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Lumi Rental Company

Initiation Report | September 2023

Ahmed AlMutawah

+966 11 2256250

a.almutawah@aljziracapital.com.sa

Jassim Al-Jabran

+966 11 225 6248

j.aljabran@aljziracapital.com.sa

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Lumi Rental Company: Initiate with “Overweight” rating and a TP of SAR 82/share

Lumi Rental is the third largest player in the car rental and vehicle lease segment in the Kingdom; the company is expanding its branch network and fleet size along with efficient fleet management to withstand the intense competition and mark its growing foothold within the Kingdom. The expected growth in tourism activities and business growth within KSA augurs well for the company. Lumi’s expansion in the vehicle leasing segment has been very strong and continues to contribute the highest to the company’s top line. Additionally, recent signing of large deals with Aramco, Ministry of Interior, and Saudi Post etc. indicate strong revenue growth potential in upcoming quarters with total backlog reaching SAR 1.3bn as of April 2023. We initiate our coverage on Lumi with an “Overweight” rating and a TP of SAR 82/share.

Expected growth in tourism and business to support growth in rental services revenues: We believe as the economy recovers from the pandemic impact, gradually resumes the development plans under Saudi Vision 2030, and opens doors for international tourists, the car rental segment in KSA is expected to see a steady growth. Further, the development of the entertainment sector would stimulate the need for car rentals across the Kingdom. In addition to this, the demand from women in the car rental market has increased since the ban on women driving was lifted. We thus expect the car rental segment to grow at a CAGR of 13.8% over FY23E-FY27E. Further, the growth in the business sector and government initiatives to attract new businesses within the Kingdom is expected to drive vehicle leasing market growth. We expect the vehicle lease segment to grow at a CAGR of 16.8% over FY23E-FY27E and lead the company’s top line.

Demand for used vehicles to remain healthy in the near term: The increase in new vehicles prices following supply chain issues globally and increase in VAT from 5.0% to 15.0% on new vehicles supported the demand for used vehicles. New regulation related to calculation of VAT on old vehicles reduces costs for purchasers. Hence, the demand for used vehicles is expected to remain healthy in the near term. Lumi’s revenue from sales of used vehicles is forecast to increase by 37.0% in FY23. We believe the market to stabilize next year onwards; however, a sustained demand is expected due to the change in consumer preferences towards private vehicles.

Large contract wins provide revenue visibility and improved fleet utilization: In FY23, Lumi signed a new contract with Saudi Aramco for additional 3,003 vehicles. Some more contracts were signed with Ministry of Interior (1,500 vehicles), Saudi Post (855) and Saudi Emergency Force (400). Subsequently, Lumi’s backlog reached SAR 1,3bn in April 2023. Thus, providing good revenue visibility. These new contracts are estimated to require delivery of 5,758 vehicles during April to November 2023, indicating further expansion of fleet size and improve utilization rate that may reflect in better margins.

Lumi’s expansion strategy calls for high capex and borrowings: Lumi has steady expansion plans and intends to scale up from 33 airport and city branches as of September 2022 to 40 branches by the end of FY23E. We expect the company to keep pace of its fleet expansion due to high demand and growing customer base. However, the company requires to incur capex to meet its strategy of branch and fleet expansion. The continued growth of Lumi’s car fleet requires the company to raise borrowing to finance its strategic expansions.

Returns to shareholders are expected to be strong with high ROE and a possibility of dividend payout in future: Lumi’s ROE is expected to remain high, in the range of 20-24% during FY23E-27E (vs. 9-19% during FY19-22). Moreover, we see a possibility of dividend payout in future, given the positive free cash flows driven by growth in earnings even amid high capex requirements. We forecast a modest average dividend payout ratio of 46.5% during FY23-27E vs. no dividends paid during FY19-22. The payout will be supported by positive free cash flows estimated at SAR 35.0mn in FY23E to SAR 145.1mn in FY27E (growing at a CAGR of 32.9%).

AJC view and valuation: We believe that Lumi is likely to benefit from the upcoming opportunities resulting from the growth in tourism, and business sector activities and economic development under the Saudi Vision 2030. Moreover, the company is expanding its branch network across the Kingdom along with an active fleet size in both the car rental and vehicle leasing market. The recent shift in the car rental segment is expected to drive revenues as the economy recovers from the pandemic, gradually resumes the development plans under Saudi Vision 2030 and opens for international tourists. However, increasing competition, the high capex requirement to finance strategic expansions and no dividend payments so far are the key concerns for the company. We value the company with 50% weightage to DCF (Rfr = 3.5%, terminal growth = 2.5%, average WACC = 7.1%) and 50% to relative valuation based on FY24E P/E (16.0x) multiples. This yields a TP of SAR 82/share, an upside of 24.2% from IPO price. Thus, we initiate our coverage on the stock with “Overweight” rating.

Recommendation	Overweight
Target Price (SAR)	82.0
Upside / (Downside)*	24.2%

*Upside from IPO offer price | Sources: Tadawul, AlJazira Capital

Key Financials

SARmn (unless specified)	FY21	FY22	FY23E	FY24E
Revenue	521	783	1,081	1,195
Growth %	21.1%	50.1%	38.1%	10.6%
Gross Profit	165	260	369	415
Net Income	106	144	219	251
Growth %	110.8%	35.4%	52.4%	14.7%
EPS	2.23	2.61	4.18	4.78
DPS	0.00	0.00	1.25	2.00

Source: Company reports, AlJazira Capital

Key Ratios

	FY21	FY22	FY23E	FY24E
Gross Margin	31.6%	33.2%	34.2%	34.7%
Net Margin	20.3%	18.4%	20.3%	21.0%
ROE	16.4%	18.6%	23.7%	23.2%
ROA	9.3%	9.0%	10.1%	9.4%
P/E (x)	NM	NM	15.8	13.8
P/B (x)	NM	NM	3.6	3.1
EV/EBITDA (x)	NM	NM	1.4	1.5
Dividend Yield	NM	NM	1.9%	3.0%

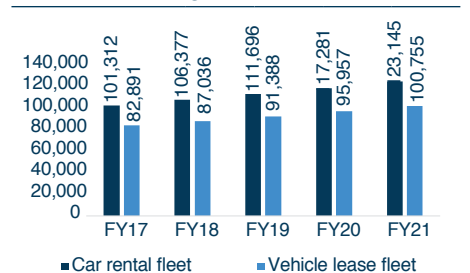
Source: Company reports, AlJazira Capital

Key Market Data

IPO price (SAR/share)	66.0
Share Outstanding (mn)	55.0
Market Cap at IPO price (SAR bn)	3.6

Source: Company reports, AlJazira Capital

Rental and leasing active fleet size in KSA



Source: Company reports, AlJazira Capital

Company Overview

Lumi Rental company is a wholly owned subsidiary of Seera Group Holding (previously known as Al Tayyar Travel Group). The main business segments of Lumi include: i) vehicle leasing; ii) car rentals, and iii) sale of used vehicles owned by the company. As of 30 April 2023, the company reported a fleet size of 24,730 vehicles from 3,603 vehicles in December 2015 thus witnessing continued growth. The company is the third largest player within the Kingdom in the car rental and leasing segment with an estimated market share of 7% (based on active fleet size) as of FY21. The company serves a diversified customer base with customers spread across the Central, Western, Northern and Southern regions from its 33 car rental branches, three vehicle maintenance centers, mobile workshops and third-party vendors, digital channels and used vehicles sales showroom. Lumi had employed a total of 771 employees across the Kingdom as of September 2022.

Source: IPO Prospectus

Brief Overview of Lumi's Business Segments

The company is amongst one of the leading car rental organizations in the Kingdom. Lumi rents cars through a network of 33 airport and city branches across the Kingdom, as well as through digital channels, and provides leasing services to business and government clients and sells used vehicles that have reached the end of their useful life. The company's three reportable business segments are as follows:

Car rental services: The company offers car rental and related services to retail and business customers through 33 airport and city branches across the Kingdom, as well as digital channels like its mobile/web application, call center, and WhatsApp. The services provided include basic services like providing a range of passenger cars and commercial vehicles on a daily, weekly or monthly rental basis to its retail and corporate clients. Further to the basic services, extra services like flexible drop-off, extra insurance, cross-border permits, etc. are offered at an additional fee. Lumi also provided motorcycle rentals, and chauffeur services to customers for airport transfers and intra-city transport. Moreover, the company offers a user-friendly and omni-channel experience by providing the customers an option to rent cars through various mediums.

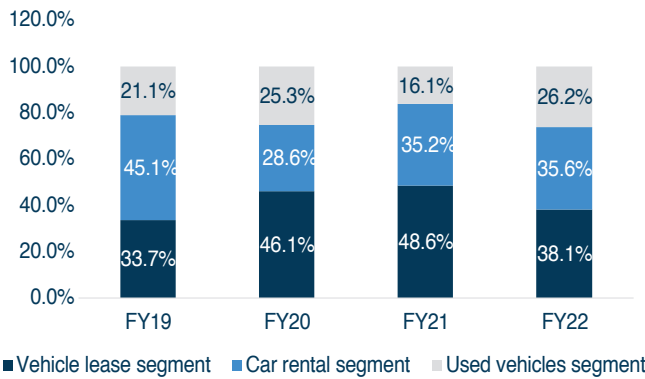
Vehicle lease services: Vehicle leasing is provided by the company to business and government organizations. Fleet maintenance, insurance, vehicle replacement, and roadside support are all included in lease services. Vehicle leasing services for corporate clients began in FY14. The Company's clients lease vehicles for generally three to four years. Throughout the lease duration, the company delivers hassle-free vehicle leasing services, beginning with fleet procurement and delivery to clients on time, followed by periodic and on-demand maintenance, insurance, and vehicle replacement in the event of an accident or breakdown. The company offers non-commercial vehicles (passenger vehicles including sedans, SUVs, passenger vans, coasters, buses, etc.) and commercial vehicles (trucks, cargo vans, pickups, etc.) for lease.

Sales of used vehicles owned by the company: The company only sells used vehicles from its own fleet and does not sell used vehicles from third parties. This segment sells vehicles that have been offloaded from the company's own lease and rental fleet. Vehicles in the leasing segment are sold when the lease contract expires, which is normally after three to four years, but vehicles in the car rental market are sold after a two-year life cycle. The used vehicles are sold through the following channels – Bidding process (sale through a bidding process where potential buyers are invited to submit bids on individual vehicles or multiple vehicles bundled together) and car showrooms (a new sales channel developed for used vehicles).

Valuation Summary

We assigned 50% weightage to DCF based valuation and 50% to relative valuation based on FY24E sector P/E (16.0x) multiples. The DCF valuation implies a fair market value for Lumi at SAR 4.8bn and P/E based valuation implies a fair value at SAR 4.2bn thus resulting in a blended fair value for Lumi at SAR 4.5bn, translating into a weighted average TP of **SAR 82/share**. This indicates an upside potential of **24.2%** from the IPO offer price of SAR 66/share.

Figure 1: Segmental revenue contribution trend



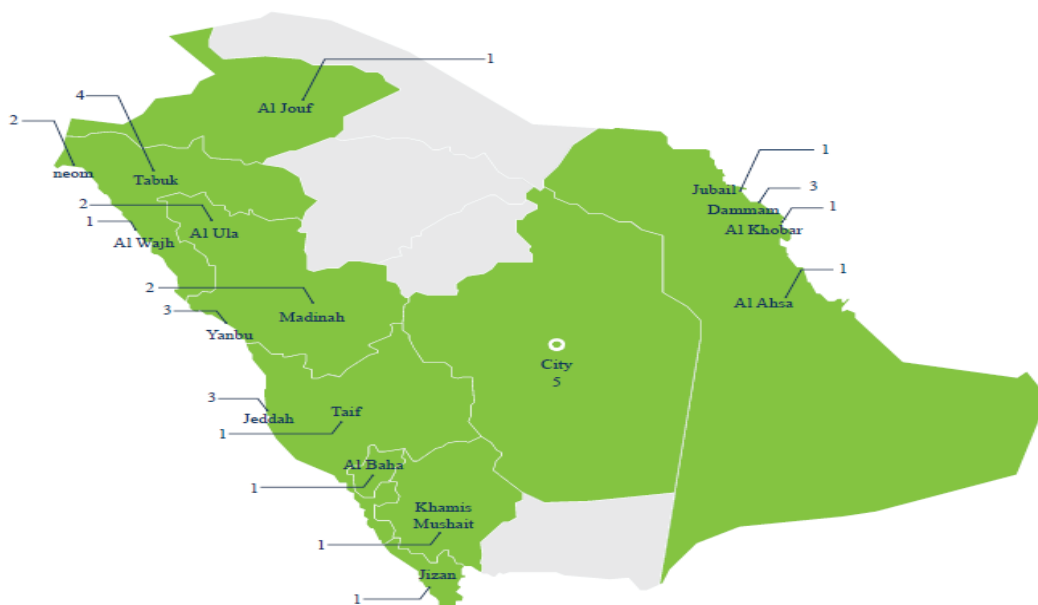
Source: Company Prospectus, Aljazira Capital Research

In FY22, the company reported total revenue of SAR 783mn, a growth of 50.1% Y/Y from a revenue of SAR 521mn reported in FY21. Revenue contribution from the vehicle lease segment was 38.1% in FY22 compared to 48.6% in FY21. The decrease in contribution could be mainly due to a decline in revenue generated from new contracts. The contribution from car rental services came-in at 35.6% in FY22 slightly higher than 35.2% in FY21 mainly driven by a continued overall market recovery following the easing of lockdown restrictions related with the pandemic. The contribution of revenues from sales of used vehicles was 26.2% in FY22 compared to 16.1% during FY21, supported by an expected increase in the number of used vehicles sold.

Lumi’s adheres to its strategic expansion of branch network and fleet size to widen its customer base and meet increasing demand

Lumi is one of the leading car rental companies in KSA and, provides rentals through a network of 33 airport and city branches across Saudi Arabia and through its digital channels. Lumi also offers lease services to corporate and Government organizations. The company’s 12 airport branches cover key international airports (Riyadh Airport Terminals 2 and 5, Jeddah Airport, Dammam Airport, Taif Airport, Madinah Airport, Yanbu Airport, Tabuk Airport and Al Ula Airport), in addition to domestic airports (Al Wajh Airport, Al Jouf Airport and Al Baha Airport). The Company has 21 city branches within KSA and each branch has location specific parking space and areas for quick service repair. As part of the Company’s strategy to continue expansion and growth, it intends to open 40 car rental branches across the Kingdom by 2023 end. An increase in branch network would help Lumi to penetrate further into the KSA car rental market and gain market share and drive higher revenues in both car rental and vehicle leasing segments.

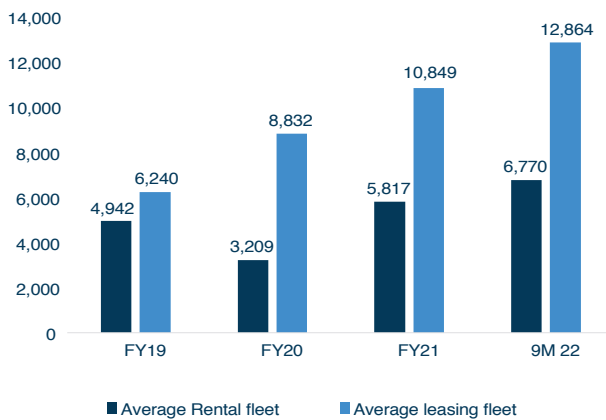
Figure 2: Geographic Location of the company’s Car Rental Branches as of September 2022



Source: Company Prospectus, Aljazira Capital Research

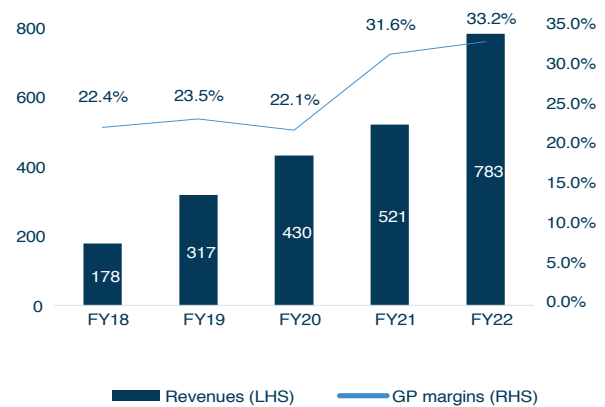
Lumi's average rental fleet and leasing fleet expanded at a CAGR of 8.5% and 31.9% to reach 5,817 and 10,849 vehicles, respectively, over FY19-FY21. This resulted in increase in total rental and leasing revenues to SAR 437mn in FY21 from SAR 250mn in FY19 (a CAGR of 32.2%). The demand for car rentals, leased vehicles and used vehicles is expected to increase in future in the Kingdom driven by tourism development, business sector development, economic development, and evolving consumer behavior shift towards private car ownership from public transportation owing to safety concerns after the pandemic. Thus, the company's objective of increasing its average fleet size is in-line with industry demands. We believe the higher demand would result in better fleet utilization, thus resulting in an improvement in margins.

Figure 3: Average Fleet allocation



Source: Company Prospectus, Aljazira Capital Research

Figure 4: Revenues (SAR mn) and GP margins



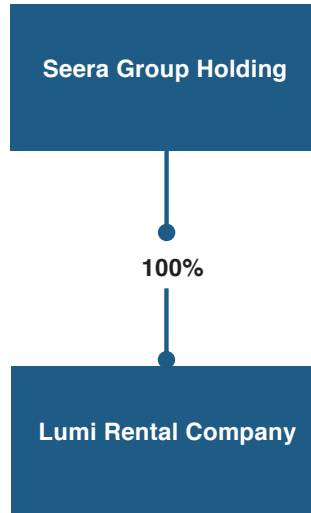
Source: Company Prospectus, Aljazira Capital Research

Lumi's fleet is composed of its lease, rental and service vehicles (which include mobile workshops, towing vehicles, for staff transportation, etc.). The company purchases its fleet from authorized car dealers with whom the company has proved to have long-lasting relationships, thus benefiting from discounts on vehicle prices. Moreover, the company ensures optimum fleet management to ensure effective utilization of its vehicles. The company leverages its in-house and outsourced workshops to ensure appropriate service coverage is provided to its customers. The following represents a broad description of each of the Lumi's fleet segment-

- **Lease fleet-** Lease fleet purchases are based on client requirements while taking company's advice to maximize the value of fleet services, including evaluation factors such as spare part availability, after-sale and warranty, car safety and robustness, and resale value. Lumi's leased fleet increased to 15,065 vehicles as of April 2023 from 12,864 vehicles as of September 2022.
- **Rental fleet-** The company's principal goal for its rental fleet is to give variety in vehicle selections ranging from economic to luxury class cars, as well as to ensure that vehicles are in outstanding shape and appeal to clients, meaning, models are no more than two years old. Lumi's car rental fleet increased to 9,665 vehicles as of April 2023 from 6,770 vehicles as of September 2022.
- **Company service fleet-** The service fleet represents around 0.4% of the company's total fleet size as of September 2022. It is primarily used for roadside assistance, washing and mobile maintenance, towing and company staff transportation.

Ownership Structure

The ownership structure of the company is as follows:



As of the prospectus date, the share capital of the company is SAR 550mn. This consists of 55mn ordinary shares with fully paid nominal value of SAR 10 per share. Seera is the only substantial shareholder that wholly owns the company prior to offering and post-offering will hold a 70% stake in the company. The table below reflects the direct ownership structure of Lumi pre and post offering-

Ownership (Pre and Post IPO)

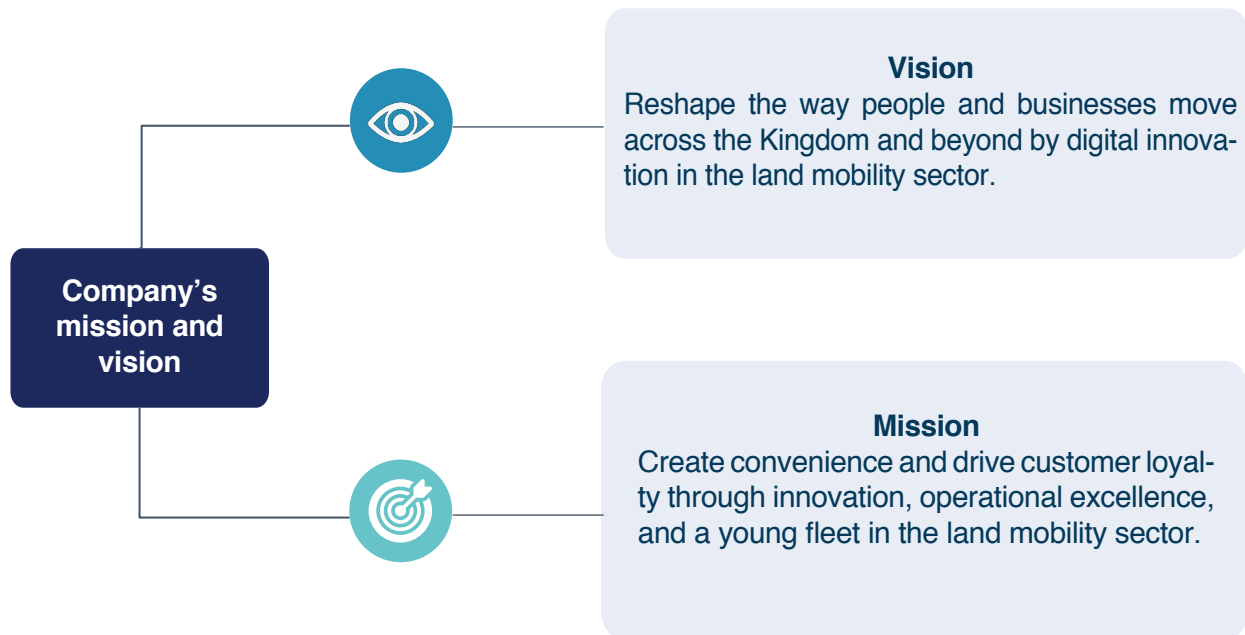
Shareholders	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Ownership Percentage (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership Percentage (%)	Overall Nominal Value (SAR)
Seera Group Holding	55,000,000	100.0%	550,000,000	38,500,000	70.0%	385,000,000
Public	-	-	-	16,500,000	30.0%	165,000,000
Total	55,000,000	100%	550,000,000	55,00,000	100%	550,000,000

Source: IPO Prospectus

IPO Offering Summary

Lumi is floating 16.5mn shares, representing 30.0% of the company's share capital, with a fully paid nominal value of SAR 10 per share. The IPO is divided into two tranches: one for institutional investors and the other for retail investors. The institutional investors will be allocated 100% offered shares. If retail investors fully subscribe to their allocated shares, the financial advisor will have the right to reduce the number of their allocated shares to 90% of the total offered shares, at 14.85mn and therefore, retail investors are allocated 10% or 1.65mn shares. The subscription period for institutional investors and the book building process was open from August 30, 2023 to September 05, 2023. **The final offer price is set at SAR 66 per share.**

Company's Vision, Mission, and Strategy



To achieve its mission and vision, the company sets the below strategies in the form of three pillars:

Strategies

- **Developing a pipeline of future income and asset growth** through vehicle lease contracts by continually providing service quality and pricing competitiveness that caters to its corporate and government clients' large-scale lease management demands;
- **Achieving scale, growth, and profitability as a rental business** by expanding its optimal branch network through openings in existing and new cities that are gaining prominence as travel destinations, and adopting an omni-channel approach to capture customers through integrated online (mobile application, website, and WhatsApp) and offline (branch, call center) channels, combined with increasing the proportion of mid and high-value vehicles in its rental fleet mix, and retaining customers; and
- **Disposal of fleet at maximum purchase price recovery** by adding used vehicle sales showrooms in Jeddah and Dammam in addition to its existing used vehicle sales showroom in Riyadh, and by digitizing its existing closed bidding procedure for used vehicles to improve buyer experience.

Strengths and Competitive Advantages

- **Services for the ease of customers:** The company developed a lease portal to raise service requests and access required documents and fleet details to improve client experience. Lumi also provides omni-channels services through online medium (Mobile app, website and WhatsApp) and offline medium (branch, call center) for the benefit of customers.
- **Strong maintenance infrastructure:** The company has highly robust maintenance infrastructure, comprising three in-house workshops, mobile workshops, contracts with third-party service providers covering over 650 servicing points across the Kingdom, and 24-hour roadside assistance for car rental and vehicle lease customers.
- **Sound fleet procurement:** The company's fleet procurement via solid partnerships with car dealers, allows the company to acquire favorable vehicle rates and enables priority delivery for its fleet purchase.
- **Leveraging digital channels:** The company uses its digital products produced based on customer and client experience research, and constantly works on digitizing its processes to improve customer experience and operational efficiency, including integration with various tools.
- **Experienced stakeholder:** Having a high-profile stakeholder, such as Seera Group Holding, supports the company's reputation as a solid and secure organization.

Risks

- Failure to extend and implement the **company's growth strategy**, or to manage the expansion process in the required manner, would have a material unfavorable effect on the company's business, financial situation, operating results, and/or prospects.
- There is no guarantee that the company will be able to **maintain or diversify its revenues from the geographical areas**, and if revenues from such areas significantly decreased, this would have a material and adverse impact on the company's business, financial position, results of operations, and/or prospects.
- The ability of the company's management to **attract new clients in the vehicle lease industry** has a substantial impact on the company's revenues. If the company's management fails to continue to recruit new customers in the vehicle lease sector or to maintain its existing customers in the future, this will have a negative impact on the business, financial situation, results of operations, and/or prospects.
- If the company is unable to open timely **new car rental branches**, attract customers for the new car rental branches, efficiently integrate and manage the new car rental branches, or achieve the expected benefits of the new car rental branches, and replace or refurbish old car rental branches in a timely manner, may impact the company's ability to increase revenues and operating income.
- If the company is unable to **generate sufficient cash flows from operations** or sufficient funds are not readily available to it through borrowings under its finance arrangements, it may be unable to service its lease commitments on time. The occurrence of any of these events would have a materially negative impact on the company's business, financial situation, operating results, or prospects.
- If the company is unable to **win tenders to renew the lease contracts of its branches**, or if it renews under unfavorable terms, it will have to suspend its services at the concerned airports, incurring significant expenses and losing the revenues generated by those airports, which would have a material and adverse impact on the company's business.

SWOT Analysis

Strengths

- Branch expansion, increasing fleet size and omni-channels services through integrated online and offline channels, strong maintenance infrastructure,
- Backup from high profile shareholder such as Seera Group Holding,
- **Market share of around 7% as of FY21**; the third largest key player in the Kingdom in the car rental and vehicle lease segment,
- Sound rental utilization rates (3Y FY19-FY21 Avg.: 73.0%) and increase in active lease agreements (3Y CAGR: at 32.1%). Number of cars sold (3Y CAGR at 3.5%).

Weakness

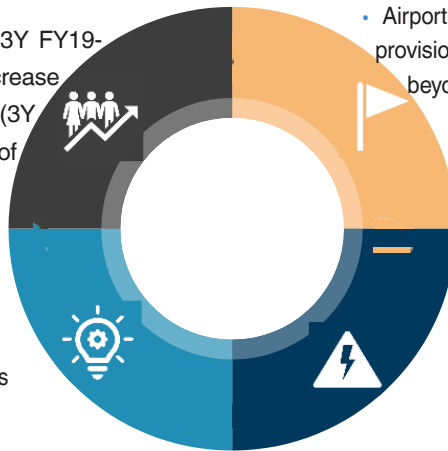
- Concentrated rental revenue contribution at 36.5% of company's total revenues in 9M22, while 21.0% contributed by top five branches during the same period,
- Lease revenues from company's top five vehicle lease customers represent 15.1% of total revenues in 9M22 indicating high dependence,
- Heavy reliance on company's ability to attract new customers in the vehicle lease segment,
- Airport lease agreements have revenue sharing provisions and thus profitability can be lower beyond a particular revenue threshold,

Opportunities

- Growth in tourism, business activities and economic development from Vision 2030 initiatives
- Due to safety concerns following the pandemic, the rising demand for private mobility as compared to public transportation,
- Rising participation of women in the Kingdom's labor force support demand for women in the car rental market segment.

Threats

- Increasing competition with other car rental and vehicle lease companies, and ability to maintain market share,
- Slowing economy resulting in lower consumer spending,
- Changing regulatory environment and adherence to it may result in altering the company's commercial practices, or corporate governance, legal structure,
- Increasing energy prices as vehicles used by customers are dependent on them,
- Inability to obtain/ renew licenses, certificates, permits and approvals,

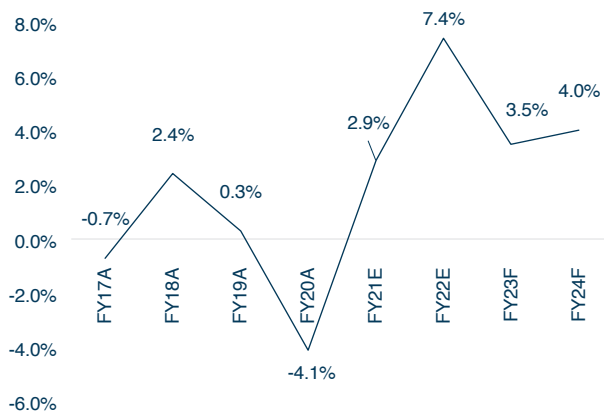


Saudi Macro Economic Overview

Saudi Arabia's continues to recover from the pandemic and works towards diversifying the economy and reducing its dependence on oil

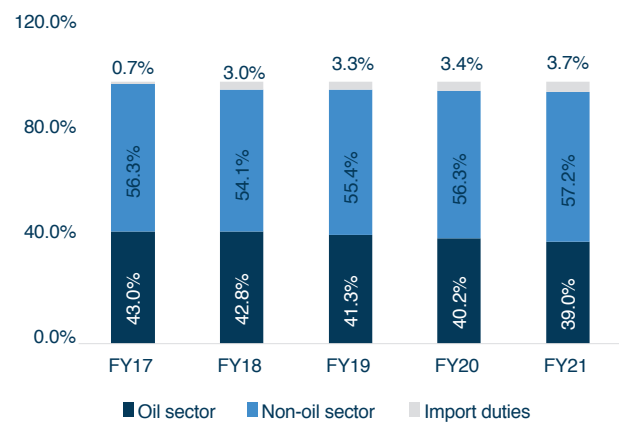
The Kingdom has the largest economy in the MENA region, which is primarily supported by its position as the world's largest exporter of crude oil and natural gas. Saudi Arabia's real GDP declined 4.1% Y/Y in FY20 due to low oil prices and the impact of COVID-19. However, the economic recovery sped up owing to rapid vaccinations and as travel and business restrictions were relaxed and the economy grew at 2.9% in FY21 and 7.4% in FY22. The Saudi government is working on diversifying the economy and reducing its dependence on oil. In FY21, the oil sector contributed 39.0% (from 43.0% in FY17) of the real GDP, while non-oil sector contributed 57.2% of real GDP (from 56.3% in FY17). As the Kingdom continues to recover from the pandemic, the IMF projects non-oil GDP growth to reach 3.6% in FY22 and oil GDP to grow at 6.8% during the same period.

Figure 5: Saudi real GDP growth (YoY % change)



Source: IPO Prospectus, Aljazira Capital Research

Figure 6: Contribution of oil and non-oil sector to real GDP



Source: IPO Prospectus, Aljazira Capital Research

Government efforts towards developing the tourism industry and revive the market that was restricted due to the pandemic

The Kingdom has embarked upon its recovery journey from the pandemic with estimated total trips reaching 45mn in FY21, the most of which were domestic trips due to travel restrictions imposed due to COVID-19. Consequently, the contribution of tourism sector to GDP reached over 4.0% in FY21 as compared to 3.5% in FY19. The Kingdom expected 50mn tourist visits in FY22 as it works to revive its efforts to market domestic and international trips that were stalled by the virus. The Kingdom established the Tourist Investment Fund with a capital of SAR 15bn; its primary function to develop the tourism industry and encourage Saudi citizens to participate in this sector to achieve its national targets and to establish 500,000 hotel rooms throughout the Kingdom by FY30. The national tourist plan emphasizes on the following key points and has received the Kingdom's approval-

- Increase the contribution of the tourism sector to GDP to over 10.0% by FY30,
- Create 1mn additional jobs to reach 1.6mn jobs in the tourism sector by FY30,
- Attract 100mn local and international visits annually by FY30,

Improving workplace inclusivity in Saudi Arabia would aid in supporting the transport sector, which in turn would ensure success on mobility services through KSA

The growth of the Saudi workforce has been identified as a key objective of Vision 2030. The main priority is ensuring diversity of labor resources. The Saudi labor force participation rate surged to 51.5% in Q4-21 (from 41.9% in Q4-17), and the overall labor force (Saudi + non-Saudi) participation rate increased to 61.5% (from 55.6%) during the same period. The Kingdom has traditionally seen low labor force participation for women, thus creating a wider gender gap in employment. However, women's participation in the workforce has been rising and reached 35.6% in Q4-21. The fastest growth of employment for women has been seen in the private sector, due to the efforts by the government to include women in all types of employment. Moreover, the unemployment rate for Saudi women has significantly decreased to 22.5% in Q4-21 (31.0% in Q4-17) while Saudi Arabia's overall unemployment rate decreased to 11.0% in Q4-21 (12.8% in Q4-17) driven by Saudi Vision 2030 and its transformational programs that are further boosting local employment and empowering women.

Industry overview

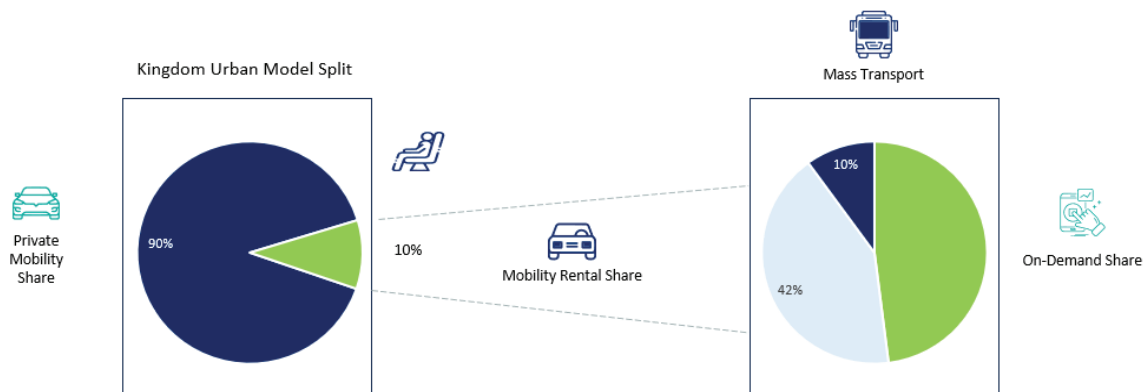
Transportation as a sector continues to thrive and helps transform the Kingdom into a logistics hub

The Saudi government places a high value on transportation. GASTAT estimates that transport, storage, and communications contributed SAR 152bn (5.8%) to GDP in FY21. Transportation has grown as a driving force for economic, social, and environmental expansion, facilitating the movement of people and products. Transportation as a sector serves to transform the Kingdom into a logistics hub and enhance the livability across the Kingdom as supported by the Kingdom's advantageous geographical location with access to local, regional, and global centers.

Passenger mobility services to significantly grow driven by the implementation of shared mobility initiatives

According to the Kingdom's National Transport and Logistics Strategy, up to 90% of passenger trips in the Kingdom were conducted via private vehicles in FY19, while only 10% of total passenger trips were performed via passenger mobility services. On-demand taxi and ride hailing services accounted for 90% of the minor modal share of passenger mobility services, while mass transit was restricted to public bus networks within major cities. The Kingdom's low passenger mobility services is because of the limited mass transportation availability and coverage. Passenger mobility services share is expected to substantially grow in the Kingdom, driven by the implementation of shared mobility initiatives across private mobility, mass transit, on-demand mobility, and mobility rental services to meet the National Transport and Logistics Strategy's national targets.

Figure 7: Passenger mobility modal share in the Kingdom (as of FY19)



Source: Company Prospectus, Aljazira Capital Research

Series of regulatory reforms aimed at converting the Kingdom's passenger mobility rental services into a best-in class system to underpin wider national growth ambitions across the economy

- We believe the following reforms will come a long way in changing mobility services across the Kingdom-
 - Labor reforms-** According to the Nitaqat Program, launched by the MHRSD in FY18, only Saudi citizens are allowed to work in car rental outlets in the Kingdom. To provide employment for young people in the private sector, the MHRSD stated in FY20 that only Saudi nationals would be permitted to work for ride-hailing businesses.
 - Regulatory reforms-** New licensing rules for car rental services in the Kingdom were released by the TGA in FY18, among them were a restriction on the registration of new cars and renewals to a maximum life of five years from the make year. The regulations established four categories for licensing, with the highest category requiring a minimum of 3,000 cars and the lowest category requiring a minimum of 15 vehicles and a sole headquarters office in the city of licensing and out of major cities. As a result, it phased out obsolete rental fleets and individual rentals and consolidated the Kingdom's fragmented car rental sector, which at present has over 600 licensed rental companies.

- **Women empowerment-** By royal proclamation, the ban on women driving was repealed in September 2017, and the first driver's license was issued in June 2018. In the 19 months following the restriction was repealed, according to GASTAT, almost 174,000 women had received driving licenses.
- **Insurance reforms-** According to Saudi Arabian legislation, all automobiles must carry third-party liability insurance, which is the minimum requirement. The Saudi Central Bank developed guidelines in FY20 for the comprehensive insurance of vehicles that are being financially leased to people.

Growth in Car rental market segment driven by economic recovery and influx of international tourist due to relaxed restrictions post the pandemic

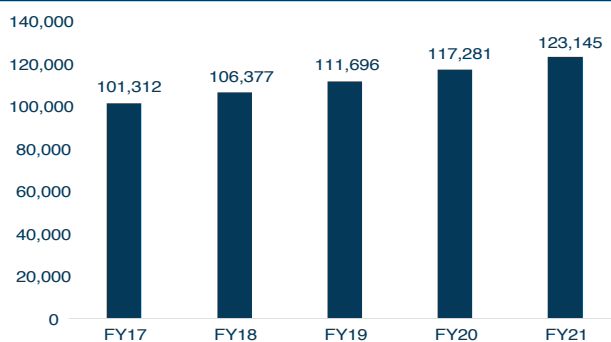
Description: A car rental company often hires out vehicles to customers for short, predetermined periods of time ranging from a few days to a year. The car rental sector has recently witnessed hourly rental options. Under a business-to-consumer model, the car rental agency can also provide rental services known as leasing.

Market overview: Customers in the Kingdom can typically book a car through several offline channels, such as physical outlets in significant demand hubs, such as airports, ports, and public transportation stations, or online channels, such as mobile applications and websites. The car rental agencies within the Kingdom primarily serves three segments as below-

- **Leisure rentals** - Domestic and inbound leisure travelers looking for temporary mobility solutions within the target destination or to another domestic destination for personal reasons, leisure and entertainment events, sightseeing destinations, and domestic vacations, and
- **Business rentals-** Business travelers seeking temporary mobility solutions within the target city; of which services may include chauffeured car rentals for conferences, corporate and business meetings; and
- **Insurance replacement-** In the event of an accident that necessitates the overnight stay of the impacted covered vehicle within specified workshops for repairs, some vehicle insurance customers are contractually guaranteed a replacement car.

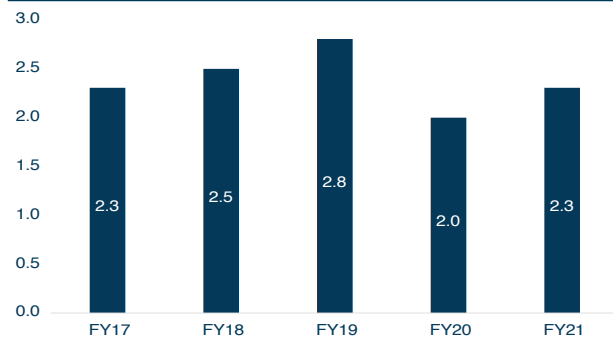
Market size: During the pandemic, the car rental business was one of the hardest hit, with passenger mobility reaching all-time lows due to foreign travel restrictions and internal lockdowns. Car rental segment revenue decreased by 30% Y/Y at SAR 2.0bn in FY20. As the Kingdom continues to recover from the pandemic's impact, resumes the Saudi Vision 2030 development plans, and opens to international tourists, the car rental market recovers with a steady growth of 16.0% Y/Y at SAR 2.3bn in FY21.

Figure 8: Active fleet size (in vehicles)



Source: Company Prospectus, Aljazeera Capital Research

Figure 9: Annual revenue (SAR bn)



Source: Company Prospectus, Aljazeera Capital Research

Key demand drivers:

- **Tourism development in the kingdom-** Tourism development is a crucial driver of growth for the Kingdom's future. It is one of the core pillars of the Saudi Vision 2030 plan to diversify the economy and lessen dependency on oil. The Ministry of Tourism, the Saudi Tourism Authority, and the Tourism Development Fund were established in accordance with international best practices, with clear mandates to assist the growth and development of this vital sector. According to the Saudi Tourism Authority, as the Kingdom recovers from the COVID19 pandemic, 62mn tourist visits were planned for FY22, and a total of 100mn are targeted for FY30. The increase in the number of tourists is expected to fuel demand for car rentals.

Figure 10: Statistics of Tourist Trips in the Kingdom

Year	FY17	FY18	FY19	FY20
Religious (mn trips)	20.6	19.7	20.9	7.2
Leisure (mn trips)	18.5	17.6	21.0	21.0
Business (mn trips)	4.2	4.0	4.6	2.3
Family & friends (mn trips)	15.1	15.9	17.2	14.6
Others (mn trips)	1.6	1.4	1.6	1.2
Total (mn trips)	60.0	58.6	65.3	46.3

Source: Company Prospectus, Aljazira Capital Research

- **Leisure and entertainment reforms-** In accordance with Saudi Vision 2030, the General Entertainment Authority was established to regulate and develop the entertainment sector by providing inclusive, best-in-class entertainment offerings that would drive the industry. The events are spread out over the Kingdom, which fuels the increased demand for car rentals, which is further supported by the extensive road network, the lack of an extensive public transportation network, and the greater cost of flights.

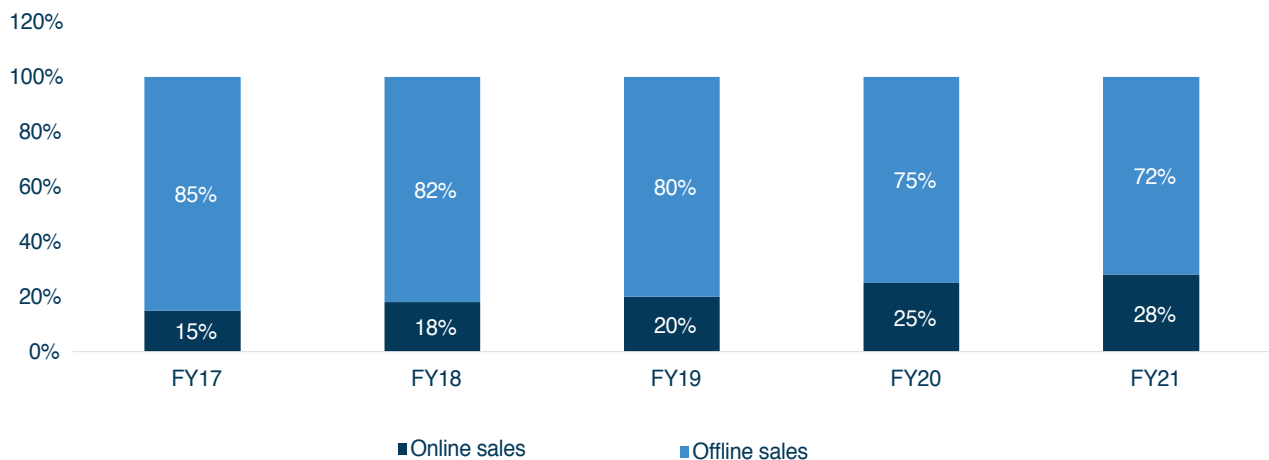
Figure 11: Statistics of Museums and Tourist Sites Visits in the Kingdom

Year	Archaeology, Heritage and History Museums		Natural Museums		Private Museums		Archaeological and Historical Sites	
	Number	Visitor	Number	Visitor	Number	Visitor	Historical Sites	Visitor Permits
FY17	20	568,760	1	706	173	-	8,209	-
FY18	33	1,083,099	4	3,308	195	303,162	8,499	178,020

Source: Company Prospectus, Aljazira Capital Research

- **Evolving consumer behavior: stimulating online sales channels-** Online travel booking has shown gradual signs of growth; online consumer business grew by 70%Y/Y in Q2-19. Moreover, in the car rental market, several major players are digitizing their customer interface platforms by developing user-friendly mobile applications and websites. It was estimated that online sales reached 20% of total car rentals in FY19 and further increased to reach 28% by FY21. Further, with more license's issued to women since the driving ban has been lifted, women's contribution to the labor force in the Kingdom has increased from 20.9% in Q4-17 to 34.9% in Q4-21. The recent developments have thus supported demand from women in the car rental market.

Figure 12: Estimated Annual Revenues by Sales Channel in the Car Rental Market in the Kingdom



Source: Company Prospectus, Aljazira Capital Research

Business sector growth and economic development stimulates demand in the vehicle leasing segment across the Kingdom

Description: This segment covers vehicle lease services, often known as leasing, that are typically provided over a two to five-year term, typically through a business-to-business format, with main serviced customer segments being corporate and government customers. Historically, the vehicle lease industry comprised of two forms of leasing, which are typically conducted by an organization looking to purchase a new fleet or renew an existing fleet: **financial leasing** (customer pays full value of the car during a stipulated period and after expiry of the agreement, the customer (lessee) becomes the owner of the car) and **operational leasing** (during the operation of the agreement which is usually two to five years, the customer pays the lease fee and after expiry of the agreement, the customer (lessee) hands the car back to the lessor). However, Lumi only provides operational leasing services.

Market Overview: Business clients, corporates of all sizes from various industries, and government bodies from various sectors are the primary client categories for operational leasing.

Market size: In FY19, prior to the pandemic, the car lease market was valued at SAR 1.61bn. The pandemic's impact was softer on the vehicle lease market as compared to car rental market due to long-term contracts and the critical importance of logistics services across all front line and important businesses during the epidemic. In FY20, the vehicle lease market was valued at SAR 1.63bn (almost flat growth Y/Y). The market continues to recover from the pandemic and grow steadily supported by business growth in the Kingdom thus approaching pre-pandemic levels at SAR 1.78bn (9% Y/Y growth) in FY21.

Figure 13: Active fleet size (in vehicles)

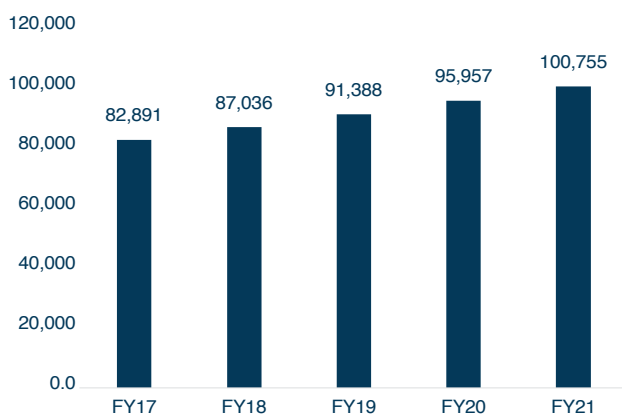
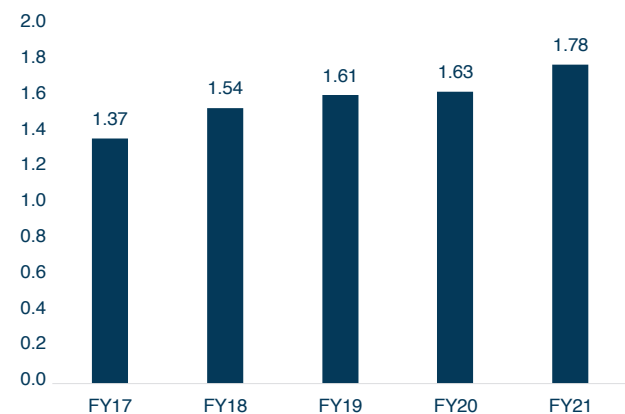


Figure 14: Annual revenue (SAR bn)



Source: Company Prospectus, Aljazira Capital Research

Key Demand Drivers:

- **Business sector growth:** Because of the Ministry of Investment's increased efforts through the Invest Saudi brand to promote the Kingdom's competitive and open business climate, a total of 1,131 new international firms established operations in the Kingdom in FY19, marking a growth of 54.0% Y/Y. The new companies are expected to boost the demand for businesses in the vehicle lease market.
- **Economic developments:** The PIF has developed over 30 enterprises across ten strategic industries, generating more than 331,000 direct and indirect jobs between FY18-FY21, and aims to create 1.8mn direct, indirect, and induced jobs in the Kingdom by FY25. Such giga projects have boosted the transportation and logistics industry and thus will continue to stimulate the vehicle lease market segment.
- **Other emerging trends:** The emerging market trends that are expected to support vehicle leasing includes i) higher conversion rate from financial leasing to operational leasing, ii) fleet management as a service gaining popularity due to the support it provides in terms of increasing efficiency, optimizing costs and thus improving client retention.

Shifting consumer behavior and increase in VAT on new vehicles fuels demand in the used vehicle market segment

Description: The used vehicle, or pre-owned vehicle, market refers to the sale of vehicles that have already been sold and registered. This market's prices are neither listed nor regulated. They are typically dynamic and impacted by a variety of factors, including market demand and supply, vehicle age and mileage, general vehicle condition and maintenance, as well as pricing and the introduction of new models. The car rental business views used vehicle sales as an important component of its value chain, as aging vehicles can be sold in the secondary market to produce revenue. Globally, car rental firms have buy-back agreements in place with original equipment manufacturers or car dealers. This strategy, however, is less common in the Kingdom because car rental companies can usually sell used vehicles at better margins than buy-back arrangements.

Market Overview: Individual consumers looking to sell or buy personal vehicles, as well as corporates from both the public and private sectors looking to sell or buy commercial vehicles, are typical customers of the used vehicle market. The used vehicles industry is divided into three sales channels: peer-to-peer, franchised dealers, and independent dealers.

Market size: Prior to the COVID-19 pandemic, the used car market grew steadily year after year, with the used vehicle sales market estimated at SAR 33.6bn in FY19. As the Kingdom continues to recover from the effects of the pandemic, the used vehicle sales rental industry recovers and grows steadily. The industry is expected to develop steadily and surpass pre-pandemic levels in the car rental segment with favorable forecasts. The used vehicle market segment was valued at SAR 39bn in FY21, exceeding its pre-pandemic levels due to a shift in consumer behavior towards ownership of private vehicles vs public transport and shared vehicles, as well as a rise in new vehicle prices following the disruption of automotive production and supply chain worldwide during the pandemic, and increased VAT at 15% on new vehicles.

Figure 15: New and used vehicle sales volume (in vehicles)

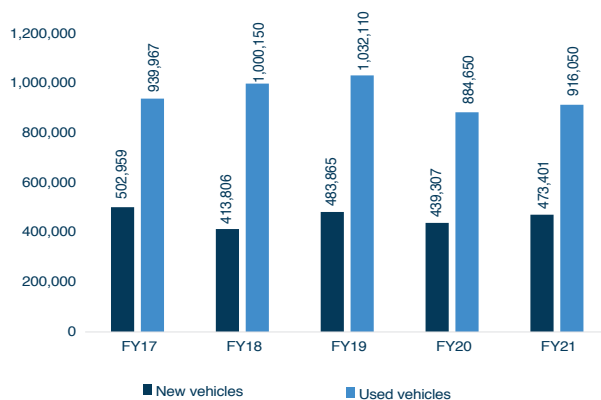
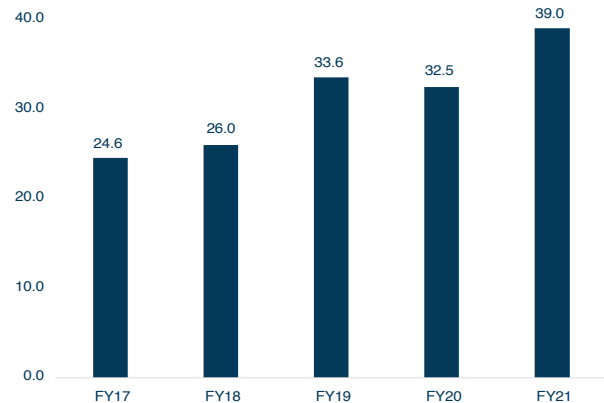


Figure 16: Used vehicle revenue (SAR bn) and Y/Y growth (%)



Source: Company Prospectus, Aljazira Capital Research

Key Demand Drivers:

- **New vehicle growth sales:** The expansion of the Kingdom's new vehicle market influences the growth of the used vehicle market, and the supply volume, in turn, influences consumer demand and resale value. The new vehicle market in the Kingdom is the largest in the GCC region, marking a growth of 17% in FY19 with sales of over 480,000 new vehicles. The market contracted by 9.0% in FY20 due to the pandemic before recovering in FY21 to record sales of over 470,000 with a growth of 8% Y/Y.
- **Rising household income:** The FY19 Household Survey by GASTAT indicated that on average, families across the Kingdom owned 1.38 cars per household. Thus, increasing disposable incomes have contributed to the growth of both new and used vehicle sales.
- **Regulatory reforms:** With new car rental restrictions limiting the registration of used vehicles as rental vehicles and limiting renewal to vehicles under five years age, car rental businesses have emerged as active players in the used vehicle market, with relatively younger fleets.

- **Financial reforms and incentives:** The increase in VAT rates from 5.0% to 15.0% has impacted car sales in the Kingdom. However, ZATCA has removed VAT for used vehicle sales for cars that are not bought from a showroom or a person who is registered to a VAT system. We believe these incentives by the government help to boost demand in used vehicles market.
- **Other emerging trends** like i) shift of consumer behavior towards personal transportation as compared to public transport supports the demand for new or used vehicles, ii) increase in vehicle lease market segment witnessing a rise in the volume of used vehicles in three-to-five-year-old car segment would help to stimulate demand in the used vehicle market segment

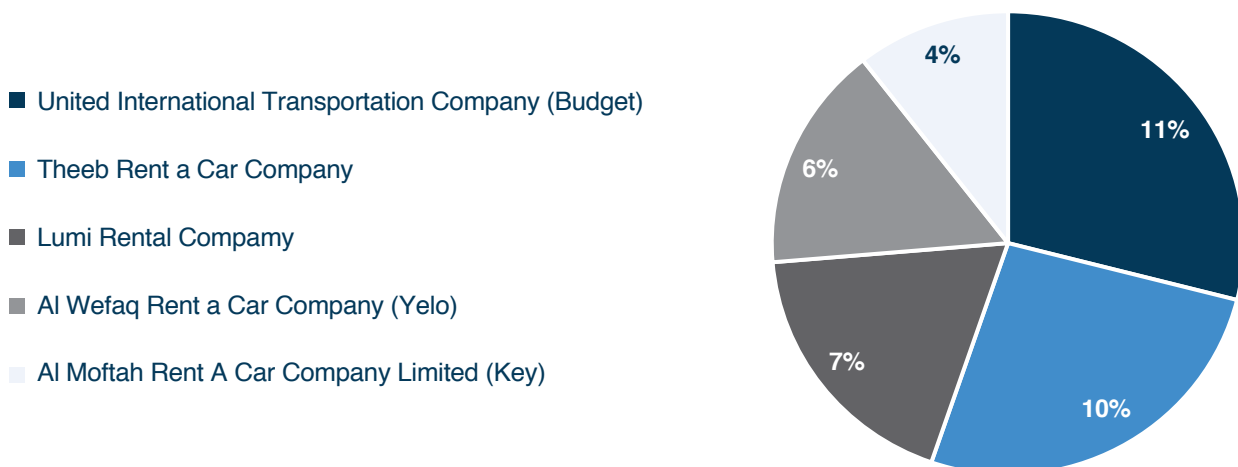
Competitive landscape

The typical car rental and vehicle lease market is fragmented including several local players and a few significant global players like Hertz, AVIS, SIXT SE and Budget Rent a Car. In KSA, the car rental market currently includes 615 licensed car rental agencies classified into four principal licensing categories –

- **Category A:** 17 car rental companies with a fleet of over 3,000 vehicles, providing regular rental and chauffeured services with the right to provide hourly rental services;
- **Category B:** 73 car rental companies with a fleet of over 300 vehicles, providing only regular rental services with the right to provide hourly rental services;
- **Category C:** 212 car rental companies with a fleet of over 100 vehicles and restricted to operate within the licensing city only, providing only regular rental services with the right to provide hourly rental services;
- **Category D:** 311 car rental companies with a fleet of over 15 vehicles and restricted to operate within the licensing city and limited to branch offices, operating out of the major cities of Riyadh, Makkah, Madinah, Dammam and Jeddah; and
- **Online Car Rental** – License is provided to two car rental companies to provide online car rental services without any limitation to their fleet size.

The recent reforms by the regulators of the car rental market have helped to consolidate the fragmented car rental market in Saudi Arabia. However, the market remains fragmented with several small rental businesses spread across the Kingdom and distributed between local and global players operating in KSA through local partnerships.

Figure 17: Car Rental and Vehicle Lease Market Shares of Key Players in KSA Based on Estimated Active Fleet Size as of FY21



Source: Company Prospectus, Aljazira Capital Research

Figure 18 Peer comparison

	Lumi	Budget Saudi	Theeb
Revenue (FY22, SAR mn)	783	1,025	968
Car rental	279	260	478
Vehicle leasing	299	496	315
Used Vehicle sale	205	269	175
Fleet size*	24,730	32,757	25,000+
No. of branches*	33	91	56
Margins (FY22)			
Gross margin	33.2%	35.0%	36.7%
Operating margin	21.1%	26.2%	23.5%
Net margin	18.4%	24.6%	19.9%
D/E	0.67x	0.26x	1.5x
RoE	18.6%	15.2%	29.0%
RoA	9.0%	11.4%	10.3%
P/E (TTM)	21.1x	19.1x	16.5x
P/B (TTM)	3.8x	2.9x	4.2x
EV/EBITDA (FY22)	1.2x	5.5x	7.5x
Dividend yield (FY22)	-	4.2%	3.1%

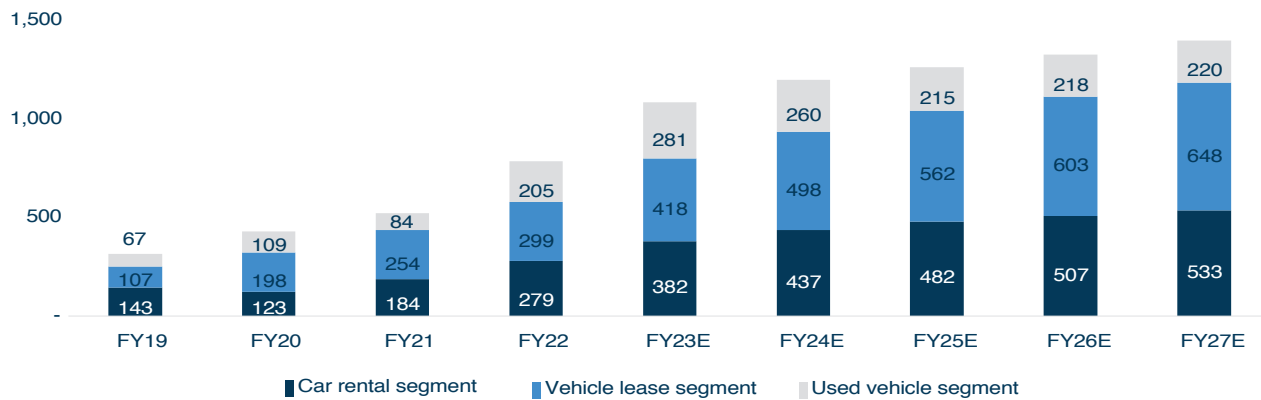
* Fleet size and no. of branches based on latest available data | Sources: Company reports, AlJazira Capital

Investment Thesis

Leasing segment has been a major contributor to the top-line followed by car rental, upcoming large projects and economic recovery could potentially drive this segment in short to medium term

In FY19, FY20 and FY21, and FY22, the revenue from the leasing segment represented 33.7%, 46.1%, 48.6%, and 38.1%, respectively, of Lumi's total revenue for the same period. We expect as the economy recovers from the pandemic and grows steadily supported by major developments and business sector growth across the Kingdom, the leasing segment will continue to record good growth. Driven by efforts from the Ministry of Investment, the new companies that set up operations in the Kingdom will help stimulate the demand for vehicle lease market. Further, we expect the car rental market to recover with a steady growth as the Kingdom recovers from COVID-19 impact, and steadily resumes the development plans under Saudi Vision 2030 and opens its doors for international tourists. We expect the leasing segment to continue to be a key contributor (average of 43.3% during FY23-27E) to total revenue, followed by the car rental segment (average of 37.3%) and the used vehicle segment (average of 19.4%).

Figure 19: Revenue trend and segment-wise breakdown (SAR mn)



Source: Company Prospectus, Aljazira Capital Research

In short term rentals, the fleet size has consistently grown driven by company's strategy to increase its fleet size to meet increasing demand. We expect this trend to continue in future given the increasing demand from tourism sector (domestic and international tourists) in the Kingdom. The revenue per available car increased 32.3% to SAR 38,338 in FY20 and declined 17.6% to SAR 31,584 in FY21. Similarly, in terms of available leasing fleet, the fleet size has shown a growth driven by company's strategy to increase its fleet size to meet the increasing demand from business and corporate clients. We expect this trend to continue in future as the business sector continues to expand in the region. The leasing revenue per available car increased 30.9% to SAR 22,461 in FY20 and 4.1% to SAR 23,378 in FY21. Going ahead, we expect a growth of 2-5% Y/Y (FY23E-FY27E) revenue per car in both the segments. However, the revenue growth would be mainly driven by expansion of fleet. We expect Lumi's fleet of vehicles to exceed 38,000 by the end FY27E from current level of 24,730 as of April 2023.

Figure 20: Average revenue per available car (SAR)

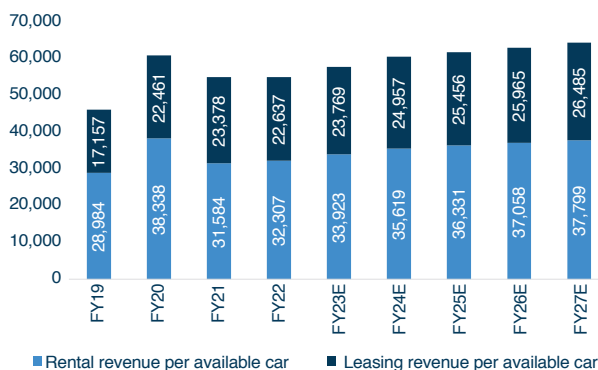
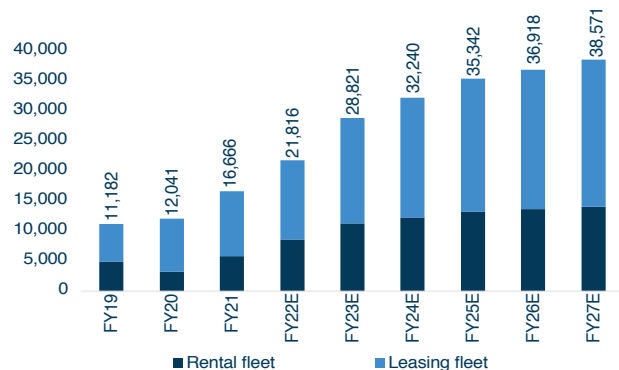


Figure 21: Fleet sizes

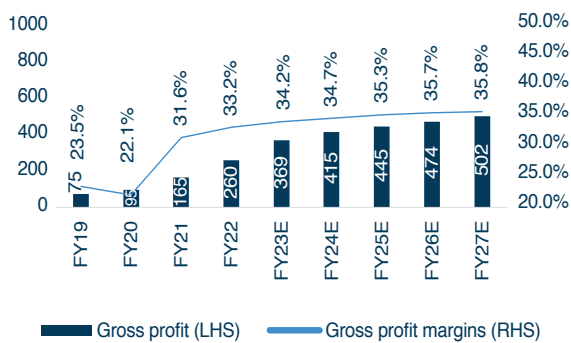


Source: Company Prospectus, Aljazira Capital Research

Margins likely to expand driven by an increase in average fleet size which in turn support higher revenues

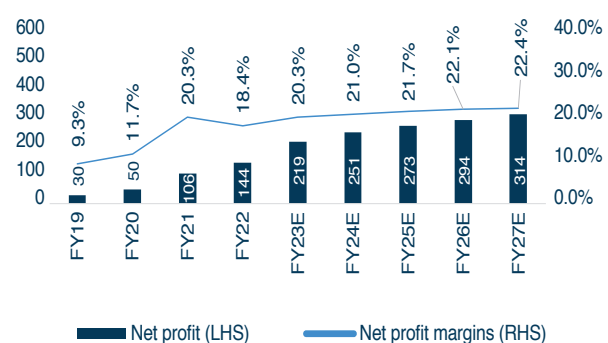
Lumi's margins have consistently shown an uptrend with margins expanding to 22.1% in FY20, 31.6% in FY21 and 33.2% in FY22. Gross margin decreased from 23.5% in FY19 to 22.1% in FY20, mainly due to a decline of 10.5% in car rental segment gross margin due to a decline in utilization rate from 82.2% in FY19 to 61.7% in FY20. This increase in lease gross margins by 1.8%, mainly supported by an increase of SAR 91.3mn in lease segment revenues and an increase in used vehicles sold margins by 6.4%, underpinned by the major off-load on its rental fleet, helped offset the decline in car rental segment gross margins. Gross margin increased from 22.1% in FY20 to 31.6% in FY21, mainly driven by a rise of 20.3% in car rental segment margin driven by increased revenues generated from corporate accounts and higher rental fleet utilization rates. This was in addition to an increase of 13.7% in the gross margin of the used vehicle sales segment due to the higher price of used vehicles in the market driven by new vehicles shortage. Continuing this trend, margins increased to 33.2% in FY22. We expect GP margins to expand going further from 34.2% in FY23E to 35.8% in FY27E; as the company is likely to focus on increasing its average rental and leasing fleet, and the number of cars sold in line with the increasing demand and thus see higher revenues. We expect that the impact of higher GP margins to trickle down to net margin as well and hence forecast net margin to increase from 20.3% in FY23E to 22.4% in FY27E.

Figure 22: Gross Profit (SAR mn) and Gross margin trend (%)



Source: Prospectus, AlJazira Capital Research

Figure 23: Net Profit (SAR mn) and Net margin trend (%)

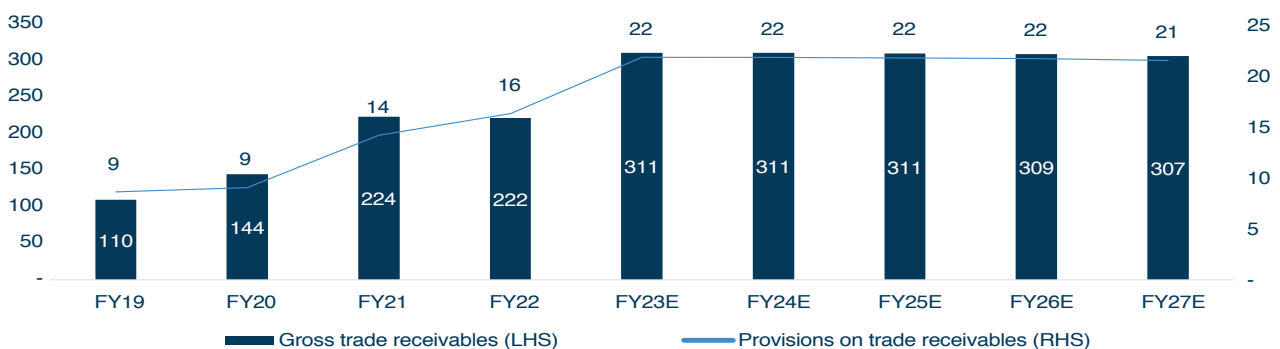


Source: Prospectus, AlJazira Capital Research

Trade receivables may grow due to an increase in receivables from corporate and government customers

Gross trade receivables increased from SAR 109.9mn as of FY19 to SAR 144.4mn in FY20 and SAR 223.6mn in FY21 but decreased to SAR 221.9mn in FY22. Amidst the same, provisions on receivables increased by 5.1% Y/Y from SAR 8.6mn in FY19 to SAR 9.1mn in FY20 and increased 56.3% Y/Y to SAR 14.1mn in FY21, 15.1% Y/Y to SAR 16.3mn in FY22 due to an increase of the aging of the company's corporate and Government customers' receivables. Over the next five years, gross trade receivables are expected to increase to an annual average of SAR 309.8mn (FY23E-FY27E). With the aging of the company's receivables of corporate and government customers, provisions are expected to average at 7.0%. The delayed payment will have an impact on the working capital management and trim the free cash flows.

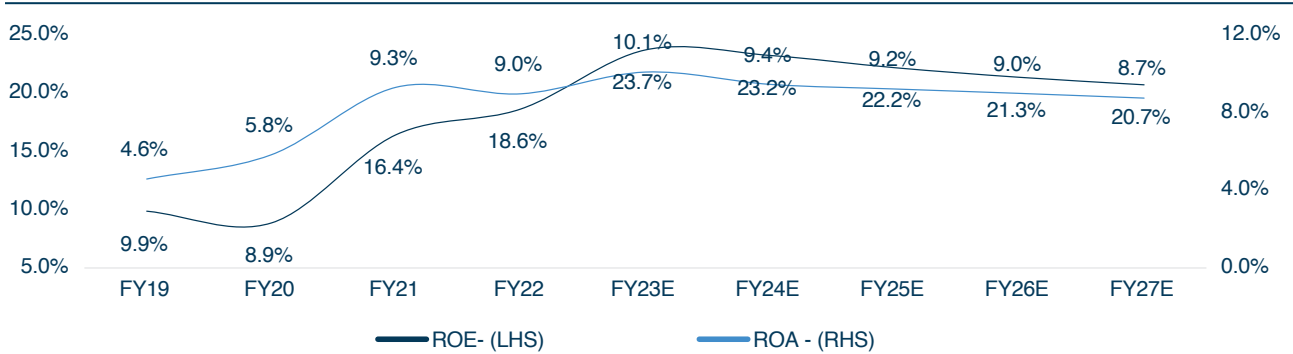
Figure 24: Gross trade receivables (SAR mn) and Provisions on trade receivables (SAR mn)



Source: Company Prospectus, AlJazira Capital Research

A strong return profile; Lumi expected to continue to generate healthy return on equity and return on assets

Figure 25: ROE and ROA



Source: Company Prospectus, Aljazira Capital Research

Lumi has shown the ability to generate returns. The company’s return on average equity (ROE) increased from 9.9% in FY19 to 18.6% in FY22. During the same period, the return on assets (ROA) also rose from 4.6% in FY19 to 9.0% in FY22. We expect the company’s ROE and ROA to remain healthy going ahead. We expect ROE and ROA to average 22.2% and 9.3%, respectively, over the five years. To further analyze ROE, we performed Du Pont analysis. The analysis indicated that the healthy range of ROE in future will be driven by steady increase in company’s net margins that are likely to offset decrease in asset turnover due to expansion of fleet.

Figure 26: Du Pont Analysis

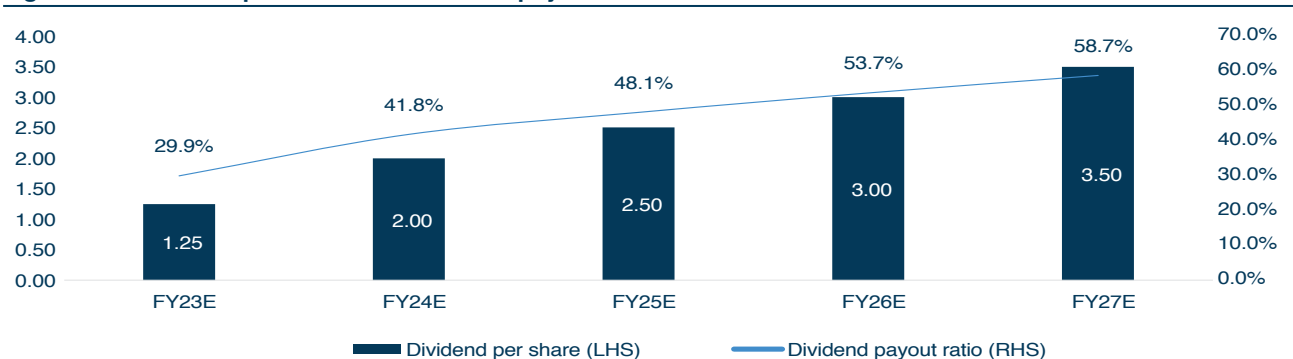
	FY19	FY20	FY21	FY22	FY23F	FY24F	FY25F	FY26F	FY27F
ROE	9.9%	8.9%	16.4%	18.6%	23.7%	23.2%	22.2%	21.3%	20.7%
Net Margin	9.3%	11.7%	20.3%	18.4%	20.3%	21.0%	21.7%	22.1%	22.4%
Asset Turnover	0.49	0.50	0.46	0.49	0.50	0.45	0.42	0.41	0.39
Financial Leverage	2.16	1.52	1.77	2.08	2.35	2.46	2.41	2.38	2.37

Source: Aljazira Capital Research

Lumi expected to reward its shareholders with dividends in future driven by positive free cash flows

The company had not declared dividends for the years FY19-FY22 and reinvested the profits into expanding its future business and acquiring vehicles. However, Lumi is expected to maintain positive free cash flows driven by high growth in earnings amid a high capex requirement to meet its strategic expansions. The company is expected to generate free cash flows of SAR 35.0mn-SAR 145.1mn over FY23E-FY27E (CAGR of 32.9%). Hence, we expect the company to pay dividends in the future with an average payout ratio in the range of 46.5% during FY23-27E (average annual DPS of SAR 2.5/ share over the same period).

Figure 27: Dividend per share and dividend payout ratio



Source: Company Prospectus, Aljazira Capital Research

Valuation Methodologies

DCF Valuation

We performed DCF valuation based on our forecasts for the next five years. We assumed risk free rate of 3.5%, a market risk premium of 5.4% and a levered beta of 0.8 to arrive at WACC of 7.1%. Terminal growth rate is assumed at 2.5%. Our valuation of Lumi is based on DCF yielded an enterprise value of SAR 5.6bn and fair value to equity shareholders of SAR 4.8bn, which translated into a TP of **SAR 86.7 per share**.

SAR mn	FY23E	FY24E	FY25E	FY26E	FY27E
NOPLAT	244	281	307	332	357
Depreciation & Amortization	173	216	250	295	339
Change in working capital	-62	13	-6	-5	-3
CFO	551	510	551	622	692
Capex	-516	-604	-478	-517	-511
FCFF	36	-94	73	105	181
Discounting factor	0.0	0.0	0.0	0.0	0.0
Present value of FCFF	35	-86	64	88	145
Sum of the PV					246
Terminal Value					6,729
PV of terminal value					5,393
Enterprise Value					5,639
Cash and cash equivalents					42
Debt					915
FV to common shareholders					4,767
No outstanding shares (mn)					55
Fair value per share					SAR 86.7

Source: Aljazeera Capital

Terminal growth rate	Risk premium					
	4.4%	4.9%	5.4%	5.9%	6.4%	
1.9%	80.8	74.4	68.7	63.7	59.1	
2.2%	91.5	83.6	76.8	70.8	65.5	
2.5%	104.8	95.1	86.7	79.4	73.1	
2.8%	122.1	109.5	99.0	90.0	82.3	
3.1%	145.2	128.4	114.7	103.3	93.6	

Above is an illustration of sensitivity of our DCF valuation to the change assumptions of terminal growth rate (range: 1.9%-3.1%) and risk premium (4.4%-6.4%). The sensitivity analysis indicates valuation in the range between a minimum of **SAR 59.1** (at terminal growth rate of 1.9% and risk premium of 6.4%) and a maximum of **SAR 145.2 per share** (at terminal growth rate of 3.1% and risk premium of 4.4%).

Relative valuation

We valued Lumi using the relative valuation methodology based on P/E multiple applied to our FY24E estimates.

P/E Valuation:

All figures in SAR mn, unless specified

Sector P/E	16.0x
Premium/discount over peers	0%
Market value	4,208
Shares (mn)	55
Relative value (SAR/share)	76.5

Source: Aljazira Capital

Blended Valuation

Valuation Summary	Fair Value	Weight	Weighted Average
DCF	86.7	50%	43.3
P/E	76.5	50%	38.3
Weighted average 12-month TP			82.0
IPO Offering Price (SAR /share)			66.0
Expected Capital Gain			24.2%

Source: Aljazira Capital

We assigned 50% weightage to DCF, and 50% to P/E multiple. Based on the combined valuation, we arrived at a weighted average TP of **SAR 82/share**. This reflects an upside of 24.2% based on the IPO offer price of SAR 66 per share. Thus, we initiate the stock with an “**Overweight**” rating.

Financial summary

Amount in SAR mn, unless otherwise specified	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E
Income statement										
Revenues	178	317	430	521	783	1,081	1,195	1,259	1,328	1,401
Y/Y		78.4%	35.7%	21.1%	50.1%	38.1%	10.6%	5.3%	5.4%	5.5%
Cost	-138	-243	-336	-357	-523	-711	-780	-815	-854	-899
Gross profit	40	75	95	165	260	369	415	445	474	502
General and administrative expenses	-25	-39	-31	-46	-59	-93	-100	-103	-106	-109
Other operating expenses	0	0	-9	-14	-36	-25	-25	-26	-26	-26
Operating profit	15	35	55	104	165	252	289	316	342	367
Y/Y		135.7%	55.8%	90.5%	58.6%	52.1%	15.0%	9.2%	8.2%	7.4%
Financing Expense (net)	0	-4	-3	-3	-24	-26	-31	-35	-39	-44
Other income	4	0	5	8	7	0	0	0	0	0
Income before zakat	18	31	52	109	148	226	259	281	303	323
Zakat	-1	-1	-2	-3	-5	-7	-8	-8	-9	-9
Net income	18	30	50	106	144	219	251	273	294	314
Y/Y		68.8%	69.9%	110.8%	35.4%	52.4%	14.7%	8.8%	7.6%	6.7%
EPS (SAR)				2.23	2.61	4.18	4.78	5.19	5.59	5.96
Balance sheet										
Assets										
Cash & equivalent	0	5	16	17	49	164	40	69	112	215
Other current assets	139	145	169	256	234	378	370	354	337	320
Total current assets	139	151	185	274	283	542	410	422	449	535
Vehicles	312	625	706	1,051	1,472	1,847	2,280	2,567	2,861	3,120
Property plant & equipment	28	24	28	38	79	101	114	116	106	84
Other non-current assets	8	8	0	0	10	10	11	11	12	12
Total assets	487	808	920	1,363	1,844	2,501	2,815	3,116	3,428	3,752
Liabilities & owners' equity										
Total current liabilities	421	183	261	646	577	846	920	972	1,030	1,095
Long-term loans & lease liabilities	4	76	57	9	411	634	717	814	920	1,038
Total other non-current liabilities	4	6	8	9	13	16	20	24	30	37
Paid -up capital	15	15	15	550	550	550	550	550	550	550
Additional capital		456	535							
Statutory reserves	5	5	5	15	29	29	29	29	29	29
Retained earnings	38	67	39	134	264	425	578	726	868	1,004
Total owners' equity	57	543	593	699	844	1,005	1,158	1,306	1,448	1,583
Total equity & liabilities	487	808	920	1,363	1,844	2,501	2,815	3,116	3,428	3,752
Cashflow statement										
Operating activities	174	323	-77	-148	-86	-140	-76	89	119	193
Investing activities	-179	-411	-2	-2	8	-3	-3	-4	-4	-4
Financing activities	0	95	91	151	110	258	-45	-56	-72	-85
Change in cash	-5	6	11	1	32	115	-125	29	43	103
Ending cash balance	0	5	16	17	49	164	40	69	112	215
Key fundamental ratios										
Liquidity ratios										
Current ratio (x)	0.3	0.8	0.7	0.4	0.5	0.6	0.4	0.4	0.4	0.5
Quick ratio (x)	0.3	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Profitability ratios										
Gross profit margin	22.4%	23.5%	22.1%	31.6%	33.2%	34.2%	34.7%	35.3%	35.7%	35.8%
Operating margin	8.4%	11.1%	12.7%	20.0%	21.1%	23.3%	24.2%	25.1%	25.7%	26.2%
EBITDA margin	8.4%	45.4%	50.6%	59.4%	55.0%	53.3%	57.7%	62.3%	65.7%	68.3%
Net profit margin	9.9%	9.3%	11.7%	20.3%	18.4%	20.3%	21.0%	21.7%	22.1%	22.4%
Return on assets	3.6%	4.6%	5.8%	9.3%	9.0%	10.1%	9.4%	9.2%	9.0%	8.7%
Return on equity	30.6%	9.9%	8.9%	16.4%	18.6%	23.7%	23.2%	22.2%	21.3%	20.7%
Leverage ratio										
Debt / equity (x)	0.14	0.19	0.14	0.03	0.67	0.95	0.93	0.94	0.95	0.98
Market/valuation ratios										
EV/sales (x)	NA	NA	NA	NA	NA	0.7	0.9	0.9	1.0	1.0
EV/EBITDA (x)	NA	NA	NA	NA	NA	1.4	1.5	1.5	1.5	1.4
EPS (SAR)	-	-	33.55	2.23	2.61	4.18	4.78	5.19	5.59	6.0
BVPS (SAR) - Adjusted	-	-	NM	14.7	15.3	18.3	21.0	23.7	26.3	28.8
Market price (SAR)*	NA	NA	NA	NA	NA	66.0	66.0	66.0	66.0	66.0
Market-Cap (SAR Mn)	NA	NA	NA	NA	NA	3,630	3,630	3,630	3,630	3,630
DPS (SAR)	NA	NA	NA	NA	NA	1.3	2.0	2.5	3.0	3.5
Dividend yield	NA	NA	NA	NA	NA	1.9%	3.0%	3.8%	4.5%	5.3%
P/E ratio (x)	NA	NA	NA	NA	NA	15.8	13.8	12.7	11.8	11.1
P/BV ratio (x)	NA	NA	NA	NA	NA	3.6	3.1	2.8	2.5	2.3

Source: Company Prospectus, Aljazira Capital Research, *market price and market cap at upper end of IPO offer price rang



RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

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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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Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068