and 77.9% in 1Q 25). We expect this utilization to remain above 80% throughout our forecast period, driven by continued optimization strategies. We believe this advantage, coupled with ongoing investment in NEOM, an influx of tourists, and infrastructure development, will positively impact Lumi's fleet size and bottom line.

Strategic shift improves fleet optimization: Lumi's fleet size grew by 2.6% in 2024 compared to 2023. During this time, the short-term car rental segment recorded a decline of 17.3% YoY, while the lease car segment expanded by 14.4% YoY. This strategic shift improved fleet optimization, as Lumi focused on the leasing model to enhance fleet utilization. As a result, the utilization rate of the short-term rental segment increased to 80.6% in 2024, up from 65.1% in 2023. We believe this strategic focus will allow Lumi to secure corporate lease contracts.

Purchase price recovery to remain stable 2025e onwards: Lumi recorded a purchase price recovery (PPR) rate of 70.7% in 2024 — the highest among listed companies. However, we expect the PPR to remain stable to 69% in 2025e and beyond, as the resale car market has become competitive due to the growing presence of Chinese vehicles. Notably, Lumi's fleet does not include Chinese vehicles.

A strong presence in NEOM: Lumi holds exclusive vehicle leasing rights for the NEOM project for a three-year period, concluding on March 31, 2026. Beyond NEOM, the company maintains a strong foothold in the northern region, which accounted for 54% of its total revenue in 2024 and 51.2% in Q125. Given its well-developed infrastructure—including a 20,000 sqm workshop, we have assumed Lumi will successfully extend its exclusive leasing rights in NEOM.

Absence of Chinese vehicles in Lumi's fleet mix: Lumi has deliberately structured its fleet to exclude Chinese vehicles, a strategic decision driven by their relatively lower resale value in the Saudi market, rather than vehicle performance. Chinese brands typically experience greater depreciation and reduced demand in the secondary market, which can erode overall fleet profitability. Instead, Lumi prioritizes established global manufacturers like Toyota, Hyundai, and Nissan, whose vehicles are better recognized for maintaining strong resale value and holding buyer preference in both corporate and individual segments.

Valuation: Lumi is currently trading at a 2025e PER of 14.9x, translating into a 17.7% discount from its 1 year average of forward PER of 18.1x.

Risks: The key downside risk for Lumi is an increase in competition. Additionally, any potential loss of exclusivity in NEOM projects may provide headwinds to the growth prospects.

Overweight

RATING SUMMARY

Target Price (SAR)	72.3
Upside/Downside	26%
Div. Yield (%)	-
Total Exp. Return	26%

Source: Company Financials and anbc research

ISSUER INFORMATION

Bloomberg Code	LUMI AB
Last Price (SAR)	57.4
No of Shares (mn)	55
Market Cap bn (SAR/USD)	3.2/0.8
52-week High / Low (SAR)	99.4/54.0
12-month ADTV (mn)	14.8/3.9
(SAR/USD)	
Free Float (%)	30%
Foreign Holdings (%)	3%

Last price as of June 15th, 2025

VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	3.3	3.9	4.5	6.0
PER (x)	17.5	14.9	12.8	9.6
PBV (x)	2.6	2.2	1.9	1.6
DPS (SAR)	-	-	-	-
D. Yld. (%)	-	-	-	-
RoAE (%)	16.1	16.1	16.0	17.9
RoAA (%)	5.4	6.1	6.8	8.8

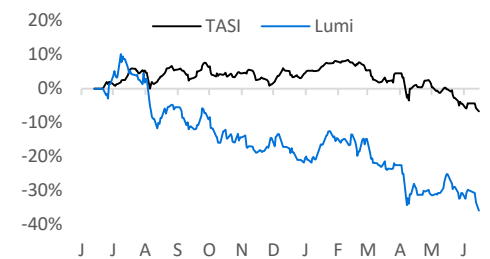
Source: Company Financials and anbc research

FINANCIALS (SR MN)

	2024a	2025e	2026f	2027f
Revenue	1,550	1,647	1,829	1,998
Gross Pro.	438	462	497	557
EBITDA	702	751	854	951
Net Inc.	180	212	247	328
EPS	3.3	3.9	4.5	6.0
DPS	-	-	-	-

Source: Company Financials and anbc research

RELATIVE PRICE PERFORMANCE



Source: Bloomberg and anbc research

Joud M. Aldhuwayhi

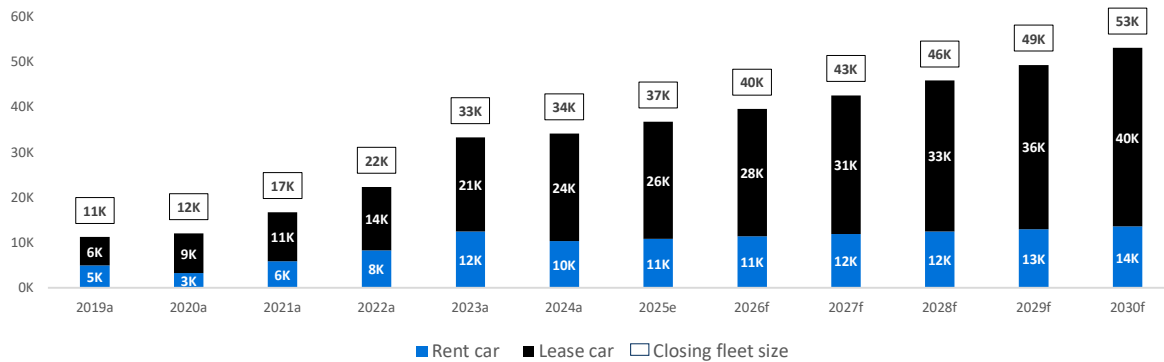
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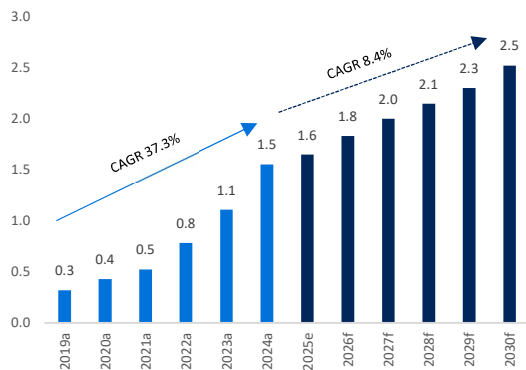
Investment Thesis

Chart 41: Lumi fleet size to record CAGR of 7.7% during 2024-30f



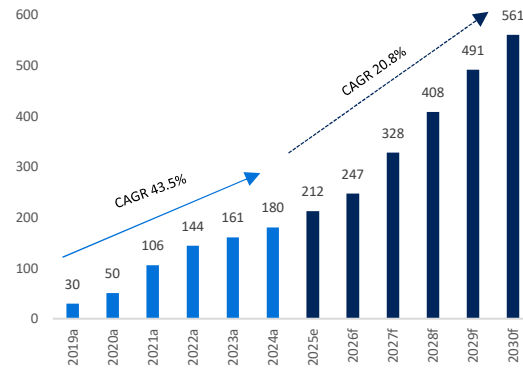
Source: Company Financials and anbc research

Chart 42: Revenue trajectory – SAR bn



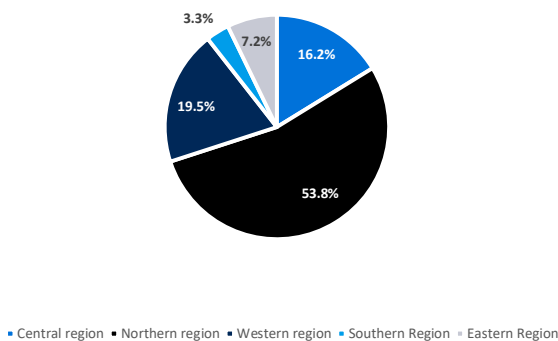
Source: Company Financials and anbc research

Chart 43: Net profit trajectory – SAR mn



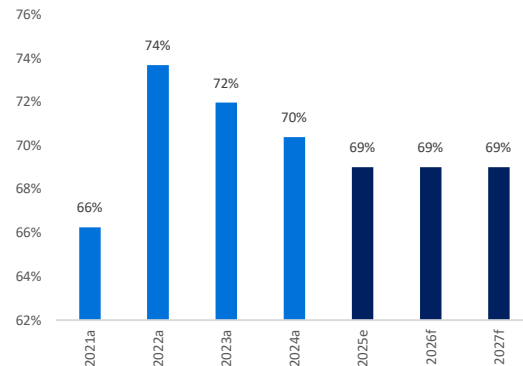
Source: Company Financials and anbc research

Chart 44: Geographical presence - revenue cont.



Source: Company Financials and anbc research

Chart 45: PPR* expected to remain flat

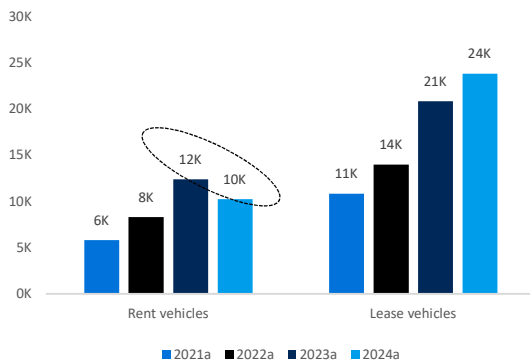


Source: Company Financials and anbc research * Purchase price recovery

Lumi's strategic shift to commercial vehicle leasing

Lumi aims to shift its strategic focus towards expanding commercial vehicle leasing to major companies. The company aims to optimize fleet utilization and the growing corporate inclination towards the leasing model. This strategic shift is evident in the performance of both the short-term rental and long-term leasing segments. In 2024, the number of vehicles in the short-term rental segment declined by 17.3% YoY, while the fleet size of the leasing segment increased by 14.4% YoY. As a result, the utilization rate of short-term rental vehicles improved to 80.6% in 2024, compared to 65.1% in 2023. We expect the utilization rate to remain around 80% throughout the forecast period.

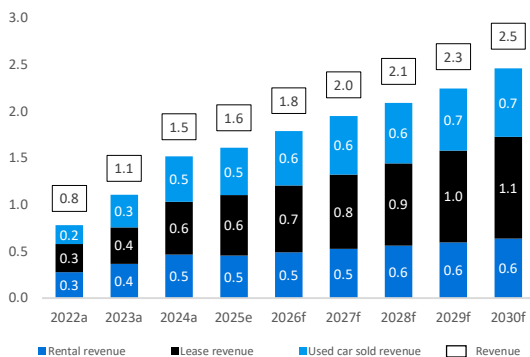
Chart 46: Strategy shift towards commercial leasing



Source: Company Financials and anb research

We anticipate that the higher growth rate in the leasing segment will make it the largest contributor to total revenue, followed by revenue from used vehicle sales. We project the leasing segment's contribution to total revenue to reach 43% by 2030f, followed by used car sales revenue, accounting for 29% of total revenue.

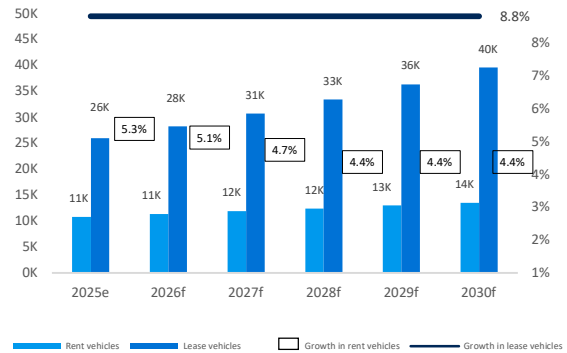
Chart 48*: Revenue contribution



Source: Company Financials and anb research

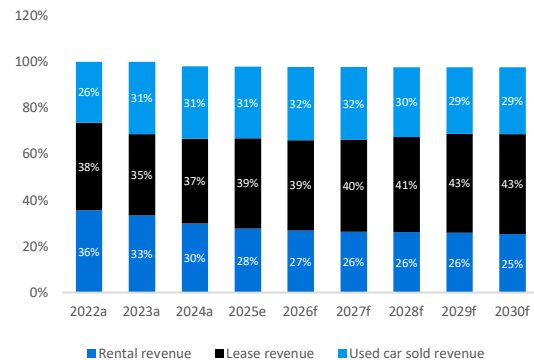
*All figures are in SAR mn

Chart 47: LT leases vs ST rentals – Growth comparison



Source: Company Financials and anb research

Chart 49: ST rental cont. to reach 25% by 2030f



Source: Company Financials and anb research

Valuation

Our valuation of Lumi is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 72.3/sh. This target price suggests an upside potential of 25.9%. We have a 'Overweight' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 9.5%, assuming the risk-free rate of 4.96%, a beta of 0.875 (from Bloomberg), and a risk premium of 5.13%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 8.4%. The cost of debt is calculated by dividing the loan finance cost to total debt, resulting in 6.4% in 2024. To calculate the weighted average cost of capital, we have calculated the weight of equity/debt at 83/17% and assumed a terminal growth rate of 3.0%. This translates into a value of SAR 72.3/sh. The sum of the present value of FCFF amounted to SAR 1.4 bn, while the present value of the terminal value totaled SAR4.1 bn. After subtracting the net debt of SAR 1.5 bn, we have calculated the equity value of SAR 4.0 bn till Dec-2025e.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	347	368	361	351	392	6,407
Discount factor	x	0.91	0.84	0.77	0.70	0.64	0.64
PV of FCFF	SAR mn	318	308	277	246	251	4,106
Sum of FCFF	SAR mn	1,399					
PV of terminal value	SAR mn	4,106					
Net debt	SAR mn	1,530					
Equity value	SAR mn	3,976					
Number of shares	mn	55					
Target Price	SAR	72.28					
Current price	SAR	57.4					

Earnings Sensitivity:

WACC	Growth Rate					
		2.00%	2.50%	3.00%	3.50%	4.00%
	7.3%	95.4	105.9	118.9	135.3	156.7
	8.3%	75.7	82.8	91.2	101.4	113.9
	9.3%	61.5	66.5	72.3	79.1	87.2
	10.3%	50.6	54.3	58.6	63.4	69.0
	11.3%	42.1	45.0	48.1	51.7	55.8

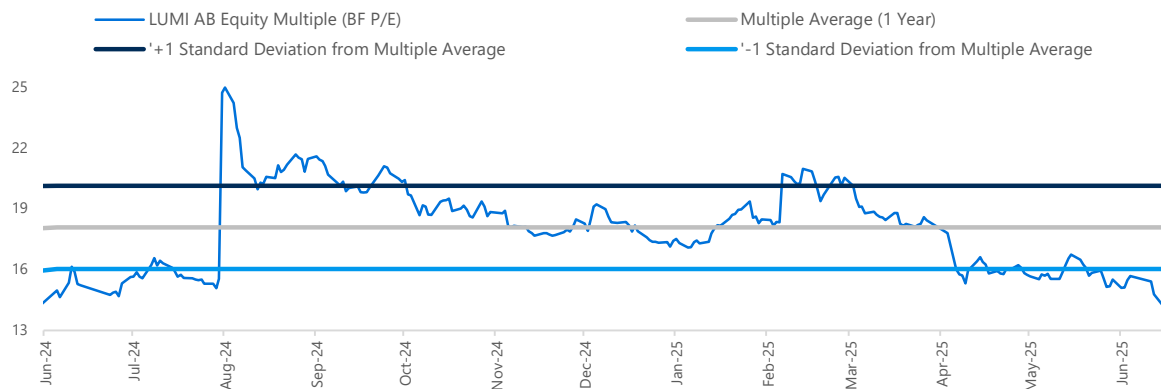
Source: Company Financials and anbc research

Table 17: Bloomberg consensus (Lumi Relative Valuation vs. Self)

Current vs. 1Y Average Historical Multiple					Implied @ Hist. Avg.	
Metric	Current(x)	Hist Avg(x)	Diff (%)	# SD	Hist Avg(x)	Price (SAR)
BF P/E	14.3	18.1	-21.2	-1.9	18.1	72.8
BF EV/EBITDA	6.2	7.8	-20.5	-2.2	7.8	80.0
BF EV/EBIT	13.9	17.0	-17.8	-2.2	17.0	76.4
BF EV/Rev	2.8	3.6	-22.2	-1.7	3.6	82.5

Source: Bloomberg and anbc research

Last price as of June 15th, 2025

Chart 50: Blended Forward P/E


Source: Bloomberg and anbc research

Last price as of June 15th, 2025

Company Overview

Table 18: Key Shareholders

Shareholder	
Seera Holding Group	70.00%

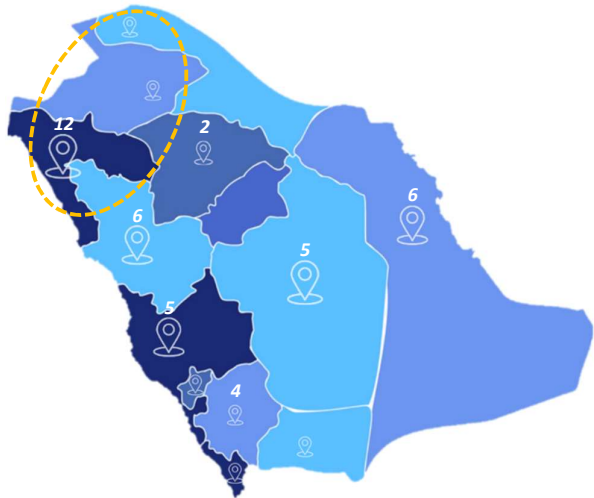
Source: Tadawul and anbc research
As of June 15th, 2025

Table 19: Geographic Presence

Foreign ownership	Maximum Limit	Actual
	49.00%	3.14%

Source: Tadawul and anbc research
As of June 15th, 2025

Chart 51: Locations



Lumi operates a network of 40 branches across Saudi Arabia, with the widest footprint in the Northern Region where it maintains **12** branches, establishing a clear monopoly in that area. The company is also present in the Western Region with 11 branches, followed by 6 in the Eastern Region and 5 in the Central Region. The remaining locations are spread across the Southern Region, reflecting a balanced yet strategically focused geographical distribution.

Source: Company Financials and anbc research

Financial Summary

Income statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Revenue	SAR mn	1,550	1,647	1,829	1,998	2,144	2,300	2,520
Cost of Revenue	SAR mn	1,112	1,185	1,332	1,440	1,524	1,619	1,781
Gross Profit	SAR mn	438	462	497	557	620	681	738
Operating Expenses	SAR mn	154	157	161	164	168	171	175
Operating Profit	SAR mn	284	305	337	393	452	509	563
Other Income	SAR mn	34	33	34	38	45	54	60
Finance Cost	SAR mn	133	121	117	95	79	59	48
Profit before Tax	SAR mn	185	218	254	337	419	504	575
Zakat Tax	SAR mn	5	6	6	9	11	13	15
PAT	SAR mn	180	212	247	328	408	491	561
Number of Share	mn	55	55	55	55	55	55	55
EPS	SAR	3.3	3.9	4.5	6.0	7.4	8.9	10.2
Balance Sheet								
Vehicles	SAR mn	2,860	2,938	2,980	3,052	3,193	3,414	3,665
Property and equipment	SAR mn	31	41	49	57	56	54	53
Right to use asset	SAR mn	78	74	66	55	41	24	4
Capital work in progress	SAR mn	16	20	10	0	0	0	0
Intangible asset	SAR mn	4	4	4	4	4	4	4
Investment in subsidiaries	SAR mn	11	11	11	11	11	11	11
Non-current assets	SAR mn	3,000	3,088	3,120	3,179	3,305	3,507	3,737
Trade receivables	SAR mn	268	285	317	346	371	398	436
Prepayment & others	SAR mn	66	70	78	85	91	98	107
Cash and cash equivalents	SAR mn	30	105	132	136	223	362	603
Due from related party	SAR mn	0	0	0	0	0	0	0
Inventories	SAR mn	10	11	12	13	14	15	17
Current Asset	SAR mn	374	472	539	581	700	874	1,163
Total Assets	SAR mn	3,374	3,560	3,659	3,760	4,005	4,380	4,900
Share capital	SAR mn	550	550	550	550	550	550	550
Retain earnings	SAR mn	607	819	1,066	1,394	1,802	2,294	2,854
Other reserve	SAR mn	26	26	26	26	26	26	26
Statutory reserve	SAR mn	29	29	29	29	29	29	29
Total Equity	SAR mn	1,212	1,424	1,671	2,000	2,408	2,899	3,460
Loan and borrowings	SAR mn	1,013	1,000	857	670	527	409	317
Lease liabilities	SAR mn	41	66	75	86	101	120	144
Employees' service benefit	SAR mn	22	22	22	22	22	22	22
Non-current liabilities	SAR mn	1,076	1,088	954	778	651	551	483
Trade payables	SAR mn	398	424	477	516	546	580	638
Loans and borrowings	SAR mn	596	539	462	361	284	220	171
Lease liabilities	SAR mn	40	30	35	40	47	56	68
Accruals and other liabilities	SAR mn	47	50	55	60	65	69	76
Current Liabilities	SAR mn	1,086	1,047	1,033	982	946	930	957
Total liabilities and equity	SAR mn	3,374	3,560	3,659	3,760	4,005	4,380	4,900

Source: Company Financials and anbc research

Cashflow statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	180	212	247	328	408	491	561
Add: Non-cash expenses	SAR mn	384	413	483	520	560	609	673
Changes in Working Capital	SAR mn	-312	7	18	7	2	4	16
Cash from operation	SAR mn	253	632	748	854	970	1,105	1,250
Capex	SAR mn	-515	-501	-515	-579	-685	-811	-904
Other investments	SAR mn	-11	0	0	0	0	0	0
Cash from Investment	SAR mn	-526	-501	-515	-579	-685	-811	-904
Add Finance cost after Tax	SAR mn	130	118	114	92	77	57	46
FCFF	SAR mn	-144	249	347	368	361	351	392
Net debt	SAR mn	255	-56	-206	-271	-197	-155	-106
Less Finance cost after Tax	SAR mn	-130	-118	-114	-92	-77	-57	-46
FCFE	SAR mn	-18	76	27	4	87	139	240
Changes in Equity	SAR mn	7	0	0	0	0	0	0
Cash from financing	SAR mn	262	-56	-206	-271	-197	-155	-106
Net changes in Cash	SAR mn	-12	76	27	4	87	139	240
Opening Balance	SAR mn	41	30	105	132	136	223	362
Closing Balance	SAR mn	30	105	132	136	223	362	603

Key Ratios	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Margins							
Gross margin	28%	28%	27%	28%	29%	30%	29%
EBITDA margin	45%	46%	47%	48%	49%	51%	51%
Operating margin	21%	21%	20%	22%	23%	24%	25%
Net margin	12%	13%	14%	16%	19%	21%	22%
Returns							
ROA	5%	6%	7%	9%	11%	12%	12%
ROTA	5%	6%	7%	9%	10%	11%	11%
ROE	16%	16%	16%	18%	19%	19%	18%
Health							
Cash /share	0.5	1.9	2.4	2.5	4.1	6.6	11.0
LT debt / share	19.2	19.4	16.9	13.8	11.4	9.6	8.4
ST debt / share	11.6	10.3	9.0	7.3	6.0	5.0	4.3
Net debt / share	30.2	27.8	23.6	18.6	13.4	8.1	1.8
Debt to asset	64%	60%	54%	47%	40%	34%	29%
Debt to equity	178%	150%	119%	88%	66%	51%	42%
Equity to asset	36%	40%	46%	53%	60%	66%	71%
EBIT/ interest	2.4	2.8	3.2	4.6	6.3	9.6	13.1
Activity Ratios							
Days sales outstanding	60	61	60	61	61	61	60
Days in inventory	2.0	3.3	3.2	3.3	3.3	3.3	3.2
Days in payables	184	127	123	126	127	127	125
Cash conversion cycle	-122	-62	-60	-62	-63	-62	-61
Growth							
Revenue growth	40%	6%	11%	9%	7%	7%	10%
Gross profit growth	15%	6%	8%	12%	11%	10%	8%
EBITDA growth	40%	7%	14%	11%	11%	11%	11%
Operating profit growth	36%	6%	10%	16%	15%	13%	11%
Pretax profit growth	12%	18%	16%	33%	24%	20%	14%
Net profit growth	12%	18%	16%	33%	24%	20%	14%
EPS growth	12%	18%	16%	33%	24%	20%	14%

Source: Company Financials and anbc research

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Expected return is more than +15%	Expected return is between +15% & -10%	Expected return is lower than -10%

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