

Target Price: SAR48/share
Current Price: SAR34.74/share
Upside: 38%
Rating: Overweight

Lumi Rental Co. (LUMI)

TP cut to SAR48/sh on soft market dynamics and lower margins

- A focus shift from fleet addition to optimization, expect stable fleet size in the mid-run, and a revenue CAGR of 3.3% (7.6% earlier) over 2026-28e.
- We cut our earnings forecast on soft market dynamics and lower margins, offsetting lower finance costs; Expect bottom-line CAGR of 13% (20% earlier) over 2026-28e.
- We cut our TP of SAR48/share, using equal weights for DCF and P/E (14x on 2026e EPS), and reiterate our “Overweight” rating given market valuation, following a 47% TTM correction, indicating that the price reflects most of the negatives.

Fleet expansion to remain largely subdued, with a focus shift into optimization... Lumi’s fleet growth is likely to remain subdued, underscoring a shift toward efficiency-driven performance. Lumi has kept its fleet stable at ~34k vehicles since 2024, ending 1Q26 at 33.8k units. This contrasts with earlier guidance as Lumi reallocates spending from expansion to utilization and pricing optimization. We now assume a stable fleet averaging around 34.7k vehicles in 2026-28e, down from our prior ~39.5k vehicles by 2028e, while keeping our mix forecasts (32% rental, 68% leasing) unchanged. Despite a lagging used-fleet mix, pricing has strengthened across both rental pricing and leasing segments, reflecting effective optimization efforts (Figures 2 and 3), despite a temporary pressure in 1Q26. Hence, we raise our average daily revenue per rented vehicle forecast to SAR175 in 2026-28e (previously SAR167) and average monthly revenue per leased vehicle to SAR2.63k (previously SAR2.57k), with gradual growing fleet utilization.

...while market conditions pressure UCS proceeds; expect single digit top-line growth in 2026-28e: Based on our visibility of Lumi’s fleet size, and given recent turnover trends, we forecast an average of ~8k vehicle sales annually in 2026-28e. However, the soft used-car market continues to weigh on both pricing and recovery rates, limiting proceeds and compressing margins. As a result, we estimate average sale proceeds of ~SAR57.7k per vehicle over 2026-28e, broadly aligned with current market conditions. Consequently, we forecast ~SAR1.64bn in aggregate revenue for 2026e, essentially flat y/y, followed by single-digit growth through 2027-28e as further pricing improvements in core operations offset muted fleet expansion and pressured disposal proceeds. By 2028e, we expect revenue to reach SAR1.84bn, implying a modest CAGR of 3.3% over 2026-28e, compared to 7.6% in our earlier estimates.

Figure 1 Key financial metrics

SARmn	2024a	2025a	2026e	2027e	2028e
Revenue	1,550	1,669	1,635	1,765	1,838
Revenue growth	40%	8%	-2%	8%	4%
Gross Profit	438	460	464	522	549
Gross profit margin	28.2%	27.5%	28.4%	29.6%	29.9%
Op. income	284	299	285	337	356
Op. margin	18.3%	17.9%	17.5%	19.1%	19.4%
Net profit	180	198	188	250	288
Net profit margin	11.6%	11.9%	11.5%	14.2%	15.6%
Net profit growth	12.3%	9.9%	-4.9%	32.9%	14.8%
EPS (SAR)	3.3	3.6	3.4	4.6	5.2
P/E	10.6x	9.6x	10.1x	7.6x	6.6x
EV/EBITDA	4.9x	4.5x	4.8x	4.4x	4.3x

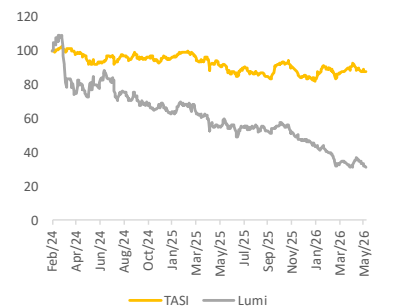
Source: Company data, GIB Capital.

Stock data

TASI ticker	4262
Mcap (SARmn)	1,911
Avg. Trd. Val (3m) (SARmn)	12.0
Free float	28.4%
QFI holding	2.6%
TASI FF weight	0.03%

Source: Bloomberg, Tadawul

TASI vs Lumi indexed to 100



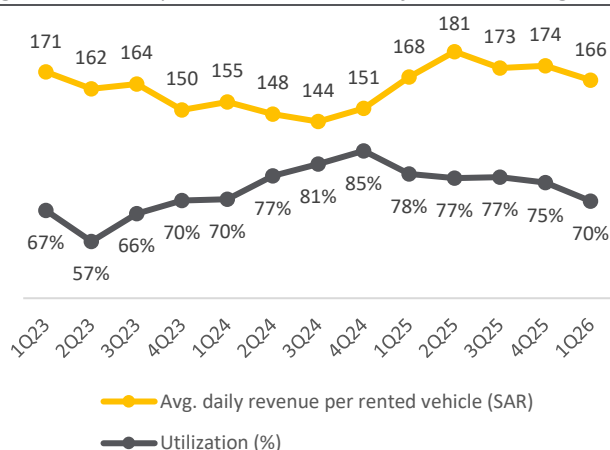
Source: Bloomberg

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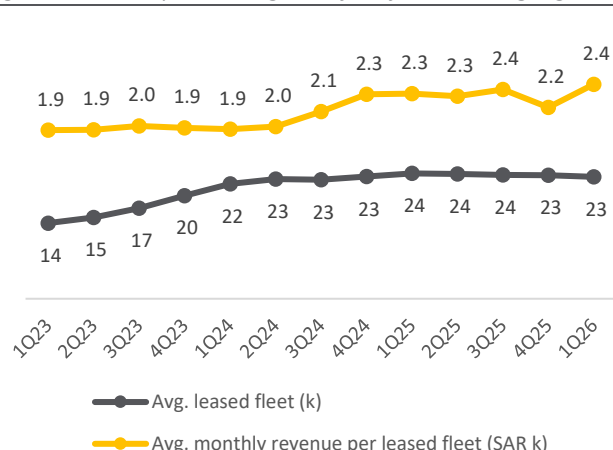
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Figure 2: Realized prices & utilization rates for the rental segment



Source: Company data, GIB Capital

Figure 3: Realized prices & avg. used fleet for the leasing segment



Source: Company data, GIB Capital

Developing dynamics require a revision to the margin outlook: Lumi’s margin profile reflects a mix of pricing gains and operational headwinds, with several factors weighing on performance despite pricing improvement in core operations. Core operations’ gross profitability has been under pressure amid a disappointing utilization rate in the Northern Region (primarily NEOM). At the same time, the decline in recovery rates in the UCS segment (falling further to 65% in 1Q26 from 68% in 2025) continued to compress margins amid unfavorable market dynamics. These combined effects drove a 71bps y/y contraction in GPM, ending 2025 at 27.5%. GPM temporarily improved to 31.1% in 1Q26, largely due to a lower contribution from UCS, though this is expected to normalize, reintroducing margin pressure. Based on these dynamics, we forecast a 2026e GPM of 28.4% (+0.85pps y/y), followed by gradual improvement toward ~30% by 2028e, averaging 29.3% over 2026-28e, below our earlier 30.5% estimate.

Furthermore, the OPEX/sales ratio surged to 13.3% in 1Q26 (vs. 9.6% in 2025), driven by higher spending on digital infrastructure and scaling initiatives and surging provisions. This increase offset the temporary GPM uplift, resulting in a 1.8pps y/y decline in operating margin. Incorporating this higher cost base, we expect operating margin to decline further in 2026e (-0.44pps y/y), before gradually improving with scale efficiencies to 19.4% by 2028e. This implies an average OPM of 18.6% over 2026-28e, compared with our previous 21% estimate.

Soft earnings visibility, declining finance cost is the key support: Lumi’s finance costs continue to move along a clear downward trajectory, with expenses falling ~14% y/y in 1Q26 after a 12% y/y decline in 2025. This trend reflects the combined impact of the company’s deleveraging efforts, driven by measured fleet expansion, coupled with lower funding rates. Meanwhile, rates are likely to stay broadly stable through 2026-27e, though there is downside risk that global inflation should prompt further rate hikes. Under these assumptions, we forecast finance charges to decline 16% y/y in 2026e to SAR98mn, with continued improvement pushing the figure below SAR70mn by 2028e. On a conservative basis, we assume normalized other income of SAR6-8mn, following unusually strong contributions in the past two years. Incorporating this into a weaker top-line performance and margin compression, we expect net income to decline 5% y/y to SAR188mn in 2026e, implying an NPM of 11.5%. From 2027 onward, despite the expected modest revenue growth, a combination of gradual margin expansion and declining finance charges should support a meaningful rebound. We project net income growth of 33% y/y to SAR250mn in 2027e, followed by 15% growth to SAR288mn in 2028e, implying an earnings CAGR of 13.2% over 2025-28e (20% CAGR earlier).

Disciplined CAPEX and deleveraging support healthy cash flows: Lumi delivered a notable turnaround in free cash flow, posting positive FCFF of SAR205mn in 2025 compared to negative SAR149mn in 2024. This improvement was driven primarily by improving working capital and a 15% y/y reduction in CAPEX, as fleet additions remained deliberately restrained. In parallel, Lumi's leverage profile improved, with outstanding loans declining to SAR1.5bn from ~SAR1.7bn the prior year, bringing net D/E down to 1.1x (vs. ~1.3x in 2024). By 1Q26, outstanding loans edged up slightly to ~SAR1.6bn, though the leverage ratio held steady at 1.1x, indicating stability despite quarterly fluctuations. Looking ahead, we expect Lumi's leverage to follow a continued downward trajectory, supported by contained CAPEX requirements, averaging ~SAR880mn annually in 2026–28e, well below our earlier SAR1.2bn estimate. Further, we forecast outstanding loans to gradually fall below SAR1bn, translating into a healthy net D/E of ~0.4x by 2028e. As leverage declines and CAPEX intensity eases, coupled with healthy working capital management, we expect FCFF to strengthen consistently, reaching SAR210mn in 2026e and rising to SAR330mn by 2028e.

Figure 4: Change in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	1,635	1,821	-10.2%	1,765	1,975	-10.6%
Gross profit	464	552	-16.0%	522	602	-13.3%
GPM %	28.4%	29.6%		29.6%	30.5%	
Operating profit	285	378	-24.6%	337	414	-18.6%
Operating margin %	17.5%	20.8%		19.1%	21.0%	
Net Income	188	273	-31.0%	250	327	-23.4%
Net margin %	11.5%	15.0%		14.2%	16.6%	
CAPEX	853	1,059	-19.5%	882	1,175	-25.5%
Of sales %	52%	58%		50%	60%	

Source: GIB Capital

1Q26 recap: Lumi's revenue declined 11% y/y in 1Q26 to SAR366mn, in line with our estimated SAR370mn. This was driven by a 35% y/y decline in used car sales and 10% y/y decline in rental revenues, which was impacted by lower-than-anticipated utilization rates. On the other hand, leasing stayed broadly flat (+1.8% y/y), providing some support to the topline. Gross profit declined 5.4% y/y, beating our estimates by 8.4%, due to higher-than-expected GPM (31% vs 28.4%), which was mainly driven by lower-than-expected contributions from UCS. However, operating profit declined sharply by 20.6% y/y, missing our estimates by 6% amid higher-than-expected OPEX, which led to an operating margin of 18% vs ~19 in our estimates. Accordingly, net profit declined 24.7% y/y to SAR40mn (a 7.5% miss), despite a 14% y/y decline in finance costs amid deleveraging, leading overall NPM to ~11%.

Figure 5: 1Q26 results summary

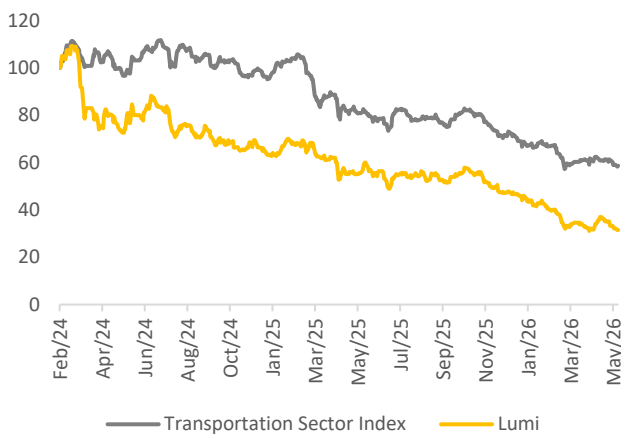
SARmn	1Q26	1Q25	y/y %	4Q26	q/q %	GIBC est.	Variance %
Revenues	366	412	-11.0%	427	-14%	370	-1.2%
Cost of sales	252	291	-13.4%	326	-23%	265	-5.0%
Gross profit	114	120	-5.4%	101	13%	105	8.4%
OPEX	48	37	-28.4%	34	43%	35	37.2%
Operating profit	66	83	-20.6%	67	-2%	70	-6.0%
Net profit	40	53	-24.7%	38	5%	43	-7.5%
Gross margin	31.1%	29.3%		23.6%		28.4%	
Operating margin	18.0%	20.2%		15.7%		18.9%	
Net margin	10.9%	12.9%		8.9%		11.7%	

Source: Company data, GIB Capital

Valuation and risk: Post revising our estimates and outlook, we cut our 1Y Fwd target price to **SAR48/share**, from SAR72/share earlier. Our valuation is based on an equal mix of DCF (9.9% WACC; 2.5% terminal growth; SAR48 TP) and P/E (14x on 2026e EPS; SAR48 TP) methods with an **“Overweight”** rating, indicating a 37% upside potential from the current market price. The stock currently trades at a Fwd P/E of 10x for 2026e and 7.6x for 2027e, based on our estimate, compared to ~13x, on average, over the past 1 year. This follows a 47% TTM price correction, which, in our view, indicates limited downside risk as the current price reflects most of the negatives.

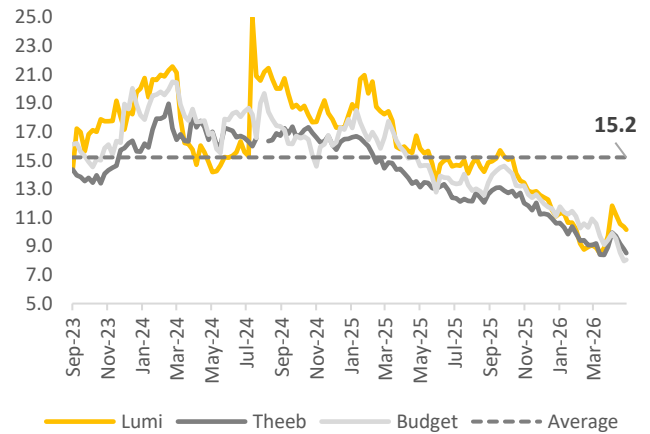
Key downside risks include lower-than-expected contribution from tourism, increased competition, supply chain disruptions for vehicles, and lower-than-expected retention rates of lease clients.

Figure 6: Lumi vs Tadawul Transportation index performance



Source: Bloomberg, GIB Capital

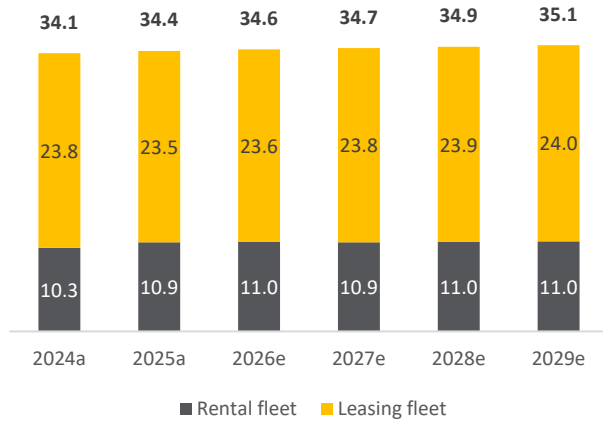
Figure 7: Lumi's 1Y Fwd P/E vs peers



Source: Bloomberg, GIB Capital

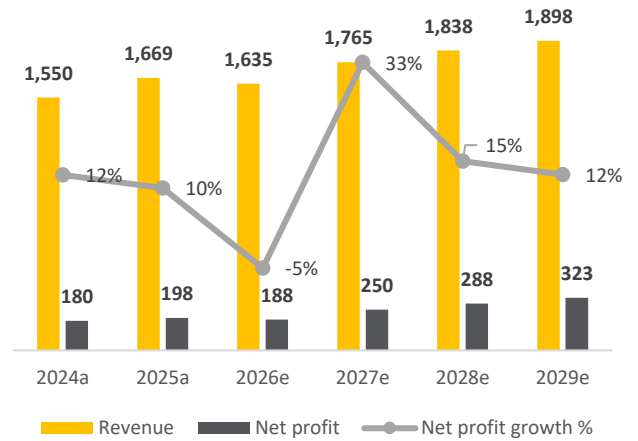
Financial analysis in charts

Figure 8: Fleet Size trend (in 000)



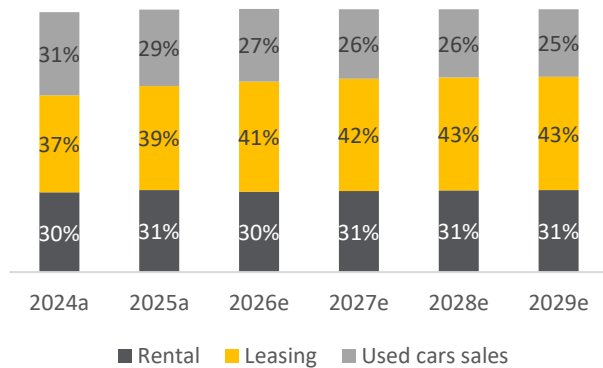
Source: Company data, GIB Capital

Figure 9: Financial Performance Trend (SAR mn)



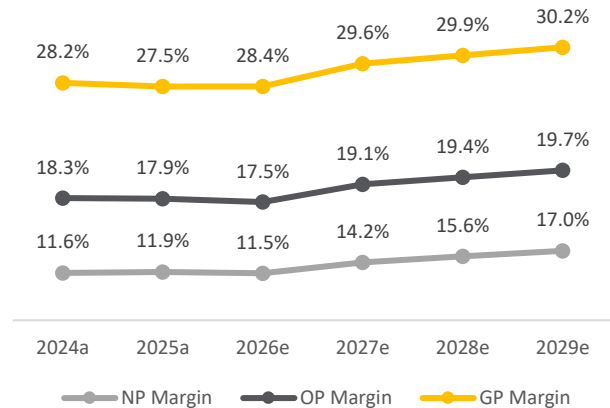
Source: Company data, GIB Capital

Figure 10: Contribution to revenues per segment



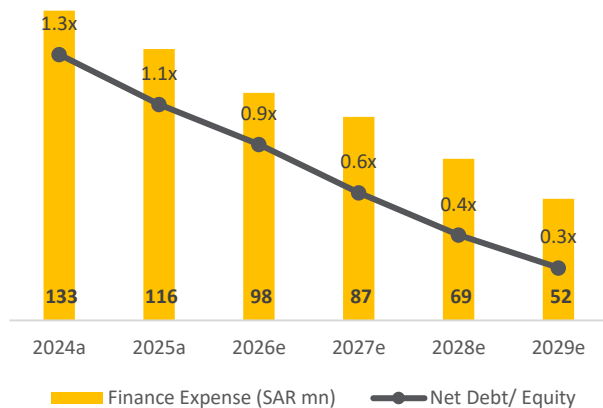
Source: Company data, GIB Capital

Figure 11: Margins trend



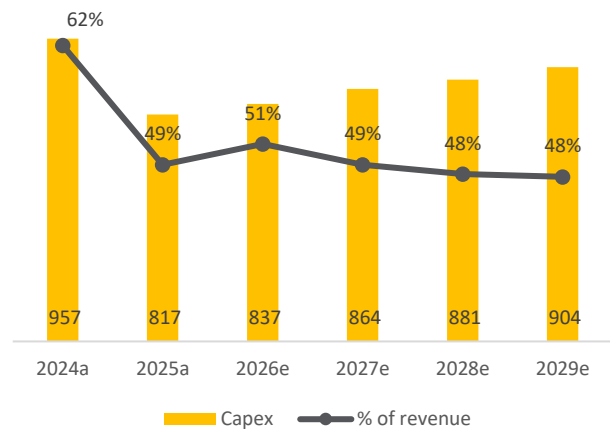
Source: Company data, GIB Capital

Figure 12: Leverage trend



Source: Company data, GIB Capital

Figure 13: Vehicles Capex trend (in SAR mn)



Source: Company data, GIB Capital

Summarized Financial Statements

Figure 14: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e	2028e
Revenue	1,550	1,669	1,635	1,765	1,838
Revenue y/y	40%	8%	-2%	8%	4%
COGS	-1,112	-1,209	-1,171	-1,243	-1,289
Gross Profit	438	460	464	522	549
Gross Profit margin	28.2%	27.5%	28.4%	29.6%	29.9%
G&A	-151	-151	-167	-172	-179
Impairment charges	-3	-10	-12	-13	-13
Operating profit	0	299	285	337	356
Operating margin	18.3%	17.9%	17.5%	19.1%	19.4%
Finance cost	-133	-116	-98	-87	-69
Other income	34	21	6	7	8
PBT	185	203	194	257	295
Zakat/tax	-5	-5	-5	-6	-7
Net income	180	198	188	250	288
Net margin	11.6%	11.9%	11.5%	14.2%	15.6%
y/y	12%	10%	-5%	33%	15%
EPS (In SAR)	3.3	3.6	3.4	4.6	5.2
DPS (In SAR)	0.0	0.0	0.0	0.0	0.0
Payout	0%	0%	0%	0%	0%
EBITDA	703	765	723	793	817
Net debt (w/o lease liabilities)	1,580	1,490	1,377	1,156	895
Net debt (w/ lease liabilities)	1,661	1,567	1,456	1,237	978

Balance Sheet	2024a	2025a	2026e	2027e	2028e
Inventories	10	7	6	7	7
Accounts Receivable, Net	268	360	381	406	418
Prepayments & other receivables	66	47	45	48	50
Bank balances and cash	30	21	34	30	31
Total Current Assets	374	454	485	509	523
Other property and equipment	51	65	82	99	118
Vehicles	2,860	2,816	2,818	2,823	2,832
Right-of-use assets	78	78	83	89	94
Total Non-Current Assets	3,000	2,960	2,984	3,012	3,045
Total Assets	3,374	3,414	3,469	3,521	3,568
Current Liabilities	1,086	1,135	1,053	974	871
Non-current Liabilities	1,076	872	820	701	562
Equity	1,212	1,408	1,596	1,847	2,134
Total Equity and Liabilities	3,374	3,414	3,469	3,521	3,568
BVPS	22.0	25.6	29.0	33.6	38.8

Cashflow	2024a	2025a	2026e	2027e	2028e
Cashflow from Operations	-77	282	270	377	400
Cashflow from Investing	-29	-27	-16	-18	-18
Cashflow from Financing	94	-262	-241	-364	-381
Total Cashflows	-12	-8	13	-4	1

Source: Company, GIB Capital. *Does not include other income (expenses)

Figure 15: Key ratios

Key ratios	2024a	2025a	2026e	2027e	2028e
Profitability ratios					
RoA	5%	6%	5%	7%	8%
RoE	15%	14%	12%	14%	13%
Sales/Assets	46%	49%	47%	50%	52%
Net margin	12%	12%	12%	14%	16%
EBITDA margin	45%	46%	44%	45%	44%
Liquidity ratios					
Curr. Assets/ Curr. Liabilities	0.3	0.4	0.5	0.5	0.6
Debt to Total Equity	1.3	1.1	0.9	0.6	0.4
Receivable Days	63	79	85	84	83
Inventory Days	3	2	2	2	2
Payable days	131	102	95	96	97
Cash conversion cycle	-64	-21	-8	-10	-12
Debt ratios					
Net Debt/EBITDA	2.2	1.9	1.9	1.5	1.1
Debt/Assets	0.5	0.4	0.4	0.3	0.3
Net Debt/Equity	1.3	1.1	0.9	0.6	0.4
Valuation ratios					
P/E	10.6	9.6	10.1	7.6	6.6
P/B	1.6	1.4	1.2	1.0	0.9
EV/EBITDA	4.9	4.5	4.8	4.4	4.3
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, GIB Capital

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