CORPORATE CREDIT RATING SUMMARY REPORT

Theeb Rent a Car Company

Saudi Joint Stock Company

October 2026

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Related Criteria and Methodology

The specific rating methodologies and criteria applied in this analysis are available on the Tassnief website. To view or download these documents, please visit ww.tassnief.com.

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1. Tassnief's Rating Opinion

Tassnief has assigned long-term entity rating of **"A-" (Single A Minus)** and short-term entity rating of "**T-3**" to **Theeb Rent a Car Company**. The outlook on the rating is "**Stable**".

About the Company:

Theeb Rent a Car Company, referred to as "Theeb" or "the Company", is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under the commercial registration number 1010150661 and unified number 7018062518 dated August 06, 1998. The Company is engaged in car rental and leasing as per license numbered 010102000200 issued by the Ministry of Transportation in the Kingdom. Theeb operates from its head office in Riyadh and 72 branches across major cities.

Theeb Rent a Car Company – Entity Rating	
Domicile	Saudi Arabia
Long-Term Rating	A-
Outlook	Stable
Short-Term Rating	T-3
Rating Watch	None
Rating Action	Initial
Rating Type	Solicited
Date of Initial Rating	October 2026
Date of Last Review	N/A
Methodologies Deviation	None

2. Rating Rationale

Summary of key rating drivers

The assigned ratings take into account Theeb's extensive operational track record, strong positioning within the vehicle rental market, sizable and diversified fleet with sustained growth in scale, well spread-out branch network and presence across major airports, diversified revenue mix across all three operating segments, growing client base with moderate concentration levels and satisfactory fleet utilization rates. Operating environment of the sector remains challenging with high competitive intensity although comfort is drawn from favorable structural demand dynamics.

The ratings also draw comfort from growing revenue profile, largely sustained and healthy profit margins (which compare favorably to peers), and sizeable cashflow generation. Liquidity profile is supported by a manageable working capital cycle, with room for improvement in receivables collection. However, the

ratings are constrained by increasing leverage indicators due to aggressive debt-funded fleet expansion growth strategy, although financial flexibility and debt coverage indicators are adequate. Currently, leverage and coverage indicators compare less favorably to peers. The ratings also incorporate sound governance framework and strong experience of sponsor-led management team.

Detailed key rating drivers

Large scale with extensive operating track record and position amongst largest organized vehicle-rental operators underpin the business profile

Theeb is second largest vehicle-rental operator in Saudi Arabia, with an estimated market share of around 11.4% in 2025. The Company has an operating history extending back to the early 1990s and experiences across multiple economic and industry cycles. The Company commenced operations with a fleet of only 50 vehicles and expanded to 41,662 vehicles by end-2025, comprising 27,165 vehicles allocated to long-term leasing and 14,497 vehicles serving shorter-duration rental demand. Fleet growth has accelerated in recent years, reflecting substantial investment across both corporate leasing and rental operations. Theeb's estimated share of the Kingdom's combined fleet increased to approximately 11.4% (2024: 9.6%) in 2025.

Theeb's scale generates key competitive advantages across both long-term leasing and short-term rental operations. In leasing, a large and diversified fleet improves Theeb's ability to fulfil sizeable multi-vehicle contracts, accommodate different customer specifications, and provide replacement vehicles with limited disruption of services. In short-term rentals, scale enhances vehicle availability across locations and customer categories, allowing Theeb to meet demand during peak travel periods, relocate vehicles between branches and offer a wider range of models and price points. However, the materialization of these benefits is dependent on maintaining satisfactory utilization levels and disciplined fleet allocation, as a larger fleet also increases exposure to depreciation, maintenance costs and residual-value risk when capacity expands ahead of demand.

Shift toward long-term leasing improves revenue visibility and reduces short-term demand volatility, though contract-pricing, credit and receivable risks remain

Theeb operates through three interrelated segments: short-term daily and monthly rentals, medium- to long-term corporate leasing, and the disposal of used vehicles after their rental lifecycle. The business mix provides greater revenue diversification than a pure short-term rental operator, although the three segments are economically linked through the same underlying vehicle assets.

Long-term leasing has become the main business driver, with segment revenue share increasing 43.9% in 2025 and 45.8% in 1Q2026. Leasing contracts generally have durations of three to six years and include fixed monthly payments, providing more predictable revenue than daily rentals and reducing direct

exposure to short-term tourism seasonality. Revenue backlog under lease contracts has increased to SAR 1.69b at end-1Q2026, comprising SAR 639.8m due within one year and SAR 1.01b due between one and five years, representing meaningful contracted revenue base relative to 2025 leasing revenue.

However, leasing contracts can lock in inadequate returns where bids do not fully reflect vehicle acquisition prices, financing rates, maintenance inflation, insurance costs, and final residual values. The segment also increases receivable and counterparty exposure because cash collection occurs over several years rather than upfront. Theeb has more than 700 corporate customers, while client concentration has improved over time.

Short-term rental segment continues to depict steady growth, though its revenue has decreased to 30.8% in 1Q2026, mainly due to higher growth in leasing segment. The segment benefits directly from tourism, airport traffic, business travel and domestic mobility, and generally provides greater pricing flexibility than multi-year leasing. However, it is more sensitive to seasonality, branch location, daily pricing and fleet availability. The relatively modest short-term revenue growth despite fleet and branch expansion reflects room for improvement in demand absorption and utilization levels.

Nationwide coverage and airport access are important competitive advantages and reduce regional concentration

Theeb has an extensive network of 72 branches, 11 maintenance centers, and three used-vehicle showrooms. Its network included 14 airport locations and extended across all administrative regions of the Kingdom. In 2026, the Company further expanded its geographic footprints with the opening of six new branches and a used-vehicle showroom in the Eastern region.

The broad footprint supports access to the Kingdom's principal economic, tourism and religious destinations, while reducing dependence on a single city or regional economy. Overall revenue remains concentrated in the Central and Northern regions, which accounted for 50.6% of total revenue in 2025. However, geographic diversification has improved since 2023, as the Eastern Region's share increased to 18.7%, largely driven by rapid leasing growth. Overall, Tassnief views Theeb's overall nationwide presence and continued regional diversification as supportive of its competitive positioning.

Utilization levels remain broadly stable, with slight pressure in 2026, though recovery is going forward

The importance of maintaining high fleet utilization continues to increase as the sector transition from capacity build-out to utilization– and –yield-led growth, reflecting the high fixed-cost intensity of vehicle ownership. Theeb's utilization levels for both leasing and short-term rental segments have remained broadly stable over the past three years. Short-term rental utilization, however, declined slightly in 1Q2026, mainly due to softer tourism and travel demand amid seasonality and regional developments.

Tassnief expects utilization levels to remain under pressure through 2026 before gradually recovering from 2027, supported by major events, including the Asian Cup and Expo 2030.

Structural demand fundamentals are favorable, though tourism seasonality, economic cycles, geopolitical disruption or temporary industry overcapacity risks remain; competitive intensity constrains pricing power

Theeb's business profile also draws comfort from structural growth in mobility requirements across the Kingdom. Short-term rental segment demand is supported by the Kingdom's expanding tourism and aviation ecosystem, with total tourist volumes reaching approximately 122m in 2025 and the government targeting 150m visitors by 2030. Long-term leasing segment demand is similarly supported by the structural shift among government, semi-government and corporate customers from vehicle ownership towards outsourced fleet solutions, driven by cost flexibility and fleet modernization providers. However, the demand profile remains exposed to seasonal travel patterns, geopolitical disruptions that affect passenger flows, and potential slowdown in government and corporate activity.

Competitive intensity remains high across both short-term rentals and long-term leasing, as established operators and private companies continue to expand fleets and pursue market share. This has resulted in aggressive pricing, particularly in key urban and airport locations and in large corporate and government tenders. Competition in long-term leasing is particularly pronounced for large, multi-year contracts linked to government entities, logistics operators and major development projects. Tassnief expects Theeb's scale, network and operational capabilities to provide some competitive protection, though do not materially insulate it from pricing risk as pricing expected pressure to persist going forward.

Profitability profile draws comfort from growing revenue and largely sustained margins

The profitability assessment is underpinned by continued expansion in revenue, broadly sustained margins, and sizeable cashflow generation. Revenue increased by a three-year CAGR of 15.6%, while EBITDA and funds from operations increased by a CAGR of 10.9% and 8.5%, respectively, reflecting sound execution of the Company's fleet-expansion strategy and satisfactory operating performance. However, the slower growth in EBITDA and FFO relative to revenue reflects some dilution in incremental profitability.

Theeb's short-term rental margin remained the highest among listed peers at 75.2% in 2025, compared with 74.1% for Cherry, 70.4% for Budget and 67.1% for Lumi. Leasing margin was weaker than Budget's, at 65.5% in 2025 versus 70.4%, but broadly aligned with Lumi and Cherry. Used-car sales were the principal weakness. Theeb's margin declined to 2.9% in 2025 from 16.7% in 2024 and turned negative at 6.1% in 1Q2026 because vehicle selling prices fell below their carrying costs. Budget also recorded a

negative margin, indicating broader residual-value pressure, while Lumi remained marginally profitable after reducing disposal volumes and extending vehicle holding periods.

Revenue is expected to remain supported by the growing leasing fleet, recent corporate contract awards and structural demand from government, logistics, e-commerce and tourism-related mobility. However, near-term profitability is likely to remain under pressure from competitive pricing, higher finance costs, credit provisions and weak used-car residual values. Margin recovery will depend on improved utilization, disciplined contract pricing and better absorption of the recently added fleet.

Working capital cycle is considered manageable despite some stretch in receivables collection, while provisioning against receivables remains sizeable

Overall liquidity profile of Theeb is supported by manageable working capital cycle and healthy internal cashflow generation; however, provisioning against receivables remains sizeable. Working capital cycle has steadily increased over time, mainly reflecting the increasing contribution of long-term leasing revenue. Intensified competition for leasing contracts has contributed to longer receivables' collection periods across all four major operators.

Theeb's overall ECL provisioning as a percentage of gross receivables continues to remain elevated at 36.5% at end-1Q2026 due to tighter policy, which is significantly higher than the peer range of 12.0% – 24.7% over the same period. Nevertheless, Theeb manages its working capital requirements mainly through internal cashflows which remain healthy, with no mobilization of short-term borrowings. Going forward, improvement in receivables collection and a reduction in the provisioning burden is considered important.

Leverage indicators have increased due to aggressive debt-funded fleet expansion strategy

Theeb's leverage indicators are elevated on a standalone and comparative basis. The Company's gearing and leverage ratios have increased to 2.61x (2025: 2.44x) and 2.25x (2025: 2.19x), respectively, at 1Q2026, driven largely by slower equity growth due to sizeable dividend payouts and mobilization of long-term debt to fund the fleet expansion. These indicators remain considerably above peers, whose leverage ranged between 0.78x – 2.04x and gearing between 0.55x – 1.65x at end-1Q2026.

Capital intensity is structurally high, reflecting the recurring need to replace vehicles with economic useful lives of around three years, as well as Theeb's fleet expansion strategy. Theeb's capital-expenditure intensity has remained above Budget and Lumi since 2023. Continued fleet renewal and growth are therefore likely to require sustained access to external funding and continue to weigh on the leverage indicators.

Coverage indicators are considered manageable, supported by sizeable cashflows generation. Debt/FFO stood at 1.91x at end-1Q2026 and DSCR at 1.21x, reflecting adequate coverage of overall and scheduled debt maturities. Management expects this maturity to be met through internal cash generation and available funding lines, reflecting satisfactory financial flexibility. However, free cash flow (FCF), measured as FFO less capital expenditure, has remained negative over time. A sustained improvement in free cash flow will depend mainly on moderation in capex related to fleet expansion, alongside stronger conversion of operating earnings into cash.

3. Rating Triggers

The ratings are dependent on sustaining revenue growth and fleet scale, maintaining high utilization levels for both leasing and rental segments, sustained profit margins and healthy cashflow generation, improving receivables collection, and effectively managing leverage indicators along with adequate coverages.

Tassnief's Long-Term and Short-Term Rating Scale

Classification	Risk Level	Long-Term Rating	Short-Term Mapping	
High Grade	Negligible Risk	AAA	T-1	
		AA+		T-2
		AA		
		AA-		
Investment Grade	Very Low Risk	A+		
		A	T-3	
		A-		
Investment Grade	Low Risk	BBB+		T-4
		BBB		
		BBB-		
Near Prime	Low to Moderate Risk	BB+	T-5	
		BB		
		BB-		
Sub Prime	High Risk	B+		T-6
		B		
		B-		
Credit Watch	Very High Risk	CCC+		
		CCC		
		CCC-		
Distressed	Extremely High Risk	CC		
		C		
	Default	D	T-7	

Tassnief's Long-Term Rating Definitions

Long-Term Rating Scale	Definitions
AAA	**Extremely Robust**; Tassnief considers the rated issuer or issuance hold the **highest creditworthiness**, thus **negligible credit risk**
AA+ **AA** **AA-**	**Very Robust**; Tassnief considers the rated issuer or issuance to hold **very high creditworthiness**, thus **minimal credit risk**. Risk profile may vary slightly with changes in economic / sector conditions
A+ **A** **A-**	**Robust**; Tassnief considers the rated issuer or issuance to hold **high creditworthiness**, thus **very low credit risk**. Risk profile may vary with changes in economic / sector conditions
BBB+ **BBB** **BBB-**	**Moderate**; Tassnief considers the rated issuer or issuance hold **adequate creditworthiness**, thus **low credit risk**. Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ **BB** **BB-**	Tassnief considers the rated issuer or issuance hold **low to moderate credit risk**. Risk profile may exhibit wide variation with changes in economic or sector conditions.
B+ **B** **B-**	Tassnief considers the rated issuer or issuance hold **very low creditworthiness**, thus **high credit risk**
CCC+ **CCC** **CCC-**	Tassnief considers the rated issuer or issuance hold **extremely low creditworthiness**, thus **very high credit risk**
CC **C**	**Highly speculative credit profile**, and the default is imminent
D	Tassnief considers the rated issuer or issuance have **defaulted or may default soon.**

--- End of Report ---