الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

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الشركة المتحدة الدولية القابضة
UNITED INTERNATIONAL HOLDING

United International Holding Company

2nd largest consumer finance NBFI with prudent customer selection and sound financial position versus peers

Initiation Report | December 2024

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

Senior Equity Analyst
Fahad Qureshi, CFA
+966 11 225 6315
f.irfan@aljaziracapital.com.sa

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Capitalizing existing strategic relationships and expanding IT infrastructure to position UIHC as a direct beneficiary of the sectoral tailwinds

KSA's 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. Its ability to harness proprietary IT infrastructure and tailor products as per customer's needs, makes it a renowned brand within KSA. This is evident from 16% rise in daily active users since January 2024, versus -30% to 14% for its peers. Its prudent customer selection has ensured high asset quality, surpassing industry veterans like Nayifat and challenging top competitor Emkan. UIHC's loan book is forecasted to grow at 17.5% CAGR over FY23-28e, while cost of risk is expected to rise modestly from 3.2% in FY23 to 3.8% by FY28e. In tandem with reductions in the cost of funds, UIHC's lending yields could decline by 300bps to 27.7% over FY23-29e, driven by heightened competition from Emkan and BNPL players. This could contract the NIMs from 26.9% in FY23 to 25.2% by FY29e. However, we believe UIHC's risk mechanisms, support from eXtra's network, and strategic management initiatives could drive its market share up from 8.1% in FY23 to 8.8% by FY28e. Consequently, we initiate coverage with "Overweight" rating and TP of SAR 181.9/share.

Rising population, favorable demographics, increased digital payments and growing acceptance of consumer financing to attract sectoral demand: KSA's NBFI consumer finance sector is poised for a strong 15.7% growth over 2023-28e. Key drivers for this growth are i) rising population, ii) favorable demographics of economically active population (48%) and middle-class households 22%), iii) rising credit card penetration due to rising preference for digital payments (62.7% CAGR of credit card industry) and iv) continued momentum of customer preferences for resorting to consumer financing for regular lifestyle spending. UIHC is likely to be the direct beneficiary due to its i) deep understanding of market demands, ii) its ability to swiftly launch tailored products, and iii) its wider customer appeal v/s peers.

Capitalizing existing strategic relationships and expanding on its existing IT infrastructure could drive 17.5% loan book CAGR over 2023-29e: UIHC has adopted a multi-pronged strategy of capitalizing its existing relationship with its strategic partners and eXtra's wide network, along with enhancing its IT infrastructure to launch customized products based on customer needs. We believe this strategy at the management level could help UIHC to drive its loan book from SAR 1,867mn in FY23 to SAR 4,395mn by FY29e. This growth in loan book to result in faster growth in the debt levels. Accordingly, we expect the debt levels to rise from SAR 945mn to SAR 2,720mn by FY29e.

Prudent customer selection and efficient risk mitigation mechanisms are UIHC's key competitive moats: KSA's NBFI industry faces stiff competition as the top-3 players accounting for 95% of the industry. Further the entry and growth of BNPL players also pose competition to UIHC. However, we believe UIHC outshines its peers not only financially but also operationally. Its ability to provide customers with unique product features (Baseeta) helps it stand out within its peers. This ability is driven by its robust proprietary IT infrastructure which helps it understand customer needs better and provide unique features like 20-minute loan disbursement, which helps it enjoy brand recall. The 9K rise in DAUs over January-September 2024, v/s 82K fall in DAUs for Emkan and just 5K rise for Nayifat, makes the wider customer appeal moat clear. Despite such wider customer appeal, UIHC's strategy of staying prudent in selecting customer applications makes it the company with one of the best asset quality financial parameters.

Recommendation	**Overweight**
Target Price (SAR)	**181.9**
Upside / (Downside)*	**37.8%**

Source: Tadawul *upside from the IPO prices

Key Financials

SARmn (unless specified)	FY23	FY24E	FY25E	FY26E
Commission income	**524**	**617**	**770**	**913**
Growth %	25.6%	17.8%	24.8%	18.6%
Financing 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	0.00	0.00	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	15.5	11.2	9.2
PB (x)	NA	4.2	3.7	3.3
Div Yield (%)	0.0%	0.0%	4.5%	6.4%

Source: Company reports, AlJazira Capital Research

Key Ratios

IPO price (SAR per share)	132.0
Market Cap at IPO price (SAR bn)	3.30
Share Outstanding (mn)	25.0

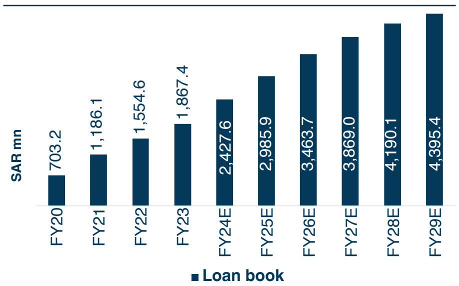
Source: Company reports, AlJazira Capital Research

DAUs trend analysis

in 000's	Jan-24	Sept-24	YTD change
NBFIs			
Tas'heel	57.8	66.9	9.1
Emkan	277.1	195.0	(82.2)
Quara	31.5	36.1	4.6
BNPL			
Tabby	1,167.0	1,137.0	(30.1)
Tamara	863.6	845.2	(18.4)

Source: Data.ai, AlJazira Capital research. Note: Data for only Android

Loan book growth over FY23-29e



Source: Company, AlJazira Capital research

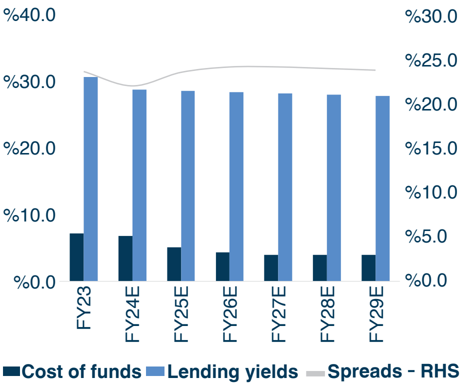
NPL and cost of risk to stay under control due to prudency in selecting users and risk mitigation mechanism: UIHC has a decent NPL coverage ratio and NPL as % of net loan book at 37.7% and 9.0%, respectively as on FY23. We believe this is at the back of its strategy of not selecting customer applications without stable income or stable job. Staying prudent coupled with its 9 internal risk rating mechanism helps to keep risky users at the bay. We believe the company to retain this strategy going forward and thus expect the NPL to fall from 9.02% of net loans in FY23 to 8.47% by FY29e. Further the cost of risk to rise moderately from 3.2% in FY23 to 3.8% by FY29e, despite a 2.4x growth in loan book over the said period.

Stiff competition to impact UIHC's lending yields, subsequently impacting its NIMs: NBFIs not only face stiff competition within themselves but also from BNPL players like Tabby and Tamara, who have a significant hold over the KSA customers due to its ability to provide small ticket loans. We expect the competitive intensity to stay elevated going forward which will impact UIHC's ability to increase its NIMs, despite the cost of funds decreasing by 310bps to 4.0% by FY29e, due to upcoming rate cut scenarios. Thus, we expect the lending yields to fall modestly by 300bps, from 30.6% in FY23 to 27.7% by FY29e. The impact of falling lending yields will be higher than the impact of falling cost of funds. This can lead to a fall in the NIMs from 26.9% in FY23 to 25.2% by FY29e.

Investment thesis and valuation: UIHC is poised to benefit from favorable demographics of economically active population & middle-class households and increasing adoption of digital payments. Its strategy of, 1) capitalizing existing strategic relationships and 2) expanding existing IT infrastructure could lift the loan book by 2.4x from SAR 1,867mn in FY23 to SAR 4,395mn by FY29e, implying a robust 17.5% CAGR. However, due to stiff competition from Emkan, Nayifat and BNPL players like Tabby and Tamara, the lending yields of UIHC could drop modestly by 300 bps over FY23-29e, to 27.7% by FY29e. This drop would be despite 310bps savings in form of reduction in cost of funds. The impact of falling yields would be higher than the impact of falling cost of funds, which can lead to the NIMs contracting from 26.9% in FY23 to 25.2% by FY29e. We forecast the net financing income to grow at 15.3% CAGR over FY23-29e, to reach SAR 1,081.1mn. While the net profits could expand at 14.9% CAGR to reach SAR 488.6mn, thereby implying net profit margin of 45.2%.

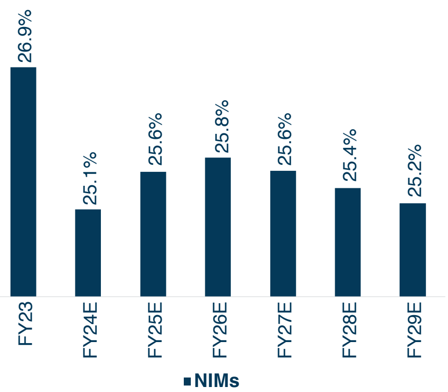
We value UIHC assigning 50% weight to two-stage gordon growth Model (20% retention ratio and 10.5% cost of equity), while we assign 50% weight to Residual Income approach (2.5% risk free rate and 10.5% WACC), to arrive with an "**Overweight**" rating and a TP of **SAR 181.9/share**, offering an upside of 37.8% from IPO offering price of SAR 132.0 per share. Downside risks to our valuations are 1) higher provisioning costs incurred by the company, 2) higher fluctuations in cost of funds and lending yields, and 3) rising cost of risk with the rise in loan book. Major upside risks to our target price are 1) Higher efficiency in recording net impairments, and 2) higher outperformance versus peers.

Cost of funds and Lending yields



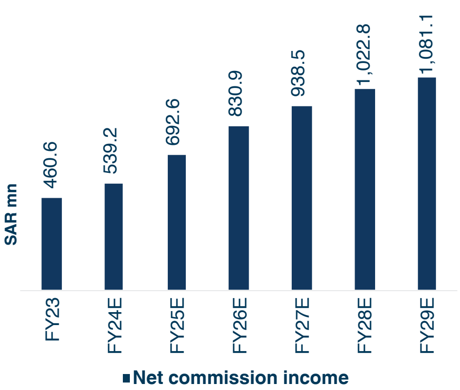
Source: Company, AlJazira Capital Research

NIMs trend analysis



Source: Company, AlJazira Capital Research

Net commission income



Source: Company, AlJazira Capital Research

Company Overview

United International Holding Company (UIHC) is a joint-stock company established in 2021 and is a 100% owned subsidiary of eXtra. Its business is to manage its two subsidiaries: Tas'heel and Procco. Tas'heel, also known as United Company for Financial Services, is a consumer financing provider established in 2019. It's the second largest consumer financing provider in Saudi Arabia with a value based market share of 8.1% as on 2023. It provides financing services through end-to-end digital process. It offers retail financing products which are customized to suit customers' needs. It key products are Tawarruq loans (also known as cash loans), Murabaha loans (also known as product loans) and Credit Cards. It was the first digitally integrated non-banking financial institution (NBFI) in KSA and has been recognized by the market as one of the most innovative brands in KSA. It has its presence in 28 cities with a strong network of 76 customer service branches. Through this long-standing relationships with its strategic partners, strong backing by eXtra at its disposal, agility in product development and harnessing its robust IT infrastructure for product development and customer acquisition, Tas'heel has outpaced the industry veterans. On the other hand, Procco is a Bahrain based company which supports Tas'heel and its clients by offering i) processing services, ii) fintech solutions, and iii) support services. UIHC is the company which has floated 7.5mn shares, representing 30% of the company's share capital post offering.

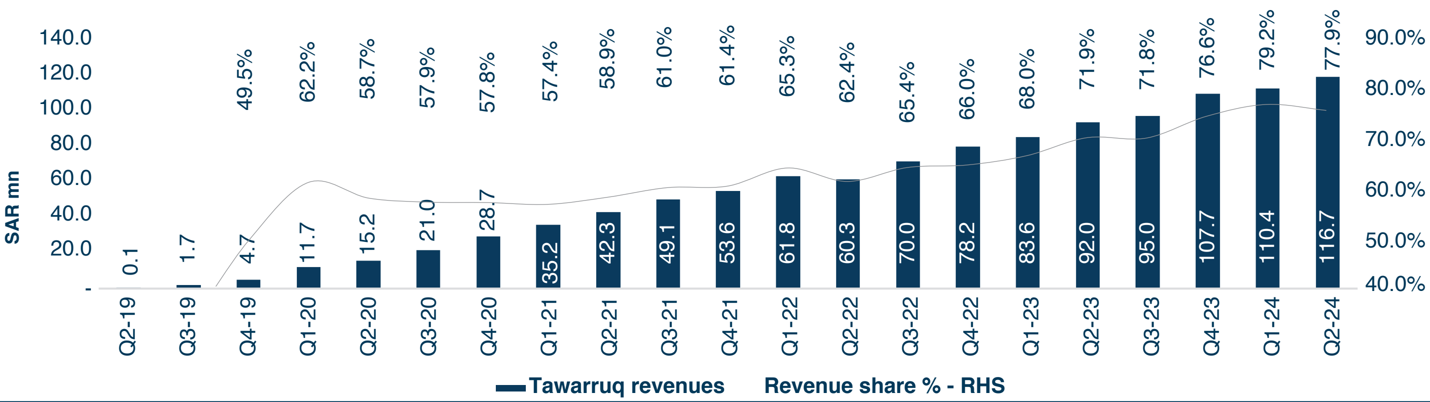
Business activities

The group primarily offers the following 3 products, from which it generates revenues.

1. **Tawarruq contracts: (77.9% of Q2-24 revenues)**

These contracts are a type of cash financing offered by Tas'heel, wherein it sells an asset to its customers on a deferred payment basis. The sale price typically includes cost of the asset plus a profit margin. The customer then authorizes Tas'heel to sell the same asset to a third party, at a market price, to obtain the required financing amount. The amount of Tawarruq financing ranges from SAR 10K to SAR 250K, and with a repayment period upto 60 months. Tas'heel has adopted an omnichannel approach for receiving the applications for this product category. It receives applications i) through own digital platforms, ii) own Point of Sale at its strategic partners, and iii) over the phone through customer service center. It has a customer base of 74.9K for this product, with 80% of customers applying through its own digital platforms. The revenues from this product have grown the fastest for the company, at a pace of 41.4% CQGR over Q2-19 to Q2-24, to reach a revenue base of SAR 116.7mn in Q2-24. On an annual basis, the revenues grew 58x over FY19-23 with revenues of SAR 378.4mn in FY23. We believe the company's strategy of having an omnichannel distribution has aided the product to increase its revenue share from 42% in FY19 to 78% in Q2-24.

Fig 1. Omnichannel distribution strategy could be the primary reason for Tawarruq revenues to grow at 41.4% CQGR over Q2-19 to Q2-24 and resulting in a revenue share increase from 19% to 78% over the said period

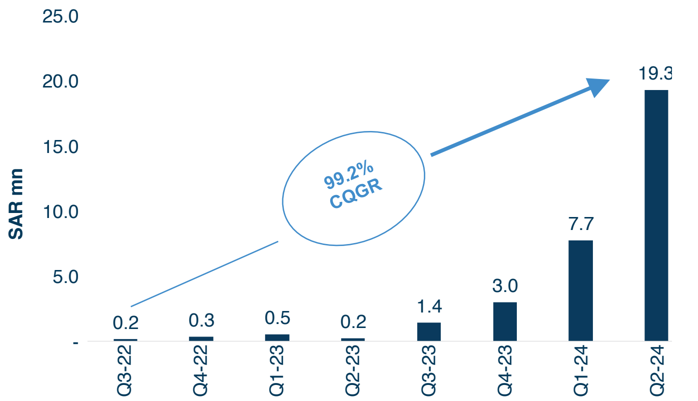


Source: Company Prospectus, Argaam, AlJazira Capital Research

2. **Credit Card financing: (12.9% of Q2-24 revenues)**

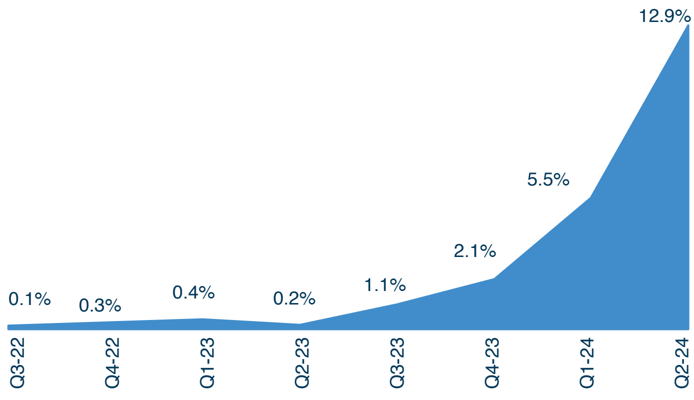
Through this product Tas'heel provides credit limits upto SAR 100,000 to its customers, through the issuance of MasterCard credit card. The customers can use the credit limit partly or fully but must repay the amount within 22 days from the issuance date of the monthly card statement. In the event of payment delay, the customer must pay the credit limit use, along with a pre-defined profit margin. Tas'heel also provides credit card insurance to its customers for an additional fee. Tas'heel uses its own digital platforms to receive applications for this product and has been able to increase its customer base by 9x over FY22-23. The revenues from this product have grown at a pace of 99.2% CQGR over Q3-22 to Q2-24, to reach a revenue base of SAR 19.3mn in Q2-24. On an annual basis, the revenues grew 11x over FY22-23 with revenues of SAR 5.1mn in FY23. This rapid growth has helped the product increase its revenue share from 0.1% in Q3-22 to 12.9% in Q2-24.

Fig 2. Revenues from credit cards have grown at 99.2% CQGR over Q3-22 to Q2-24



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 3. This rapid growth in revenues has accelerated the revenue share of the product from 0.1% to 12.9%

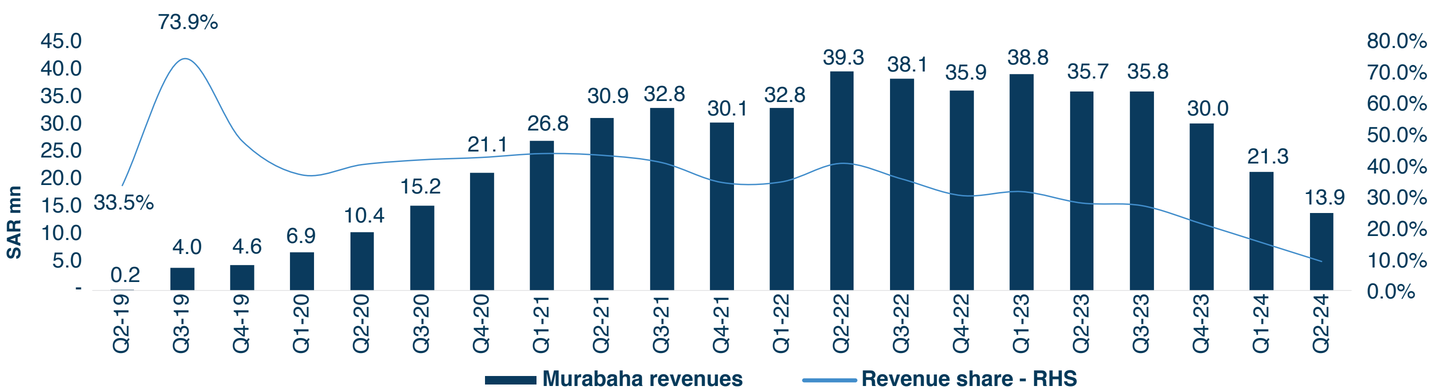


Source: Company Prospectus, Argaam, AlJazira Capital Research

3. Murabaha instalment sales: (9.2% of Q2-24 revenues)

Under this product, pursuant to the conclusion of a contract, Tas'heel sells a commodity to the customer, which the company has purchased or acquired based on a pledge to purchase the same from the customer. The sale price comprises of the cost plus an agreed profit margin offered to the customers of Tas'heel's strategic partners such as eXtra, IKEA, Virgin Megastores, Saudi German Hospital. Tas'heel has adopted an omnichannel approach for receiving the applications for this product category. It receives applications i) through own digital platforms, ii) own Point of Sale at its strategic partners, and iii) over the phone through customer service center. It has a customer base of 58.9K for this product at the end of FY23. The revenues from this product have grown at a pace of 23.6% CQGR over Q2-19 to Q2-24, to reach a revenue base of SAR 13.9mn in Q2-24. On an annual basis, the revenues grew 16x over FY19-23 with revenues of SAR 140.3mn in FY23.

Fig 4. Murabaha instalment revenues have been volatile, which is evident from its revenue share being decreased its peak of 74% in Q3-19 to 9% in Q2-24



Source: Company Prospectus, Argaam, AlJazira Capital Research

4. Baseeta service:

Baseeta is an innovative product offered by Tas'heel wherein it provides revolving credit to customers for making purchases, paying utility bills or accessing services within or outside KSA. Customers can access this product directly from Tas'heel's website or via its network of strategic partners. In both cases, revenues are collected from the service users, supplemented by subsidies from the retail partners. This product tries to bridge the gap between the traditional Buy-Now-Pay-Later (BNPL) services and Murabaha financing. The feature of availing this service without any down-payment differentiates Baseeta from the other BNPL service providers. This flexibility extends to choosing payment terms, ranging from a single installment to 36 installments. Additionally, Baseeta also provides 0% profit or fee option with flexible payment plans with selected partners spanning across various sectors like retail, healthcare, which ensures its competitive edge over the BNPL providers. Such customer friendly features has enabled Tas'heel to capture 38,000 customers as on Q2-24 and grow its portfolio size from SAR 19mn in Q4-23 to SAR 178mn by Q2-24. Baseeta acts as a catalyst to Tas'heel's expansion strategies in the consumer finance market and strengthen its market share growth opportunities.

Pre & Post IPO Ownership

Fig 5. eXtra, the ultimate parent company is the existing shareholder selling its stake to the public investors

Shareholder name	Pre-IPO ownership		Post-IPO ownership	
	No. of shares (in mn)	% ownership	No. of shares (in mn)	% ownership
eXtra	24.75	99.0%	17.25	69.0%
eXtra Bahrain	0.25	1.0%	0.25	1.0%
Public	0.00	0.0%	7.50	30.0%
Total	**25.00**	**100%**	**25.00s**	**100%**

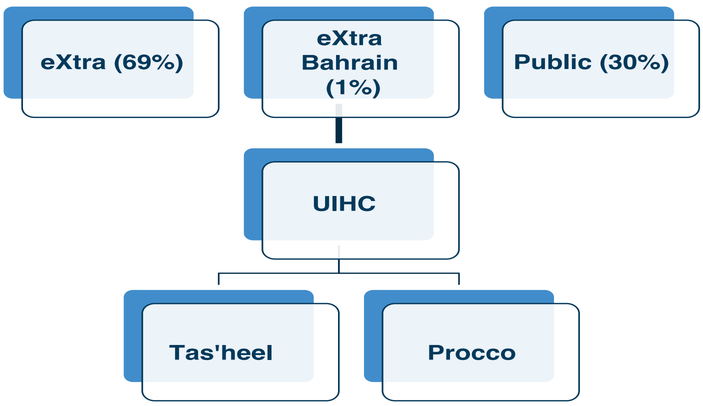
Source: Company Prospectus, AlJazira Capital Research

IPO Offering Summary

UIHC is floating 7.5mn shares, representing 30% of the company's share capital post offering, 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 were allocated 90% of the offered shares (6.8mn shares).There was a coverage level of almost 132x of total offered shares. The retail offering, opened from November 19-20, accounts for up to 10% (0.8mn shares) of the offer size. The book building process began on October 28 and ran until November 04. The final offer price was set at **SAR 132 per share** The retail portion was subscribed 9.1x. A minimum of 3 shares were allocated to each individual subscriber.

Group structure

Fig 6. Following its IPO, UIHC will have three shareholders



Source: Company Prospectus, Argaam, AlJazira Capital Research

Key Strategies

UIHC aspires to take the lead in providing multi-product and multi-category digital financial services and to be the Kingdom's largest provider of consumer finance. To achieve this goal, the company has devised its strategy on 4 pillars.

1. **Explore opportunities to expand its IT infrastructure:**

UIHC's proprietary digital platforms are backed by its robust IT infrastructure, which helps it perform advanced data analysis and provide tailored financing products to its customers. It serves as the backbone for the company as it enables it to provide customers with a unique and streamlined experience. The company has been awarded the "Best Digital Consumer Finance Platform" in 2022, as well as the "Most Innovative Fintech Company" award for its technology's innovation excellence. UIHC is continuously exploring opportunities to expand their IT infrastructure and harness it for expansion of business scope.

2. **Capitalizing on existing business segments:**

Tas'heel has become a reputed brand at the back of its long-standing relationships with its strategic partners and the support from the Kingdom's largest household appliances and electronics retailer (eXtra). Its presence at more than 310 strategic partner locations and 14mn customer base of eXtra at its disposal allows it to expand its financing products. UIHC through Tas'heel aims to capitalize on its existing business segments and focus on developing partnerships with other strategic partners in the Kingdom.

3. **Enhance its current risk management systems:**

The company is in the lending business which makes default risk the highest risk for the business. In order to mitigate this risk, UIHC has in place advanced risk assessment and analysis systems which allows it to identify customers with low default risks and divide them into different categories. The diversity of its product portfolio, swift and simple registration process ensures that the consumers have easy access which helps the company in increasing its competitiveness in the NBFI industry.

4. **Agile product development:**

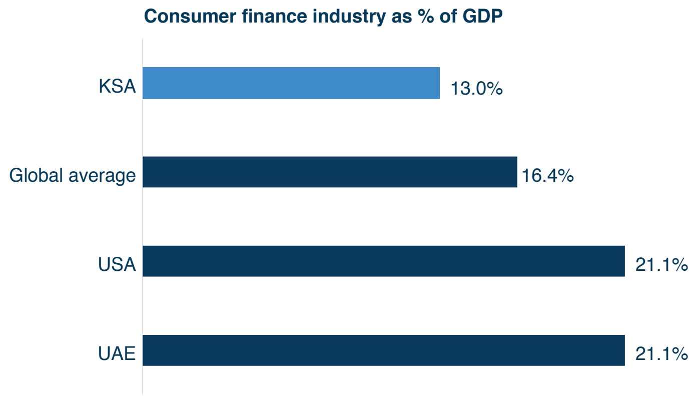
Tas'heel's end-to-end digital process driven by its robust IT infrastructure helps it stay nimble in product development and extend its gamut of product offerings. Its technology-centric approach helps it to provide tailored product features to the customers, which increases brand awareness with the customers.

Competitive Advantages

1. **Operates in a sector which is underpenetrated versus global counterparts, with an increased focus on untapped customer segment**

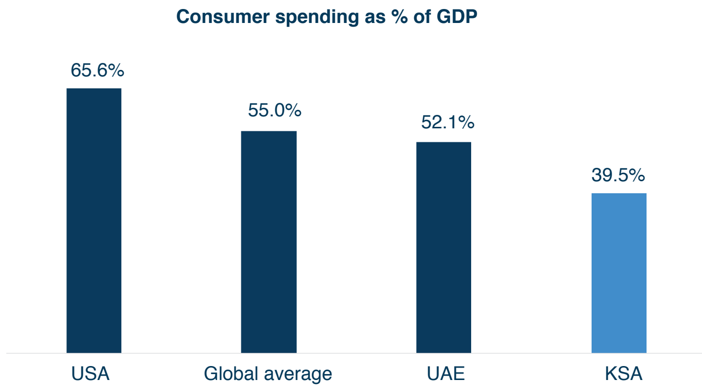
KSA's consumer finance industry accounts for 13% of KSA's GDP, versus 21.1% and 16.4% contribution for UAE and global average. This underpenetration is on account of relatively lower consumer spending in KSA. The consumer spending in KSA represents 39.5% of its GDP, versus 52.1% for UAE and 55.0% for the global average. The target customers for the company have been resident expats, SME employees and low-income customers, who are usually less targeted based on the classification of banks and NBFIs, which provide limited products and services. This places Tas'heel in an ideal position to serve these key segments, who represent 74% of KSA's total employees.

Fig 7. Long growth runway for KSA to scale-up its consumer finance market versus global counterparts



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 8. Lower share of consumer spending accounts for lower penetration of consumer financing in KSA



Source: Company Prospectus, Argaam, AlJazira Capital Research

2. **Self-reliant in customer acquisition despite strong network of eXtra at its disposal**

Tas'heel has been able to spread its brand to a wider customer segment because of its strategic partnership with over 300 partners, who act as a Point of Sales for Tas'heel products. Further it has the capacity to maximize its reach through the dense network of eXtra's 48 stores across 28 cities within KSA which deals with 14mn customers. Despite such strong network presence of eXtra, Tas'heel has been self-reliant in acquiring customers. This is evident from the share of eXtra's customers falling from 29% in FY22 to 14% in FY23.

3. Harnessing technology for speedy credit approvals to boost customer acquisition

Tas'heel is the first digitally integrated NBFI, offering online consumer financial solutions to the customers in the Kingdom. It leverages its internally developed fintech platform to capture 80% of its user applications via its own digital platforms. It's proprietary fintech platform is highly efficient and scalable. This can be seen from the fact that 90% of its finance applications are approved within 20 minutes, while the finance amount is transferred within 48 hours. This swift credit approval process has enabled it to garner 200K clients since its inception.

4. Prudent in selecting users and categorizing products using 9 internally developed ratings, helps it arrest net written-off loans

UIHC uses sophisticated risk management infrastructure to provide guarantee-free credit programs to its customers, while efficiently managing the defaults. It does so by adopting a prudent approach in selecting the user applications, as it focuses on customers with adequate financial solvency and customers with consistent income or stable jobs. Further its credit risk model categorizes its products in low, medium and high risk categories, using its 9 internally developed ratings. These strategies have helped UIHC to tightly manage its customer portfolio with a low percentage of net written-off loans at 0.9% in H1-23.

Competitive Landscape

We have compared and analyzed Tas'heel with its peers on various grounds namely; i) Market share, ii) Financial performance and iii) Operational performance. This 3 stage analysis helps us understand the market positioning of each player and also the competitive moats.

Market share analysis

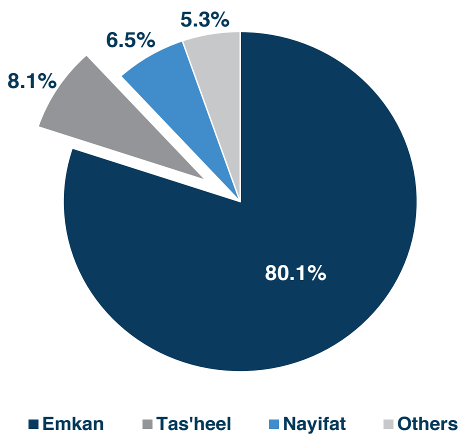
The NBFI space in KSA faces bottleneck competition from around 53 registered NBFIs as on 2023. Of these 53 NBFIs, around 30 companies (57%) focus on consumer finance space, in which UIHC operates. The consumer finance space is dominated by 3 players, who capture 95% of the market. Emkan (subsidiary of Al Rajhi Bank) is the largest player with a market share close to 80.1% in 2023. Tas'heel is the second largest player with a market share of 8.1%, followed by Nayifat with 6.5% market share in 2023.

Fig 9. Wider and unique service offerings are the key factors for survival in KSA's competitive NBFI industry; Tas'heel leads in offering unique products like Baseeta, but lags on exposure to SME lending

Factors	Nayifat	Quara	Tas'heel	Emkan
Inception	2002	2009	2019	2019
Business lines	• Consumer financing • Lease financing • Credit Card financing • SME lending	• Consumer financing • Financial leasing • SME lending	• Consumer financing	• Consumer financing • Financing productive assets • Auto leasing • SME lending
Consumer finance products	• Cash loan • Instalment loans • Credit Cards	• Cash loans • Instalment loans	• Cash loan • Instalment loan • Credit Cards • Baseeta	• Cash loan • Instalment loan • Credit Cards • Auto leasing
Key shareholders	Falcolm Holding Company	First Resources Real Estate, Awaed Financial, Nawaqis Trading	eXtra	Al Rajhi Bank
Overall market share	6.5%	sub 5%	8.1%	80.1%
Retail financing terms and conditions				
Financing amount	SAR 10K to 300K	SAR 20K to 50K	SAR 10K to 250K	Upto SAR 200K
Repayment tenor	Upto 60 months	36-60 months	Upto 60 months	12-36 months
Annual Percentage Rate	27.2 - 31.0%	53.6 – 59.8%	Not disclosed	48.6 – 54.0%

Source: Company, Argaam, AlJazira Capital Research

Fig 10. KSA's consumer finance space is concentrated with top-3 players accounting for 95% share of the market



Source: Company Prospectus, AlJazira Capital Research

Fig 11. Increased competition from Emkan drove market share loss for Nayifat, while Tas'heel was resistant

	2019	2020	2021	2022	2023	4yr change
Emkan	0.0%	51.6%	**70.4%**	77.1%	80.1%	8010bps
Tas'heel	5.8%	11.7%	8.4%	8.3%	8.1%	230bps
Nayifat	69.5%	24.0%	9.7%	7.4%	6.5%	-6300bps
Others	24.7%	12.7%	11.5%	7.2%	5.3%	-1940bps

Source: Company Prospectus, AlJazira Capital Research

1. Cash loans:

The cash loans space is dominated by Emkan with a whopping 58.1% market share. It was established to serve Al Rajhi bank customers with larger financing needs. Al Rajhi's large customer base has helped Emkan successfully penetrate in this segment. However, outside the Al Rajhi sphere, it has very limited presence. Nayifat and Tasheel are the second largest and third largest players with a market share of 6.8% and 7.1%, respectively. All the three players have developed digital solutions for their customers, but only Emkan and Tas'heel offer app-based solution, thereby giving a fully digital experience to its customers.

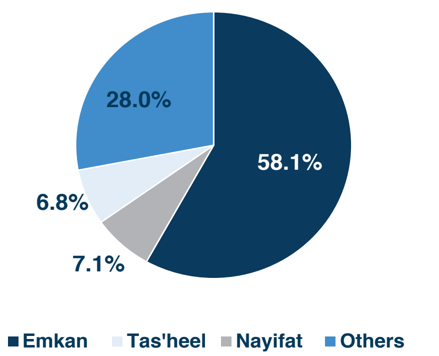
2. Instalment loans:

The instalment loans space has historically benefitted from the Kingdom's limited credit card penetration as well as the success of BNPL in establishing instalments and lending as an acceptable mode of payment. This product category within the NBFI space is a unique value proposition that Tas'heel introduced. It is the second largest player with a share of 37.4% and trails closely behind Emkan who has a market share of 39.4%.

3. Credit Cards:

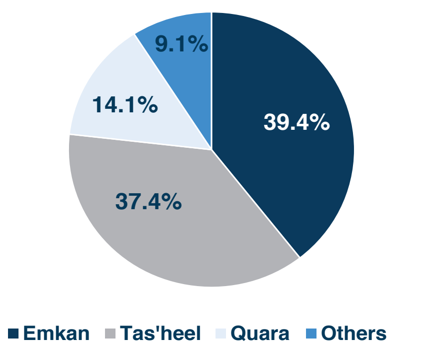
Nayifat was the first NBFI to enter the credit card space in 2020, followed by Tas'heel in 2022. However, Emkan's aggressive marketing and sales techniques have strongly influenced and supported its growth. Despite Nayifat being the first entrant in this segment, Emkan and Tas'heel gained traction and prominence in the market in less than a year.

Fig 12. Cash loans market share analysis



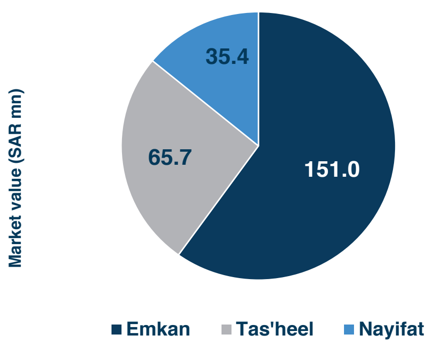
Source: Company Prospectus, AlJazira Capital Research

Fig 13. Instalment loans market share analysis



Source: Company Prospectus, AlJazira Capital Research

Fig 14. Credit cards market share analysis



Source: Company Prospectus, AlJazira Capital Research

Operational performance analysis

In the below two exhibits we have analyzed the competitive intensity between NBFIs and BNPL. Based on the daily active user (DAUs), it is evident that BNPL companies like Tabby and Tamara tend to have a wider consumer appeal than NBFIs. The average DAUs for Tabby and Tamara at 991K are almost 10x greater than Tas'heel, Emkan and Quara's 99K DAUs. This we believe is due to BNPLs characteristic of making lending convenient for everyday purchases.

Within NBFIs, despite Emkan being the biggest player, its DAUs have fallen by ~82K since January 2024. While Tas'heel and Quara demonstrated a rise of ~9K and ~5K DAUs. This reaffirms the fact about Tas'heel that its strategy of providing customers with unique features like i) end-to-end digital process, ii) speedy disbursements and iii) flexible payment terms have aided it creating a wider customer appeal and enhancing its brand.

Fig 15. BNPL players have a wider customer appeal than NBFIs; Within NBFIs Tas'heel has the highest rise in DAUs since January 2024, while the industry leader - Emkan is highlighted as a laggard

in 000's	Jan-24	Feb-24	**Mar-24**	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sept-24	YTD change
NBFIs										
Tas'heel	57.8	46.9	**53.6**	82.6	83.1	94.7	93.8	78.6	66.9	9.1
Emkan	277.1	257.5	248.4	296.2	203.1	198.5	187.0	163.0	195.0	(82.2)
Quara	31.5	32.0	27.9	20.1	31.0	33.5	35.6	38.7	36.1	4.6
BNPL										
Tabby	1,167.0	1,141.6	1,293.3	1,322.7	1,365.9	1,241.2	1,244.3	1,139.1	1,137.0	(30.1)
Tamara	863.6	790.6	861.9	841.4	921.8	808.0	785.3	785.0	845.2	(18.4)

Source: data.ai, AlJazira Capital Research

Fig 15. BNPL players have a wider customer appeal than NBFIs; Within NBFIs Tas'heel has the highest rise in DAUs since January 2024, while the industry leader - Emkan is highlighted as a laggard

SEO analysis	Android App					Website				
	NBFIs			BNPL		NBFIs			BNPL	
	Tas'heel	**Emkan**	**Quara**	**Tabby**	**Tamara**	**Tas'heel**	**Emkan**	**Quara**	**Tabby**	**Tamara**
DAUs (in 000's)	66.9	195.0	36.1	1,137.0	845.2					
Installs (in 000's)	260.6	680.5	104.8	2,246.1	1,783.8					
Avg time/user (min:sec)	9:32	9:32	7:40	14:15	10:98					
Avg rating	2.3	1.9	2.0	4.4	4.6					
Monthly visit (in 000's)						575.6	122.3	54.2	3,379.0	2,695.0
Visit duration (min:sec)						2:22	1:45	12:44	3:19	3:39
Pages per visit						4.2	2.6	5.8	4.0	4.1
Bounce Rate %						39.9%	58.8%	29.4%	45.6%	34.9%

Source: Data.ai, Similarweb, AlJazira Capital research. Note: SEO metrics for the month of September 2024. Avg time/user for BNPL companies is an average of Android phone and Tablet, while for NBFIs it is just for Android phone.

Financial performance analysis

In Fig 17 we have analyzed the top-3 industry players on 3 parameters, namely i) Revenues, ii) Cost & Profitability, and iii) Asset quality.

Revenues: Emkan and Tas'heel lead on this parameter, while Nayifat lags

- Despite being a late entrant in the consumer finance space, Emkan has become the largest and fastest growing player in terms of revenues. It captures around 80% of the consumer finance market. We believe that Emkan being the subsidiary of Al Rajhi bank, it lays its main focus in pursuing Al Rajhi's customers, who have already exhausted their credit limit.

- Similarly, Tas'heel who entered the market along with Emkan, has expanded its revenues at 58.9% CAGR over FY20-23 and outperformed the industry veteran - Nayifat. We believe this robust growth is because of confluence of i) strong backing by eXtra, ii) long-standing relationships with strategic partners, iii) agility in product development and iv) harnessing robust IT infrastructure for product development and customer acquisition.

Cost & Profitability: Tas'heel outshines peers in terms of spreads, but lags others in NIMs contraction

- Tas'heel has been able to source funds at a lower cost and deploy the funds at a higher return, thereby significantly expanding its spreads, in comparison to its peers.
- Although all 3 players witnessed net Interest Margins (NIMs) NIMs contractions over FY20-23, Tas'heel lagged the most with the highest contraction.
- Tas'heel has shown significant improvements in lowering its cost-income ratio over FY20-23, however it still is the highest.

Asset quality: Tas'heel is better off versus peers

- Both Emkan and Tas'heel have managed to keep their Non-Performing Loan (NPL) within 4-7% range, unlike Nayifat who has the highest NPA at 18%. We believe Tas'heel's strategy of being prudent in serving customers has enabled it to have the second lowest NPAs.
- Nayifat has shown significant improvements in lowering its NPL coverage ratio, followed by Tas'heel. Emkan still suffers from a higher NPL coverage ratio, which indicates the NBFIs ability to absorb future losses.
- Tas'heel has the lowest cost of risk due to its lowest impairments.

Fig 17. Analysis of top-3 industry players: Tas'heel outshines its peers on various parameters, but lags in a few

	analysis	Emkan		Tas'heel		Nayifat	
		FY20	**FY23**	**FY20**	**FY23**	**FY20**	**FY23**
A	**Revenues:**						
1)	Commission income	156	1,368	131	524	414	395
2)	FY20-23 CAGR		106.0%		58.9%		-1.6%
B	**Cost analysis:**						
1)	Cost of funds	3.6%	7.2%	3.2%	7.1%	5.7%	8.5%
2)	Lending yield	10.0%	15.1%	30.8%	30.6%	25.5%	21.8%
3)	Spreads	6.3%	7.9%	27.7%	23.5%	19.9%	13.4%
4)	NIMs %	6.8%	4.6%	29.6%	26.9%	16.8%	14.2%
5)	NIMs expansion		-2.2%		-2.7%		-2.6%
6)	Cost-income ratio	32.7%	34.7%	64.3%	35.4%	18.7%	25.8%
C	**Asset quality:**						
1)	NPL	0%	4%	3%	9%	2%	18%
2)	NPL coverage ratio	1046.5%	108.8%	90.5%	37.7%	169.5%	35.9%
3)	Cost of risk	3.6%	5.3%	4.2%	3.2%	-0.1%	4.8%

Source: Company, Argaam, AlJazira Capital Research

Consumer Finance Industry

Operations in consumer finance industry structured through banks, NBFIs and BNPL fintech

KSA's consumer finance industry is run by three types of entities, namely; i) Banks, ii) NBFIs, and iii) Buy-Now-Pay-later Fintech (BNPL). Banks are considered as the traditional lenders, while NBFIs and BNPL are modern lenders who were established to capture the growing demand for faster, convenient financial services among the young customers.

1. **NBFIs:** The rise of younger Gen Z and Millennials Saudi nationals as well as increasing number of women entering the workforce, coupled with demand for convenience and speedy financing led to the rise of NBFIs like Tas'heel and Emkan. These digital-first segments served as the go-to lenders for those customer segments who were underserved by the traditional banks or were sidelined by restrictive credit terms.

2. **BNPL:** During COVID consumers in KSA increasingly resorted to consumer financing facilities to fund their lifestyle related expenses and smaller-ticket purchases. This opportunity was captured by the BNPL Fintech companies like Tabby, Tamara and the likes, by establishing everyday lending as a normal way of spending, especially among the younger generations.

While the main function of each player is the same – lending, all the 3 players are bound by different regulations and thus largely complement each other in several ways.

Fig 18. Target customers, Loan ticket size and permissible debt-burden ratio are the factors which complements the 3 type of entities with each other

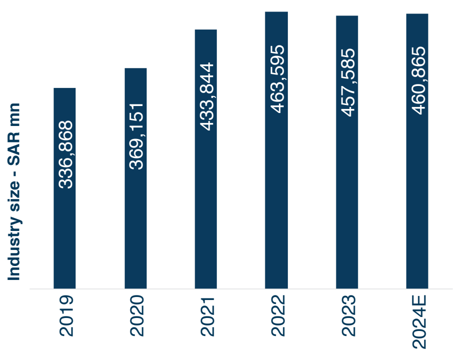
Parameters	Banks	NBFIs	BNPL
Target customer	• Mid-high income customers living in urban areas • Established credit history • Broad consumer base	• Lower income underbanked population • Mid-high income customers looking for extra credit • Self-employed customers facing credit restrictions	• Tech-savvy Millennials and GenZ consumer category • Customers on the look-out for smaller-ticket purchases
Products offered	• Personal cash loans • Credit Cards	• Personal cash loans • Product / Installment loans • Credit Cards	• Shot-term loans • Low-ticket loans
Permissible Debt-Burden Ratio	• 33.33%	• Upto 65%	• Maximum of SAR 5K
Riskiness	• Medium	• High	• Medium
Loan ticket size	• High	• Medium	• Low

Source: Company, AlJazira Capital Research

Banks ceded market share to NBFIs and BNPL on increased customer preferences for on-demand financing

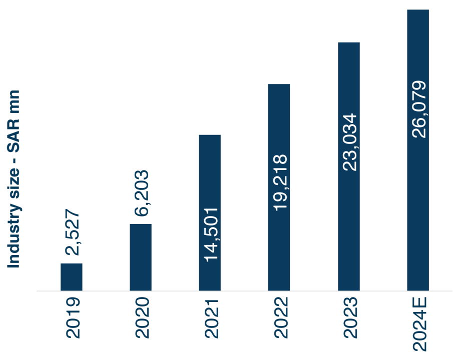
Within KSA's consumer finance industry structure, banks are the biggest player with a market share of 93.8% in 2024, followed by NBFIs (5.3%) and BNPL (0.8%). However, with the increased customer preferences for on-demand financing and resorting to consumer financing facilities for everyday lifestyle related expenses, the rise of NBFIs and BNPL has been steep. Over 2019-24 KSA's consumer finance industry has grown at 7.6% CAGR. BNPL and NBFIs were the key growth drivers, whose market size expanded by 64.0% and 59.5% CAGR, respectively. While the overall market growth was partially dragged by the banks, who grew just 6.5% over the said period. This sluggish growth led to the banks ceding their market share by 530bps to NBFIs and BNPL.

Fig 19. Banks market sizing with 6.5% CAGR over 2019-24E



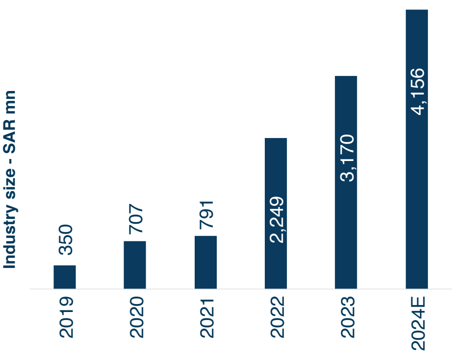
Source: Company Prospectus, AlJazira Capital Research

Fig 20. NBFIs market sizing with 59.5% CAGR over 2019-24E



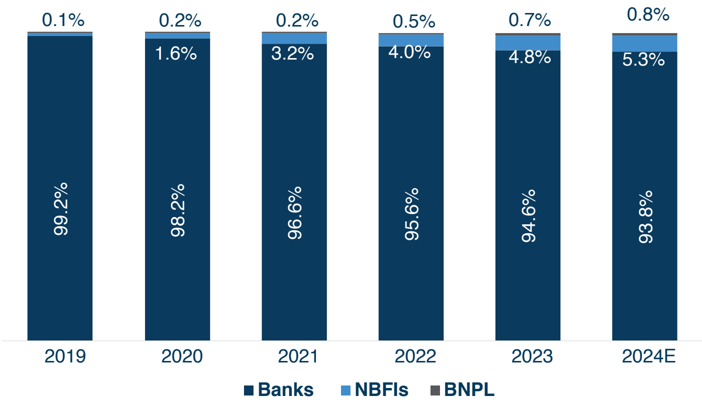
Source: Company Prospectus, AlJazira Capital Research

Fig 21. BNPL market sizing with 64.0% CAGR over 2019-24E



Source: Company Prospectus, AlJazira Capital Research

Fig 22. KSA's consumer finance space is concentrated with top-3 players accounting for 95% share of the market



Source: Company Prospectus, AlJazira Capital Research

Fig 23. NBFI's have gained market share while banks have lost share

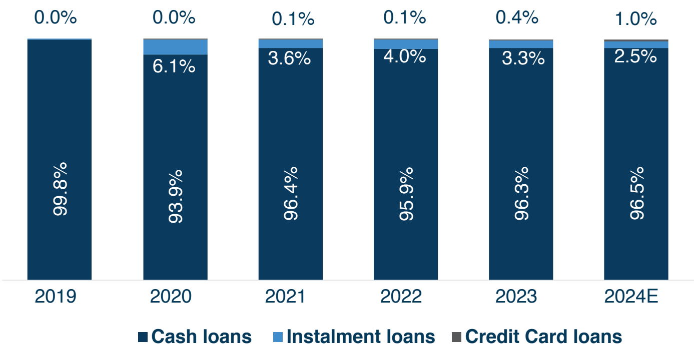
Market share analysis	2019	2023	5yr change
Banks	99.2%	80.1%	(530 bps)
NBFIs	0.7%	5.3%	460 bps
BNPL	0.1%	0.8%	70 bps

Source: Company Prospectus, AlJazira Capital Research

NBFIs ability to extend loans upto 65% DBR makes Cash Loans the preferred choice within consumers

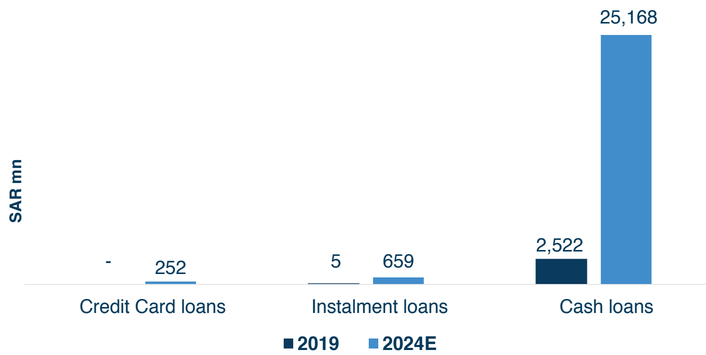
NBFIs ability to extend loans upto a debt-burden ratio (DBR) limit of 65%, versus bank's ability to extend loans to 33.33% DBR and a maximum loan of SAR 5,000 by BNPL, led to growing consumer demand for cash loans products within NBFIs. Financing support was provided by NBFIs through cash loans, beyond the DBR limits offered by the banks, provided support to the lower income customers. This led to cash loans capturing the largest share (96.5% in 2024) within NBFIs consumer financing service. While a nationwide shift towards deferred payment models among customers, large retailers and institutions, provided support to NBFIs instalment loans product category, which saw its share increasing from 0.2% in 2019 to 2.5% in 2024.

Fig 24. Higher customer preference towards cash loans makes it capture the highest share



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 25. Instalment loans have grown the fastest at 165.5% CAGR over 2019-24E, while cash loans grew at 58.4%

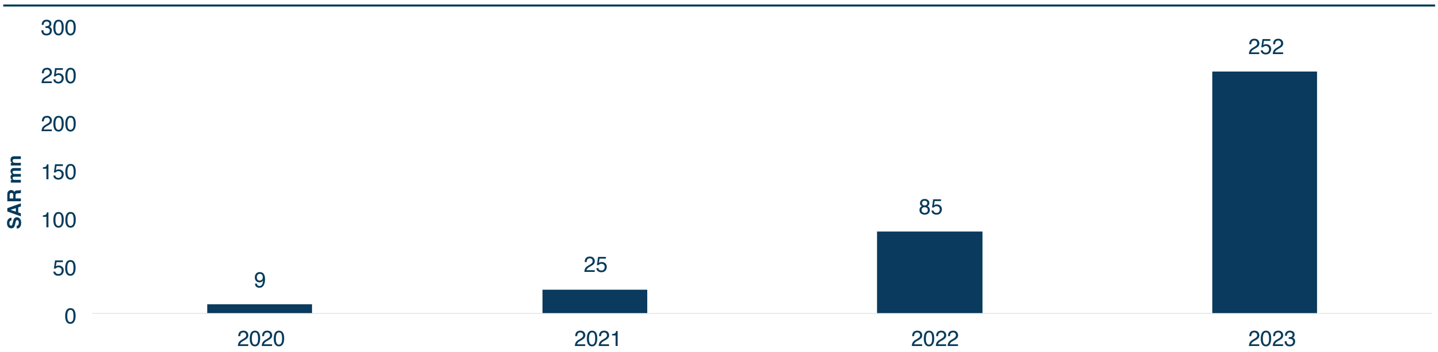


Source: Company Prospectus, Argaam, AlJazira Capital Research

Tas'heel, Emkan and the likes tackling the issue of credit card underpenetration

The credit card market has historically faced the issue of underpenetration due to customer aversion driven by high profit rates charged and the suspicion of the cards not being Shariah compliant. However, the entry of Tas'heel, Emkan and Nayifat in this space, changed the consumer mindset and led to a steady growth for this product category. The NBFIs credit card market is pegged at SAR 252mn in 2023 and has grown at 28x since the entry of Tas'heel, Emkan and Nayifat since 2020.

Fig 26. NBFI credit card market witnessed strong 28x growth over 2020-23



Source: Company Prospectus, Argaam, AlJazira Capital Research

BNPL and NBFIs to drive KSA's consumer finance industry, supported by population expansion and favorable demographics

KSA's consumer finance market is expected to grow from SAR 483.8bn in 2023 to SAR 603.8bn by 2028E, implying a 4.5% CAGR. The confluence of following factors could prove as key growth drivers for the industry.

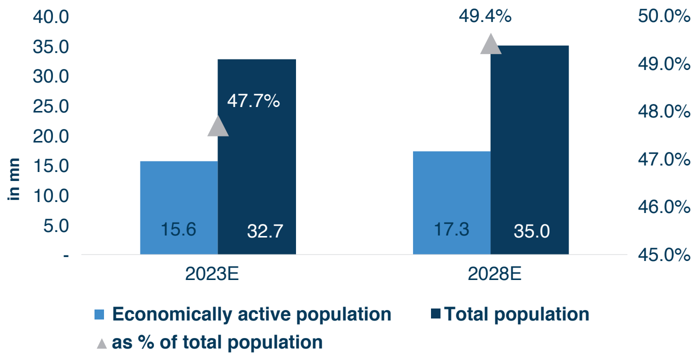
1. **Rising population supported by influx of foreign expats to expand the gamut of service offerings for consumer financing:**

KSA's population in 2023 is 32.7mn, with nationals accounting for majority. However, the Kingdom's economic liberalization and efforts to attract foreign investment has driven a resurgence in expat influx. KSA's population is expected to reach 35.0mn by 2028E. This bodes well for the industry as it expands the addressable market to provide the service offerings.

2. **Increase in economically active population, digitally native customers women workforce participation and middle-class households to drive the sectoral demand:**

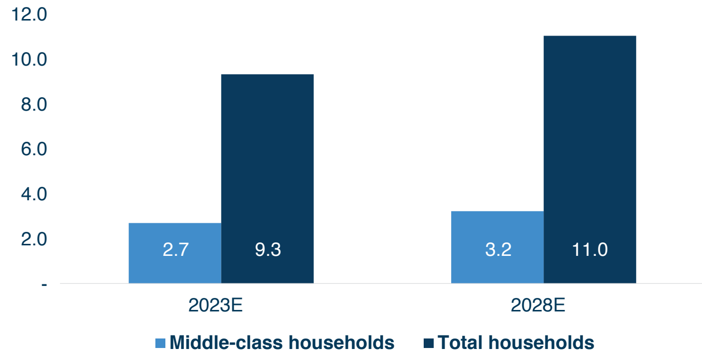
KSA's 48% of the population as 2023 (15.3mn) is classified as economically active population (i.e aged 15-64 years) while ~22% of total population (7.2mn) are tech-savvy and digitally native younger consumers and under the age of 14. These customer cohorts are the target customers for NBFIs and are expected to increase modestly over 2023-28E. Further the industry's growth is expected to be fueled with i) increase in women participation in the workforce and ii) rise in middle-class households.

Fig 27. Economically active population to account for 49.4% of total population in 2028E



Source: Company Prospectus, Argaam, AlJazira Capital Research

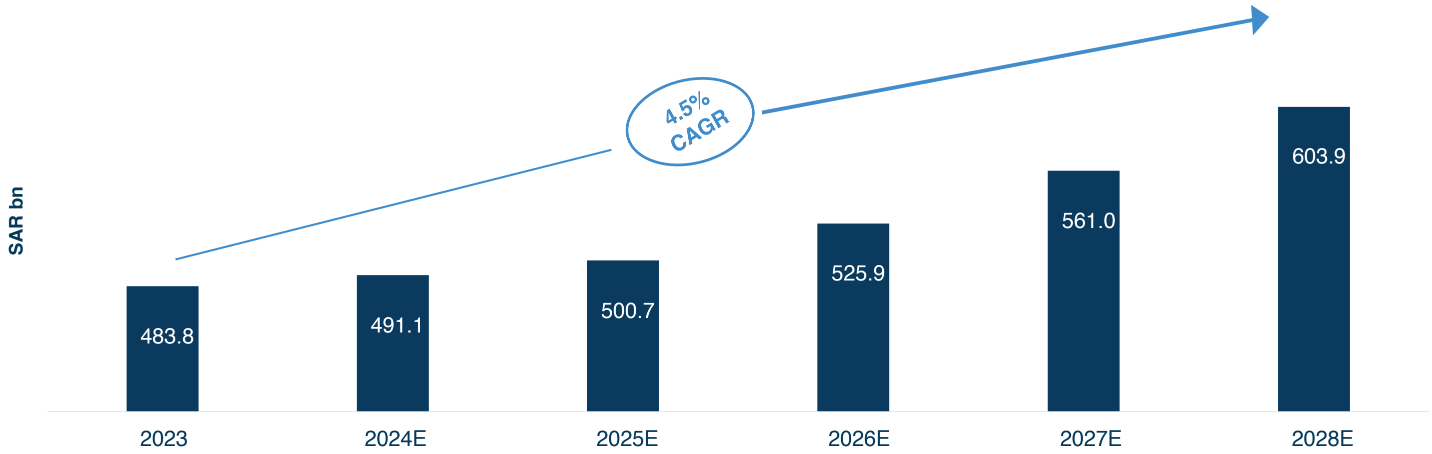
Fig 28. Middle-class households to increase at 3.5% CAGR over 2023-28E



Source: Company Prospectus, Argaam, AlJazira Capital Research

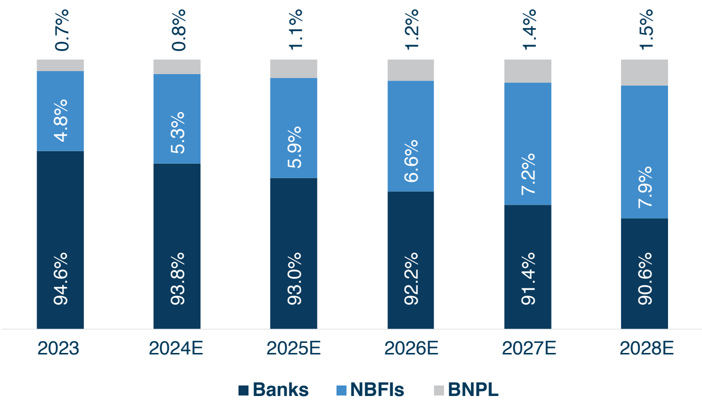
These indicators signals a growth environment for financial inclusion and consumer finance in the Kingdom. We expect the industry to grow at 4.5% CAGR, driven by BNPL and NBFIs with and expected growth 23.4% and 15.7% CAGR over 2023-28E. While banks to continue demonstrating sluggish growth due to increased change in customer preferences.

Fig 29. KSA's consumer finance market growth driven by rising population and favorable demographics



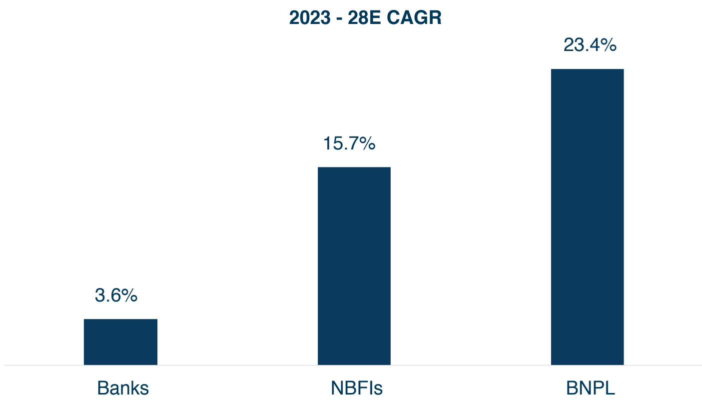
Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 30. BNPL and NBFI to capitalize on the customer trends to increase their category share



Source: Company Prospectus, AlJazira Capital Research

Fig 31. BNPL to grow the fastest, followed by NBFI, while banks to continue grow sluggishly

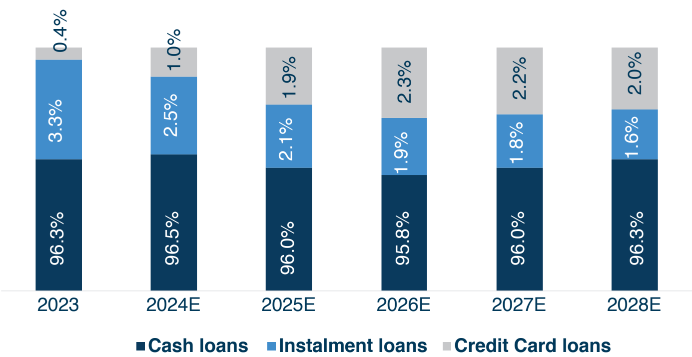


Source: Company Prospectus, AlJazira Capital Research

Credit card and cash loans poised for robust growth to be key growth drivers for NBFIs, partially muted by sluggish growth in instalment loans

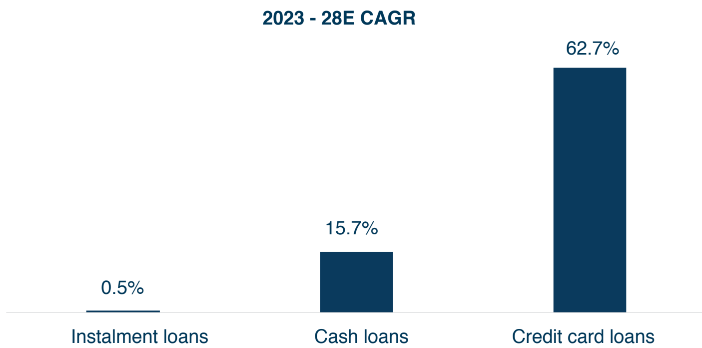
The market size of NBFIs to be driven primarily by credit card loans, followed by cash loans. While instalment loans are expected to drag overall growth. Over 2023-28E, we expect the NBFI consumer finance market to grow at 15.7% CAGR to reach SAR 47.6bn of market size. Credit card loans to report strong 62.7% CAGR, while cash loans to report 15.7% CAGR. However, instalment loans is expected to report a weak growth of 0.5% CAGR.

Fig 32. Cash loans to remain the dominant category, while instalment loans to cede its share to credit card loans



Source: Company Prospectus, Argaam, AlJazira Capital Research

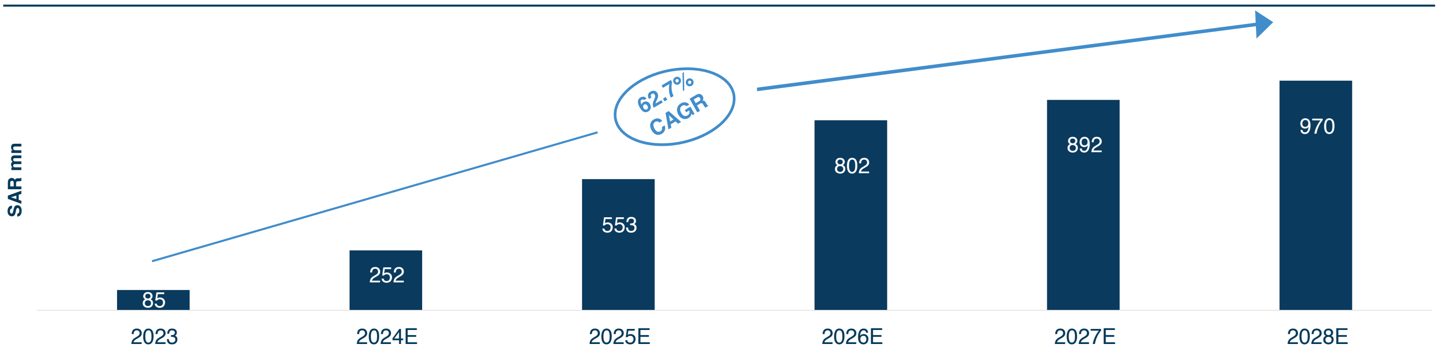
Fig 33. Credit card and cash loans to lead the industry growth, while instalment loans to be a drag



Source: Company Prospectus, Argaam, AlJazira Capital Research

KSA's credit card penetration is poised for significant growth due to several factors. This growth is primarily attributable to the increasing shift towards digital and cashless payments spurred by the Vision 2030 initiative of the KSA government. Additionally young and tech savvy population is more inclined to use digital banking services for their everyday expenses which could likely boost the demand for credit cards. Moreover, attractive initiatives, programs and products like Tas'heel's Baseeta service are making credit cards a more appealing product for the consumers. These trends collectively could create a conducive environment for higher credit card penetration in KSA. Thus, we expect the credit card market size to increase from SAR 85mn in 2023 to 970mn by 2028E, thereby implying a strong 62.7% CAGR.

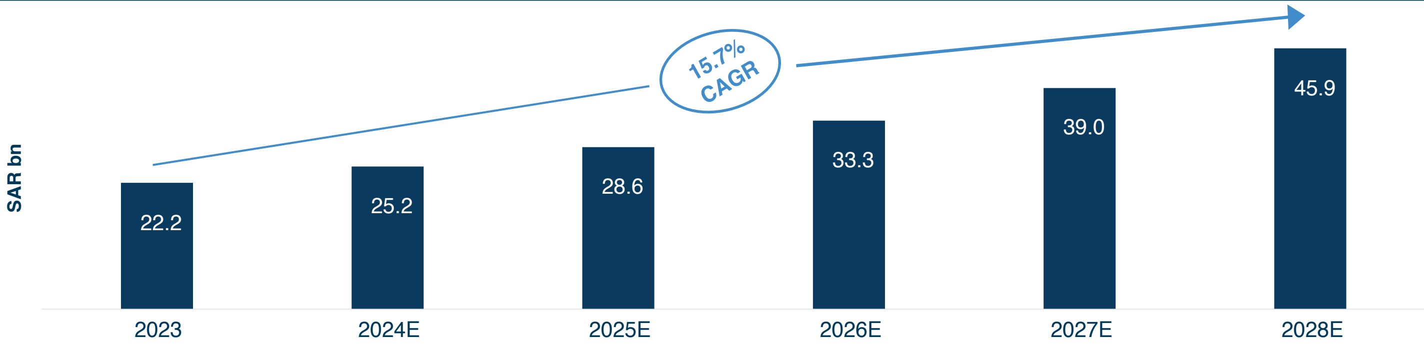
Fig 34. Rising shift towards cashless payments, increasingly adopted by the tech savvy population could boost credit card loans in KSA, along with innovative products and programs by the NBFIs



Source: Company Prospectus, Argaam, AlJazira Capital Research

In terms of cash loans, we believe the demand for them will continue to be fueled by the growing acceptance of consumer finance as an integral part of regular spending. The likely decrease in global interest rate after the recent rate cuts announced by major global banks will further boost the demand and make cash loans affordable to a larger consumer segment. These dynamics position cash loans as a key growth area for NBFIs consumer finance industry. Accordingly, we expect the cash loans market size to increase from SAR 22.2bn in 2023 to SAR 45.9bn by 2028E, thus implying a 15.7% CAGR.

Fig 35. Growing acceptance of cash loans as an integral part of regular spending to continue be the key growth driver for cash loans for the NBFIs



Source: Company Prospectus, Argaam, AlJazira Capital Research

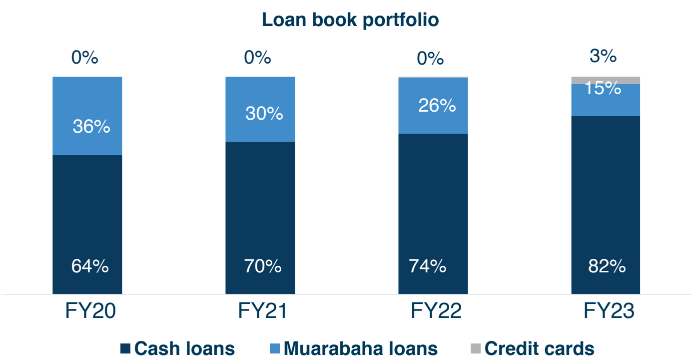
Financial Highlights

Despite decrease in cost of funds, lending yields to be impacted due to rising competitiveness, which will also result in NIMs contraction over FY23-29E

Until FY19, Murabaha loans formed the dominant portion of commission incomes for Tas'heel. However, post the pandemic, changes in customer preferences led to significant rise in cash loans. The ability to cater to the underserved customers by the banks due to restrictions on the DBR limit, cash loans became the go-to product for the KSA customers. This led to the share of revenues from cash loans to rise from 42.0% in FY19 to 72.2% in FY23. This steep rise aided Tas'heel in multiple ways, namely;

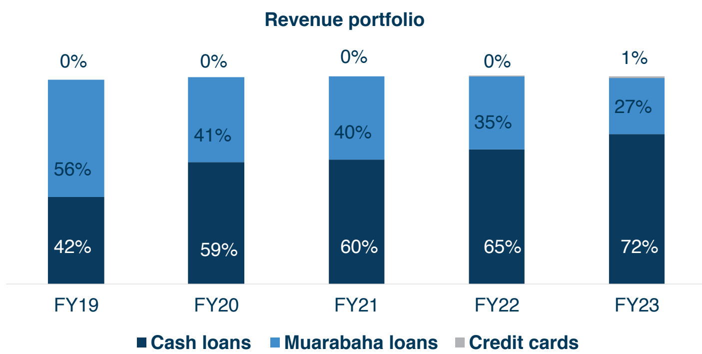
- Drove net commission income from SAR 15.6mn in FY19 to SAR 460.6mn in FY23, implying 133% CAGR
- Led to steep rise in the lending yields

Fig 36. Cash loans accounts for the dominant portion of the loan book since FY20



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 37. Share of cash loan in revenues increase post pandemic due to increased customer preferences



Source: Company Prospectus, Argaam, AlJazira Capital Research

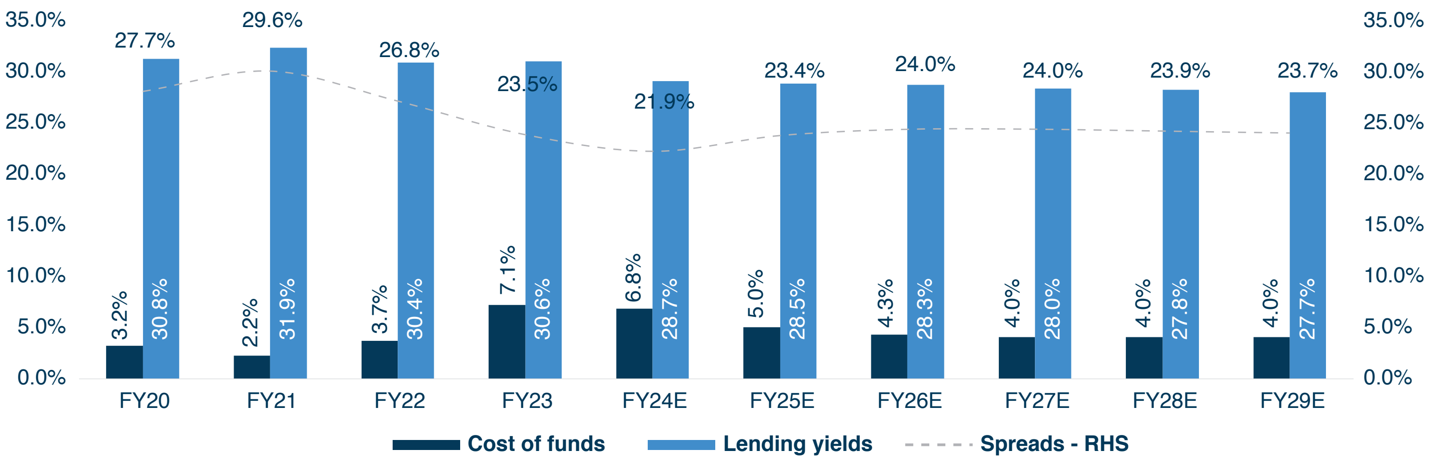
Going forward for the forecasted period we anticipate the following impacts on the cost and revenue generating ability of Tas'heel;

1. **Cost of funds:** Many banks across the globe have started announcing rate cuts, we expect the cost of funds to moderate over the forecasted period. We believe the cost of funds to start moderating from FY24E onwards and reach 4.0% levels by FY29E, from its 7.1% levels in FY23.
2. **Lending yields:** NBFI's not only face competitiveness within themselves, but also from BNPL players who have a significant hold over the KSA customers due to its ability to provide small ticket loans. We expect the competitive intensity to stay elevated in the sector, which will impact on Tasheel's ability to increase its lending yields. Thus, we expect the lending yields to decrease modestly by 300bps from 30.6% in FY23 to 27.7% by FY29E.

3. **NIMs:** We expect the net commission income to increase from SAR 460.6mn in FY23 to SAR 1,081.1mn in FY29E, implying a 15.3% CAGR. The impact of falling lending yields will be greater than the impact of falling cost of funds. This can be witnessed in the NIMs which is anticipated to drop from 26.9% in FY23 to 25.2% by FY29E.

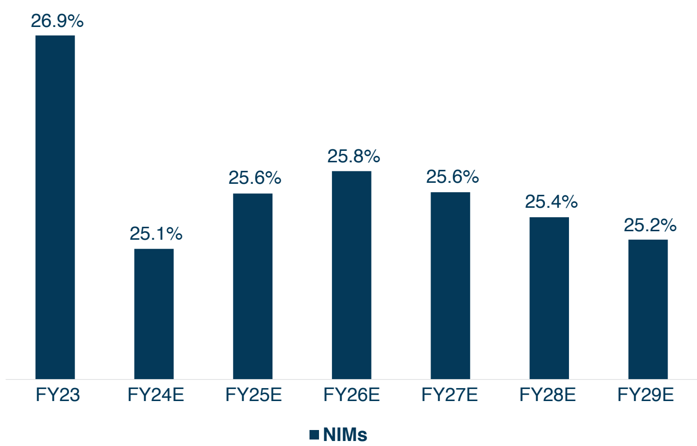
4. **Cost-income ratio:** To stay competitive amidst rising competitiveness in the sector, we believe Tas'heel will continue incurring higher operational spends. Thus, we expect the cost-income ratio to stay range bound within 34.5% to 36.0% levels over FY24-29E.

Fig 38. Rising share of cash loans drove lending yields; However rising cost of funds due to rise in global interest rates led to consistent drop in the spreads; Increased competitiveness to impact the lending yields despite falling cost of funds



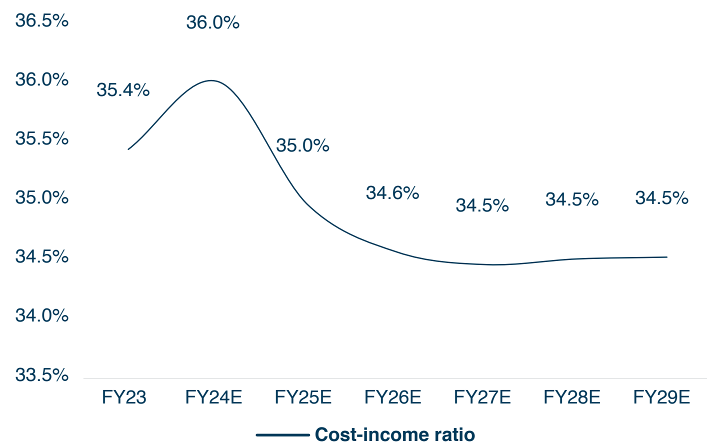
Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 39. NIMs to be impacted due to falling lending yields



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 40. Cost-income to stay higher on rising competition

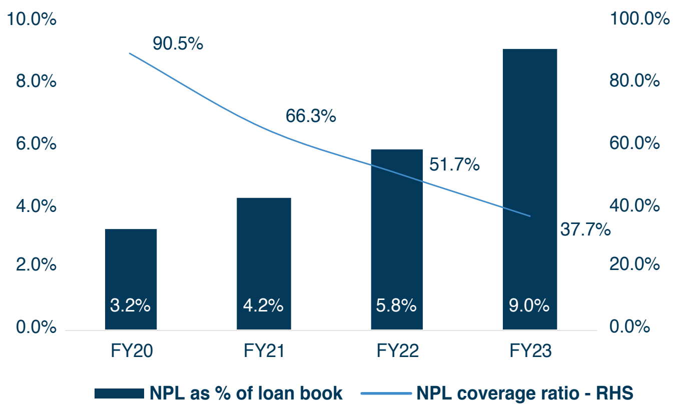


Source: Company Prospectus, Argaam, AlJazira Capital Research

Loan book to grow 2.4x over FY23-29E to reach SAR 4.4bn

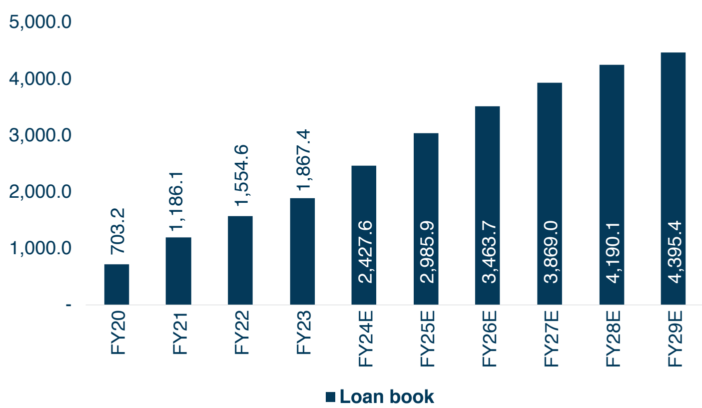
Over FY20-23 Tas'heel's loan book grew 2.7x, from SAR 703.2mn in FY20 to SAR 1,867.4mn by FY23. Majority of this growth was across cash loans and credit cards. However, with growing loan book, the share of Non-Performing Loans (NPL) too increased from 3.2% of total loan book in FY20 to 9.0% in FY23. Despite the increasing NPL, the NPL coverage ratio which indicates the company's ability to absorb future losses fell from 90.5% in FY20 to 37.7% in FY23. Over the forecasted period, we expect the loan book to rise from SAR 1,867mn in FY23 to SAR 4,395mn in FY29E, which translates into 15.3% CAGR over the said period.

Fig 41. Although NPL increased, the NPL coverage ratio fell from 90.5% in FY20 to 49.6% in FY23



Source: Company Prospectus, AlJazira Capital Research

Fig 42. Loan book to increase at 15.3% CAGR over FY23-29E

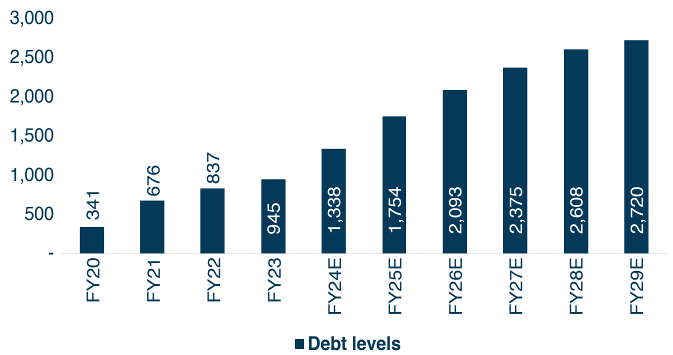


Source: Company Prospectus, AlJazira Capital Research

Debt levels to rise to source the growth in loan book over the forecasted period

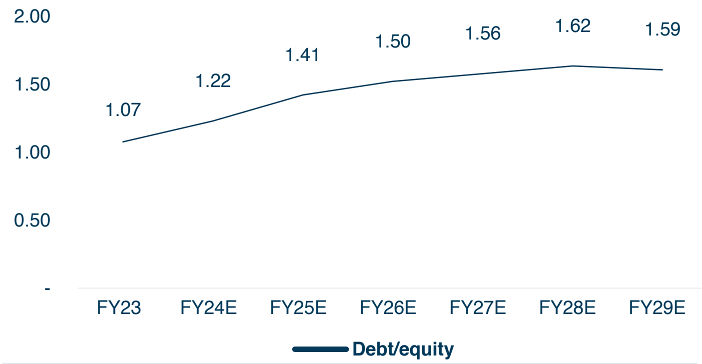
Over FY20-23 the debt levels of Tas'heel increased by 2.77x to SAR 945mn and was in tandem with the rise in loan book. However, over FY23-29E we expect the debt levels to grow faster than the loan book growth. We anticipate the debt levels to rise to SAR 2.7bn by FY29E. This surge in debt will also result in increase its debt/equity ratio to 1.59x by FY29E, from 1.07x in FY23.

Fig 43. To source growth in loan book, Tas'heel to elevate its debts



Source: Company Prospectus, Argaam, AlJazira Capital Research

Fig 44. Surge in debt to also increase the leverage ratio



Source: Company Prospectus, Argaam, AlJazira Capital Research

Investment Risks

1. Provisioning costs:

NBFI business is susceptible to the risk of higher provisioning costs, which can occur due to reasons like slower economic growth, higher than expected inflation, higher default rates.

2. Increase in competitive intensity:

Consumer finance sector is highly competitive as the company competes with other financial service companies like local and international banks, and other financing companies operating within KSA. Any opportunity for merger within the peers, could impact the company's business materially, due to increased size and wider customer base of the peer. Moreover, the entry and spread of BNPL players has been a key threat to the NBFI players like Tas'heel due to wider customer appeal.

3. Mismatch in cost of funds and lending yields:

Company relies on obtaining financing from commercial lending banks, while the profits depend rates based on SAIBOR. The returns earned on its loan book are fixed in nature while the interest paid on the loans borrowed are variable in nature. The company may be exposed to mismatch in the lending yield and cost of funds, which can significantly impact its business conditions.

Valuation

We have valued UIHC using a 50% weightage to two-stage gordon growtht Model and a 50% weightage to Residual Income based valuation. We value the company based on our forecasts for the next six years. We assumed a cost of equity of 10.5%, retention ratio of 20% and long-term growth rate of 5.0% to arrive at our dividend discount based valuation for UIHC. Our valuation of UIHC based on two-stage Gordon growth model yielded an equity value of SAR 4.75bn, translating into a value of SAR 190.0 per share. We also valued UIHC using residual income approach, wherein cost of equity was subtracted from our annual net income forecasts to arrive at the residual income. We assumed risk free rate of 4.25%, market risk premium of 6.25% and beta of 1.0 to arrive at cost of equity of 10.50%. Terminal growth rate is assumed at 2.50%. Based on the residual income based valuation our value is SAR 173.8 per share. Further assigning 50% weightage to DCF and 50% to P/E based valuation methodology, we have arrived at a weighted target price of **SAR 181.9 per share**.

Fig 45. Two-stage gordon growth Model

	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Net income	**213**	**295**	**357**	**427**	**463**	**489**
Dividend payout ratio	0%	50%	60%	70%	80%	80%
Dividends	0	147	214	299	371	391
Book value	1,100	1,248	1,391	1,519	1,611	1,709
RoE	21.4%	25.1%	27.1%	29.3%	29.6%	29.4%
PV of dividends	0	132	173	218	245	234
Terminal value						6,263
PV of terminal value						3,749
Sum of PV dividends						1,002
Equity value						4,751
Fair value per share						**190.0**

Source: AlJazira Capital Research

Fig 46. Residual Income Approach

	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Net income	**213**	**295**	**357**	**427**	**463**	**489**
Required return	116	131	146	159	169	179
Dividends	0	147	214	299	371	391
Residual income	98	164	211	267	294	309
Fair value per share						**173.8**

Source: AlJazira Capital Research

Fig 47. Weighted valuation summary

	TP (SAR)	Weight	Weighted TP
Two-stage gordon growth	190.0	50%	95.0
Residual Income	173.8	50%	86.9
Total			**181.9**

Source: AlJazira Capital Research

Key Financial Data

Amount in SAR mn, unless otherwise specified	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E
Income statement										
Commission income from finance and investments	131	301	417	524	617	770	913	1,027	1,122	1,187
Finance commission expenses	(5)	(11)	(28)	(63)	(78)	(78)	(82)	(89)	(99)	(106)
Net financing and investments income	**125**	**290**	**389**	**461**	**539**	**693**	**831**	**938**	**1,023**	**1,081**
G&A exp	(27)	(41)	(50)	(58)	(68)	(84)	(101)	(114)	(125)	(133)
S&M exp	(53)	(81)	(88)	(107)	(127)	(159)	(187)	(210)	(229)	(241)
Profit before tax	**27**	**143**	**215**	**237**	**238**	**329**	**399**	**476**	**517**	**545**
Zakat	(5)	(14)	(22)	(24)	(25)	(34)	(41)	(49)	(53)	(56)
Net income	**21**	**129**	**194**	**212**	**213**	**295**	**357**	**427**	**463**	**489**
Y/Y		**503%**	**50%**	**10%**	**0%**	**38%**	**21%**	**19%**	**9%**	**5%**
EPS	**0.85**	**5.15**	**7.74**	**8.49**	**8.53**	**11.79**	**14.30**	**17.07**	**18.54**	**19.54**
DPS	**-**	**-**	**-**	**-**	**-**	**6.00**	**8.50**	**12.00**	**14.75**	**15.75**
Balance sheet										
Cash and cash equivalents	57	34	21	22	53	65	76	85	92	96
Prepayments & Other receivables	3	15	15	14	19	23	27	30	33	34
Net Financing Investments	703	1,186	1,555	1,867	2,428	2,986	3,464	3,869	4,190	4,395
Property and equipment	5	5	5	4	4	5	5	5	5	5
Intangible assets	13	17	17	18	20	23	24	25	25	24
Total Assets	**781**	**1,258**	**1,613**	**1,926**	**2,524**	**3,102**	**3,596**	**4,014**	**4,345**	**4,555**
Accounts payable	79	80	73	63	64	75	84	90	94	95
Loans	341	676	837	945	1,338	1,754	2,093	2,375	2,608	2,720
Other	10	21	28	31	21	25	28	30	31	32
Total Equity	352	481	675	887	1,100	1,248	1,391	1,519	1,611	1,709
Total Liabilities	430	777	938	1,039	1,423	1,854	2,205	2,495	2,733	2,846
Total Equity & Liabilities	**781**	**1,258**	**1,613**	**1,926**	**2,524**	**3,102**	**3,596**	**4,014**	**4,345**	**4,555**
Key fundamental ratios										
Capital Ratios										
Equity/ Total Assets	0.45	0.38	0.42	0.46	0.44	0.40	0.39	0.38	0.37	0.38
Profitability Ratios										
NIMs	29.6%	30.7%	28.4%	26.9%	25.1%	25.6%	25.8%	25.6%	25.4%	25.2%
Return On Assets (ROA)		12.6%	13.5%	12.0%	9.6%	10.5%	10.7%	11.2%	11.1%	11.0%
Return On Equity (ROE)		30.9%	33.5%	27.2%	21.4%	25.1%	27.1%	29.3%	29.6%	29.4%
ROE/ROA (Leverage Ratio) (X)		2.45	2.48	2.27	2.24	2.40	2.54	2.62	2.67	2.68
Asset Quality Ratios										
NPL ratio	3.2%	4.2%	5.8%	9.0%	8.5%	8.4%	8.3%	8.4%	8.4%	8.5%
NPL Coverage	90.5%	66.3%	51.7%	37.7%	38.7%	40.7%	46.7%	47.7%	48.7%	49.7%
Market/valuation ratios										
DPS		-	-	-	-	6.00	8.50	12.00	14.75	15.75
Dividend Yield					0.0%	4.5%	6.4%	9.1%	11.2%	11.9%
Book Value Per Share (BVPS)		19.23	26.98	35.49	44.01	49.91	55.63	60.75	64.45	68.36
Market price					132	132	132	132	132	132
PE (x)		-	-	-	15.5	11.2	9.2	7.7	7.1	6.8
PB (x)		-	-	-	3.0	2.6	2.4	2.2	2.0	1.9

Source: Company Prospectus, AlJazira Cap

الجزيرة كابيتال
ALJAZIRA CAPITAL الجزيرة للأسواق المالية

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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