# Theeb Rent a Car Co.

## Results Flash Note Q4-24

### Robust topline growth continues, Lower non-OPEX further supported the net profit expansion.

**Theeb Rent a Car Co. (Theeb)'s net profit jumped 44.0% Y/Y to SAR 51.2mn in Q4-24, above our estimate of SAR 46.0mn and market estimate of SAR 46.6nm. The deviation from our estimate was mainly due to lower non-operating expenses, which compensated for higher-than-expected OPEX and lower GP margin. Revenue increased 12.1% Y/Y to SAR 336.9mn, in line with our estimate of SAR 349.1mn. The revenue growth appears to be driven by 49.2% Y/Y growth in the long-term rental segment and 1.7% Y/Y increase in sales of used cars. The GP margin expanded by ~60bps Y/Y to 31.6%, while operating margin widened by 290bps to 18.3%, but came below our expectation of 32.0% and 20.4%, respectively. Nevertheless, we believe lower finance expenses or zakat reversals or certain one-off non-operating gains are likely to have supported the bottom line. We await more clarity on this front. We keep our TP of SAR 82.0/share on Theeb and maintain "Overweight" recommendation.**

- Theeb reported net income of SAR 51.2mn, up 44.0% Y/Y in Q4-24. The bottom line was above our estimate of SAR 46.0mn. The deviation from our estimate was mainly due to lower non-operating expenses, which compensated for higher-than-expected OPEX and lower GP margin. We believe lower finance expenses or zakat reversals or certain one-off non-operating gains are likely to have supported the bottom line. We await more clarity on this front. The Y/Y growth in net income during the quarter was also aided by healthy topline and operating margin expansion.
- Revenue in Q4-24 increased by 12.1% Y/Y to SAR 336.9mn and was in line with our estimate of SAR 349.1mn. It appears that the revenue growth was led by a 49.2% Y/Y surge in long-term rental segment to reach SAR 140.3mn by Q4-24. While revenues from sale of used cars appear to have grown just by 1.7% Y/Y to SAR 75.5mn. On the other hand, the pressure on short-term rental continued, as it declined 8.5% Y/Y in revenues to reach SAR 121.1mn by Q4-24. This is the fourth consecutive quarter of the revenue decline for the segment.
- Gross profit rose 14.3% Y/Y to SAR 106.5mn and was in line with our estimate of SAR 111.7mn. The GP margin grew 60bps Y/Y in Q4-24 to 31.6% but was below our estimate of 32.0%. GP margin could have been impacted by higher-than-expected contribution from long-term rental and sale of used vehicles, while short-term rental revenue came below our expectation.
- Operating profit rose 33.2% Y/Y to SAR 61.6mn in Q4-24 and was below our estimate of SAR 71.2mn. Operating margins widened to 18.3% in Q4-24 vs. 15.4% in Q4-23 (AJC estimate: 20.4%). The operating margin expansion could be due to improved utilization rates across short term and long-term rental segments, alongside better cost rationalization for certain operational cost items.

**AJC view:** Theeb continued to post robust topline growth in Q4-24. However, there was a miss on the operational front which was more than offset by lower non-OPEX. We believe lower non-OPEX could be due to lower finance expenses or zakat reversals or certain one-off non-operating gains. We await more clarity on this. Nevertheless, the overall operating performance of the company improved in FY24. Moreover, as anticipated, the long-term rental segment continues to drive growth, even though challenges in short-term rental persist. Additionally, the utilization rates have improved for both the segments for FY24, compared to FY23. Thus, we reiterate our view that the long-term leasing business is likely to be the key growth driver for the company. Moreover, the growing car rental market in KSA will support the expansion of overall business. Thus, we forecast net income to grow 5.0% Y/Y to SAR 192mn in FY25E. The stock currently trades at P/E of 15.7x and EV/EBITDA of 6.9x based on our FY25E estimates. We keep our TP of **SAR 82.0/share** on Theeb and maintain "**Overweight**" recommendation.

#### Results Summary

| SAR mn | Q4-23 | Q3-24 | Q4-24 | Change Y/Y | Change Q/Q | Deviation from AJC Estimates |
|---|---|---|---|---|---|---|
| Revenue | 300.7 | 337.4 | 336.9 | 12.1% | -0.1% | -3.5% |
| Gross Profit | 93.2 | 106.6 | 106.5 | 14.3% | 0.0% | -4.7% |
| Gross Margin | 31.0% | 31.6% | 31.6% | - | - | - |
| EBIT | 46.3 | 70.9 | 61.6 | 33.2% | -13.0% | -13.5% |
| Net Profit | 35.5 | 46.5 | 51.2 | 44.0% | 10.1% | 11.3% |
| EPS | 0.93 | 1.08 | 1.19 | - | - | - |

Source: Company Reports, AlJazira Capital Research

| | |
|---|---|
| Recommendation | Overweight |
| Target Price (SAR) | 82.0 |
| Upside / (Downside)* | 17.1% |

Source: Tadawul *prices as of 11th of March 2025

#### Key Financials

| SARmn (unless specified) | FY22 | FY23 | FY24 | FY25E |
|---|---|---|---|---|
| Revenues | 968 | 1,135 | 1,303 | 1,407 |
| Growth % | 28.7% | 17.3% | 14.7% | 8.0% |
| Gross Profit | 355 | 359 | 418 | 459 |
| Net Income | 193 | 142 | 183 | 192 |
| Growth % | 53.6% | -26.4% | 28.6% | 5.0% |
| EPS | 4.49 | 3.30 | 4.25 | 4.46 |

Source: Company reports, Aljazira Capital Research

#### Key Ratios

| | FY22 | FY23 | FY24 | FY25E |
|---|---|---|---|---|
| Gross Margin | 36.7% | 31.6% | 32.1% | 32.6% |
| Net Margin | 19.9% | 12.5% | 14.0% | 13.8% |
| P/E (x) | 15.4 | 19.9 | 16.5 | 15.7 |
| P/B (x) | 4.5 | 3.9 | 3.7 | 3.3 |
| EV/EBITDA (x) | 7.5 | 7.5 | 7.2 | 6.9 |
| Dividend Yield | 3.1% | 2.8% | 2.9% | 3.6% |

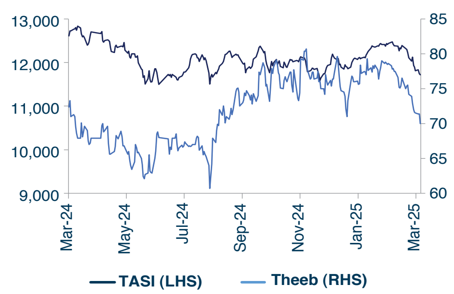
Source: Company reports, Aljazira Capital Research

#### Key Market Data

| | |
|---|---|
| Market Cap(bn) | 3.1 |
| YTD% | -8.6% |
| 52 week (High)/(Low) | 81.5/59.2 |
| Share Outstanding (mn) | 43.0 |

Source: Company reports, Aljazira Capital Research

#### Price Performance




Source: Tadawul, Aljazira Capital

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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.

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