

June 16, 2025

## Theeb Rent a Car Co. (Theeb)

We initiate coverage on Theeb with a Dec-25 target price of SAR 77.4/share and an "Overweight" rating. The company is well-positioned to capitalize on the growing car rental market, supported by its strong presence in key regions (Central, Eastern, and Western), robust cash earnings, and healthy lease receivables. Theeb operates in key regions of Saudi Arabia, with 21 branches in the Central region (16 of which are in Riyadh), 15 branches in the Western region, and the remaining branches spread across in Eastern, Northern and Southern regions of KSA. The company has consistently generated sustainable cash earnings during the historical period under review, recording an average five-year cash flow accrual ratio of 0.16x — the best among listed players.

**A well spread-out presence:** Theeb is a well-established company in Saudi Arabia, with the second-largest network (among listed players) of 61 branches, including 14 airport locations that contribute approximately 40% of the total short-term car rental segment revenue. Around 43% of Theeb's branches are located in the Central and Northern regions, which altogether account for 48% of total short-term rental car segment revenue. This is followed by the Western and Southern regions, with 39% of the company's branches, contributing 39% to short-term rental segment revenue. The Eastern region has 11 branches and contributes 13% to revenue.

**Strategic advantage in Riyadh's economic growth:** Theeb has the largest concentration of branches in Riyadh, accounting for 26% of company's total branches in the city—the highest among listed companies. Budget holds 22% of its total branches in Riyadh, while Lumi has 12%. Riyadh is expected to become the center of KSA's economic transformation, with anticipated investments of USD 195 bn (SAR 732 bn).

**Leading used car sales margins:** Theeb's gross margins on used car sales have been least impacted in the car rentals industry. To highlight, used car sales margins have been severely impacted in 2024 due to companies phasing out Chinese vehicles which have historically generated lower resale value. Theeb stands out in this regard as the gross margins on used car sales declined by 9.3 percentage points YoY to 16.7%. This compares to declines of 22.3 percentage points to -0.7% for Lumi and 9.9 percentage points to 7.4% for Budget. We expect that the company will continue to report gross margins on used car sales in the range of 17-18%, which should provide to support the bottom-line.

**Net income to reach SAR 399 mn by 2030f:** Revenues are expected to increase 7.6% YoY to SAR1.4bn in 2025e on the back of 17.0% YoY increase in LT leases and 5.0% YoY increase in sale of used vehicles. Overall, we expect revenues to cross SAR 2.1 bn by 2030f. For 2025e, we expect gross margins to remain flattish (-30bps YoY) to 31.8% in 2025e and 32.5% in 2026f. Gross margins are expected to reach 35.0% by 2030f. Overall, we expect net income to record a 2025-2030f CAGR of 14.8% to SAR399mn.

**Valuation:** Theeb is currently trading at a 2025e PER of 13.7x, translating into a 16.5% discount from its 1 year average of forward PER of 16.4x.

**Risk:** The launch of projects like the Riyadh Metro, along with intensifying competition from other players in the car rental industry, could pressure pricing and margins, adversely impacting profitability.

### RATING SUMMARY

Target Price (SAR)	77.4
Upside/Downside	21%
Div. Yield (%)	4%
Total Exp. Return	25%

Source: Company Financials and anbc research

### Overweight

### ISSUER INFORMATION

Bloomberg Code	THEEB AB
Last Price (SAR)	63.7
No of Shares (mn)	43
Market Cap bn (SAR/USD)	2.7/0.7
52-week High / Low (SAR)	81.5/59.2
12-month ADTV (mn) (SAR/USD)	9.0/2.4
Free Float (%)	68%
Foreign Holdings (%)	6%

Last price as of June 15<sup>th</sup>, 2025

### VALUATIONS

	2024a	2025e	2026f	2027f
EPS (SAR)	4.3	4.6	5.5	6.4
PER (x)	15.0	13.7	11.6	9.9
PBV (x)	3.3	2.9	2.6	2.3
DPS (SAR)	2.1	2.3	2.7	3.2
D. Yld. (%)	3.3	3.6	4.2	5.0
RoAE (%)	23.4	22.7	23.9	24.6
RoAA (%)	7.6	7.5	8.1	8.6

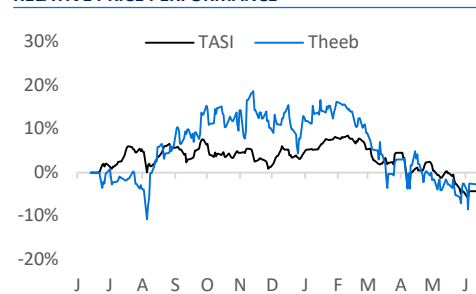
Source: Company Financials and anbc research

### FINANCIALS (SR MN)

	2024a	2025e	2026f	2027f
Revenue	1,303	1,402	1,531	1,669
Gross Pro.	418	447	498	554
EBITDA	618	679	743	812
Net Inc.	183	200	237	275
EPS	4.2	4.6	5.5	6.4
DPS	2.1	2.3	2.7	3.2

Source: Company Financials and anbc research

### RELATIVE PRICE PERFORMANCE



Source: Bloomberg and anbc research

### Joud M. Aldhuwayhi

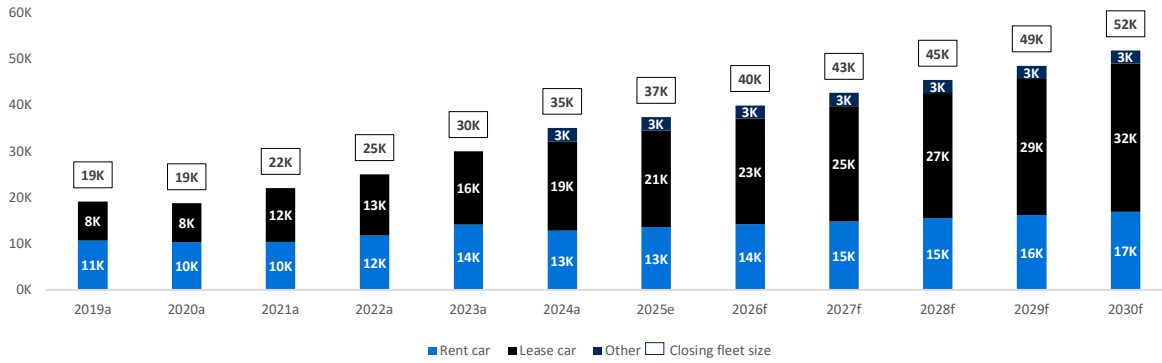
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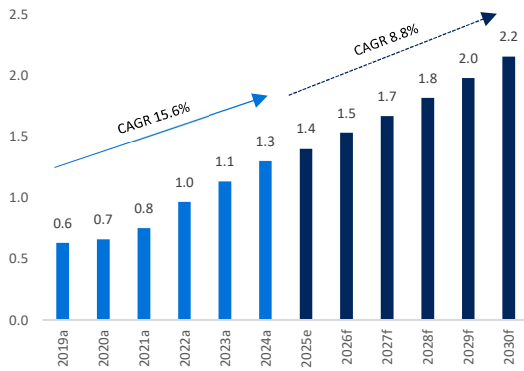
## Investment Thesis

Chart 32: Theeb fleet size to record CAGR of 7.8% during 2024-30f\*



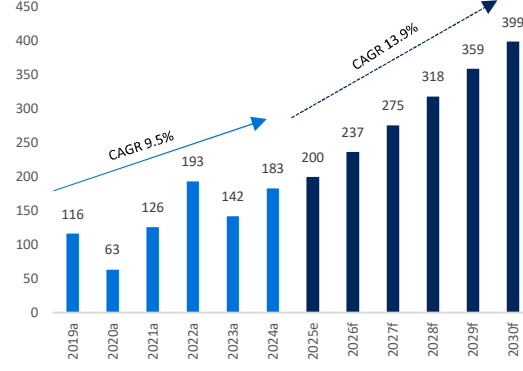
Source: Company Financials and anbc research

Chart 33: Revenue trajectory – SAR bn



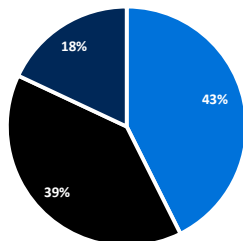
Source: Company Financials and anbc research

Chart 34: Net profit trajectory – SAR mn



Source: Company Financials and anbc research

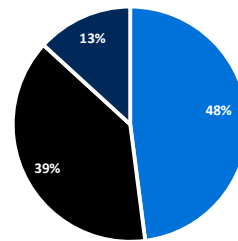
Chart 35: Geographical presence - branches



Central & Northern Region Western & Southern Region Eastern Region

Source: Company Financials and anbc research

Chart 36: Geographical presence – revenue cont.



Central & Northern Region Western & Southern Region Eastern Region

Source: Company Financials and anbc research

\*There were 2,865 vehicles with unidentified segments, which we categorized under the 'Other' segment.

## Theeb to capitalize on development in Riyadh

Riyadh is undergoing significant development, mainly driven by the Saudi Vision-2030 initiative, which aims to diversify the economy beyond oil and establish Riyadh as a global hub. The city has become the Kingdom's main economic center, creating nearly half of all new jobs in the last five years. The government's Regional Headquarters (RHQ) program has attracted many multinational companies to Riyadh, increasing the demand for services such as rental car companies. Additionally, Riyadh's population is expected to grow from 7.0 mn in 2022 to 9.6 mn by 2030f, registering a CAGR of 4.1%— more than double the expected population growth of Saudi Arabia.

Riyadh is undergoing major development, with numerous large-scale projects involving investments of USD 195 bn (SAR 732 bn) that are transforming the city into a regional economic and cultural hub. The projects listed below are reshaping Riyadh's infrastructure, economy, and urban landscape, positioning it as the Kingdom's new economic powerhouse and a key regional hub by 2030.

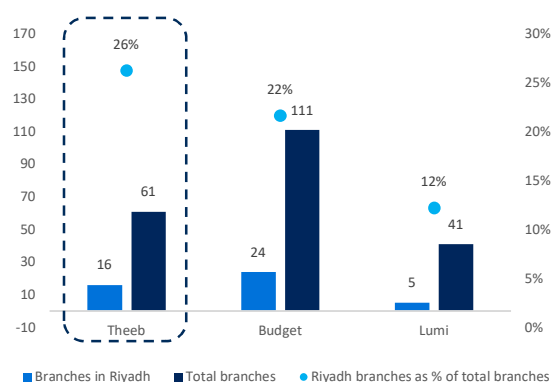
**Table 11: Riyadh development projects**

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
The North Pole	20.0	75.0	2030
Sports Boulevard	6.8	25.5	2030
Riyadh Expo 2030	7.8	29.3	2030
Qiddiya	21.8	81.8	2030
New Murabba	50.0	187.5	2030
Misk Foundation City	4.0	15.0	2028
King Salman Park	10.4	39.0	2027
King Abdullah Financial District	10.5	39.4	2027
Dirayah Gate	63.9	239.6	2027

Source: knight frank and anbc research

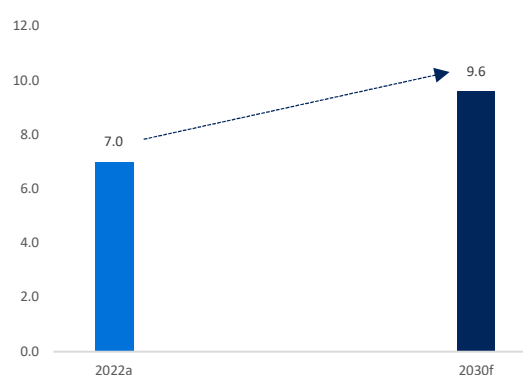
We expect Riyadh's development and its role as a regional hub to boost demand for both short-term and long-term car rentals. The largest impact is likely to be on Theeb, which has the highest proportion of branches in Riyadh (26%) among listed companies. Budget and Lumi have 22% and 12% of their total branches in Riyadh, respectively. This illustrates that Riyadh's growth will benefit Theeb the most.

**Chart 37: 26% of Theeb's branches are in Riyadh**



Source: Company Financials and anbc research

**Chart 38: Riyadh's pop. expected at 9.6 mn by 2030f**



Source: GSTAT and anbc research

## Theeb is poised to benefit from development in western region and religious tourism

Jeddah, the Red Sea gateway, is undergoing a robust transformation with development projects worth USD 134 bn (SAR 503 bn). The investment in infrastructure is expected to attract people and companies to Jeddah to capitalize on economic opportunities. As corporates prefer the car leasing model rather than owning vehicles, we believe Theeb will particularly benefit from these developments due to its strong presence in the western region, especially in Jeddah.

**Table 12: Jeddah giga projects**

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
Shams Al Arous	2.0	7.5	2025
Red Sea Global	17.0	63.8	2030-35
Knowledge Economic City	8.0	30.0	2025
King Abdullah Economic City	27.0	101.3	2028
Jeddah Economic City	20.0	75.0	2028
Jeddah Central	20.0	75.0	2030
Jeddah Historic District	5.0	18.8	2030

Source: knight frank and anbc research

In the western region of Saudi Arabia, around 17 giga projects are currently underway with a total value of USD 185.5 bn (SAR 696 bn), the majority of which are in Jeddah. These development projects will establish infrastructure to facilitate the migration of people and companies to the western region to capitalize on the ongoing development. We believe that tourists and immigrants entering Jeddah will help boost demand for short-term car rental services, while the influx of corporates into the city will increase the market size for long-term car leasing.

Religious tourism makes a major contribution to Saudi Arabia's GDP, as the Kingdom attracted more than 16.9 mn Umrah and 1.6 mn Hajj pilgrims in 2024. KSA aims to increase the number of international pilgrims to 30 mn by 2030f. To facilitate the pilgrims, the Kingdom has introduced projects worth USD 53.0 bn (SAR 199 bn), all to be completed by 2030f. We believe the large influx of pilgrims will boost demand for car rental companies' services, and due to Theeb's strong presence in the western region, we expect it to capitalize on this opportunity.

**Table 13: Makkah region project**

Project Name	Project value (USD bn)	Project value in (SAR bn)	Expected completion date
Rua Al Haram	N/A	N/A	2030
Masar-Makkah	10.0	37.5	2030
Jabal Omar	6.0	22.5	2030

Source: knight frank and anbc research

## Valuation

Our valuation of Theeb is based on the Discounted Cash Flow (DCF) method, which indicates a target price of SAR 77.4/sh. This target price suggests an upside potential of 21.5% in addition to a dividend yield of 3.6%, resulting in a total expected return of 25.1%. We have a 'Overweight' rating on the stock.

For our FCFF-based DCF valuation, we have used a cost of equity of 8.7%, assuming the risk-free rate of 4.96%, a beta of 0.723 (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 6.4%. To calculate the weighted average cost of capital, we have calculated the weight of equity/debt at 47/53% and assumed a terminal growth rate of 3.0%. This translates into a value of SAR 77.4/sh. The sum of the present value of FCFF amounted to SAR 774 mn, while the present value of the terminal value totaled SAR4.0 bn. After subtracting the net debt of SAR 1.4 bn, we have calculated the equity value of SAR 3.3 bn till Dec-2025e.

Description	Unit	2026f	2027f	2028f	2029f	2030f	Terminal
FCFF	SAR mn	142	168	196	221	248	5,715
Discount factor	x	0.93	0.87	0.81	0.75	0.70	0.70
PV of FCFF	SAR mn	132	145	158	166	173	3,986
Sum of FCFF	SAR mn	774					
PV of terminal value	SAR mn	3,986					
Net debt	SAR mn	1,433					
Equity value	SAR mn	3,327					
Number of shares	mn	43					
<b>Target Price</b>	<b>SAR</b>	<b>77.37</b>					
Current price	SAR	63.7					

## Earnings Sensitivity:

		Growth Rate				
WACC		2.0%	2.5%	3.0%	3.5%	4.0%
	5.5%	115.7	138.3	170.1	218.0	298.5
	6.5%	81.4	94.0	110.3	132.1	162.7
	7.5%	59.7	67.6	77.4	89.6	105.2
	8.5%	44.7	50.1	56.5	64.1	73.5
	9.5%	33.8	37.6	42.1	47.3	53.4

Source: Company Financials and anbc research

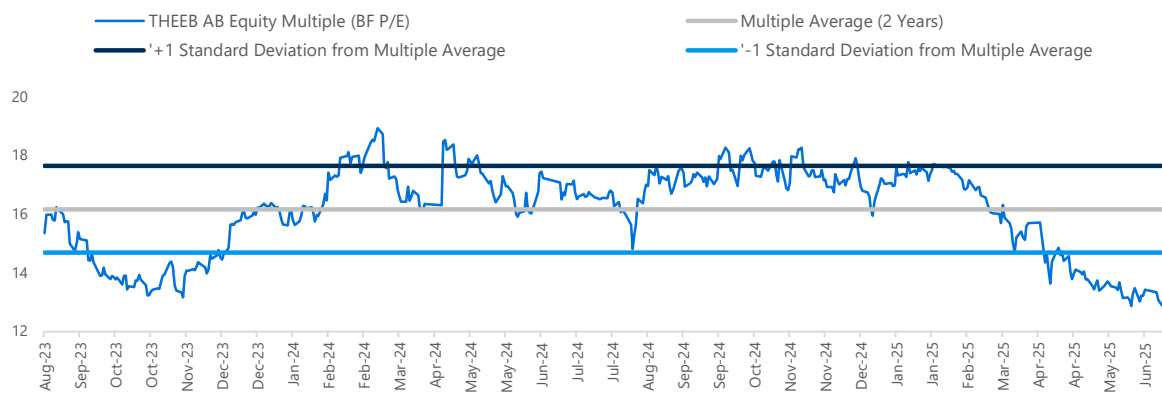
Table 14: Bloomberg consensus (Theeb Relative Valuation vs. Self)

Current vs. 2Y Average Historical Multiple					Implied @ Hist. Avg.	
Metric	Current(x)	Hist Avg(x)	Diff (%)	# SD	Hist Avg(x)	Price (SAR)
BF P/E	12.8	16.2	-20.6	-2.2	16.2	80.2
BF EV/EBITDA	6.2	6.5	-5.8	-0.8	6.5	70.0
BF EV/EBIT	14.0	15.9	-11.8	-1.6	15.9	77.4
BF EV/Rev	3.0	3.2	-6.9	-1.0	3.2	71.2

Source: Bloomberg anbc research

Last price as of June 15<sup>th</sup>, 2025

Chart 39: Blended Forward P/E



Source: Bloomberg and anbc research

Last price as of June 15<sup>th</sup>, 2025

## Company Overview

**Table 15: Key Shareholders**

Shareholder	
Mohammed Ahmed Abdullah Al-Theeb	25.00%
Hamoud Abdullah Al-Theeb Holding Company	7.00%

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

**Table 16: Foreign ownership - Theeb (TASI)**

Foreign ownership	Maximum Limit	Actual
	49.00%	5.99 %

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

**Chart 40: Geographic Presence**



Theeb's branch network comprises 61 locations, demonstrating strong coverage across all key regions of the Kingdom. The Central Region accounts for the largest share with **21** branches, followed by 15 in the Western Region and 11 in the Eastern Region. Additionally, the company maintains a presence in the Southern Region with 9 branches and operates 5 locations in the Northern Region, indicating a relatively even spread with a focus on central and western markets.

Source: Company Financials and anbc research

## Financial Summary

Income statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
<b>Revenue</b>	<b>SAR mn</b>	<b>1,303</b>	<b>1,402</b>	<b>1,531</b>	<b>1,669</b>	<b>1,818</b>	<b>1,979</b>	<b>2,156</b>
Cost of Revenue	SAR mn	885	956	1,033	1,115	1,203	1,298	1,401
<b>Gross Profit</b>	<b>SAR mn</b>	<b>418</b>	<b>447</b>	<b>498</b>	<b>554</b>	<b>615</b>	<b>682</b>	<b>755</b>
Operating Expenses	SAR mn	154	162	179	197	217	240	265
Operating Profit	SAR mn	264	284	319	357	398	442	490
Other Income	SAR mn	9	10	11	12	13	14	15
Finance Cost	SAR mn	86	90	87	86	85	88	96
<b>Profit Before Tax</b>	<b>SAR mn</b>	<b>187</b>	<b>204</b>	<b>242</b>	<b>282</b>	<b>326</b>	<b>367</b>	<b>408</b>
Zakat Tax	SAR mn	4	5	6	7	8	9	10
<b>PAT</b>	<b>SAR mn</b>	<b>183</b>	<b>200</b>	<b>237</b>	<b>275</b>	<b>318</b>	<b>359</b>	<b>399</b>
Number of Share	mn	43	43	43	43	43	43	43
EPS	SAR	4.25	4.64	5.50	6.41	7.40	8.34	9.27
DPS	SAR	2.11	2.3	2.7	3.2	3.7	4.1	4.6
<b>Balance Sheet</b>								
Property and equipment	SAR mn	2,038	2,186	2,345	2,515	2,696	2,895	3,112
Right to use	SAR mn	85	90	95	100	105	110	115
Intangible assets	SAR mn	0	0	0	0	0	0	0
<b>Non-current assets</b>	<b>SAR mn</b>	<b>2,123</b>	<b>2,276</b>	<b>2,440</b>	<b>2,615</b>	<b>2,801</b>	<b>3,005</b>	<b>3,227</b>
Inventories	SAR mn	17	12	13	14	15	16	17
Accounts receivables	SAR mn	283	288	315	343	374	407	443
Prepayment and other current assets	SAR mn	110	119	130	142	154	168	183
Contract assets, net	SAR mn	6	7	7	8	9	9	10
Amount due from related party	SAR mn	0	0	0	0	0	0	0
Bank balance and cash	SAR mn	35	58	210	134	77	182	326
<b>Current assets</b>	<b>SAR mn</b>	<b>453</b>	<b>484</b>	<b>674</b>	<b>640</b>	<b>628</b>	<b>782</b>	<b>979</b>
<b>Total assets</b>	<b>SAR mn</b>	<b>2,576</b>	<b>2,760</b>	<b>3,115</b>	<b>3,255</b>	<b>3,429</b>	<b>3,787</b>	<b>4,206</b>
Share capital	SAR mn	430	430	430	430	430	430	430
Statutory capital	SAR mn	68	68	68	68	68	68	68
Retained earnings	SAR mn	332	433	554	691	850	1,033	1,234
<b>Total equity</b>	<b>SAR mn</b>	<b>830</b>	<b>931</b>	<b>1,052</b>	<b>1,189</b>	<b>1,348</b>	<b>1,531</b>	<b>1,732</b>
Non-current portion of term loans	SAR mn	683	954	860	1,033	1,217	1,358	1,541
Employee's defined benefit liability	SAR mn	43	46	49	52	56	59	64
Non-current portion of lease liability	SAR mn	47	50	53	56	59	62	65
<b>Non-current liabilities</b>	<b>SAR mn</b>	<b>772</b>	<b>1,049</b>	<b>961</b>	<b>1,141</b>	<b>1,331</b>	<b>1,480</b>	<b>1,669</b>
Current portion of term loan	SAR mn	699	500	800	600	400	400	400
Current portion of lease liabilities	SAR mn	40	42	44	46	48	50	52
Car dealership payable	SAR mn	111	134	145	157	169	183	197
Accounts payable	SAR mn	13	0	0	0	0	0	0
Derivatives instrument at FVPL	SAR mn	0	0	0	0	0	0	0
Contract liability	SAR mn	0	0	0	0	0	0	0
Accrued exp and other payable	SAR mn	105	98	107	117	127	139	151
Zakat provision	SAR mn	5	5	5	5	5	5	5
<b>Current Liabilities</b>	<b>SAR mn</b>	<b>973</b>	<b>780</b>	<b>1,102</b>	<b>925</b>	<b>750</b>	<b>776</b>	<b>805</b>
<b>Total liabilities and equity</b>	<b>SAR mn</b>	<b>2,576</b>	<b>2,760</b>	<b>3,115</b>	<b>3,255</b>	<b>3,429</b>	<b>3,787</b>	<b>4,206</b>

Source: Company Financials and anb research



Cashflow statement	Units	2024a	2025e	2026f	2027f	2028f	2029f	2030f
Net income	SAR mn	183	200	237	275	318	359	399
Add: Non-cash expenses	SAR mn	345	385	413	443	476	510	547
Changes in Working Capital	SAR mn	-2	-1	-16	-17	-19	-20	-22
<b>Cash from operation</b>	<b>SAR mn</b>	<b>526</b>	<b>583</b>	<b>634</b>	<b>702</b>	<b>775</b>	<b>848</b>	<b>923</b>
Capex	SAR mn	-698	-538	-577	-618	-662	-713	-769
Other investments	SAR mn	0	0	0	0	0	0	0
<b>Cash from Investment</b>	<b>SAR mn</b>	<b>-698</b>	<b>-538</b>	<b>-577</b>	<b>-618</b>	<b>-662</b>	<b>-713</b>	<b>-769</b>
Add Finance cost after Tax	SAR mn	84	88	85	84	83	86	94
<b>FCFF</b>	<b>SAR mn</b>	<b>-88</b>	<b>133</b>	<b>142</b>	<b>168</b>	<b>196</b>	<b>221</b>	<b>248</b>
Net debt	SAR mn	237	77	211	-22	-11	146	187
Less Finance cost after Tax	SAR mn	-84	-88	-85	-84	-83	-86	-94
<b>FCFE</b>	<b>SAR mn</b>	<b>65</b>	<b>122</b>	<b>268</b>	<b>61</b>	<b>102</b>	<b>282</b>	<b>342</b>
Changes in Equity	SAR mn	-82	-99	-116	-138	-159	-176	-198
<b>Cash from financing</b>	<b>SAR mn</b>	<b>155</b>	<b>-22</b>	<b>95</b>	<b>-159</b>	<b>-170</b>	<b>-30</b>	<b>-10</b>
Net changes in Cash	SAR mn	-17	23	152	-76	-57	105	144
Opening Balance	SAR mn	52	35	58	210	134	77	182
<b>Closing Balance</b>	<b>SAR mn</b>	<b>35</b>	<b>58</b>	<b>210</b>	<b>134</b>	<b>77</b>	<b>182</b>	<b>326</b>

Key Ratios	2024a	2025e	2026f	2027f	2028f	2029f	2030f
<b>Margins</b>							
Gross margin	32%	32%	33%	33%	34%	34%	35%
EBITDA margin	47%	48%	49%	49%	49%	49%	49%
Operating margin	21%	21%	22%	22%	23%	23%	23%
Pretax margin	14%	15%	16%	17%	18%	19%	19%
Net margin	14%	14%	15%	17%	17%	18%	18%
<b>Returns</b>							
ROA	8%	7%	8%	9%	10%	10%	10%
ROTA	7%	7%	8%	8%	9%	9%	9%
ROE	23%	23%	24%	25%	25%	25%	24%
ROCE	15%	17%	15%	17%	19%	19%	20%
<b>Health</b>							
Cash /share	0.6	1.1	3.8	2.4	1.4	3.3	5.9
LT debt / share	26.7	28.1	31.9	31.5	31.3	34.0	37.4
ST debt / share	13.3	18.2	16.6	19.8	23.2	25.8	29.2
Net debt / share	13.4	9.9	15.3	11.7	8.1	8.2	8.2
Debt to asset	26.1	27.0	28.1	29.1	29.9	30.7	31.5
Debt to equity	68%	66%	66%	63%	61%	60%	59%
Equity to asset	210%	196%	196%	174%	154%	147%	143%
EBIT/ interest	32%	34%	34%	37%	39%	40%	41%
<b>Activity Ratios</b>							
Current ratio	0.6	0.5	0.7	0.6	0.5	0.5	0.6
Quick ratio	0.4	0.6	0.6	0.7	0.8	1.0	1.2
Days sales outstanding	67.3	71.8	74.4	71.8	71.9	71.9	71.9
Days in inventory	2.7	5.0	5.6	4.3	4.3	4.3	4.3
Days in payables	58.7	51.4	51.4	51.4	51.4	51.4	51.4
Cash conversion cycle	11.3	25.4	28.6	24.8	24.8	24.8	24.9
<b>Growth</b>							
Revenue growth	17%	15%	8%	9%	9%	9%	9%
Gross profit growth	2%	16%	7%	11%	11%	11%	11%
EBITDA growth	4%	13%	10%	9%	9%	9%	9%
Operating profit growth	-10%	28%	8%	12%	12%	11%	11%
Pretax profit growth	-26%	23%	9%	19%	16%	15%	13%
Net profit growth	-26%	29%	9%	19%	16%	15%	13%
EPS growth	-27%	29%	9%	19%	16%	15%	13%

Source: Company Financials and anb research

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