GIB CAPITAL جي آي بي كابيتال

Target Price: SAR160/share
Current Price: SAR132/share
Upside: 21% (+Div. Yield: 4.4%)
Rating: Overweight

United International Holding Company (UIHC)

An accelerating business with digitization & innovation at core

- Tas'heel is the second largest, one of the fastest growing, and highly profitable (ROAE 27% in 2023) NBFI in KSA's underpenetrated consumer finance sector.
- We expect Tas'heel to capitalize on the growth in the KSA's consumer finance market and expand its loan book at a healthy 17.6% CAGR between 2023-28e, resulting in a topline expansion of 16.6% CAGR and earnings growth of 13.4% CAGR.
- We value the Tas'heel at SAR160/share using an equal weightage of residual income method and relative valuation (3x P/B) and initiate with an Overweight rating.

Tas'heel a leading Sharia compliant NBFI in KSA… Tas'heel, a subsidiary of UIHC, is one of the leading (8% market share) and fastest growing (loan book expansion +38% CAGR 2020-23) consumer finance providers in KSA, offering a range of Sharia-compliant financial solutions tailored to consumer needs (>200k customers). Tas'heel has developed a robust digital platform that enables customers to apply for loans and receive funds online (80% online application, with ~90% processed in <20 mins). The company has a widespread geographic presence (76 branches in 28 cities in KSA). Led by a seasoned management team, Tas'heel is poised for continued growth, driven by favorable macro dynamics, increasing consumer base, sector growth (consumer loan growth ~5% CAGR 2023-28e), financial excellence and operational efficiency.

…well positioned for future growth: We forecast Tas'heel's loan book to expand at a robust 17.6% CAGR between 2023-28e. While cash loans will continue to remain the flagship product (+14.4% CAGR; 71% share by 2028e), the Islamic credit card segment, particularly Baseeta, is poised for explosive growth (+80% CAGR; ~28% share). The company has a robust funding profile with leverage ratio well below the regulatory requirement (2.1x in 2023 vs. 3.0x threshold), supporting the future loan expansion. We expect the company's topline to grow at 16.6% CAGR during the forecast period, aided by stable asset yield (average ~27.4% vs. 30.6% in 2023) and declining borrowing rate (average ~5.6% vs. 7.1% in 2023). Operational efficiency (average cost to income ratio of 36.1%) and effective risk management (8.8% NPL ratio by 2028e, and average COR 450bps) will drive a 13.4% CAGR rise in net income. This strong performance is expected to result in a robust average ROAE of 23.9% over the forecast period.

Stock data

TASI ticker	4083
Listing MCap (SARmn)	3,300
Issue Size (mn*)	7.5
Offering	30%
Inst. Offering (mn*)	6.8
Retail Offering (mn*)	0.8
IPO size (SARmn)	990

*Source: Company data, *mn shares*

Figure 1: Key financial metrics

SARmn	2022a	2023a	2024e	2025e	2026e
Net revenue	389	461	522	668	794
NIM	28%	27%	24%	24%	24%
Cost to income ratio	36%	36%	36%	36%	36%
Net impairment losses	41	61	95	133	157
COR (bps)	289	343	420	454	455
Profit for the year	193	212	214	265	316
Net margin	50%	46%	41%	40%	40%
Net loans	1,555	1,867	2,519	3,127	3,527
y/y	31%	20%	35%	24%	13%
Borrowings	837	945	1,385	1,939	2,222
P/E	17.1x	15.5x	15.4x	12.5x	10.4x

Source: Company data, GIB Capital

Kunal Doshi
+966-11-834 8372
Kunal.doshi@gibcapital.com

Risks: Downside risks include interest rate risks, credit and asset quality risks, operational risks related to digital infrastructure, regulatory and systematic risks, and liquidity risks.

Investment Case

KSA's consumer finance market remains under penetrated…

Saudi Arabia's consumer finance market is notably underpenetrated compared to regional and global peers (Figure 2). In 2023, the Kingdom's consumer credit-to-GDP ratio stood at 13%, well below the UAE (21.1%) and US (21.1%), the UK (16%), the GCC average (15.3%), and the global and G20 ratio of 16.4%. This indicates substantial growth potential for the consumer finance sector in KSA. A combination of factors, including a robust macroeconomic environment, favorable demographics, proactive government initiatives, rising consumer confidence, and expanded access to credit products, is expected to drive the growth.

Figure 2: Global comparison: consumer credit (includes consumer finance and auto loans) as a % GDP

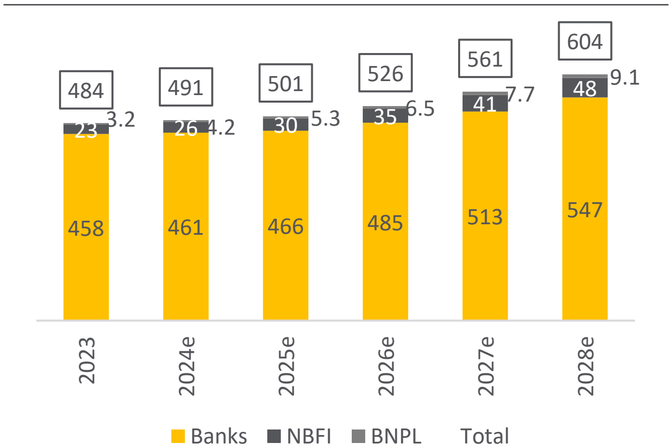
Geography	2019	2020	2021	2022	2023
KSA	12.1%	15.0%	14.9%	12.6%	13.0%
UAE	21.6%	28.4%	24.9%	20.4%	21.1%
US	22.9%	22.7%	21.6%	21.5%	21.1%
UK	16.0%	17.1%	16.9%	16.3%	16.0%
GCC	14.8%	19.9%	18.0%	14.3%	15.3%
G20	16.9%	17.5%	16.8%	16.4%	16.4%
World	16.6%	17.2%	16.6%	16.3%	16.4%

Source: Company IPO prospectus, y/y ex rates, current prices

…with healthy growth potential driven by…

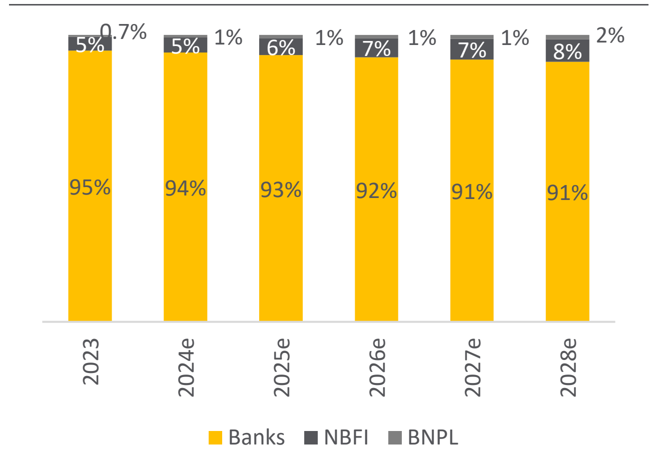
KSA's consumer finance market experienced substantial growth between 2019 and 2023, expanding at a ~9% CAGR. This growth was driven by various factors, including a supportive regulatory environment, evolving consumer preferences, and the government's strategic vision to establish the Kingdom as a cashless society and fintech hub. Looking ahead, the market is projected to sustain its upward trajectory, albeit at a moderated pace of 5% CAGR, reaching SAR604bn by 2028e. While continuing to dominate the market, traditional banks are expected to gradually lose ground as consumers increasingly favor the flexibility and convenience offered by NBFIs and BNPL players. Accordingly, NBFIs are projected to grow their market share to 8% by 2028e (5% in 2023), led by their focus on digital innovation and customer-centric solutions.

Figure 3: KSA consumer finance market size by providers (SARbn)



Source: Company IPO prospectus, GIB Capital

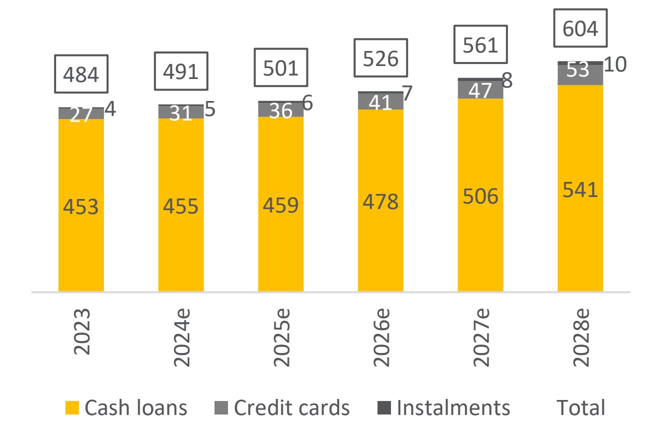
Figure 4: KSA consumer finance market share by providers



Source: Company IPO prospectus, GIB Capital

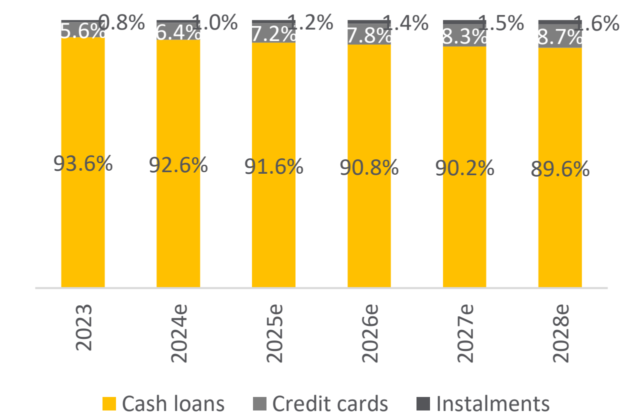
In terms of products, cash loans will remain the cornerstone of the consumer finance market, growing at a 3.6% CAGR during 2023-28e, and accounting for ~90% of the total market by 2028e, followed by credit cards (+14.2% CAGR; ~9% market share) and instalments (+20.2% CAGR; ~1%).

Figure 5: KSA consumer finance market size by products (SARbn)



Source: Company IPO prospectus, GIB Capital

Figure 6: KSA consumer finance market share by products



Source: Company IPO prospectus, GIB Capital

…favorable government initiatives under Vision 2030 initiatives and…

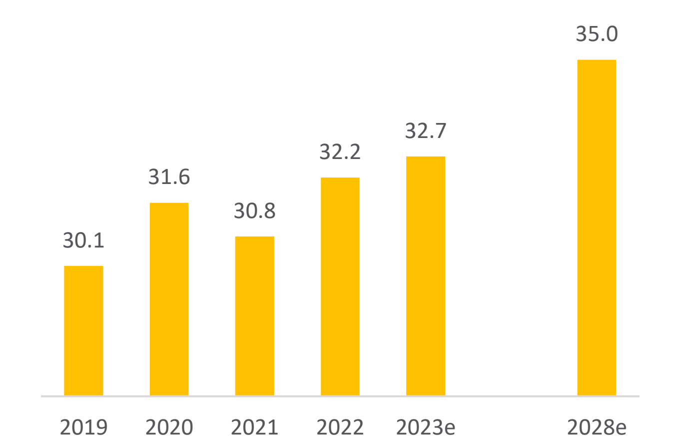
Saudi Arabia is undergoing a transformative shift under Vision 2030, focusing on diversifying its economy away from oil reliance. The financial sector will play a key role in this transformation, and the government has launched favorable policies such as the Financial Sector Development Program (FSDP) in 2018 to support the country's financial sector growth. The FSDP has set ambitious targets for 2030, including: i) Total banking assets of US$935bn, ii) a market value of Tadawul (excluding Saudi Aramco) exceeding 80% of GDP, iii) establishing 230 FinTech companies, iv) increasing the share of SME financing from banks to 11%, v) raising the contribution of gross written premiums to non-oil GDP to 2.4%, and vi) achieving a 70% digital payment adoption rate.

The implementation of these policies has yielded significant results. Cashless transactions have surged to 70% by the end of 2023, ahead of the 2025 target, driven by advancements in broadband infrastructure and near-universal internet penetration (99% in 2023, up from 95.7% in 2019). These reforms have also created a fertile environment for the consumer finance sector and have boosted disposable incomes and economic inclusivity. (NBFIs) like Tas'heel are well-positioned to capitalize on this growth. By leveraging digital innovation, NBFIs are expanding their product offerings and driving financial inclusion.

…a growing consumer base

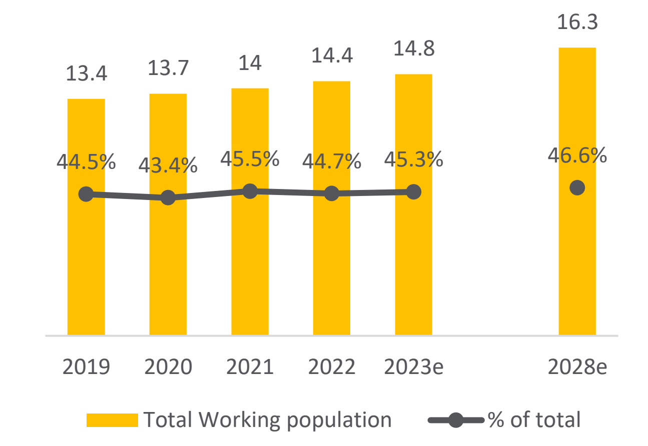
Saudi Arabia's evolving demographic landscape is set to fuel consumer demand, creating strong momentum for the expansion of its consumer finance market. KSA's population is expected to reach 35mn by 2028e, growing at a 1.4% CAGR between 2023-28e. Likewise, the working population is projected to grow at a faster rate of 1.9% CAGR between 2023-28e, with its share rising to 46.6% of the population. This along with urbanization (85.4% by 2028e from 84.7% in 2023e), economic liberalization, financial inclusion (unbanked population declined to 15.7% in 2023e vs. 26.8% in 2019), and rising female workforce participation (18.3% in 2028e vs. 17.8% in 2023e) are expected to boost the consumer base. Moreover, the growing expatriate population, who typically lack access to the same subsidy schemes as Saudi citizens, and the tech-savvy younger population will drive demand for consumer finance products.

Figure 7: KSA total population growth estimates (mn)



Source: Company IPO prospectus, GIB Capital

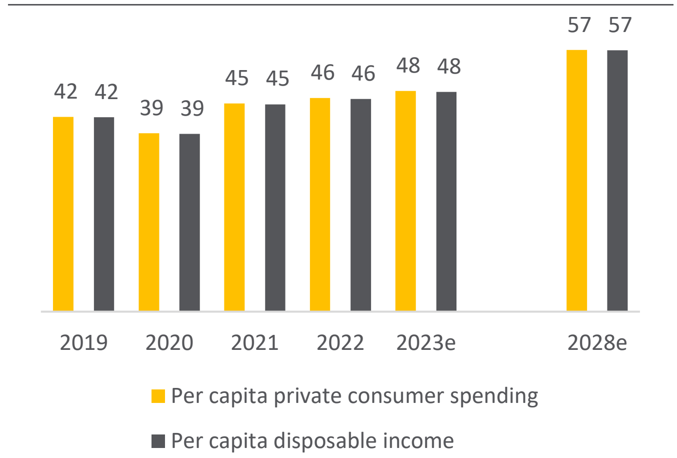
Figure 8: KSA working population grwoth estimates (mn)



Source: Company IPO prospectus, GIB Capital

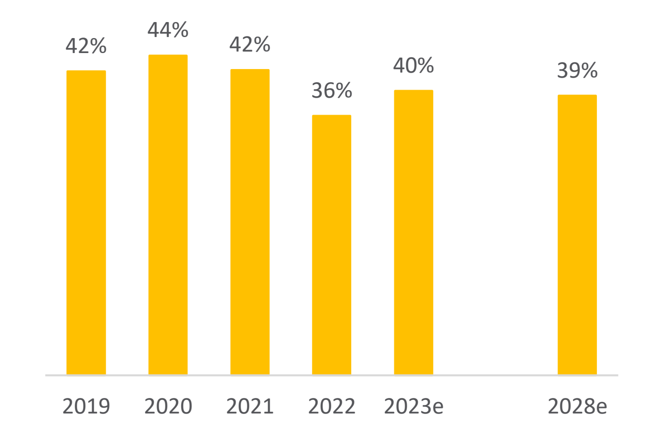
These factors are expected to boost disposable incomes and create a shift towards a consumer-driven economy. These demographic trends indicate a steadily expanding consumer base, which is expected to drive growth in the consumer finance market.

Figure 9: Per capita private consumer spending and disposable income (SAR '000)



Source: Company IPO prospectus, GIB Capital

Figure 10: KSA consumer spending as a percentage of GDP



Source: Company IPO prospectus, GIB Capital

As a result, NBFIs are projected to significantly expand their footprint within the consumer finance sector, solidifying their presence across key product categories. In the cash loan segment, NBFIs are anticipated to experience healthy growth, with their market share projected to increase to ~8% by 2028e from ~5% in 2023.

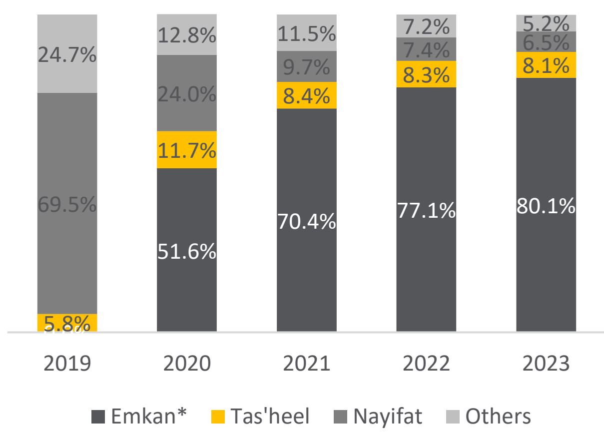
Meanwhile, the installments market is expected to gradually shift towards the credit card segment with the launch of new innovative products. Tas'heel, a leading player in the NBFI sector, is at the forefront of this shift with the introduction of Baseeta. This innovative product combines the features of BNPL and traditional installment loans, enabling it to compete with bank-issued Easy Payment Plans (EPP) and BNPL services.

Tas'heel is well-positioned to capitalize on this sector's growth, with accelerating business expansion. By keeping innovation and customer requirements at the core, the company is expected to expand its presence in both the cash loans and credit card segments.

Tas'heel - second largest NBFI – a key beneficiary of favorable market dynamics

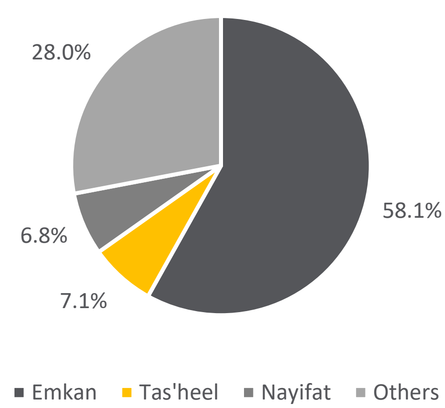
Tas'heel is a significant player in KSA's NBFI consumer finance market, holding an 8.1% market share in 2023. This places it second behind Emkan (80.1%) and ahead of Nayifat (6.5%). While other players like Nayifat have experienced a decline in market share, Tas'heel has maintained its position. This is attributed to its strong brand recognition, extensive distribution network, and established customer trust, particularly through its long-standing presence in eXtra stores.

Figure 11: KSA NBFIs market share trend



*Source: Company IPO prospectus, GIB Capital *Emkan's financial data not exactly comparable as it includes non-consumer finance segments like SME loans and Auto leasing*

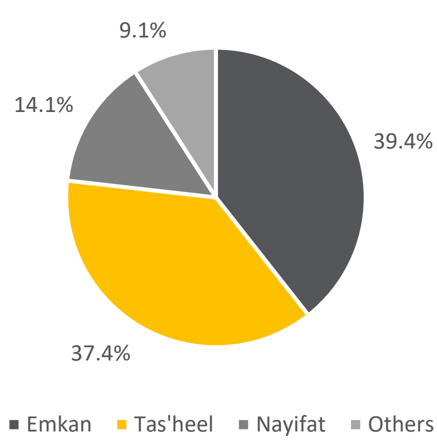
Figure 12: KSA NBFIs market share trend – Cash loans (2023)



Source: Company IPO prospectus, GIB Capital

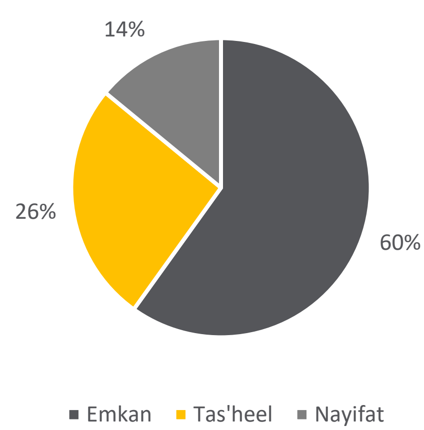
Tas'heel holds strong market positions in various product categories: i) **Cash Loans:** Tas'heel ranks second with a 7.1% market share, trailing only market leader Emkan (58.1%) and ahead of Nayifat (7.1%), ii) **Instalments:** Tas'heel is a pioneer in this segment, holding the second-largest market share with 37.4%, closely trailing Emkan (39.4%), and iii) **Credit Cards:** Despite entering the market later in 2022, Tas'heel has secured a significant 26% market share, surpassing Nayifat (14%) and trailing only Emkan (60%).

Figure 13: KSA NBFIs market share trend – Instalments (2023)



Source: Company IPO prospectus, GIB Capital

Figure 14: KSA NBFIs market share trend – Credit cards (2023)

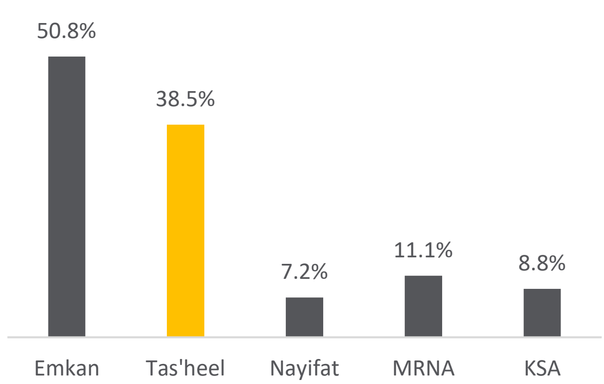


Source: Company IPO prospectus, GIB Capital

Operating a robust and sustainable profitable business model

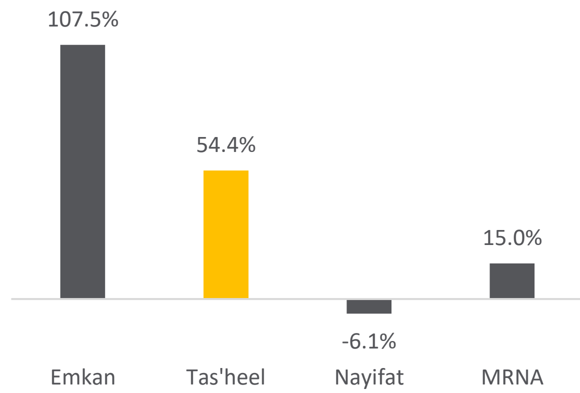
Tas'heel's loan book has grown at an impressive 38.5% CAGR between 2020 and 2023, outpacing most industry peers except Emkan. This growth significantly exceeds the overall consumer finance industry's CAGR of 8.8% during the same period. Additionally, Tas'heel's net revenue growth during 2020–23 stood at 54.4% CAGR, surpassing most competitors, with only Emkan ahead in this metric.

Figure 15: Loan growth (CAGR 2020-23)



Source: Company data, GIB Capital

Figure 16: Net revenue growth (CAGR 2020-23)



Source: Company data, GIB Capital

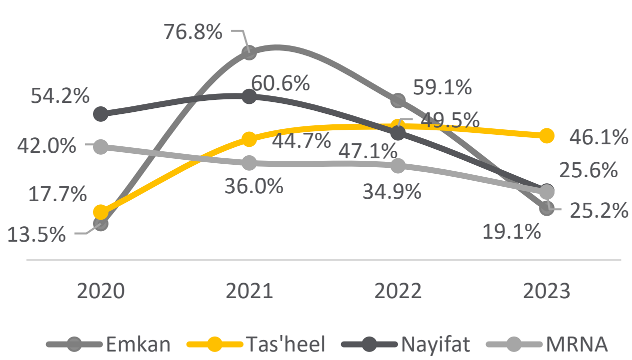
In terms of profitability, Tas'heel leads the industry with a net margin of 46.1% and a ROAE of 27% in 2023. These figures are substantially higher than Emkan's net margin of 19.1% and ROAE of 6.2%. As illustrated in Figure 17, Tas'heel's high profitability stems from its effective risk management and operational excellence which has resulted in lower cost of risk (343 bps in 2023) and cost to income ratio (36% in 2023 vs. peer average 50%) which has led to industry leading margins (46% in 2023 vs. peer average ~29%), ROAA (12% vs. 5%) and optimal leverage metrics (2.27x vs. peer average 2.21x), which in turn has boosted ROAE (27% in 2023).

Figure 17: RoAE driver analysis - 2023

Company name	Net margin	Asset Turnover	ROAA	Leverage	ROAE
Tas'heel	0.46	0.26	12%	2.27	27%
Emkan	0.19	0.10	2%	3.24	6%
Nayifat	0.26	0.17	4%	1.51	7%
MRNA	0.25	0.10	2%	1.82	4%

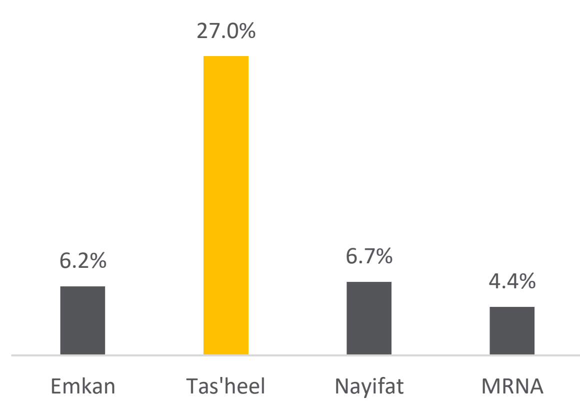
Source: Company data, GIB Capital

Figure 18: Net margin



Source: Company data, GIB Capital

Figure 19: ROAE 2023

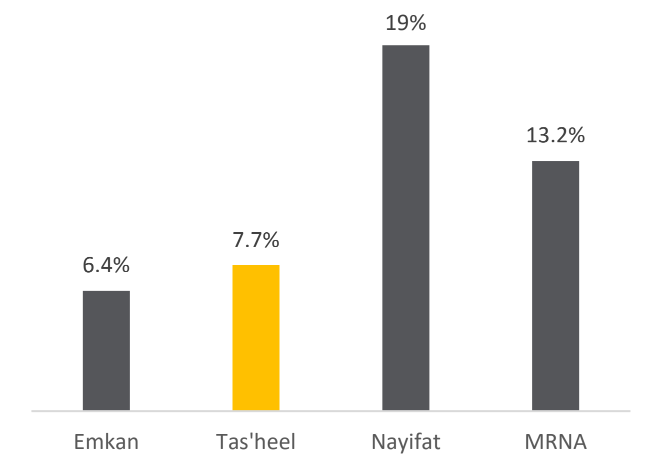


Source: Company data, GIB Capital

Effective risk management

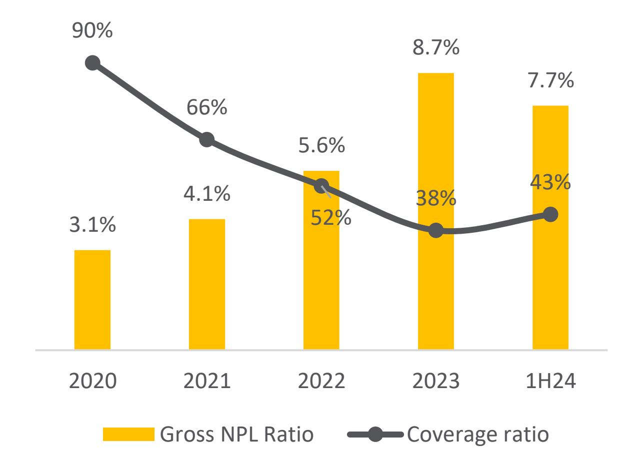
The company has established a sophisticated risk management framework to address both current and potential risks. This ECL model enables Tas'heel to offer guarantee-free loans while efficiently managing defaults, provisioning, and maintaining a competitive edge. Tas'heel's gross NPL ratio has risen in recent years, reaching 7.7% at the end of 1H24, compared to 3.1% in 2020. However, this remains significantly lower than its industry peers, with Nayifat reporting an NPL ratio of 19% and MRNA at 13.2% during the same period.

Figure 20: Tas'heel peers Gross NPL ratio comparison (1H24)



Source: Company data, GIB Capital

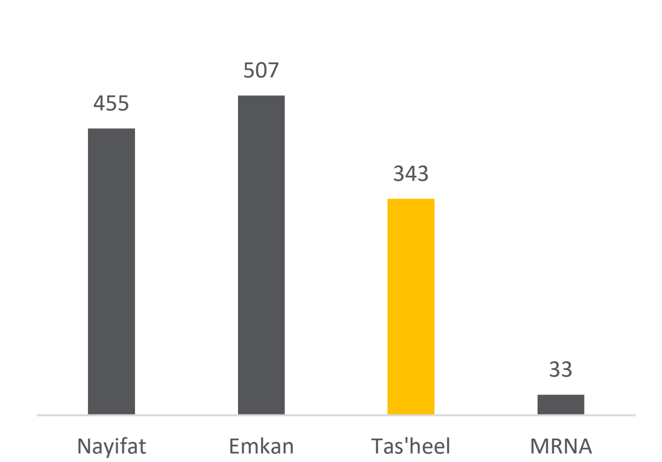
Figure 21: Tas'heel Gross NPL and Coverage ratio trend



Source: Company data, GIB Capital

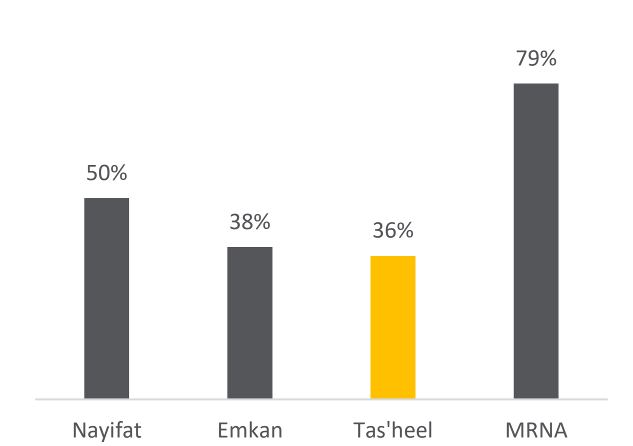
Risk management has resulted in the company reporting lower cost of risk of 343 bps in 2023 compared to 455 bps of Nayifat and 507 bps of Emkan. Given the higher risk associated with NBFI consumer finance business the COR and coverage ratio may seem lower; however, this is attributed to company's ECL models and effective collection strategy, with a recovery rate of more than 70% of overdue amounts exceeding 180 days, which supports the lower provisioning. Moreover, the company also has solid cost control measures in place which has resulted in the lowest cost to income ratio (36% in 2023) compared to its peers (Emkan 38% and Nayifat 50%). This gives Tas'heel an edge over its peers.

Figure 22: Tas'heel peers COR (bps) comparison - 2023



Source: Company data, GIB Capital

Figure 23: Tas'heel peers Cost to income ratio comparison - 2023

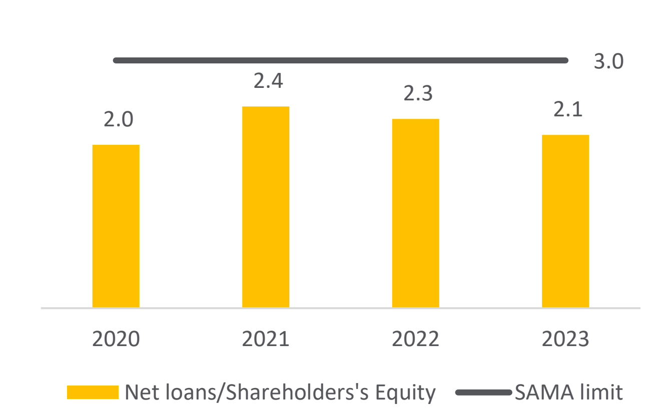


Source: Company data, GIB Capital

Stable funding profile

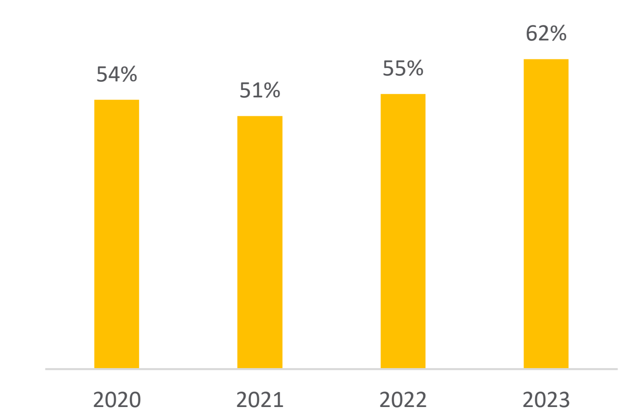
The company boasts a robust financial position, characterized by growing cash flows, a diversified funding strategy with strong relationships with financial institutions. This has allowed the company to maintain an optimal exposure limit ratio, ensuring financial resilience and long-term sustainability. Tas'heel's leverage ratio of 2.1x at the end of 2023 is well below the regulatory limit of 3.0x, indicating a healthy financial buffer. However, the borrowing to loan ratio increased to 62% in 2023 from 54% in 2020. While this suggests a growing reliance on bank borrowings to fund loan growth, it is expected to be beneficial in the current low-interest rate environment. Tas'heel's optimal exposure limit ratio, along with its ability to obtain external financing, enables it to expand its loan book at a healthy pace without any concerns of regulatory limits.

Figure 24: Net loans/Shareholders's Equity (x)



Source: Company data, GIB Capital

Figure 25: Borrowings/Net loans



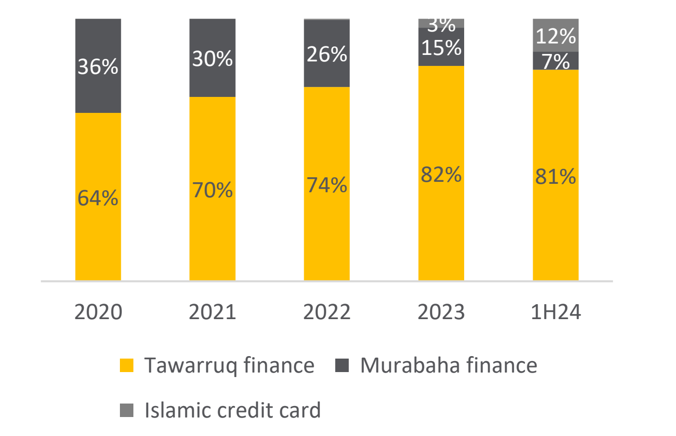
Source: Company data, GIB Capital

Portfolio diversification to reduce credit risk

Given the inherently higher credit risk associated with NBFI lending, portfolio diversification and optimization are critical for mitigating risks and enhancing profitability. Tas'heel offers a broad range of Shariah-compliant financing solutions, including: i**) Tawarruq finance** (forward sale or cash loans), ii) **Murabaha finance** (instalment sales or product loans), and **iii) Islamic credit card financing**, which also includes the new innovative iv) **Baseeta service**. These offerings cater to both Saudi nationals and expatriates, reflecting Tas'heel's commitment to a diverse and inclusive customer base. The company's strategic diversification efforts have strengthened its credit risk profile while improving profitability.

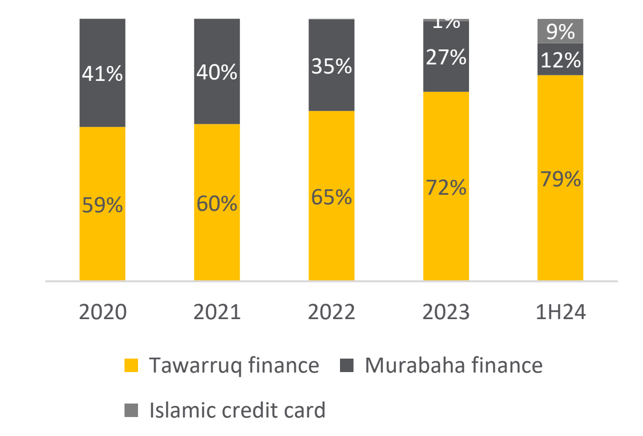
As of 1H24, Tawarruq finance constituted the majority of Tas'heel's financing portfolio, accounting for 81% of the total. Islamic credit card financing followed with a 12% share, while Murabaha finance contributed the remaining 7%. In terms of income, Tawarruq finance generated 79%, Murabaha finance 12%, and Islamic credit card financing 9%. We have included detailed product description in the "Company Profile" section.

Figure 26: Islamic financing contracts mix



Source: Company data, GIB Capital, GIB Capital

Figure 27: Income from Islamic financing contracts mix



Source: Company data, GIB Capital, GIB Capital

Supported by robust operational excellence and distribution capabilities

Tas'heel's robust integrated digital processes allow its customers to swiftly apply for and obtain personal finance and product financing. Tas'heel is a data-driven analytics organization with a strong focus on product development. The company has developed a distinguished customer base, with over 200k clients served since inception. The company boasts an end-to-end digital process for obtaining loans, with around 80% of all financing applications made entirely online. 90% of the online applications are processed in under 20 minutes. The company has a presence across 28 cities in Saudi Arabia and has an extensive network of over 76 branches and strategic partnerships. The company has also installed self-service kiosks at over 310+ sites. Through its alignment with Extra’s retail channel and continued focus on innovation, Tas’heel is well-equipped to sustain its growth trajectory and remain a key player in the Kingdom's evolving financial landscape.

Healthy financial outlook

We expect Tas'heel to continue its growth trajectory, with a focus on expanding its loan book, particularly in cash loans and Islamic credit cards, especially the innovative Baseeta product. The company will strive to optimize its asset yields and reduce borrowing costs to enhance profitability. By maintaining a strong focus on risk management and operational efficiency, Tas'heel is well-positioned to deliver sustainable growth and improved profitability.

Accordingly, we expect Tas'heel's loan book to expand at a robust 17.6% CAGR between 2023-28e. This will be driven by expansion in the cash loan book by 14.4% CAGR and the Islamic credit card segment, which we expect to grow by 79.9% CAGR during the period. We believe cash loans will continue to remain Tas'heel's core product, accounting for 71% of the loan book by 2028e. The Islamic credit card segment is expected to increase its share to 28%, as Baseeta witness higher absorption from the customers. Meanwhile, Murabaha instalment loans would be strategically phased out. The company’s strong funding profile is expected to support this loan expansion. We foresee the borrowings-to-loan ratio rising to an average of 62% during 2024-28e (up from 51% in 2023), as the company takes advantage of the declining interest rate environment (finance costs are linked to SAIBOR). Additionally, we expect the leverage ratio (net loans to total equity) to remain well below the regulatory requirement, averaging 2.5x (vs. a 3.0x threshold), with the ratio in 2023 at 2.1x.

This leads us to project the company's topline to grow at a 16.6% CAGR during the forecast period, primarily driven by income from the Islamic credit card segment, which is expected to grow at a 127.7% CAGR, while income from cash loans will continue to grow at a more moderate rate of 16.1% CAGR. Revenue growth will be supported by loan book expansion, stable asset yields (asset yields are relatively fixed and not linked to benchmark rates) averaging 27.4% (down from 30.6% in 2023), and declining borrowing rates (averaging 5.6% vs. 7.1% in 2023).

Finally, the company's operational efficiency, with an average cost-to-income ratio of 36.1%, and effective risk management, with an expected 8.8% NPL ratio by 2028e and an average cost of risk (COR) of 450bps, will drive a 13.4% CAGR increase in net income. This strong performance is expected to result in a robust average ROAE of 23.9% over the forecast period.

Experienced management team

The group's management team includes distinguished professionals and entrepreneurs who have global expertise in the sectors (cumulative experience of more than 250 years) and an exceptional skillset. This experienced team dynamically guides and manages the company's operations, making critical decisions to achieve its objectives. The team's focus on continuous improvement of internal processes ensures the highest standards of performance and quality.

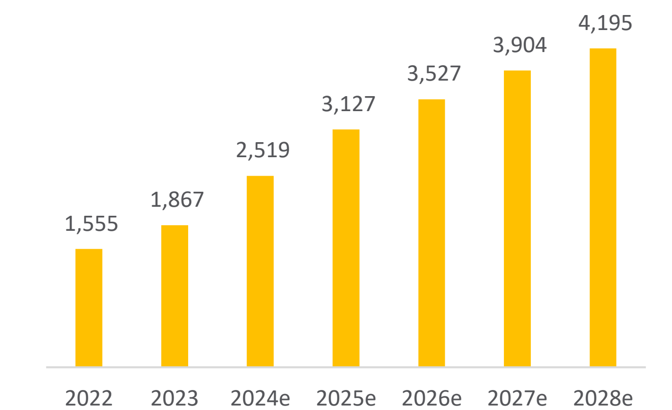
Key assumptions

1. Islamic financing contracts (Loans)

Tas'heel's loan book has demonstrated robust growth, expanding at a 38.5% CAGR between 2020 and 2023, reaching SAR1.9bn by the end of 2023. This growth was primarily driven by Tawarruq finance (+50.3% CAGR). The Islamic credit card segment, introduced in 2022, has also contributed to the growth, with the book growing nearly 10x by 2023 (40x by 1H24). Meanwhile, Murabaha finance saw a decline as Tas'heel strategically began phasing out this product in favor of its new innovative Baseeta offering.

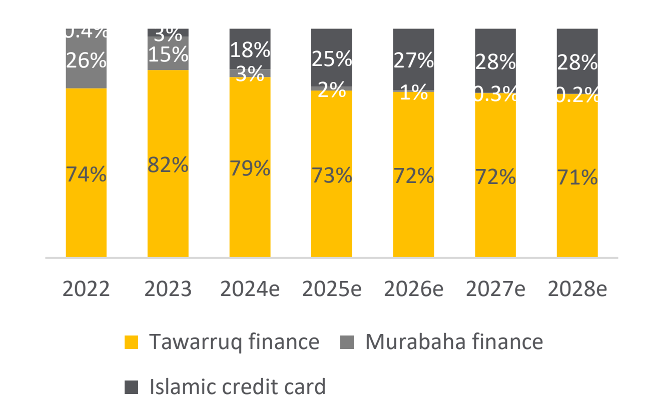
Looking ahead, we expect Tas'heel's loan book to grow at an 17.6% CAGR between 2023 and 2028e, reaching SAR4.2bn. We continue to believe the cash loans segment will remain the flagship product (71% share in loan mix by 2028e vs. 82% in 2023), despite a decline in its share of the loan portfolio, growing at an 14.4% CAGR during this period. We expect the most significant growth to come from the Islamic credit card segment, anticipated to grow at an explosive 79.9% CAGR and reach a 28% share (vs. 3% in 2023) of the loan portfolio by 2028e, largely driven by the increasing adoption of Baseeta. Meanwhile, in line with the company strategy we gradually phase out Murabaha finance.

Figure 28: Tas'heel loan forecast (SAR mn)



Source: Company data, GIB Capital

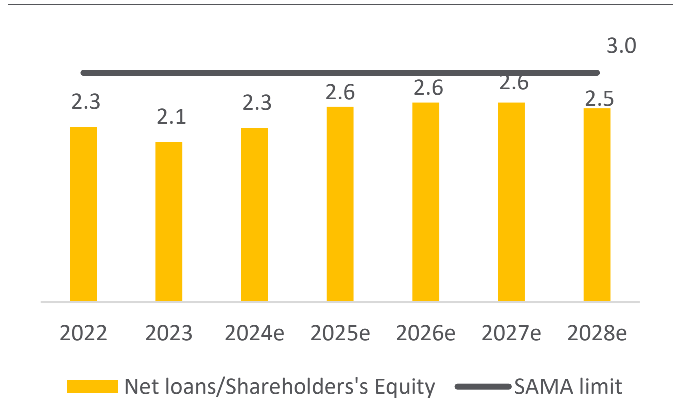
Figure 29: Tas'heel loan mix



Source: Company data, GIB Capital

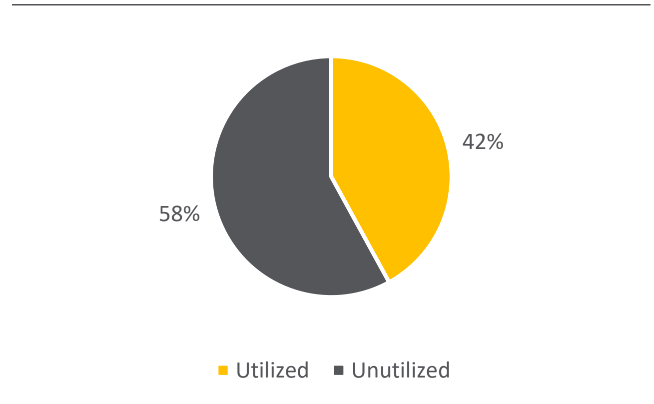
Tas'heel's leverage ratio of 2.1x at the end of 2023 is well below the regulatory threshold of 3.0x, indicating ample room for future loan book expansion without regulatory constraints. We forecast the ratio to remain at an average 2.5x, comfortably below the threshold. Additionally, Tas'heel has utilized ~42% of its bank borrowing facilities, further supporting loan growth.

Figure 30: Net loans to Total Equity



Source: Company data, GIB Capital

Figure 31: Utilization of borrowing facility



Source: Company data, GIB Capital

2. Borrowings

Tas'heel utilizes bank borrowings to forward loans to its customers. All the company's borrowings are SAR denominated and carry interest based on SAIBOR plus a profit margin. Most of the loans are scheduled to be repaid monthly or quarterly. Moreover, certain borrowing facilities also have financial covenants, and the company is in compliance with all financial covenants as at the end of 2023.

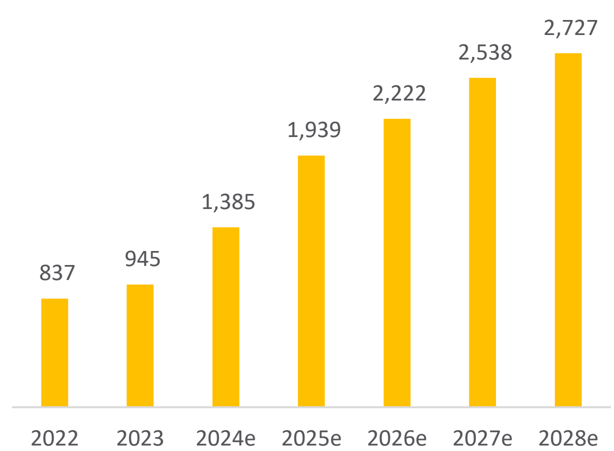
Figure 32: Borrowings key terms (SAR mn)

Particulars	BSF	Al Bilad	SAB*	Riyadh	Al Rajhi	Alinma
Facility amount	250	300	5,000	4,000	400	400
Utilization	0.00%	0.00%	50.00%	0.00%	89.10%	83.30%
Currency	SAR	SAR	SAR	SAR	SAR	SAR
Agreement start date	October 2022	March 2020	August 2023	February 2020	December 2022	March 2023
Tenor	Short-term revolving	66 months with six months grace period	57 months with three months grace period (includes six months availability)	54 months with six months grace period	60 months	48 / 60 months
Borrowing rate	SAIBOR + agreed upon margins					
Repayment terms	Based on loan tenor	Monthly/ Quarterly	Quarterly	Monthly/ Quarterly	Quarterly	Quarterly

*Source: Company data, GIB Capital *The limit excludes a hedging facility of SAR40mn*

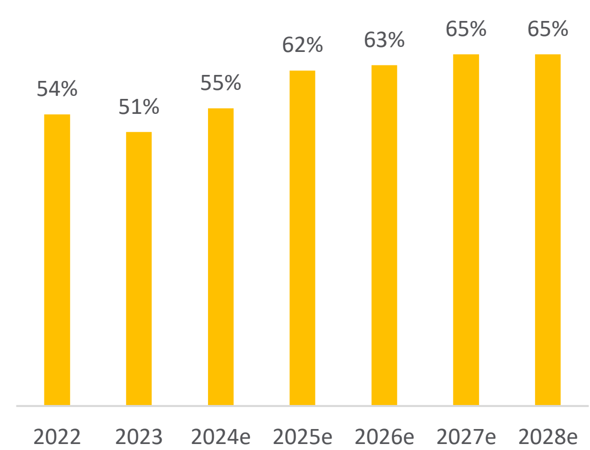
Tas'heel's borrowings have grown rapidly, increasing at a 40.5% CAGR between 2020 and 2023, reaching SAR 0.95bn by 2023, supporting the loan growth. With only 42% of its total borrowing facility utilized, the company is well positioned to expand its loan portfolio. We forecast borrowings to grow at a 23.6% CAGR between 2023 and 2028e, reaching SAR2.7bn by 2028e. The borrowings-to-net loans ratio is expected to increase from 51% to 65% by 2028e, driven by a favorable interest rate environment resulting in increased reliance on bank borrowings to fund loan growth.

Figure 33: Tas'heel borrowings forecast (SAR mn)



Source: Company data, GIB Capital

Figure 34: Borrowings to net loans ratio

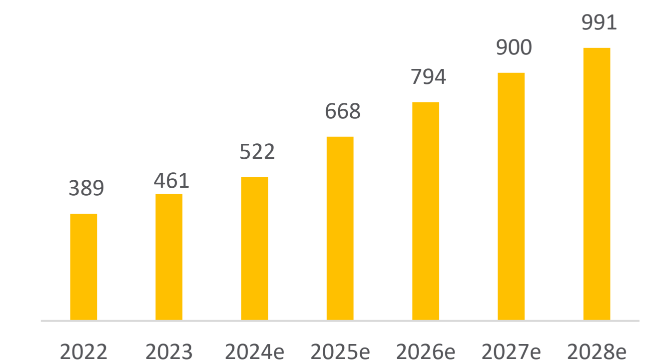


Source: Company data, GIB Capital

3. Net revenue from Islamic financing contracts

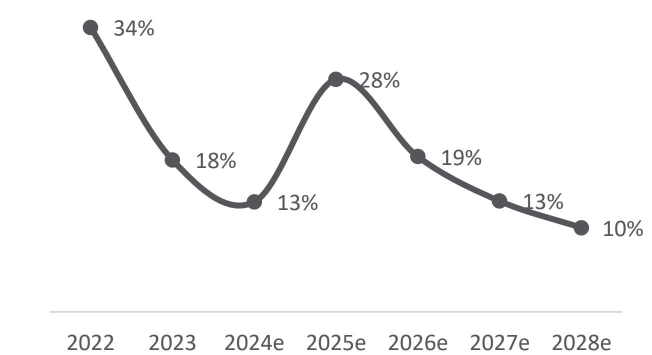
Tas'heel's net income from Islamic financing contracts, calculated as the difference between total income (derived from asset yields on loans) and finance costs (incurred on borrowings), has significantly increased from SAR125mn in 2020 to SAR461mn in 2023, a 54.4% CAGR. Looking ahead, we project net income from Islamic financing contracts to grow at a 16.6% CAGR from 2023 to 2028e, reaching SAR 991mn. This growth will be driven by a 16.3% CAGR increase in total income from financing contracts, while finance costs are expected to rise at a slightly lower 14.6% CAGR over the same period.

Figure 35: Net income from Islamic financing trend (SARmn)



Source: Company data, GIB Capital

Figure 36: Net income from Islamic financing trend growth (y/y)

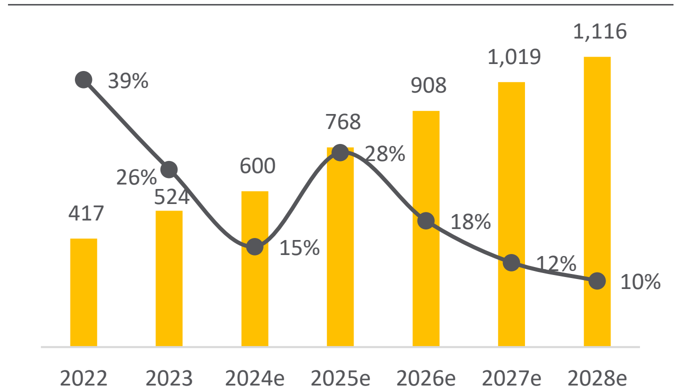


Source: Company data, GIB Capital

Asset Yields

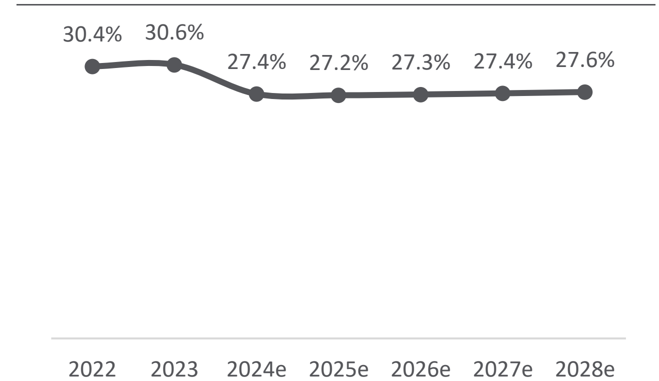
The company's income primarily stems from Islamic financing contracts, including profit from Tawarruq and Murabaha loans, as well as late fees on Islamic credit cards. Additional revenue sources include interchange fees, origination fees, and other customer charges. The company employs an effective yield method, applying a profit rate to outstanding loan balances over their tenure. The profit rates are fixed throughout the tenure of the loan. Further we note that Tas'heel's asset yields are not tied to benchmark rates, as evidenced by their historical stability between 30-32% from 2020 to 2023, despite fluctuating benchmark interest rates. The company utilizes a risk-based pricing model that considers product type and customer risk profiles. We anticipate a modest decline in yields to 27.4% in 2024, down from 30.6% in 2023, due to the increasing share of the lower-margin Baseeta product in the loan mix. Subsequently, asset yields are projected to average around 27.4% throughout the forecast period.

Figure 37: Total income from Islamic financing trend (SARmn)



Source: Company data, GIB Capital

Figure 38: Asset yields trend

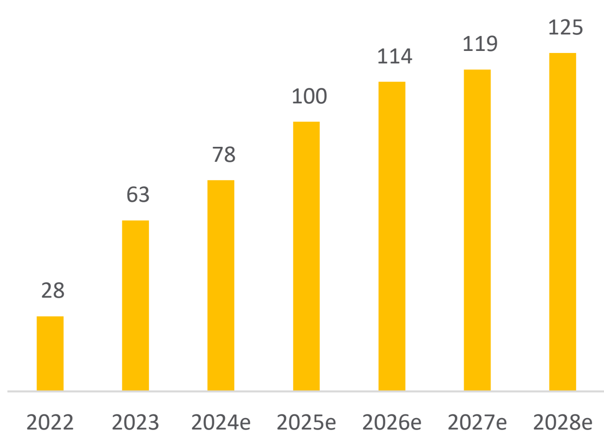


Source: Company data, GIB Capital

Finance costs

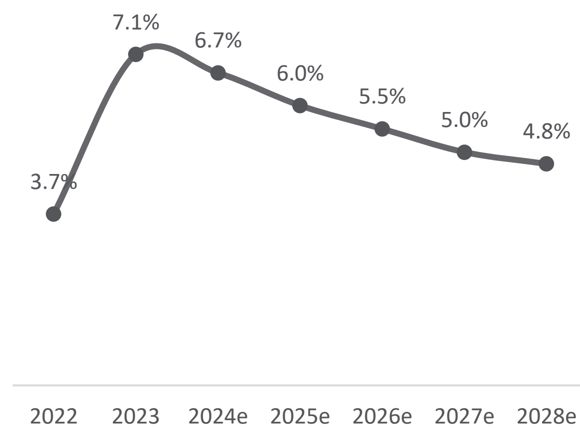
The company's finance costs primarily comprise profit expenses paid on borrowings from various banks to extend loans. These borrowing rates are typically based on SAIBOR plus a profit margin and are subject to repricing every three months, contingent on specific borrowing terms. In recent years, the company's borrowing rate has escalated significantly, increasing from 2.2% in 2021 to 7.1% in 2023. This rise is attributable to both increased borrowings and elevated SAIBOR rates. Looking ahead, we anticipate a decline in the company's borrowing rate between 2024-28e, as decreasing SAIBOR rates in a declining interest rate environment are projected to bring the rate down to 4.8% by 2028e.

Figure 39: Finance costs (SARmn)



Source: Company data, GIB Capital

Figure 40: Borrowing rate

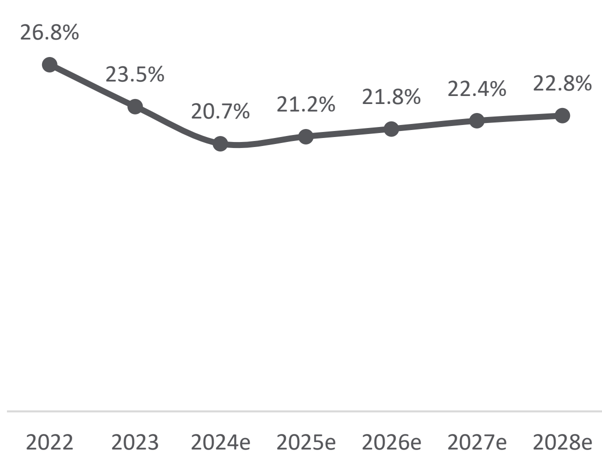


Source: Company data, GIB Capital

NIMs and Spreads

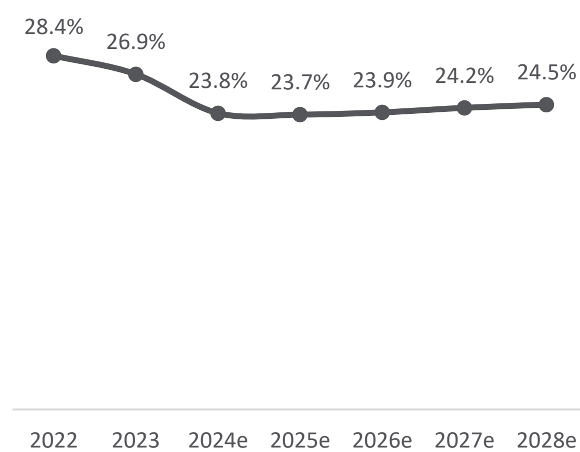
Tas'heel's yield spreads contracted to 23.5% in 2023 from 29.6% in 2021, primarily due to rising borrowing costs. In 2024e, we anticipate a further decline to 20.7% as elevated borrowing rates persist, compounded by lower asset yields stemming from the increasing proportion of Baseeta loans. From 2025e onwards, we project a gradual recovery in spreads, reaching 22.8% by 2028e, driven by declining borrowing costs. A similar trend is expected for Tas'heel's NIMs, which are forecast to decrease to 23.8% in 2024e and then recover to 24.5% by 2028e.

Figure 41: Yield spreads trend



Source: Company data, GIB Capital

Figure 42: NIMs trend



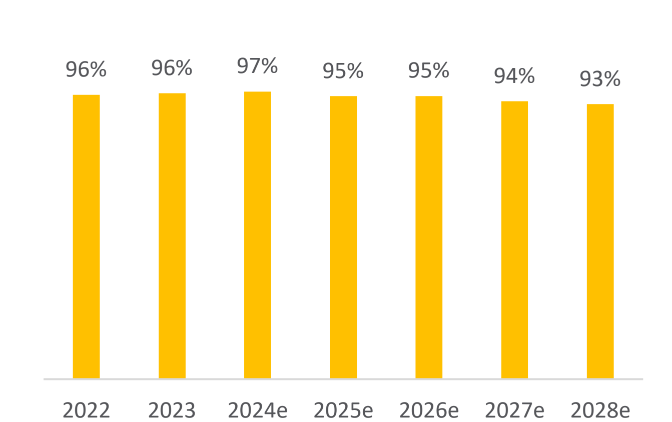
Source: Company data, GIB Capital

4. Cost of risk

Tas'heel's high loan-to-asset ratio of 96% at the end of 2023, projected to average 95% over the forecast period, underscores its significant exposure to credit risk. However, the company's robust risk management practices are employed to mitigate these risks. Its NPL ratio of 8.7% at the end of 2023 is the lowest among most peers, excluding Emkan. This strong asset quality is expected to remain relatively stable, declining to 7.9% in 2024e and increasing to 8.8% by 2028e.

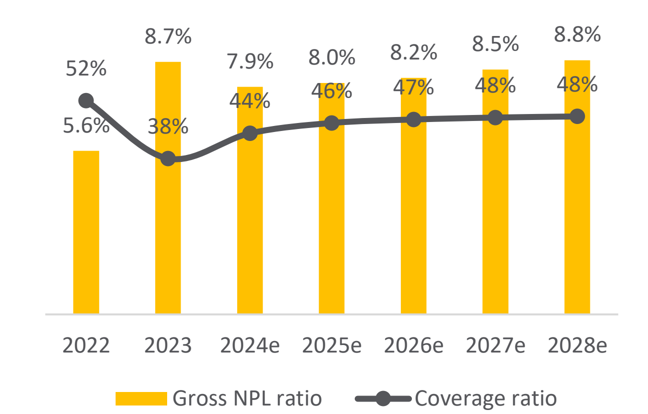
Further, Tas'heel's coverage ratio declined from 90% in 2020 to 43% by 1H24, which is comparatively low given the higher credit risk associated with NBFI products and relative to banks in KSA. This lower coverage ratio is a result of the company's credit risk model, which underpins its provisioning policies. Additionally, the company's effective collection strategy, with a recovery rate of more than 70% of overdue amounts exceeding 180 days, also supports the lower provisioning. We expect the coverage ratio to rise to 48% by 2028e.

Figure 43: Net loans to total assets



Source: Company data, GIB Capital

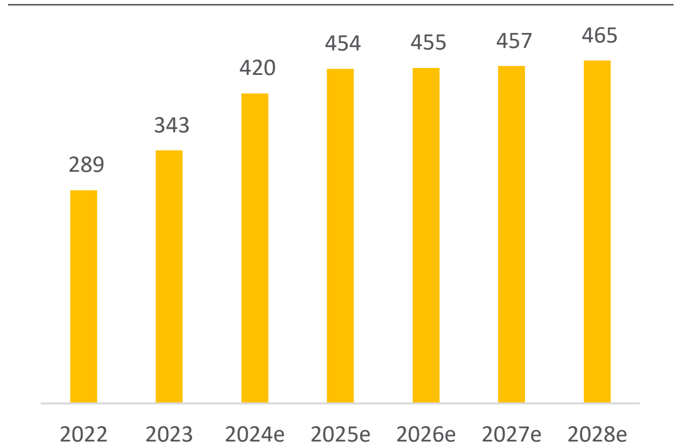
Figure 44: Gross NPL ratio and Coverage ratio trend



Source: Company data, GIB Capital

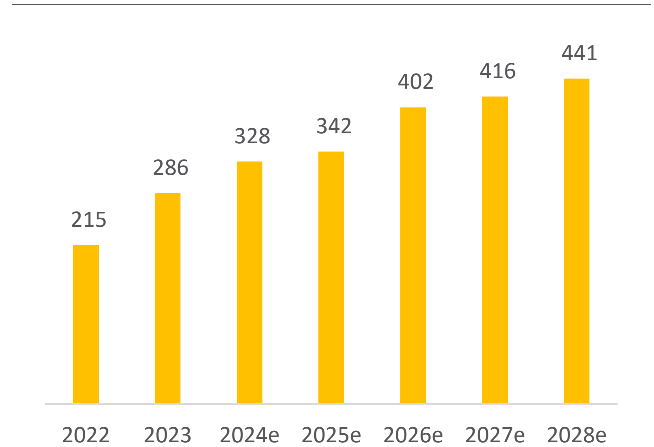
The company's cost of risk (CoR) increased to 343 bps in 2023 from 271 bps in 2021, primarily driven by portfolio expansion and the introduction of higher-risk products like Islamic credit cards. We project the CoR to increase during the forecast period, averaging 450 bps over the forecast period. Given its ECL model's limited exposure to the full credit cycle, the company's provisioning policies will require close monitoring in the coming years.

Figure 45: Cost of risk (bps)



Source: Company data, GIB Capital

Figure 46: Write-off ratio (bps)

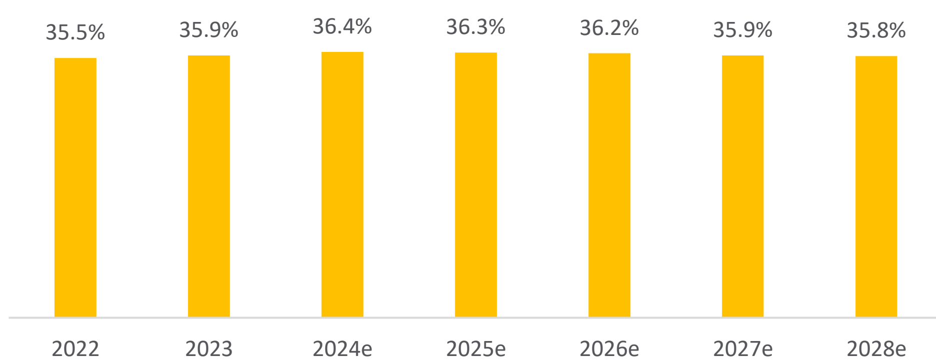


Source: Company data, GIB Capital

5. Opex

The company's cost-to-income ratio has significantly improved, declining from 41.7% in 2021 to 35.9% in 2023. This improvement is attributed to economies of scale achieved through loan book expansion and revenue growth. The company's opex might be impacted in the future as it continues to expand its presence and enters new strategic partnerships. Nonetheless, we expect the company to sustain its operational efficiency, maintaining a cost-to-income ratio of approximately 36.1% on average over the forecast period.

Figure 47: Cost-to-income ratio trend

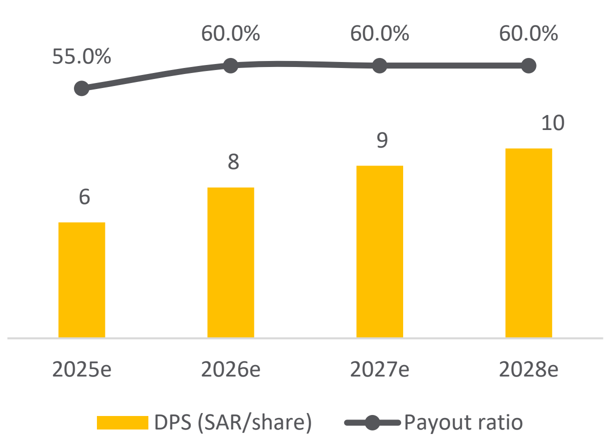


Source: Company data, GIB Capital

6. Dividend

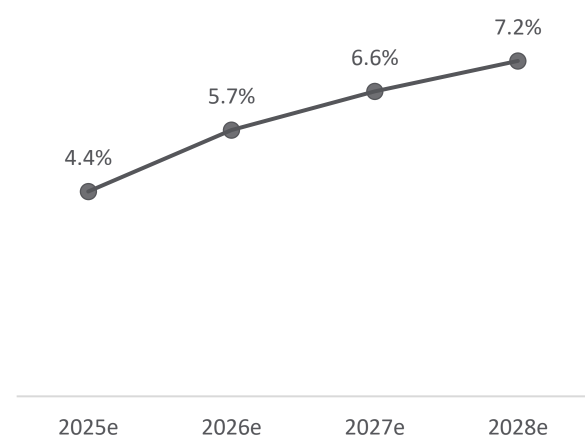
The company has not declared dividends between 2020 and 2023 as it remains focused on growth. We expect dividend initiation in 2025e with a 55% payout ratio, implying a DPS of SAR6 per share (~4.4% yield on IPO price). For 2026e, we forecast a 60% payout ratio, translating to a DPS of SAR8 per share (~5.7% yield). Subsequently, the payout ratio is projected to remain stable at 60% thereafter.

Figure 48: DPS and payout ratio



Source: Company data, GIB Capital

Figure 49: Dividend yield



Source: Company data, GIB Capital

Valuation and risks

We have used two methods to arrive at the final target price of UIHC. We use a blended approach including the Residual income method and the Relative valuation method.

Residual income method

In this approach, we derive the fair value for the company using a combination of the present value of the residual income (cost of equity: 11.2%; terminal growth: 4%) over 2024-30e and current book value to arrive at a 1-year forward target price of SAR159/share.

Figure 50: Residual income valuation

(SARmn)	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Net Income	214	265	316	362	398	423	447
Equity charge	123	136	151	167	184	203	223
Residual income	**91**	**129**	**165**	**195**	**213**	**220**	**224**
Discounted RI value	**90**	**115**	**133**	**141**	**139**	**128**	**118**
Total Discounted RI Value	863						
Current Book Value	990						
Terminal Value	1,713						
Equity value	3,566						
Fair value per share (SAR)	**143**						
Adjusted Fair value per share (SAR)*	**159**						

*Source: GIB Capital * Target price is rounded, and time value adjusted 1 year forward ** using 4% Terminal growth rate*

Relative Valuation

For relative valuation, we use P/B multiple to capture the strength of the company's balance sheet. For P/B valuation, we use a multiple of 3x on 2025e BVPS and arrive at the fair value of SAR162/share.

Figure 51: Relative valuation - P/B

Relative valuation (P/B)	Fair value/share
BVPS 2025e	49.0
Target P/BV Multiple for 2025E (x)	3.0x
Fair value per share (SAR) - P/BV Multiple	**147**
Adjusted Fair value per share (SAR) - P/BV Multiple	**162**

Source: GIB Capital

Overall Blended valuation

We arrive at an equal weightage average 1 year forward target price of SA160/share, implying an upside of 21% from the IPO price. We initiate on UIHC with an Overweight rating.

Figure 52: Blended Valuation

Blended Valuation	Fair value/share
SOTP	159
P/B price	162
Target Price (SAR)	**160**
IPO Price	132
Upside/(Downside)	**21%**

Source: GIB Capital

Figure 53: Peer comps

Company name	Country	Mkt Cap (USD mn)	P/E Ratio (TTM)	2024E P/E	2025E P/E	P/B Ratio (TTM)	2024E P/B	2025E P/B	ROE	2024E ROE	2025E ROE	2024E Div Yield
KSA Banks												
Al Rajhi	KSA	97,738	21.0x	20.3x	17.2x	3.9x	3.7x	3.3x	19%	20%	22%	3%
Alinma	KSA	18,532	13.1x	12.7x	11.9x	2.1x	2.1x	1.9x	17%	18%	17%	3%
Arab	KSA	10,402	8.4x	8.3x	8.2x	1.1x	1.0x	1.0x	13%	13%	12%	6%
BJAZ	KSA	4,447	13.6x	15.7x	12.0x	1.2x	1.2x	1.1x	9%	8%	10%	2%
Bank Albilad	KSA	11,745	16.7x	16.4x	14.7x	2.7x	2.5x	2.2x	17%	16%	15%	2%
BSF	KSA	9,930	8.8x	8.7x	8.3x	1.0x	1.0x	0.9x	12%	12%	11%	7%
Riyad Bank	KSA	20,961	8.7x	8.8x	8.4x	1.4x	1.4x	1.2x	17%	16%	15%	6%
SAB	KSA	17,037	8.5x	8.4x	7.9x	1.1x	1.0x	1.0x	13%	14%	14%	6%
SIB	KSA	4,718	10.2x	9.7x	9.0x	1.2x	1.2x	1.1x	12%	12%	12%	5%
SNB	KSA	51,664	9.7x	9.6x	9.0x	1.1x	1.1x	1.1x	12%	13%	13%	6%
Median			**10.2x**	**9.7x**	**9.0x**	**1.2x**	**1.2x**	**1.1x**	**13%**	**14%**	**14%**	**5%**
Average			**12.1x**	**12.1x**	**10.9x**	**1.7x**	**1.7x**	**1.5x**	**14%**	**14%**	**14%**	**4%**
KSA NBFIs												
Amlak Internat	KSA	312	32.9x	N.A.	N.A.	1.0x	N.A.	N.A.	3%	N.A.	N.A.	N.A.
Nayifat Finance	KSA	443	15.1x	16.3x	13.9x	1.1x	1.1x	1.1x	8%	N.A.	N.A.	2%
Quara Finance	KSA	151	N.A.	N.A.	N.A.	1.3x	N.A.	N.A.	10%	N.A.	N.A.	N.A.
Shl Finance Co	KSA	455	198.6x	N.A.	N.A.	1.0x	N.A.	N.A.	0%	N.A.	N.A.	N.A.
Morabaha Mar	KSA	213	18.6x	N.A.	N.A.	1.0x	N.A.	N.A.	5%	N.A.	N.A.	N.A.
Median			**25.8x**	**16.3x**	**13.9x**	**1.0x**	**1.1x**	**1.1x**	**5%**	**N.A.**	**N.A.**	**2%**
Average			**66.3x**	**16.3x**	**13.9x**	**1.1x**	**1.1x**	**1.1x**	**5%**	**N.A.**	**N.A.**	**2%**
Indian NBFIs												
Bajaj Finance	India	48,516	28.0x	24.5x	19.3x	5.4x	4.4x	3.7x	22%	20%	21%	1%
Cholamandalam	India	3,475	16.7x	12.3x	9.1x	2.9x	N.A.	N.A.	26%	21%	23%	N.A.
M&M Fin	India	4,046	17.7x	14.0x	10.9x	1.7x	1.6x	1.4x	10%	13%	15%	2%
Poonawalla	India	3,160	16.0x	39.6x	16.1x	3.3x	3.5x	3.0x	22%	12%	16%	1%
Sbi Cards	India	7,895	27.7x	24.8x	19.4x	5.5x	4.6x	3.8x	22%	20%	21%	0%
Shriram Finance	India	13,723	15.7x	13.8x	11.6x	2.4x	2.1x	1.8x	16%	16%	16%	1%
Sundaram Fina	India	5,284	30.9x	30.0x	25.4x	4.0x	4.2x	3.6x	14%	16%	17%	1%
Median			**17.7x**	**24.5x**	**16.1x**	**3.3x**	**3.8x**	**3.3x**	**22%**	**16%**	**17%**	**1%**
Average			**21.8x**	**22.7x**	**16.0x**	**3.6x**	**3.4x**	**2.9x**	**19%**	**17%**	**18%**	**1%**
Global NBFIs												
Aeon Credit	Malaysia	758	9.0x	8.5x	7.5x	1.2x	1.2x	1.1x	14%	14%	15%	4%
Aeon Thana Sinsa	Thailand	859	9.4x	9.8x	8.9x	1.2x	1.1x	1.1x	13%	11%	12%	4%
Krungthai Card P	Thailand	3,496	16.5x	16.2x	15.0x	3.2x	3.0x	2.7x	20%	20%	19%	3%
Lufax Holding	China	2,152	N.A.	N.A.	12.4x	N.A.	0.2x	0.2x	8%	-3%	1%	0%
Muangthai Capita	Thailand	3,059	18.6x	18.0x	15.0x	3.0x	2.8x	2.4x	17%	17%	18%	1%
Qifu Technology	China	6,007	15.7x	6.8x	6.1x	1.9x	1.7x	1.5x	25%	27%	25%	4%
Samsung Card Co	South Korea	3,510	6.4x	7.2x	7.4x	0.5x	0.6x	0.5x	9%	8%	7%	6%
Srisawad Corp Pc	Thailand	1,796	12.1x	11.9x	10.8x	1.9x	1.9x	1.6x	16%	17%	16%	2%
Yulon Finance	Taiwan	1,991	13.2x	12.2x	N.A.	1.8x	N.A.	N.A.	13%	N.A.	N.A.	5%
Median			**12.7x**	**10.9x**	**9.8x**	**1.8x**	**1.4x**	**1.3x**	**14%**	**16%**	**16%**	**4%**
Average			**12.6x**	**11.3x**	**10.4x**	**1.8x**	**1.6x**	**1.4x**	**15%**	**14%**	**14%**	**3%**

Source: GIB Capital, Bloomberg

Risks:

Key downside risks include the following:

Fluctuations in asset yields and borrowing rates: Tas'heel's business model faces exposure to interest rate fluctuations, as the company secures financing from banks at variable rates while its loan portfolio generates fixed-rate returns. This mismatch between fixed income and variable costs creates significant interest rate risk. Adverse rate movements or an inability to lower lending rates in a declining interest rate environment could negatively affect the company's financial performance and growth prospects.

Higher-than-expected provisions: The company uses a credit loss model created with a specialized consulting firm. Notably, the company has also made changes to these models over the period to increase the model's accuracy and adhere to regulatory requirements. However, a significant risk lies in the potential under-provisioning of credit losses. Short-term profitability may benefit from reduced provisions, but this could expose the company to substantial asset quality deterioration in the medium to long term. Given the relative novelty of the ECL model and its lack of experience through a complete credit cycle, the company's provisioning policy remains a critical area of monitoring.

Dependency on Extra: Extra customers accounted for nearly 14.2% of the total financing portfolio in 2023, exposing the group to revenue concentration risk. A decline in demand for credit products from eXtra customers, due to factors like changing customer preferences, financial situations, competition, or reduced customer numbers, could negatively impact the company's business, financial performance, and future prospects.

A significant concentration of the group's business in the KSA NBFI sector: The company's business is solely based in KSA, making it vulnerable to systemic risks related to the economy. This also leads to regulatory risks as failure to comply with laws and regulations could result in penalties and operational disruptions. Any disruptions in the financial market or broader economic conditions could negatively impact the Group's revenue, profits, and financial health.

Credit risk: The company essentially faces credit risk, as customers may default on their loan repayments. The company's operations are primarily reliant on the financial health of its customers, which could be affected by economic factors. Additionally, the company also extends unsecured loans which increases the risk of non-payment and potential legal costs. Adverse economic conditions could lead to increased payment delays and higher losses.

Operational risks: The company heavily relies on its digital infrastructure to run its business; hence, the group has major operational risks related to IT systems failures, cyberattacks and data security.

Liquidity risks: The company relies on bank financing, making it vulnerable to changes in lending practices and economic conditions. Early loan repayments (which monthly basis stood at an average 1.2% of Tawarruq portfolio) can further strain liquidity management. These factors pose significant risks to the company's financial health and future growth prospects.

Highly competitive market with risk of new entrants: KSA's NBFI sector is highly competitive, with 53 NBFIs operating in 2023. Of these, 11 were licensed for real estate finance, while 42 focused on non-real estate activities. Notably, only 30 NBFIs were authorized to provide consumer finance services. Additionally, there is always risk of new entrants with companies getting licenses from SAMA to carry out consumer finance business

IPO Details

Figure 54: IPO details

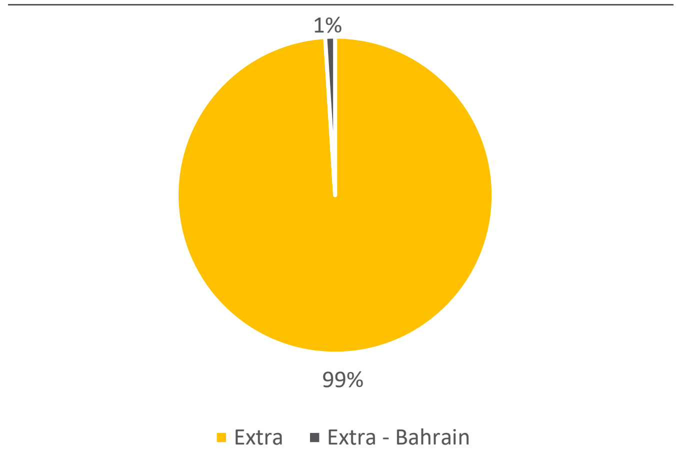
IPO Overview	
Offering	7.5mn share
Float (%)	30%
Institutional Offering & Book-Building	Oct. 28 - Nov. 4
Retail Offering	Nov. 19 - Nov. 20
Final Allocation	Nov. 25, 2024
Listing Date	Dec 03, 2024
Listing market	Tadawul (The main market of Saudi exchange)
Shareholder Lock-up period	Six months
Selling shareholder	Extra
IPO proceeds	Net offering proceeds will be distributed to the selling shareholders

Source: Company data, GIB Capital

Ownership structure

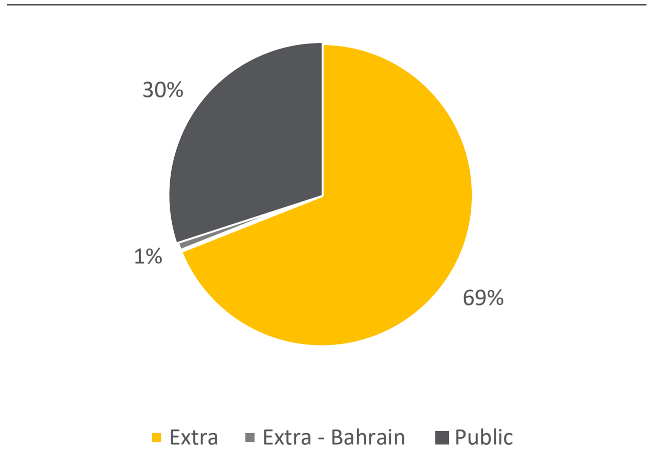
Before the IPO, UIHC's ownership structure comprises a 99% stake held by Extra and a 1% stake held by Extra-Bahrain. In the offering, Extra plans to sell 30% of its stake, resulting in a post-IPO structure where Extra retains a 69% stake, maintaining its controlling interest in UIHC. Extra-Bahrain will continue to hold its 1% stake, while the remaining 30% will be publicly owned.

Figure 55: Ownership structure – pre-offering



Source: Company data, GIB Capital

Figure 56: Ownership structure – post-offering



Source: Company data, GIB Capital

Company Profile

United International Holding Company (UIHC) was established as a holding entity for consumer finance operations and currently encompasses two subsidiaries (Figure 57):

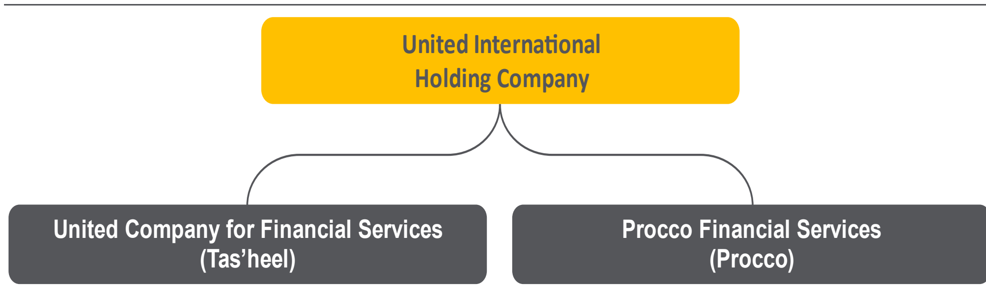
1) United Company for Financial Services ("Tas'heel")

Through its subsidiary, Tas'heel, UIHC has positioned itself as a leading consumer finance provider in Saudi Arabia. It offers a broad array of Sharia-compliant consumer finance products approved by its dedicated Sharia committee and designed to meet diverse customer needs. The company's product offerings include flexible financing terms and repayment periods, delivered via online platforms and physical locations (Figure 59), and are backed by strong retail partnerships across multiple sectors. It is the first non-bank financial institution (NBFI) in Saudi Arabia to implement a fully digital, end-to-end financing process. As a data-driven organization focused on product development, the company continuously invests in advanced technology and analytics to remain at the forefront of the consumer finance industry.

2) Procco Financial Services ("Procco")

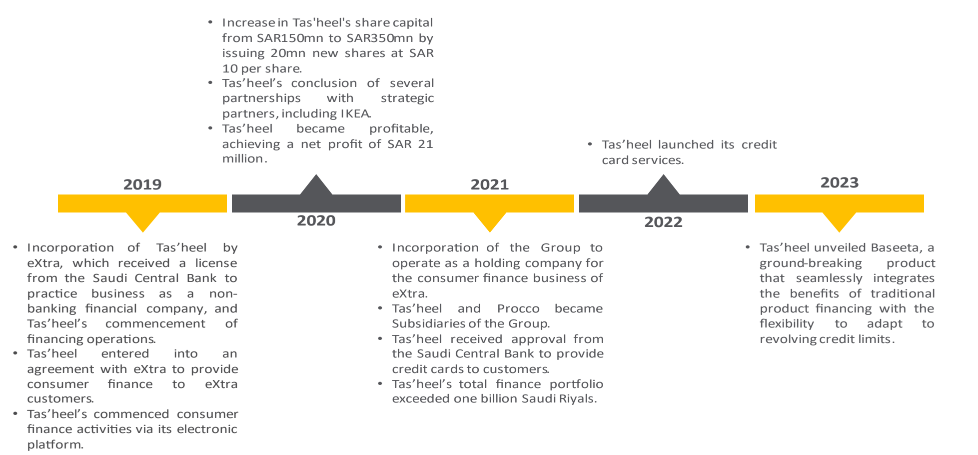
Procco provides critical back-office support exclusively to Tas'heel, covering areas such as call center management, application processing, and IT services. The company also specializes in card payment solutions, including card issuance and processing. As a key player in Tas'heel's digital transformation, Procco supplies expertise and solutions in digital payments and fintech, and Procco is integral to Tas'heel's operational support, enhancing efficiency and service quality. Notably, all of Procco's revenue is generated solely from services rendered to Tas'heel and is not consolidated in the Group's financial statements.

Figure 57: UIHC group structure



Source: Company data, GIB Capital

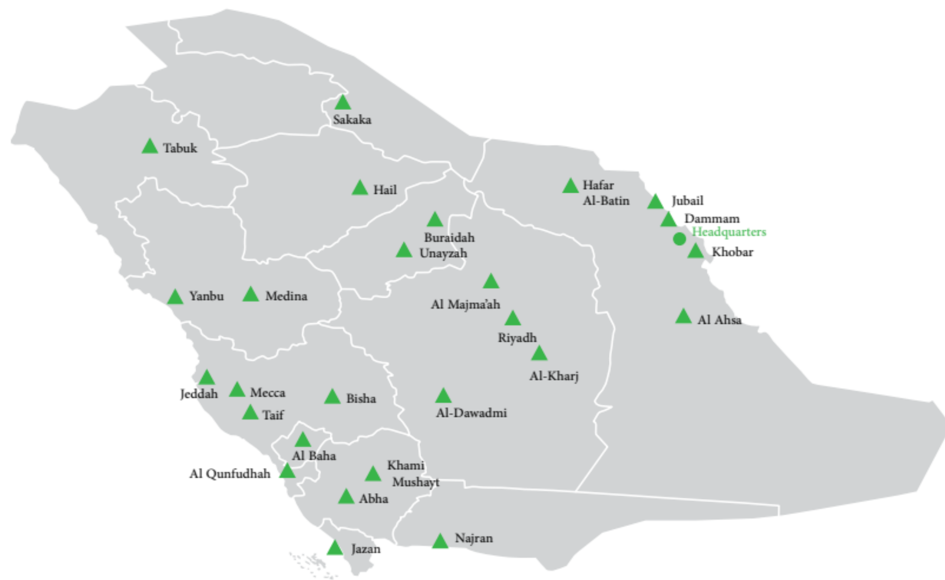
Figure 58: Key developments in the group since the inception



Source: Company data, GIB Capital

Tas'heel operates in 28 cities across Saudi Arabia. Tas'heel has an extensive network of over 76 branches and strategic partnerships with renowned brands like eXtra, BinDawood, Virgin, IKEA, and the Saudi German Hospital. To provide a seamless customer experience, Tas'heel offers various finance products through both physical branches and digital channels. Its advanced fintech solutions enable customers to apply for and obtain financing quickly and efficiently. Tas'heel has a healthy Saudization rate of 85% at the end of 2023.

Figure 59: UIHC presence across cities in KSA



Source: Company data, GIB Capital

The Group operates in 60 locations through its strategic partners, offering Murabaha instalment sales. These locations are distributed as follows:

Figure 60: UIHC presence in partner sites

Province	Strategic partners	Sites*
Riyadh	IKEA stores	2
	Saudi German Hospital	1
	eXtra	12
Northern Borders	Saudi German Hospital	1
	eXtra	2
Qassim	eXtra	2
Medina	Saudi German Hospital	1
	eXtra	2
Eastern Province	IKEA stores	1
	Saudi German Hospital	1
	eXtra	9
Jazan	eXtra	2
Asir	Saudi German Hospital	1
	eXtra	5
Mecca	IKEA stores	1
	Saudi German Hospital	2
	eXtra	12
Najran	eXtra	1

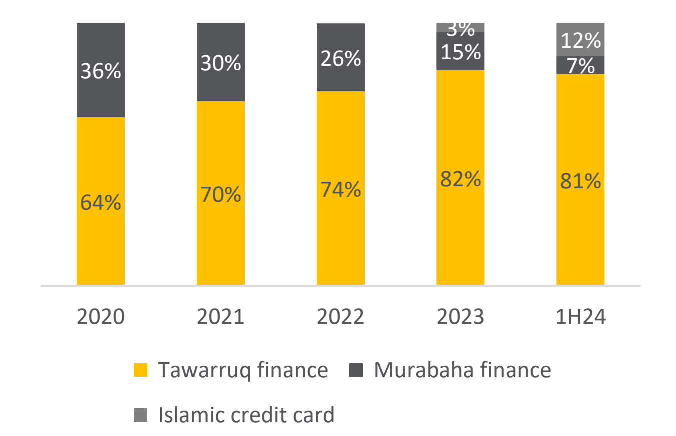
*Source: Company data, GIB Capital. *As of 31st December 2023*

Tas'heel's products overview

Tas'heel offers a range of Sharia-compliant consumer finance solutions approved by its Sharia committee. Its primary offerings include i) Tawarruq finance (forward sale or cash loans), ii) Murabaha finance (instalment sales or product loans), and iii) Islamic credit card financing, which also includes the new innovative iv) Baseeta service. According to the data analyzed by Tas'heel, over 90% of applications for these financing products are approved within 20 minutes, and the funds are transferred to customers within 48 hours.

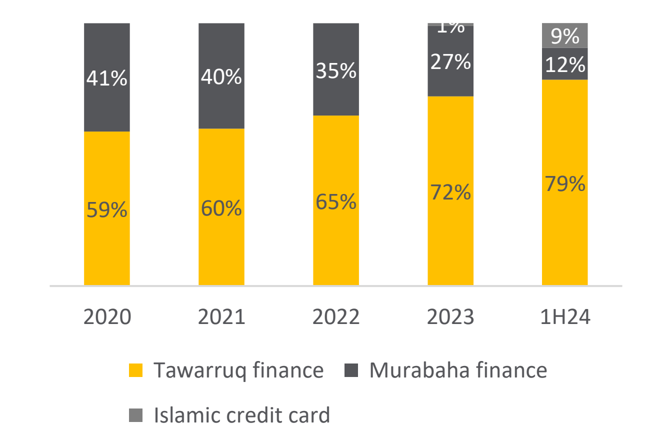
As of 1H24, Tawarruq finance dominated Tas'heel's financing portfolio, accounting for 81% of the total. Islamic credit card financing followed with a 12% share, and Murabaha finance contributed the remaining 7%. In terms of income generated from these Islamic financing contracts, Tawarruq generated 79%, Murabaha 12%, and Islamic credit card financing 9%. We delve deeper into each product segment in the following sections.

Figure 61: Islamic financing contracts mix



Source: Company data, GIB Capital

Figure 62: Income from Islamic financing contracts mix



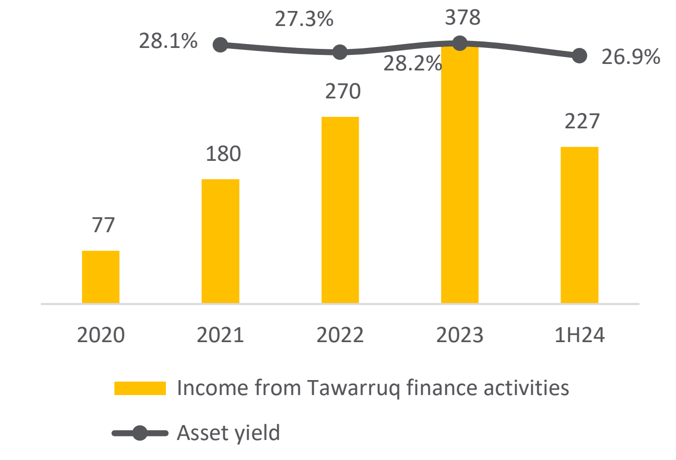
Source: Company data, GIB Capital

Tawarruq finance (forward sale or cash loans)

Tas'heel offers Tawarruq contract financing, a Sharia-compliant cash financing solution designed to provide customers with flexible, unsecured personal finance. This type of financing allows customers to use the funds for any purpose, as there are no restrictions on how the financing amount can be utilized. By the end of 2023, Tas'heel had served a total of 74,900 Tawarruq customers, with an average contract volume reaching SAR27,600. It is Tas'heel's flagship product, accounting for the largest share of its financing portfolio.

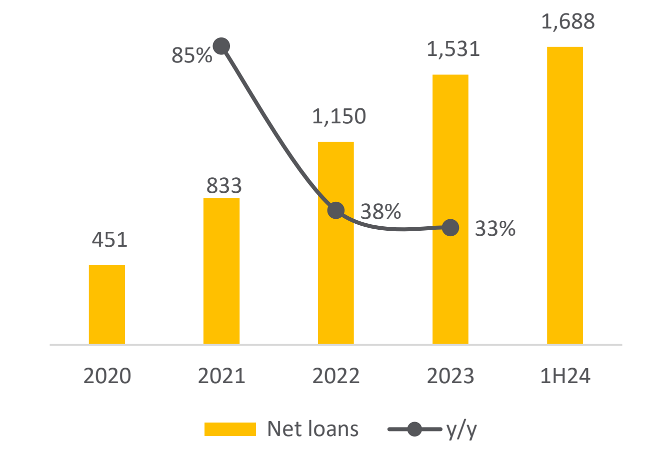
The portfolio's contribution increased to 81% by the end of 1H24, up from 64% in 2020, primarily driven by the expansion of the Tawarruq financing book. This growth resulted from several initiatives undertaken by the company to attract more customers, including: (i) raising the internal limit for expatriate customers from 20.0% to 35.0% in May 2022, (ii) lowering the minimum salary requirement to SAR4,000 per month, (iii) implementing adjustments to various acceptance criteria, (iv) introducing the Smart Finance Product variant to cater to higher-risk customers typically rejected under standard risk criteria (offered at a higher profit rate to offset the additional risk), and (v) executing a range of marketing and promotional campaigns to stimulate growth.

Figure 63: Income from Tawarruq finance trend (SAR mn)



Source: Company data, GIB Capital

Figure 64: Tawarruq net loans growth (SAR mn)

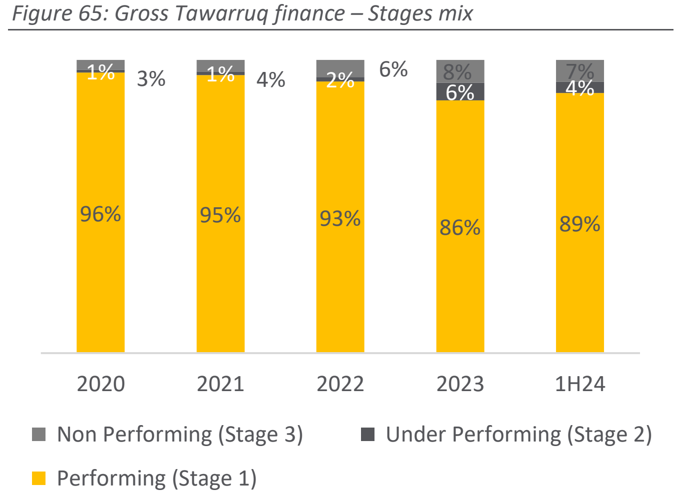


Source: Company data, GIB Capital

<u>How it works?</u>

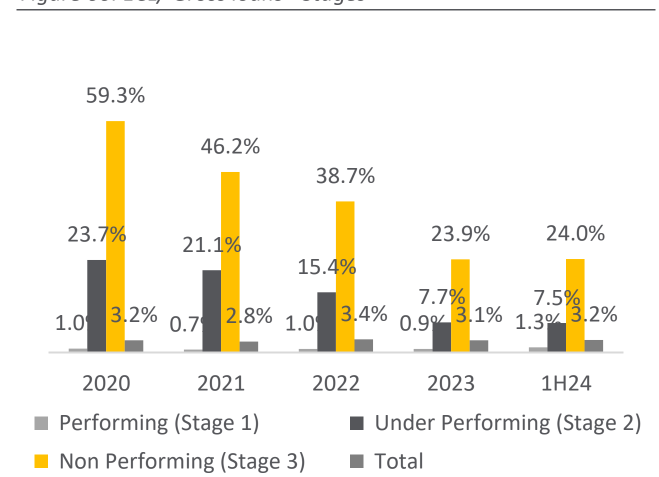
Under this arrangement, Tas'heel sells an asset to the customer on a deferred payment basis, incorporating the asset's cost plus an agreed profit margin. The customer then authorizes Tas'heel to sell the asset to a third party at market value, enabling the customer to receive the desired cash financing. Approximately 80% of Tawarruq customers apply through digital platforms, such as Tas'heel's app and website, reflecting a strong preference for convenient, online access. To qualify for this financing, customers must have a minimum salary of SAR4,000. The financing amounts range from SAR10,000 to SAR250,000, with repayment periods extending up to 60 months and an average maturity of 44 months. The fixed profit margin remains consistent throughout the financing period.

Figure 65: Gross Tawarruq finance – Stages mix



Source: Company data, GIB Capital

Figure 66: ECL/ Gross loans - Stages



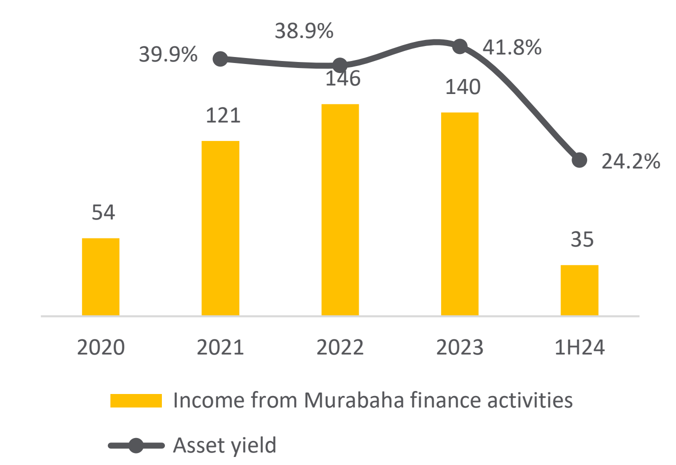
Source: Company data, GIB Capital

Murabaha finance (instalment sales or product loans)

Tas'heel offers Murabaha financing solutions, a Sharia-compliant personal financial product, which is similar to product loans, and enables the customer to purchase any product from Tas'heel's strategic partners. These includes eXtra, IKEA, Virgin Megastores, the Saudi German Hospital and other strategic partners. The purchaser does not become the owner until the entire monetary sum is repaid, like rent-to-own arrangements. The number of Murabaha instalment sales customers stood at 58,900 at the end of 2023.

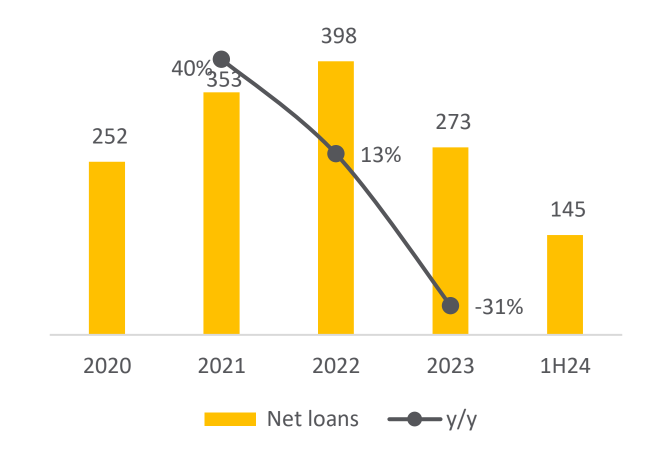
We note that the share of Murabaha financing in Tas'heel's portfolio declined notably to 7% at the end of 1H24 from 36% om 2020, primarily due to two reasons i) a shift in customer behavior where the demand for cash financing increased compared to Murabaha facilities resulting in customers choosing longer tenure Tawarruq facilities over Murabaha facilities; and (ii) the launch of the BNPL product within United Electronics Company (Extra) which led to a decrease in UIHC's Murabaha Product. In the future, the company aims to phase out the existing Murabaha Portfolio while limiting new disbursements to selective customers.

Figure 67: Income from Murabaha finance trend (SARmn)



Source: Company data, GIB Capital

Figure 68: Murabaha net loans growth (SARmn)

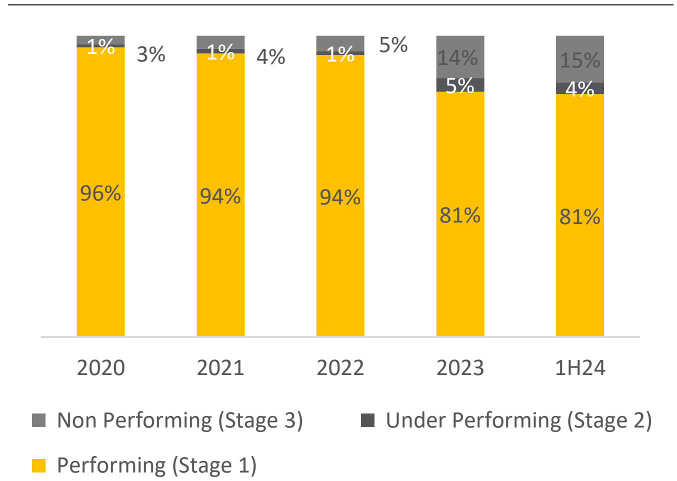


Source: Company data, GIB Capital

How it works?

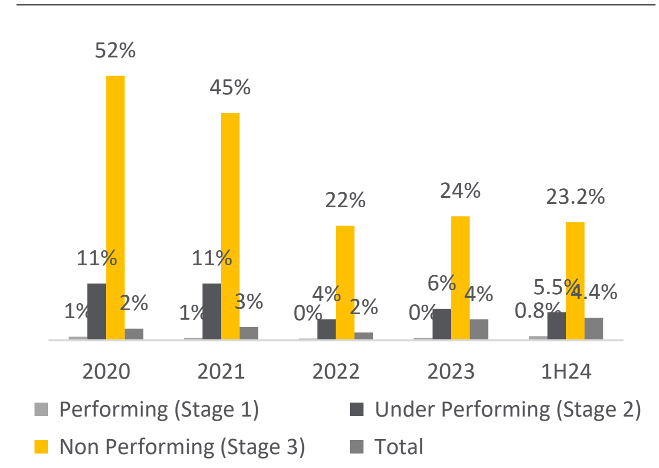
Under this arrangement, the Group procures specific commodities at the customer's request and sells them to the customer at a price that includes the Group's cost plus an agreed profit margin. The total amount is then repaid by the customer in deferred instalments. To qualify for this financing, customers must have a minimum salary of SAR4,000. The financing amounts range from SAR2,000 to SAR60,000, with repayment periods extending from 3 months to up to 36 months.

Figure 69: Gross Murabaha finance – Stages mix



Source: Company data, GIB Capital

Figure 70: ECL/ Gross loans - Stages



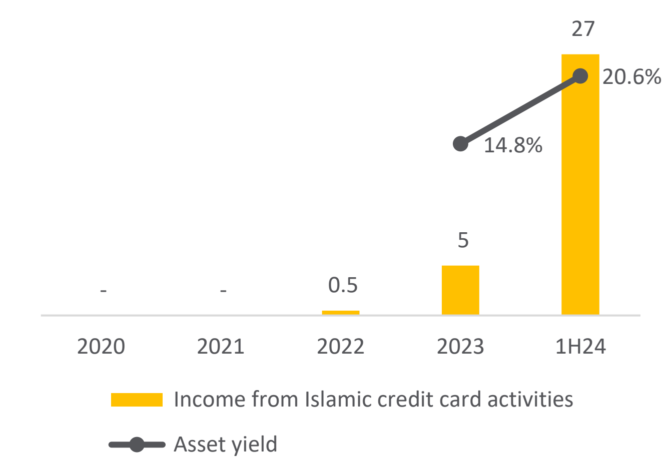
Source: Company data, GIB Capital

Islamic credit card financing

Tas'heel officially launched its Islamic credit card financing service in July 2022, following a successful pilot phase conducted between February and June of the same year. This addition to its consumer finance offerings has been met with strong demand, achieving an impressive 84% activation rate and 70% credit limit utilization.

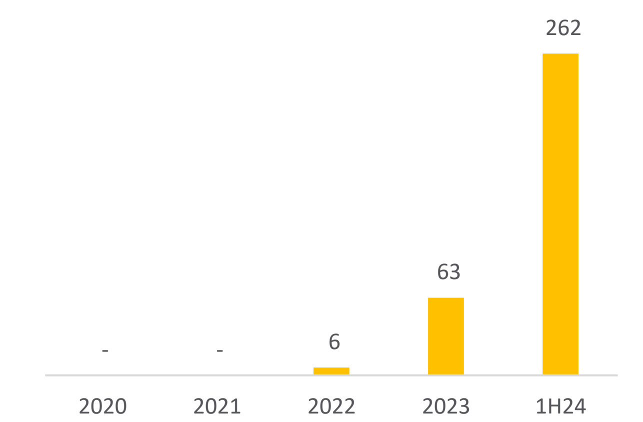
The number of credit card financing users skyrocketed by over nine times over 2022-23, reflecting exceptional growth. The credit card portfolio's contribution to Tas'heel's overall financing portfolio rose from 3% at the end of 2023 to 12% by the end of 1H24. This growth was primarily fueled by strong organic demand for the Group's products and the introduction of the innovative Baseeta service, which forms part of the Tas'heel's credit card financing portfolio.

Figure 71: Income from Islamic credit card trend (SARmn)



Source: Company data, GIB Capital

Figure 72: Islamic credit card net loans growth (SARmn)

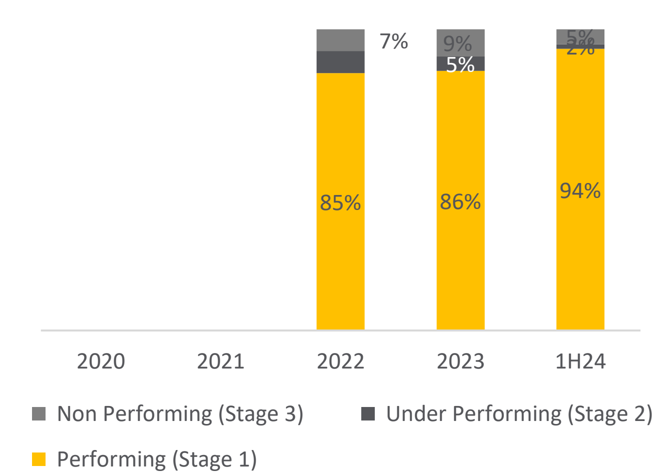


Source: Company data, GIB Capital

How it works?

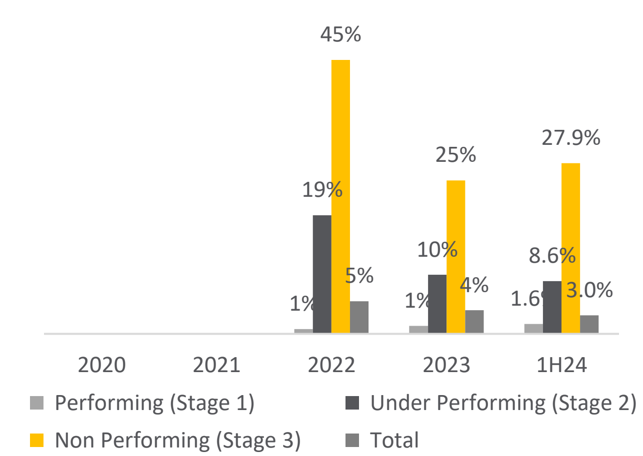
Tas'heel's credit card service offers customers a credit limit of up to SAR100,000 through co-branded Mastercard World and Titanium cashback credit cards. To qualify, customers must have a minimum salary of SAR4,000 and can apply for the card through Tas'heel's digital platforms. Cardholders can utilize their credit limit partially or in full and are required to repay the borrowed amount within 22 days of their monthly statement. A profit margin will be applied for late payments. Tas'heel also offers optional credit card insurance for an additional fee.

Figure 73: Gross Islamic credit card – Stages mix



Source: Company data, GIB Capital

Figure 74: ECL/ Gross loans - Stages



Source: Company data, GIB Capital

Baseeta service

Baseeta, a groundbreaking Sharia compliant consumer finance solution launched by Tas'heel, seamlessly combines features and benefits of traditional Buy-Now-Pay-Later (BNPL) services and Murabaha financing (product loans). This innovative product offers a host of benefits, including no down payment requirements, flexibility to choose repayment terms ranging from 1 to 36 months, and access to financing amounts from SAR100 to SAR60,000. Moreover, it enables the customer to make unlimited purchases both locally and internationally, with a revolving credit balance, eliminating the need for repeat applications.

With a minimum salary requirement of just SAR2,500, it is accessible to a wide audience. The service also minimizes debt burden by counting only 5% of the credit balance as outstanding debt, further broadening its appeal. Baseeta offers even greater value with the option to make purchases at a 0% profit rate or fees, depending on the selected payment plan, which ranges from 3 to 12 instalments.

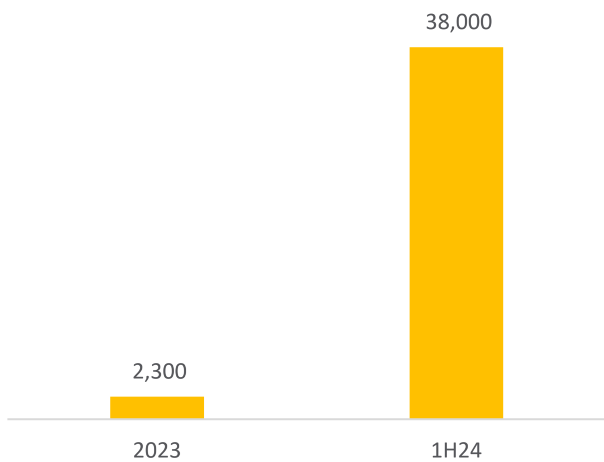
Figure 75: Baseeta vs. BNPL

Metric	Baseeta	BNPL
Down payment	0%	25% at the time of purchase
Repayment period	36-month flexible repayment period	SAMA enforced cap of 12 instalments for BNPL
Ticket size	revolving limit of up to SAR 60,000	maximum ticket size of SAR 5,000

Source: Company data, GIB Capital

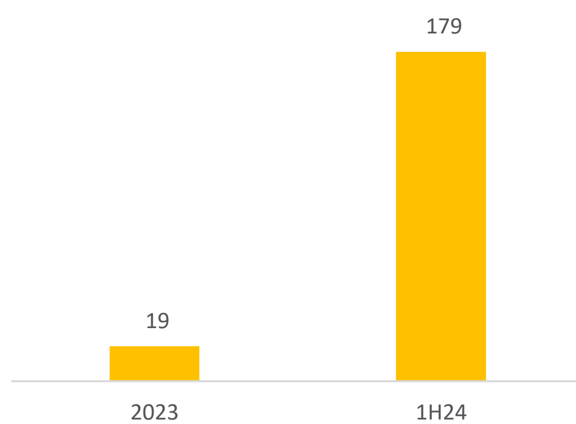
Baseeta's user-friendly design and advanced digital platform have driven exceptional customer engagement, achieving a 98% activation rate as of 1H24. Customers can apply for Baseeta seamlessly via Tas'heel's app or website, with integration into payment platforms like Apple Pay and Mada Pay enhancing convenience. Baseeta has witnessed robust growth since its launch in 4Q23, with customers rising to 38k at the end of 1H24 from 2.3k at the end of 2023. While the portfolio size of Baseeta has increased to SAR179mn from SAR19mn during the same period.

Figure 76: Baseeta customers



Source: Company data, GIB Capital

Figure 77: Baseeta portfolio size (SAR mn)



Source: Company data, GIB Capital

Market Dynamics

Key consumer finance providers in KSA

The consumer finance market in Saudi Arabia is served by three distinct types of providers, each operating under unique regulatory frameworks and requirements. Together, these providers create a cohesive ecosystem, complementing one another to meet diverse consumer needs. The main categories of providers include Banks, Non-Bank Financial Institutions (NBFIs), and Buy-Now-Pay-Later (BNPL) Fintechs. These entities can be broadly classified based on three key dimensions: target consumers, market positioning, and portfolio and Debt Burden Ratio (DBR) limits. Each category plays a vital role in driving financial inclusion and providing tailored solutions across the Saudi market.

In terms of target consumers, Banks typically target middle-to-higher-income, banked professional populations. NBFIs, on the other hand, focus more on the underbanked population and offer more flexible lending options. BNPL Fintechs, meanwhile, cater to younger demographics, financing their small-ticket daily purchases.

Regarding market positioning, banks adhere to traditional, strictly regulated practices. NBFIs, in contrast, are more adaptive and prioritize inclusivity. BNPL Fintechs empower consumers with convenient daily spending solutions.

In terms of portfolio management, banks operate conservatively with a 33.33% DBR cap. NBFIs adopt a more liberal approach, allowing for up to a 65% DBR cap. BNPL Fintechs concentrate on short-term, small-ticket loans, typically limited to a maximum of SAR5,000.

Figure 78: Categories of consumer finance providers in KSA

Categories	Banks	NBFIs	BNPL FinTechs
Target Consumer	Broad consumer base but focused on middle-to-higher income, urban and naturally banked professionals with established credit histories and relationships with the banks.	Consumer base covering lower-income, underbanked population, as well as self-employed individuals facing credit restrictions from traditional banks. Increasingly catering to mid-to-high income consumers looking for extra credit options additional DBR (Debt-burden ratio)).	Tech-savvy, digitally native millennials and Gen Z consumers looking to finance smaller-ticket purchases in categories such as fast fashion, personal care.
Positioning	Traditional and usually preferred consumer finance option, with lower profit rates.	Option for consumers not served by banks or in need for additional financing.	Integration of consumer finance in daily spending.
Portfolio and DBR maximum utilization	Personal cash loans and credit cards up to DBR (Debt burden ratio) 33.33% to customers.	Personal cash loans, instalments and credit cards, up to DBR 65%, depending on consumer history.	Short term/low ticket size instalments, limited to a maximum of SAR5,000 under the Rules for Regulating BNPL Companies (December 2023)

Source: Company IPO prospectus, GIB Capital

KSA’s consumer finance market is well-regulated

KSA's financial sector is well regulated by a number of authorities specialized in the various aspects of the financial sector. This includes the Saudi Central Bank (SAMA) and the Communications and Information Technology Commission (CITC). SAMA, the primary regulator, oversees licensed financial institutions, while CITC governs electronic transactions.

Within the consumer finance space, SAMA, along with the Saudi Credit Bureau (SIMAH), ensures responsible lending practices. Consumer finance companies are required to assess creditworthiness and follow the Debt Burden Ratio limits outlined.

SAMA's Responsible Lending Principles further strengthen consumer protection and help maintain the stability of the entire financial sector. The Responsible Lending Principles for Individual Customers, introduced by SAMA in 2018, apply to all credit and finance activities targeted at consumers, including personal loans, credit cards, auto loans, and real estate financing. This regulation establishes a framework outlining conditions and criteria for individual lending, with varying limits for monthly credit obligations based on income and employment status (Figure 79).

Figure 79: Monthly credit obligation limits according to the Saudi Central Bank (2018) Responsible Lending Principles for Individual Customers

Monthly Income Segment	Monthly Deduction from Gross Salary with Salary Transfer	Monthly Credit Obligations, Excluding Real Estate Finance Without Salary Transfer	Monthly Credit Obligations for Finance Products
SAR15,000 or less	Employees: 33.33% max Retired: 25% max	45% max	55% max 65% max if benefitting from Ministry of Housing / Real Estate Development Fund
SAR15,000 – SAR25,000	Employees: 33.33% max Retired: 25% max	45% max	65% max
SAR25,000 or more	Employees: 33.33% max Retired: 25% max	According to credit policies of the creditor	

Source: Company IPO prospectus, GIB Capital

As outlined in (Figure 79), the monthly credit obligation limits according to the Saudi Central Bank (2018) Responsible Lending Principles for Individual Customers are categorized based on the monthly income of the individual customers and employment status (employees or retired).

To accelerate and accommodate fintech innovation in KSA, SAMA introduced a Regulatory Sandbox in 2019. However, recent regulatory shifts have tightened the regulations on BNPL companies. A new law, proposed in April 2023, mandates stricter regulations for BNPL providers. Key changes include:

- Licensing and Capital Requirements: BNPL companies are required to obtain a license from SAMA and also maintain a minimum capital of SAR5mn.
- Loan Limits and Repayment Terms: Caps on the total financing amount and individual loan sizes, along with restrictions on repayment terms are introduced. The overall financing cap of 20x the BNPL company's equity, and SAR 5,000 at a consumer ticket level – with a maximum repayment cycle of 12 instalments.
- Adhere to the DBR limits outlined under the SAMA's Responsible Lending Principles, and with SIMAH mandatory reporting processes.
- Consumer Protection: They are also prohibited from charging excessive fees to consumers.

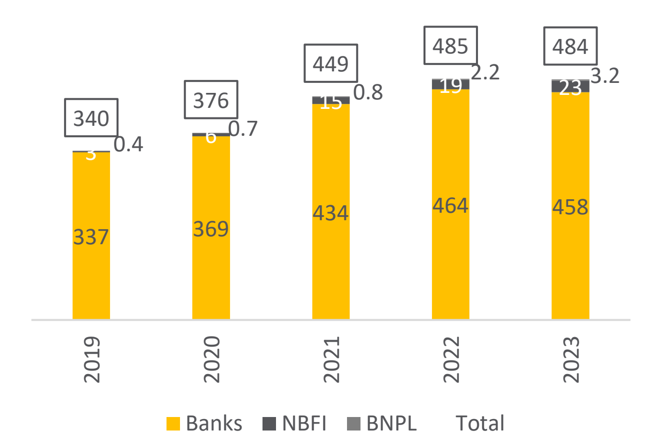
Going forward, the financial regulations are expected to further tighten for the financial service providers such as digital banking, fintech, and non-traditional financial services. The new regulations would be focused on privacy, cybersecurity, consumer protection, and financial stability.

KSA's consumer finance market has witnessed healthy growth

The overall market has witnessed healthy growth, with NBFIs expanding the market share

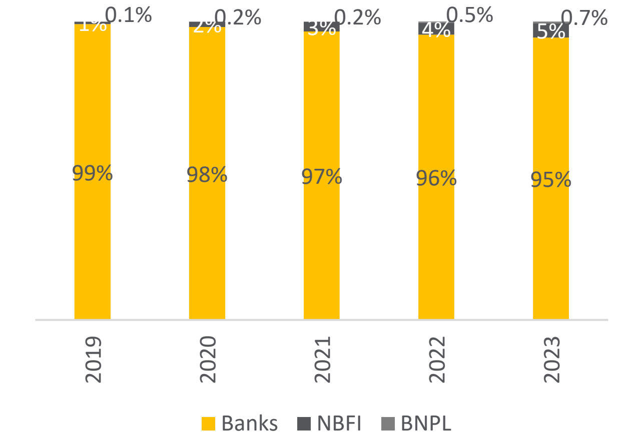
Saudi Arabia's consumer finance market experienced significant growth between 2019 and 2023, expanding to SAR484bn from SAR340bn, representing a robust growth of ~9% CAGR, supported by a favorable regulatory environment and increasing consumer demand. The NBFIs market size witnessed exponential growth of ~74% CAGR during the period, reaching SAR23bn in 2023. The market share of the NBFIs also increased during the period, rising to ~5% by 2023 from ~1% in 2019. Similarly, BNPL companies also witnessed a remarkable growth rate of ~73% CAGR during the period, reaching SAR3.2bn by 2023, with their market share also rising to 0.7% in 2023 from just 0.1% in 2019. Additionally, the consumer finance market for banks grew at a steady ~8% CAGR, standing at SAR458bn in 2023; however, the banks have lost some ground in terms of market share, which has declined to 95% in 2023 from 99% in 2019. This is because of the agility, flexibility, and more lenient regulatory requirements for NBFIs and BNPL FinTechs.

Figure 80: KSA consumer finance market size (SARbn)



Source: Company IPO prospectus, GIB Capital

Figure 81: Consumer finance market share by providers



Source: Company IPO prospectus, GIB Capital

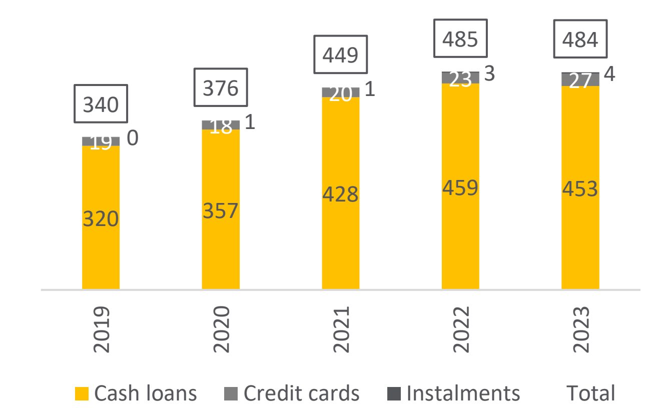
In terms of types of loans, While the cash loans segment grew steadily at a ~9% CAGR during this period, the product instalments market witnessed explosive growth, rising at a remarkable ~82% CAGR. Similarly, the credit card market expanded at an ~9% CAGR. Inflationary pressures have supported growth across all three segments, as consumers increasingly deferred payments for both small and large purchases. Notably, financing options for lower-ticket items and everyday transactions have experienced exponential growth, as evidenced by the rapid expansion of the instalment loan market.

Historically, the market was skewed towards cash loans; however, it is transforming towards newer products

Cash loans dominated Saudi Arabia's total consumer finance market, accounting for SAR453bn with a significant 93.6% market share (Figures 82 & 83) as of 2023. In comparison, the credit card market held a value of SAR27bn, capturing a 5.6% share, while product instalments represented SAR4bn, contributing a modest 0.8% of the market.

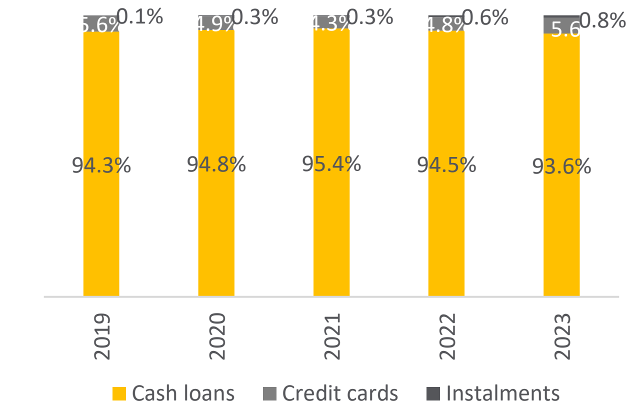
The dominance of cash loans can be attributed to their broad range of offerings, flexibility, and larger average ticket sizes, which ranged between SAR30,000 and SAR80,000 in 2023. Saudi consumers typically rely on cash loans for significant or urgent expenses, such as home renovations, education, or emergency medical care. In contrast, product instalments and credit cards have much smaller average ticket sizes—ranging between SAR3,000 and SAR10,000 for product instalments, and around SAR100 for credit cards in 2023. These products cater primarily to smaller, day-to-day purchases in categories like consumer electronics, white goods, and retail. However, this landscape is gradually shifting. Growing awareness and increasing acceptance among Saudi consumers for credit cards and product instalments are creating strong opportunities for growth in these segments.

Figure 82: KSA consumer finance market size by products (SARbn)



Source: Company IPO prospectus, GIB Capital

Figure 83: KSA consumer finance market share by products



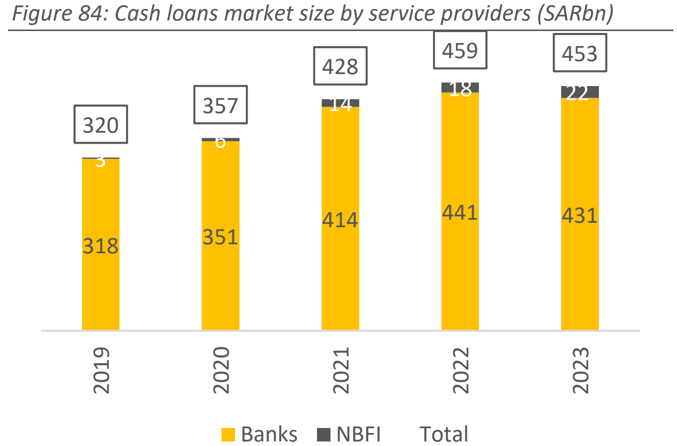
Source: Company IPO prospectus, GIB Capital

A. Cash Loans

As outlined earlier, the cash loans market in the KSA grew at a CAGR of ~9% over 2019-23, reaching SAR453bn by the end of 2023. Banks remained the dominant service providers, with their cash loan portfolio growing at a ~8% CAGR over the same period, reaching SAR431bn and accounting for ~95% of the market in 2023. However, banks have gradually ceded some market share to NBFIs, wihich witnessed a significant rise in their cash loan portfolio from SAR3bn in 2019 to SAR22bn in 2023, representing an impressive CAGR of ~72%. This rapid growth boosted their market share from ~1% in 2019 to ~5% in 2023. Several factors contributed to this shift, including rising consumer demand for financing options beyond the DBR limitations imposed by banks and the ability of NBFIs to address the financing needs of the underbanked population in Saudi Arabia. Additionally, inflationary pressures heightened the need for immediate financial support among consumers, further driving demand for NBFI offerings.

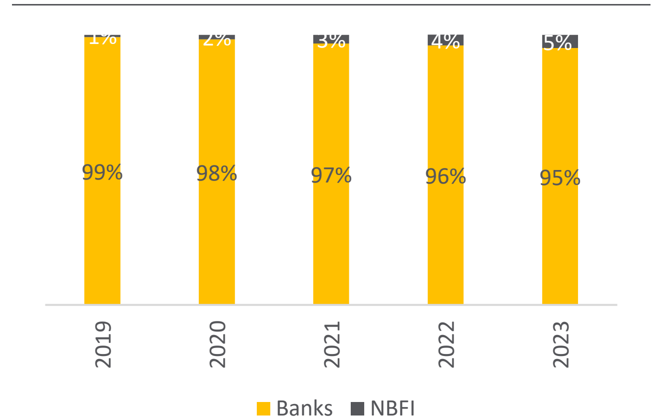
Looking ahead, demand for cash loans is expected to grow, fueled by increasing consumer spending, the normalization of interest rates, and the adoption of user-friendly digital financial products provided by NBFIs. This trend underscores the ongoing evolution of the consumer finance landscape in the Kingdom.

Figure 84: Cash loans market size by service providers (SARbn)



Source: Company IPO prospectus, GIB Capital

Figure 85: Cash loans market share by service providers



Source: Company IPO prospectus, GIB Capital

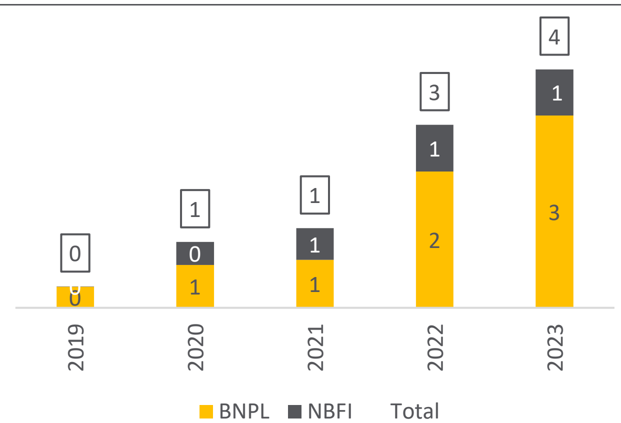
B. Instalments

In KSA, unlike other lending categories where banks dominate in terms of value, the instalments segment is largely driven by NBFIs and BNPL fintechs. Banks' role in this category is limited to offering Easy Payment Plans (EPPs), which allow credit card holders to convert their payments into instalments, restricting access to instalment services.

The instalments market in Saudi Arabia experienced remarkable growth, expanding at an impressive CAGR of ~82% between 2019 and 2023 to reach SAR3.8bn by the end of 2023. This exponential growth reflects a nationwide shift toward deferred payment models among consumers, retailers, and institutions. Both NBFIs and BNPL providers achieved robust growth in their instalment portfolios during this period. The NBFI instalments market grew at a staggering ~252% CAGR, reaching SAR0.8bn by 2023, while the BNPL segment expanded at a ~73% CAGR, reaching SAR3bn.

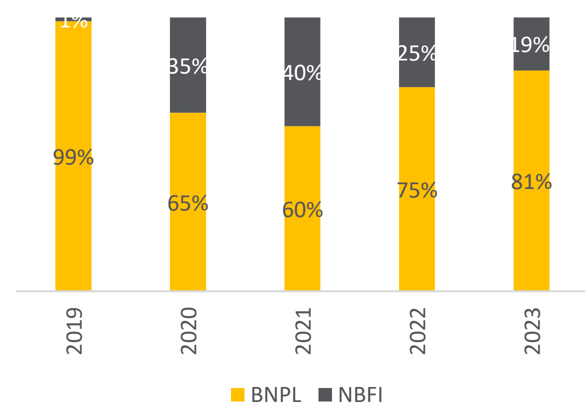
By the end of 2023, BNPL companies commanded ~81% of the market, with NBFIs accounting for the remaining ~19%. Market share dynamics between BNPL fintechs and NBFIs have fluctuated over time, with both segments experiencing shifts in dominance. Within the NBFI instalments space, Tas'heel Finance has historically led the market and currently holds a 37.4% value share, followed closely by Emkan with a 39.4% share. These two providers remain the key players in driving the growth and development of the instalments category.

Figure 86: Instalments market size by service providers (SARbn)



Source: Company IPO prospectus, GIB Capital

Figure 87: Instalments market share by service providers



Source: Company IPO prospectus, GIB Capital

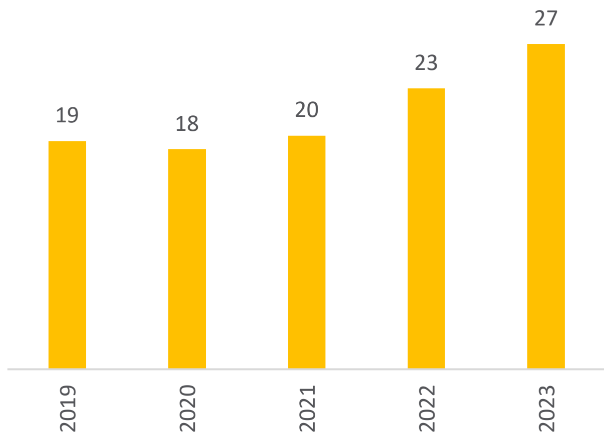
C. Personal credit cards

The personal credit card market in Saudi Arabia has experienced modest growth, expanding at a ~9% CAGR between 2019 and 2023 to reach SAR27bn by the end of 2023. This restrained growth is largely due to historically low credit card penetration in the Kingdom, driven by consumer concerns over perceived high profit rates and doubts about the Shariah compliance of credit cards.

Banks dominate the personal credit card market with a market size of nearly SAR27bn, representing nearly 100% market share as of 2023. This is due to the fact that there are only three NBFIs in KSA which provide credit card services (excluding Amercian Express). In 2023, the total NBFI market for personal credit cards reached SAR85mn, excluding figures for American Express from SAMA's official reports. American Express is excluded as it caters to a distinctly different consumer segment and collaborates with entities that differ from key NBFI players like Emkan, Tas'heel Finance, and Nayifat.

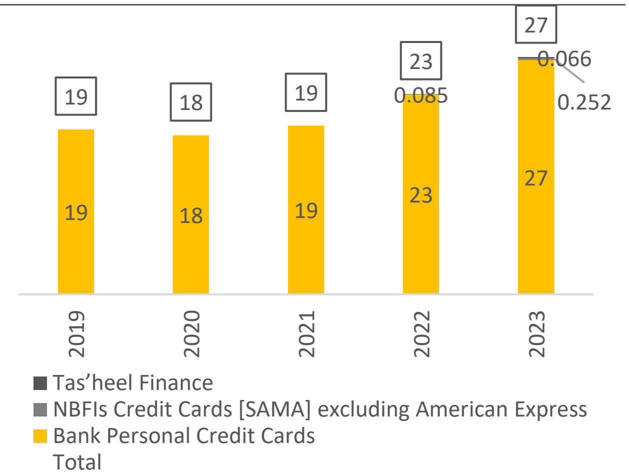
Since the entry of these NBFI providers in 2020, the NBFI credit card market has demonstrated steady growth. However, as a relatively new category, its expansion starts from a comparatively low base, especially when compared to other consumer finance segments.

Figure 88: Personal credit card market size (SARbn)



Source: Company IPO prospectus, GIB Capital

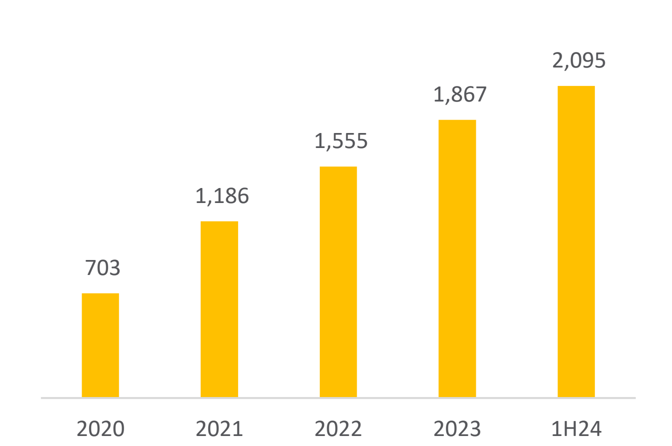
Figure 89: Personal credit card market by key category



Source: Company IPO prospectus, GIB Capital

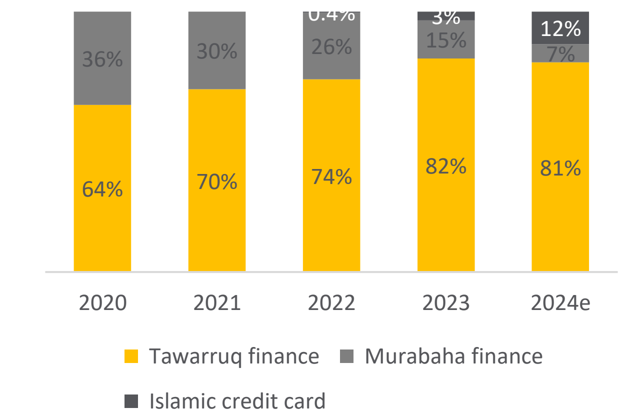
Financial analysis in charts

Figure 90: Net loans (SAR mn)



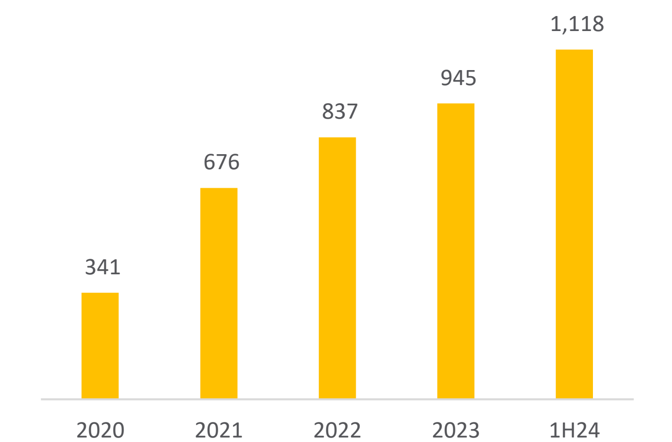
Source: Company data, GIB Capital

Figure 91: Loan mix



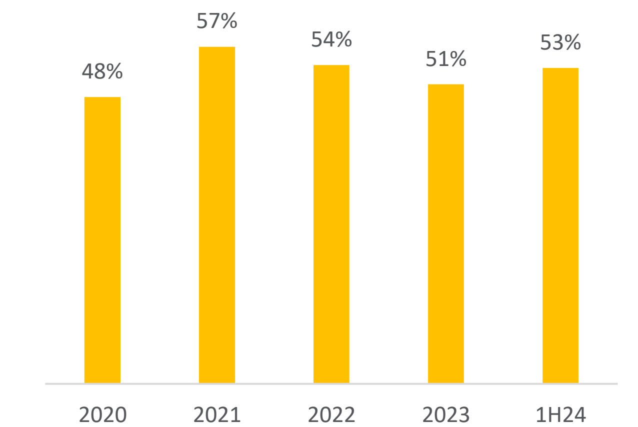
Source: Company data, GIB Capital

Figure 92: Borrowings (SARmn)



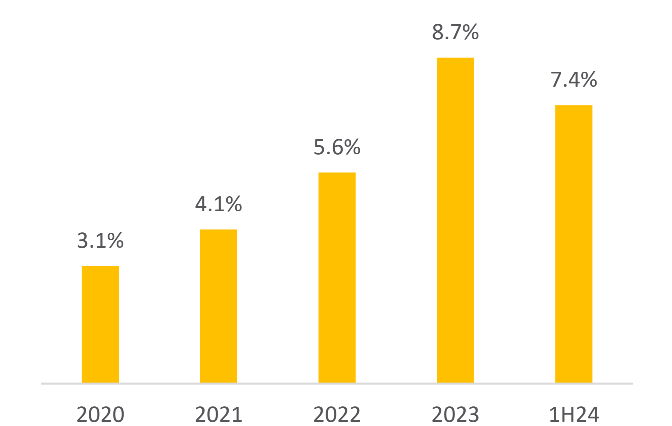
Source: Company data, GIB Capital

Figure 93: Borrowings to net loans



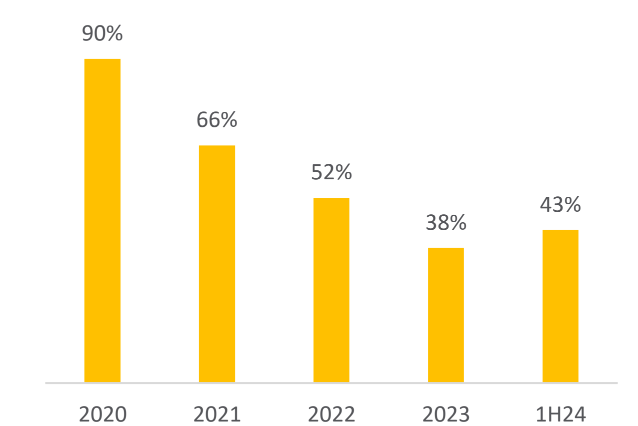
Source: Company data, GIB Capital

Figure 94: Gross NPL ratio



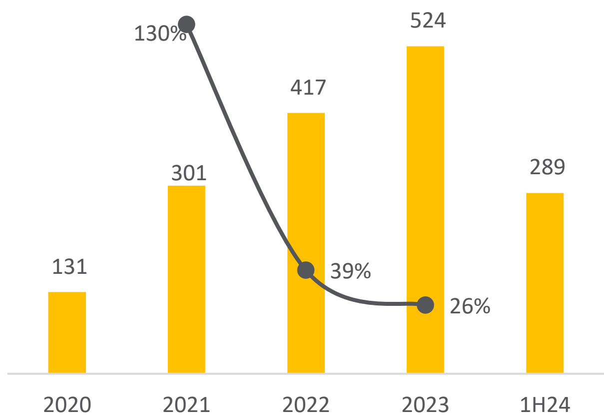
Source: Company data, GIB Capital

Figure 95: Coverage ratio



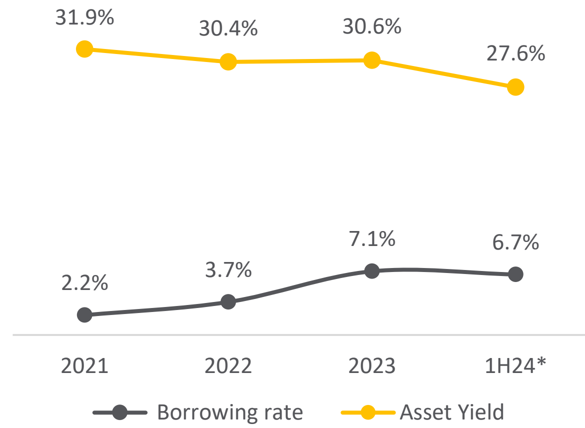
Source: Company data, GIB Capital

Figure 96: Net income from Islamic financing activities (SARmn)



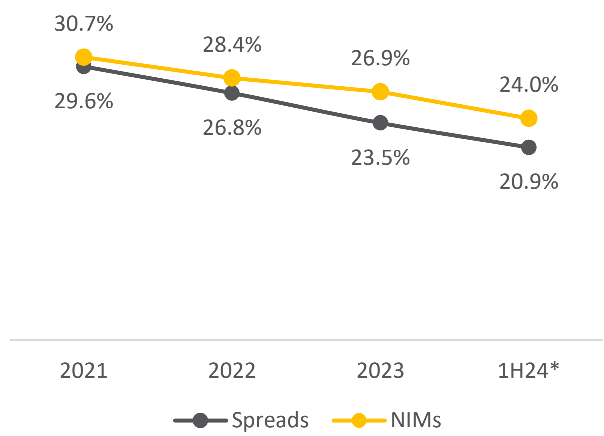
Source: Company data, GIB Capital

Figure 97: Asset yield and cost of funds



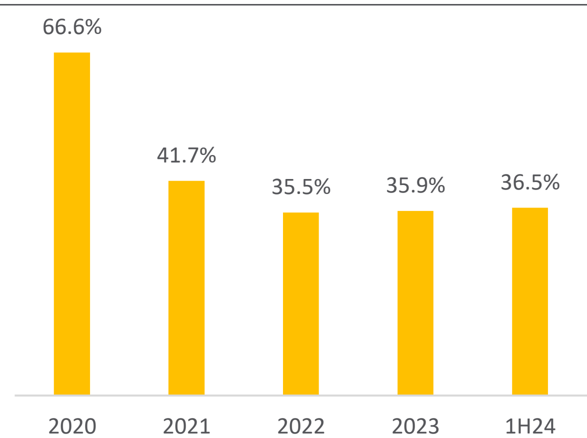
*Source: Company data, GIB Capital *Annualized*

Figure 98: NIMs and Spreads



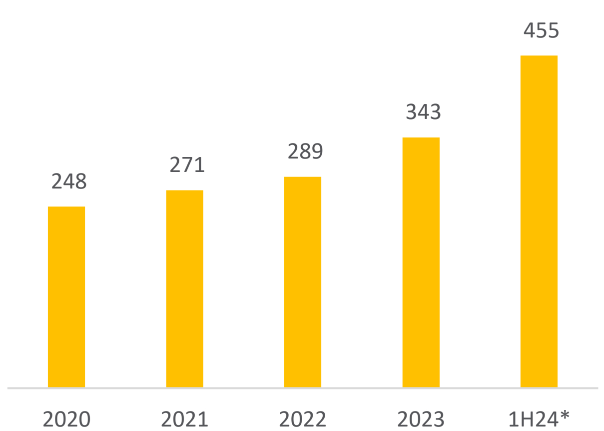
*Source: Company data, GIB Capital *Annualized*

Figure 99: Cost to income ratio



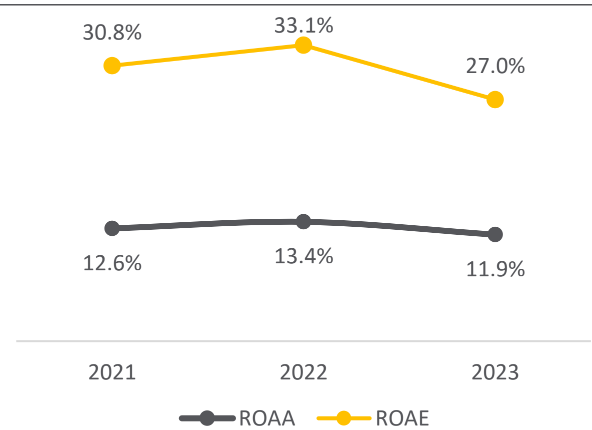
Source: Company data, GIB Capital

Figure 100: Cost of risk (bps)



*Source: Company data, GIB Capital *Annualized*

Figure 101: RoAA and RoAE



Source: Company data, GIB Capital

Financials

Figure 102: Summarized basic financial statements (SARmn)

Income statement	2022a	2023a	2024e	2025e	2026e	2027e
Income from Islamic financing contracts	**417**	**524**	**600**	**768**	**908**	**1,019**
Finance costs	28	63	78	100	114	119
Net income from Islamic financing contracts	**389**	**461**	**522**	**668**	**794**	**900**
General and administrative expenses	51	63	72	92	109	123
Selling and marketing expenses	87	102	118	151	178	200
Net impairment losses on financial assets	41	61	95	133	157	177
Finance costs on lease liabilities	0	0	0	0	0	0
Other income - net	4	2	2	3	3	3
Profit before zakat	**214**	**237**	**239**	**296**	**352**	**403**
Zakat expense	22	24	25	31	36	42
Profit for the year	**193**	**212**	**214**	**265**	**316**	**362**
EPS	**8**	**8**	**9**	**11**	**13**	**14**
DPS	0	0	0	6	8	9
Payout	0%	0%	0%	55%	60%	60%

Balance Sheet	2022a	2023a	2024e	2025e	2026e	2027e
Cash and cash equivalents	27	25	26	88	95	175
Prepayments and other receivables	16	19	20	21	22	23
Investment in Islamic financing contracts	1,555	1,867	2,519	3,127	3,527	3,904
Right-of-use assets	1	3	4	6	8	10
Property and equipment	5	4	8	12	17	22
Intangible assets	18	19	21	24	28	33
Goodwill	1	1	1	1	1	1
Total assets	**1,622**	**1,937**	**2,598**	**3,279**	**3,697**	**4,168**
IEA	**1,582**	**1,892**	**2,545**	**3,215**	**3,622**	**4,079**
Trade and other payables	77	67	70	73	77	81
Zakat payable	22	24	24	24	24	24
Lease liabilities	1	3	4	6	8	10
Borrowings	837	945	1,385	1,939	2,222	2,538
Employee benefit obligations	6	8	10	12	15	19
Total liabilities	**943**	**1,047**	**1,494**	**2,055**	**2,347**	**2,673**
IBL	**837**	**945**	**1,385**	**1,939**	**2,222**	**2,538**
Total equity	**678**	**891**	**1,105**	**1,224**	**1,350**	**1,495**
Total Equity and Liabilities	**1,622**	**1,937**	**2,598**	**3,279**	**3,697**	**4,168**
BVPS	27	36	44	49	54	60
Tangible Equity	660	871	1,083	1,199	1,321	1,462

Cashflow	2022a	2023a	2024e	2025e	2026e	2027e
Cashflow from Operations	(163)	(104)	(426)	(329)	(67)	4
Cashflow from Investing	(4)	(5)	(12)	(15)	(18)	(20)
Cashflow from Financing	156	107	439	406	92	96
Total Cashflows	**(11)**	**(2)**	**1**	**62**	**7**	**80**

Source: Company data, GIB Capital

Figure 103: Key ratios

Key ratios	2022a	2023a	2024e	2025e	2026e	2027e
Income Analysis						
Asset Yield	30%	31%	27%	27%	27%	27%
Cost of Funds	4%	7%	7%	6%	6%	5%
Spread	27%	24%	21%	21%	22%	22%
NIM	28%	27%	24%	24%	24%	24%
Asset Quality						
Gross NPL Ratio	5.6%	8.7%	7.9%	8.0%	8.2%	8.5%
Coverage ratio	51.7%	37.7%	43.8%	46.3%	47.1%	47.6%
COR (bps)	289	343	420	454	455	457
Write off ratio	2.2%	2.9%	3.3%	3.4%	4.0%	4.2%
Net loans/Total assets	43.4%	61.2%	59.8%	56.9%	68.1%	75.0%
Profitability ratios						
Cost to income ratio	35.5%	35.9%	36.4%	36.3%	36.2%	35.9%
Net margin	50%	46%	41%	40%	40%	40%
ROAA	13.4%	11.9%	9.4%	9.0%	9.1%	9.2%
ROAE	33.1%	27.0%	21.5%	22.8%	24.5%	25.4%
ROATE	29.2%	27.7%	21.9%	23.2%	25.1%	26.0%
Leverage ratios						
Net loans/Shareholder’s Equity	2.3	2.1	2.3	2.6	2.6	2.6
Borrowings/Net loans	54%	51%	55%	62%	63%	65%
Borrowings/Shareholder’s Equity	1.2	1.1	1.3	1.6	1.6	1.7
Borrowings/Total Assets	52%	49%	53%	59%	60%	61%
Net loans/Total Assets	96%	96%	97%	95%	95%	94%
Net Loans/Borrowings	186%	198%	182%	161%	159%	154%
Valuation ratios						
P/E	17.1x	15.5x	15.4x	12.5x	10.4x	9.1x
P/B	4.9x	3.7x	3.0x	2.7x	2.4x	2.2x
Dividend Yield	0.0%	0.0%	0.0%	4.4%	5.7%	6.6%

Source: Company data, GIB Capital

Disclaimer

This research report has been prepared by GIB Capital, Riyadh, Saudi Arabia. It has been prepared for the general use of GIB Capital's clients and may not be altered, redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of GIB Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by GIB Capital. The information contained was obtained from various public sources believed to be reliable, but we do not guarantee its accuracy. GIB Capital makes no representations or warranties (express or implied) regarding the data and information provided and GIB Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. GIB Capital or its officers (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. GIB Capital may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. GIB Capital and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document. Where the report contains or refers to a recommendation about a specific security or securities service, please note that it may not be suitable for all recipients. Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations. The subjectivity in future expectations is complex and may miss actual or reported numbers.

This research document and any recommendations contained are subject to change without prior notice. GIB Capital assumes no responsibility to update the information in this research document. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law, or which would subject GIB Capital to any registration or licensing requirement within such jurisdiction

The principal activities of GIB Capital are Dealing, Custody, Managing, Arranging and Advising pursuant to the Capital Market Authority ("CMA") License No. 07078-37.

We use a rating system based on potential upside, 1 year from today, based on our valuation models. For "Overweight" ratings, the estimated upside is >10%, for "Underweight", the estimated downside is <10%. For returns in between +/-10%, we have a Neutral rating.

Contact us for queries:

Sell Side Research Department,
GIB Capital,
B1, Granada Business & Residential Park,
Eastern Ring Road, PO Box 89589, Riyadh 11692
www.gibcapital.com