

Earnings Under Pressure

May 10, 2026

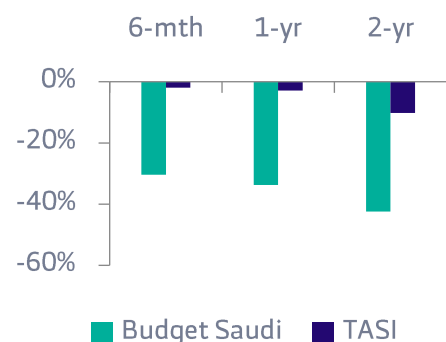
Upside to Target Price 16.1%
 Expected Dividend Yield 3.0%
 Expected Total Return 19.1%

Rating Buy
 Last Price SAR 36.18
 12-mth target SAR 42.00

Market Data	
52-week high/low	SAR 59.0/36.2
Market Cap	SAR 3,782 mln
Shares Outstanding	105 mln
Free-float	99.9%
12-month ADTV	217,962
Bloomberg Code	BUDGET AB

Budget Saudi	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	552	543	2%	701	(21%)	714
Gross Profit	123	174	(30%)	166	(26%)	213
Gross Margins	22%	32%		24%		30%
Operating Profit	58	107	(45%)	134	(56%)	133
Net Profit	34	83	(58%)	97	(65%)	102

(All figures are in SAR mln)



- Budget Saudi reported a topline of SAR 552 mln in 1Q26, up slightly by +2% Y/Y, while declining by -21% Q/Q, below our optimistic forecast of SAR 714 mln. The sequential performance was driven by declines across all segments, led by the used cars segment which fell by -49%, attributable to lower sold volumes and weaker average selling prices, as management opted to retain used vehicles amid weak pricing conditions in order to resell them under more favorable market conditions. The short-term rental segment also declined by -13%, impacted by seasonal and geopolitical pressures, with utilization rates falling below 50% in some key regions, while reaching 25% in the Eastern region. Meanwhile, the long-term rental segment recorded a decline of -3%.
- Gross profit came in at SAR 123 mln, declining by -30% Y/Y and -26% Q/Q. During the quarter, the Company reassessed its assets in relation to the useful lives and residual values of vehicles to reflect prevailing market conditions (as vehicle resale values were lower than expected), resulting in an additional depreciation expense of SAR 20 mln. In addition, vehicle damage cases related to accidents cost the Company SAR 7 mln, while insurance costs increased by SAR 8 mln. As a result, gross margin contracted from 32% in 1Q25 and 24% in 4Q25 to reach 22%, materially below our expectations.
- Operating profit came in at SAR 58 mln, declining by -45% Y/Y and -56% Q/Q. The Y/Y performance was attributed to slower revenue growth and higher fixed costs, while the Q/Q performance was impacted by lower revenues and relatively stable direct costs, in addition to higher operating expenses. This pressured the operating margin, which contracted sharply to 11% from 20% in 1Q25 and 19% in 4Q25.
- Budget Saudi reported a net profit of SAR 34 mln, down by -58% Y/Y and -65% Q/Q, missing our SAR 102 mln and consensus expectations of SAR 80 mln, impacted by weaker revenues and cost pressures. The Company also added SAR 6 mln to provisions for accounts receivable under a more conservative collection policy. Improved operating cash flow of SAR 40.9 mln in 1Q26 compared to SAR 18.5 mln in 1Q25 supports the strength of the financial position, in addition to management expectations for an improvement in used vehicle resale prices in the coming period due to potential supply shortages and import challenges. Accordingly, we maintain our Buy rating while lowering our target price to SAR 42.00 per share, given the weaker-than-expected results. We also believe that improvements in utilization rates within the short-term rental segment remain unclear in light of the temporary pressures facing the sector.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact research@riyadcapital.com

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