

Maintains double digit growth despite reduction in NIMs, higher SG&A and provision expenses.

UIHC posted net income of SAR 64.3mn in Q4-24, up 16.1% Y/Y (+9.0% on a sequential basis). The result was in line with our expectation of SAR 63.4mn (+1.4% deviation). The Y/Y growth in earnings is mainly owed to 28.4% increase in consumer finance portfolio, despite 83bps decline in NIMs, higher opex and credit provisions. Revenue saw an increase of 23.0% Y/Y (+6.9% on a sequential basis) to SAR 172.9mn, in line with our estimate of SAR 174.6mn (-95bps deviation). Due to stiff competition the lending yields of UIHC could drop modestly which can lead to the NIMs contracting from 26.9% in FY23 to 25.2% by FY29e. However due to the 2.5x increase in loan book, expected over 2023-29, net income would expand at a CAGR of 14.9%. We maintain our **“Overweight”** recommendation with TP of SAR 181.9/share.

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- Revenue saw an increase of 23.0% Y/Y (+6.9% on a sequential basis) to SAR 172.9mn, in line with our estimate of SAR 174.6mn (-95bps deviation). The increase in topline came on account of the 28.4% increase in financing book driven by addition of new financing products. We estimate that the gross yield on financing portfolio declined by 96bps Y/Y to 29.8% in Q4-24 due to intensifying competition.
- Gross profit increased by 23.0% Y/Y (+7.8% Q/Q) to SAR 151.7mn in Q4-24, in line with our expectation of SAR 152.9mn (-82bps deviation). Gross margins were stable Y/Y (up 4bps) at 87.7%, however on a Q/Q basis they improved by 72bps (deviation of +11bps to our estimate). According to our estimate the NIMs declined by 83bps Y/Y to 26.1% in Q4-24, as company did not pass on the impact of increase in funding costs to customers.
- Despite an increase in selling & distribution expense and higher provision expenses (up 33.3% Y/Y and 6.5% Q/Q) to SAR 79.8mn, the operating profit increased by 13.3% Y/Y to SAR 71.9mn, due to overall increase in balance sheet size.
- Overall, despite increase in operating expenses, credit loss provisions and lower NIMs, the net income maintained its momentum and saw a double digit 16.1% Y/Y (9.0% Q/Q) increase in Q4-24 to SAR 64.3mn (+1.4% deviation).

AJC view and valuation: NBFi consumer financing industry is poised to grow at 15.7% CAGR from 2023-28e, fueled by population expansion, favorable demographics, and rising digital payment trends. We believe UIHC to be a direct beneficiary of these sectoral tailwinds as it outperforms its peers, not only operationally, but also financially. Due to stiff competition the lending yields of UIHC could drop modestly which can lead to the NIMs contracting from 26.9% in FY23 to 25.2% by FY29e. However due to the 2.5x increase in loan book, expected over 2023-29, net income would expand at a CAGR of 14.9%. Trading at 2025E PE of 15.7x and DY of 3.2% we maintain our **“Overweight”** recommendation with TP of SAR 181.9/ share.

Results Summary

SAR mn	Q4-23	Q3-24	Q4-24	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	141	162	173	23.0%	6.9%	-0.95%
Gross profit	123	141	152	23.0%	7.8%	-0.82%
Operating Profit	63.5	65.7	71.9	13.3%	9.3%	2.5%
Net profit	55.4	59.0	64.3	16.1%	9.0%	1.4%
EPS	2.2	2.4	2.6	-	-	-

Source: Tadawul, Aljazira Capital Research

Recommendation **Overweight**

Target Price (SAR) **181.9**

Upside / (Downside)* **-1.6%**

Source: Tadawul *prices as of 7th January 2025

Key Financials

SAR mn (unless specified)	FY23	FY24E	FY25E	FY26E
Comm income	524	617	770	913
Growth %	25.6%	17.8%	24.8%	18.6%
Finance exp	63	78	78	82
Net fin income	461	539	693	831
Net income	212	213	295	357
Growth %	9.7%	0.4%	38.3%	21.3%
EPS	8.49	8.53	11.79	14.30
DPS	-	-	6.00	8.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24E	FY25E	FY26E
NIMs	26.9%	25.1%	25.6%	25.8%
ROA	12.0%	9.6%	10.5%	10.7%
ROE	27.2%	21.4%	25.1%	27.1%
NPL Ratio	5.8%	9.0%	8.5%	8.4%
NPL Coverage	51.7%	37.7%	38.7%	40.7%
PE (x)	NA	21.7	15.7	12.9
PB (x)	NA	4.2	3.7	3.3
Div yield	0.0%	0.0%	3.2%	4.6%

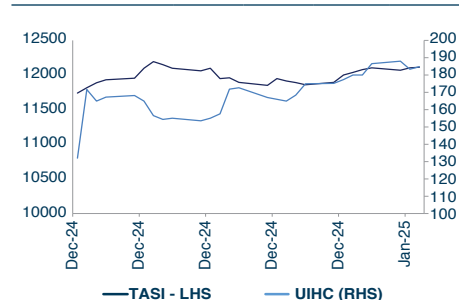
Source: Company reports, Argam, Aljazira Capital Research

Key Market Data

Market Cap(bn)	4.6
YTD%	2.7%
52 week (High)/(Low)	200/145.2
Share Outstanding (mn)	25

Source: Company reports, Bloomberg, Aljazira Capital Research

Price Performance



Source: Bloomberg, Aljazira Capital Research

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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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