

Theeb Rent a Car Co.

Maintain Overweight despite high provision for expected credit loss and lower fleet utilization

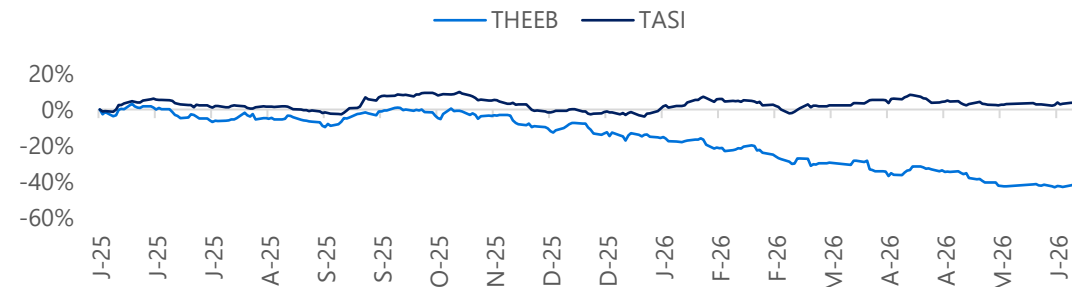
Rating: Overweight | 12M Target Price: SAR 36.4 June 17, 2026

Market Data		Valuations	2025A	2026f	2027f	2028f
Last Price (SAR)*	25	Net Income (SRmn)	180	158	234	293
Target Price (SAR)	36.4	EPS (SR)	2.7	2.4	3.5	4.4
Upside / Downside (%)	46%	PER (x)	9.1	10.4	7.0	5.6
Market Cap (bn) (SAR/USD)	1.6/0.4	P/BV (x)	1.8	1.6	1.4	1.2
52 week High / Low (SAR)	44.7/24.6	DPS (SR)	1.4	0.9	1.4	1.7
12-month ADTV (mn) (SAR/USD)	9.9/2.6	Div. Yield (%)	5.5	3.8	5.6	7.0
YTD Return (%)	-34%	RoAE (%)	20.7	16.4	21.6	23.6
Bloomberg Code	THEEB AB	RoAA (%)	6.3	4.7	6.3	7.3

*last price as of 17th June 2026

Financials (SAR mn)	2025A	2026f	2027f	2028f
Revenue	1,497	1,720	1,935	2,143
COGS	-1,027	-1,220	-1,339	-1,452
Gross profit	470	500	596	691
Gross margin (%)	31	29	31	32
Operating expense	-176	-223	-238	-270
Operating profit	294	277	358	422
Operating margin (%)	20	16	18	20
Net income	180	158	234	293
Net margin (%)	12	9	12	14
EPS	2.7	2.4	3.5	4.4
DPS	1.4	0.9	1.4	1.7

Price Performance



We have revised our target price for Theeb Rent a Car Co. (THEEB) to SAR 36.4/share from SAR 50.4/share (post bonus adjustment) following a decline in short-term rental fleet utilization and higher than expected provisions for expected credit losses (ECL). Short-term rental fleet utilization came under pressure due to a slowdown in travel activity amid regional conflict in 1Q26. Additionally, Theeb recorded a multi-year high ECL provision of SAR 22 mn in 1Q26, up 139% YoY, extending the higher provision trend that began in 4Q25. This was driven by a change in credit risk levels. We expect the elevated ECL trend to persist in the near term, supported by strong growth in the company's lease segment. We maintain our Overweight rating on the stock.

- We expect revenue to grow at a CAGR of 10.4% over 2025-31f, supported by a 8.0% CAGR in total fleet size. Growth is projected to be led by the long-term lease segment, with its fleet expanding at a 10.2% CAGR, while the short-term rental fleet is expected to grow at a more modest 3.0% CAGR.
- We expect gross margin to decline to 29.0% in 2026 from 31.4% in 2025, driven by lower short-term rental fleet utilization and compressed Used Car Sales (UCS) margins. However, we believe utilization will gradually recover from 2027 onwards, as the company adjusts its short-term rental fleet size to reach optimal utilization levels. As utilization improves, we anticipate gross margin to recover to 32.3% by 2028f.
- Theeb recorded an ECL provision of SAR 22 mn in 1Q26, up 139% YoY, continuing the higher provisioning trend that began in 4Q25 when the company recorded ECL provision of SAR 19 mn (up by 7.9x YoY), due to change in credit risk levels. We expect this trend to persist through 2026, driven by Theeb's strategic focus on growing its long-term lease segment.
- We expect net profit to grow at a CAGR of 12.6% over 2025-31f. However, we project earnings to decline by 12.4% YoY in 2026 to SAR 158 mn, weighed down by elevated ECL provision and lower short-term rental fleet utilization. From 2027 onwards, we expect earnings to recover gradually, supported by improving short-term rental fleet size utilization and a normalization of ECL provisions.
- Theeb's share price dropped 7.7% after its 1Q26 results, lagging a flat TASI as investors reacted to higher-than-expected ECL provisions. After updating our assumptions for provisioning and short-term rental utilization, we estimate the stock is trading at a 2026f P/E of 10.4x. Our SAR 36.4 target price implies 46.4% upside, along with a 3.8% dividend yield. We therefore maintain our Overweight rating.

Muhammad Adnan Afzal

Head of Sell-Side Research
muhammad.afzal@anbcapital.com.sa
+966 11 4062500 Ext. 4364

Raed N. Alshalhoub

Analyst - Sell-Side Research
Raed.Alshalhoub@anbcapital.com.sa
+966 11 4062500 Ext. 2677

Disclaimer

anb capital is a Saudi Closed Joint Stock Company with paid up capital of SAR 1,000 million and is licensed by the Capital Market Authority of Saudi Arabia under license number 07072-37 and Unified Number 7001548267, with its head office at 3581 Al Mouyyad Al Jadid, Al Murabba, PO Box 220009, Riyadh 11311, Saudi Arabia, telephone number 800 124 0055.

This report is prepared by anb capital, a full-fledged investment bank providing investment banking, asset management, securities brokerage and research services. anb capital and its affiliates, may have or seek investment banking or other business relationships for which it will receive compensation from the companies that are the subject of this report. Also, anb capital (or its officers, directors or employees) may have a position in the securities that are the subject of this report.

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report is intended only for the recipient to whom the same is delivered by anb capital and should not be reproduced, redistributed, forwarded or relied on by any other person. The distribution of this report in some jurisdictions may be restricted by law, and persons into whose possession this report comes should inform themselves about, and observe, any such restriction.

This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information. anb capital assumes that each recipient would make its own assessment and seek professional advice, including but not limited to, professional legal, financial and accounting advice, before taking any decision in relation to the information provided in the report. Recipients should consider their own investment objectives and financial situation and seek professional advice before making any investment decisions.

Under no circumstance will anb capital nor any of its respective directors, officers or employees be responsible or liable, directly or indirectly, for any damage or loss caused or alleged to be caused by or in connection with the use of or reliance on the information contained in this report.

All opinions, estimates, valuations or projections contained in this report constitute anb capital's current opinions, assumptions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no guarantee that future results or events will be consistent with any such opinions, estimates, valuations or projections. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions and future actual outcomes and returns could differ materially from what is forecasted.

Past performance is not necessarily indicative of future performance and the value of an investment may fluctuate. Accordingly, any investment made pursuant to this report in any security is neither capital protected nor guaranteed. The value of the investment and the income from it can fall as well as rise as the investment products are subject to several investment risks, including the possible loss of the principal amount invested. No part of the research analysts' compensation is related to the specific recommendations or views in the research report.

By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Ratings Guidelines

anb capital's investment research is based on the analysis of economic, sector and company fundamentals with the objective of providing a long term (12 month) fair value target for a company.

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

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information. anb capital assumes that each recipient would make its own assessment and seek professional advice, including but not limited to, professional legal, financial and accounting advice, before taking any decision in relation to the information provided in the report. Recipients should consider their own investment objectives and financial situation and seek professional advice before making any investment decisions.

Analyst Certification:

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Contact

ANB Capital Head Office

3581 Al Mouyyad Al Jadid, Al Murabba, Riyadh 11311,

PO Box 22009, Kingdom of Saudi Arabia

Tel: +966 11 406 2500, 800 124 0055

Email: research@anbcapital.com.sa

Web: www.anbcapital.com.sa