

## An overdone sell-off creates an attractive buying opportunity; growth trajectory intact despite evolving regulations

Recent amendments by SAMA to the regulatory framework governing consumer finance and credit companies—including (1) raising loan-to-equity level, (2) imposing caps on administrative fees, and (3) discontinuing use of promissory notes—have weighed on Tasheel and Extra, with their shares declining 26.5% and 11.4% YTD, respectively. We believe market has overreacted to the regulatory changes; trading at 2026E PE of 11.4x vs last 5-year average of 15.3x, Extra offers an attractive entry point. We believe Extra's investment case remains intact, underpinned by (1) its strategic partnership with Panda, (2) continued expansion of its brick-and-mortar footprint, and (3) ongoing migration toward e-commerce, where the company maintains one of the strongest platforms in the Kingdom. Extra posted net income of SAR 94.8mn in Q1-26 up 10.1% Y/Y, driven by change in retail sales mix and growth in consumer finance loan book. We expect the company to post normalized revenue and earnings CAGR (2025-28e) of 6.8% and 7.5%, respectively. We reiterate our **"Overweight"** rating on the company with TP of SAR 98.6/share.

**Earnings up 10.1% Y/Y on margin improvement in electronics segment and loan book expansion in financing business:** Extra recorded net income of SAR 94.8mn in Q1-26, up 10.1% Y/Y and down 39.4% Q/Q. The result was in line with AJBC research and consensus estimate of SAR 96.7mn and SAR 97.8mn, respectively. Earnings growth was primarily driven by 158bps Y/Y improvement in gross margin to 24.6%, on the back of improvement in sales mix and growth in consumer finance portfolio. Revenues grew by 5.0% Y/Y (+2.2% Q/Q) to SAR 1,828mn, -0.8% deviation to AJBC estimate of SAR 1,843mn. Electronic business sales grew by 3.6% Y/Y to SAR 1,624mn on the back of online sales and 'Clx', while consumer finance business saw a 17.6% Y/Y growth to SAR 205mn, due to 21.7% Y/Y expansion in loan book. Gross margins increased by ~158bps Y/Y (-240bps Q/Q) to ~24.6% in Q1-26, margins for electronic business improved by ~49bps Y/Y to ~16.3%, while margins for financing business contracted by ~24bps. Operating profit improved by 10.7% Y/Y (-32.5% Q/Q) to SAR 139mn (-0.4% deviation to AJBC estimate), while operating margins improved by 39bps Y/Y (-390bps Q/Q).

**Regulatory headwinds to weigh on margins & credit costs of Tasheel; however double-digit earnings growth is intact:** Recent regulatory changes introduced by SAMA for NBFIs are likely to reshape the competitive landscape of the consumer finance sector. The amendments—namely (1) increasing the permissible loan book-to-equity ratio from 3x to 8x, (2) capping administrative fees at the lower of 0.5% of the financing amount or SAR 2,500 (vs. 1.0% or SAR 5,000 previously), and (3) eliminating the use of promissory notes—could increase competitive intensity, compress fee income, and contribute to higher credit costs across the sector. Following the recent regulatory changes, we have revised our assumptions to reflect a higher credit cost environment and increased competitive intensity. We now forecast Tasheel's Stage 3 ratio to average 11.0% over 2026-30, compared with our previous estimate of 8.3%, while average cost of risk is expected to increase to 4.9% from 4.6% previously. In addition, we have lowered our NIM assumptions, with margins now projected to average 22.9% over 2026-30 versus 24.3% under our prior estimates. We expect NIMs to gradually decline from 24.6% in 2025 to 21.9% by 2030, reflecting heightened competition and an evolving product mix. Despite the downward revisions to profitability assumptions, Tasheel's earnings outlook remains attractive, supported by robust balance sheet expansion. We forecast the financing portfolio to grow at a CAGR of 16.1% over 2025-30, driving net income growth of 11.4% CAGR over the same period. Consequently, we expect the company to deliver an average ROE of 20.7% during 2026-30, compared with our previous estimate of 23.2%.

**Recommendation** **Overweight**

**Target Price (SAR)** **98.6**

**Upside / (Downside)\*** **31.9%**

Source: Tadawul \*prices as of 18<sup>th</sup> of June 2026

### Key Financials

SAR mn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	6,781	7,446	7,938	8,490
Growth %	9.4%	9.8%	6.6%	7.0%
Gross profit	1,559	1,791	1,973	2,167
EBIT	639	671	728	796
Net Income	534	576	630	689
Growth %	37.2%	7.8%	9.3%	9.3%
Net income - Adj for minority	528	497	526	571
Growth %	35.5%	-5.9%	5.8%	8.6%
EPS - Adj for minority	6.60	6.21	6.6	7.1
DPS	10.0	5.0	4.8	5.3

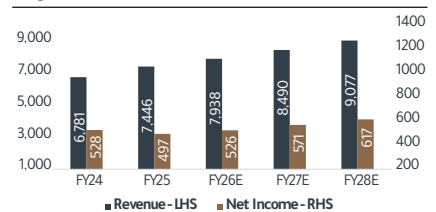
Source: Company reports, Aljazira Capital Research.

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	23.0%	24.0%	24.9%	25.5%
EBIT margin	9.4%	9.0%	9.2%	9.4%
Net Margin - Adj for minority	7.8%	6.7%	6.6%	6.7%
ROA	10.9%	10.2%	10.0%	9.7%
ROE	25.8%	23.9%	21.4%	21.5%
P/E - Adj for minority (x)	13.7	13.6	11.4	10.5
P/B (x)	3.5	3.3	2.4	2.2
EV/EBITDA (x)	11.4	11.1	9.5	9.2
DY	11.1%	5.9%	6.4%	7.0%

Source: Company reports, Aljazira Capital Research

**Fig 1: Revenue and Net income (SAR mn)**



Source: Tadawul, Aljazira Capital Research

### Key Market Data

Market Cap (bn)	5.9
YTD%	-11.4%
52 week (High)/(Low)	93.5/74.05
Share Outstanding (mn)	80.0

Source: Company reports, Aljazira Capital Research

### Price Performance



Source: Tadawul, Aljazira Capital Research

### Senior Equity Analyst

Fahad Qureshi, CFA

+966 11 2256315

f.irfan@aljaziracapital.com.sa

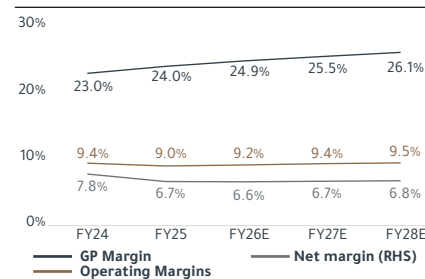
**Electronics segment poised for 6.6% CAGR growth over 2025-28E, supported by Panda partnership, store expansion and e-commerce penetration:** Extra has delivered resilient performance in its core electronics segment, recording sales growth of 7.1% over the past twelve months despite a challenging operating environment characterized by inflationary pressures, evolving consumer preferences, and intensifying competition. We forecast electronics revenue to grow at a CAGR of 5.7% over 2025-28E, supported by several key growth drivers. First, the company’s partnership with Panda continues to gain traction, with Clix now present in 58 hypermarkets and 150 supermarkets. Management is targeting SAR 1bn in sales from the Clix format, while our estimates imply revenue of SAR 864mn by 2027. Second, we expect continued expansion of the store network, with the company adding approximately one brick-and-mortar store annually, supporting market penetration and customer acquisition. Third, extra remains well-positioned to capitalize on the ongoing shift toward online retail, benefiting from one of the Kingdom’s most established e-commerce platforms, having been among the first retailers to launch an online shopping channel in 2011. Overall, we expect the electronics segment to deliver normalized revenue and earnings growth of 5.4% and 7.0%, respectively, in 2026, implying medium-term CAGRs of 5.7% for revenue and 6.6% for earnings over 2025-28E.

**Attractive dividend yield and strong cash generation provide downside support:** Extra offers an attractive 2026E dividend yield of 6.4%, among the highest within our coverage universe. The company’s asset-light business model, reflected in low capex intensity of just 0.7% of revenues, coupled with a modest leverage profile and strong cash generation from its consumer finance business, supports a healthy payout ratio (~80% of earnings in 2025E). Furthermore, we expect the core electronics business to generate operating cash flow of SAR 5.5/share in 2026E. The company’s robust free cash flow generation and attractive shareholder returns provide meaningful downside protection and should support valuation over the medium term.

**Investment thesis:** Recent SAMA regulatory amendments have weighed on sentiment toward Tasheel and Extra, driving their shares down 26.5% and 11.4% YTD, respectively. We believe the market has overreacted to the changes, with extra now trading at an attractive 2026E P/E of 11.4x, well below its five-year historical average of 15.3x. We maintain a positive view on the stock, supported by the ramping up of the Panda partnership, ongoing store expansion, and the company’s leading e-commerce platform. Despite headwinds, extra delivered solid Q1-26 earnings growth of 10.1% YoY, driven by an improved sales mix and growth in the consumer finance portfolio. We forecast revenue and earnings CAGRs of 6.8% and 7.5%, respectively, over 2025-28E, underpinning our constructive outlook on the stock.

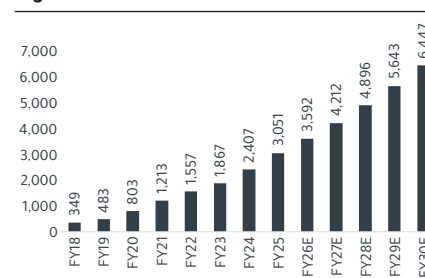
**Valuation:** We value Extra using sum of the parts approach (SOTP), where we value core electronics business using DCF (2.5% terminal growth and 9.7% COE) to reach value of SAR 67.4/sh, and we value Extra’s share in Tasheel at SAR 31.1/sh after applying a 10% conglomerate discount to our fair value of SAR 55.8/sh. We value Tasheel assigning, 50% weight to Dividend Discount Model (20% retention ratio and 10.5% cost of equity) and 50% weight to Residual Income approach (2.5% risk free rate and 10.5% WACC). We reiterate our **“Overweight”** recommendation on Extra, with a revised TP of **SAR 98.6/share**.

**Fig 2: Margin performance**



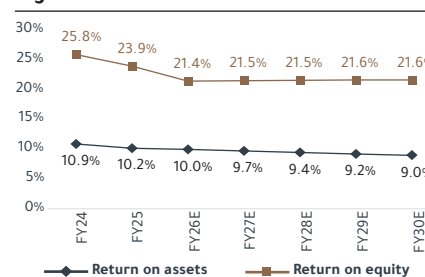
Source: Company accounts, Aljazira Capital Research

**Fig 3: Tasheel Loan book**



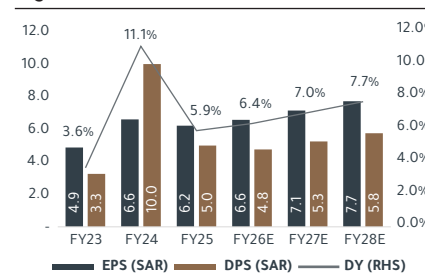
Source: Company accounts, Aljazira Capital Research

**Fig 4: ROA and ROE**



Source: Company accounts, Aljazira Capital Research

**Fig 5: EPS, DPS and DY**



Source: Company accounts, Aljazira Capital Research

### Valuation Summary

**Electronics business using DCF (A)**

- Extra’s share in Tasheel (SAR mn)
- Conglomerate discount (10%)

**67.4**  
**2,767**  
**2,490**

**Tasheel value (B)**

**31.1**

**Extra’s recommended Target Price (SAR/share) A + B**

**98.6**

**Up/Downside (%)**

**31.9%**

Source: Company’s report, Aljazira Capital Research, price as of 18<sup>th</sup> June 2026

## Key Financial Data

Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Income statement</b>							
Revenues	6,781	7,446	7,938	8,490	9,077	9,683	10,268
Y/Y	9.4%	9.8%	6.6%	7.0%	6.9%	6.7%	6.0%
Cost of Sales	(5,222)	(5,656)	(5,965)	(6,323)	(6,705)	(7,098)	(7,468)
<b>Gross profit</b>	<b>1,559</b>	<b>1,791</b>	<b>1,973</b>	<b>2,167</b>	<b>2,372</b>	<b>2,585</b>	<b>2,800</b>
<b>GPM</b>	<b>23.0%</b>	<b>24.0%</b>	<b>24.9%</b>	<b>25.5%</b>	<b>26.1%</b>	<b>26.7%</b>	<b>27.3%</b>
Selling, marketing and distribution expenses	(635)	(726)	(780)	(841)	(906)	(973)	(1,040)
Administrative expenses	(222)	(270)	(308)	(340)	(374)	(410)	(446)
Net impairment losses on financial expenses	(93)	(125)	(159)	(191)	(231)	(268)	(307)
Other expenses	(3)	(4)	(5)	(6)	(6)	(7)	(7)
Other income	33	6	6	6	7	7	7
<b>EBITDA</b>	<b>758</b>	<b>795</b>	<b>856</b>	<b>933</b>	<b>1,003</b>	<b>1,085</b>	<b>1,166</b>
<b>EBITDA margin</b>	<b>11.2%</b>	<b>10.7%</b>	<b>10.8%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.2%</b>	<b>11.4%</b>
<b>Operating profit</b>	<b>639</b>	<b>671</b>	<b>728</b>	<b>796</b>	<b>862</b>	<b>935</b>	<b>1,006</b>
Y/Y	33.1%	5.0%	8.4%	9.4%	8.3%	8.4%	7.7%
<b>Operating Margins</b>	<b>9.4%</b>	<b>9.0%</b>	<b>9.2%</b>	<b>9.4%</b>	<b>9.5%</b>	<b>9.7%</b>	<b>9.8%</b>
Finance charges	(60)	(46)	(44)	(45)	(46)	(48)	(48)
<b>Profit before zakat</b>	<b>579</b>	<b>625</b>	<b>684</b>	<b>751</b>	<b>816</b>	<b>887</b>	<b>959</b>
Zakat	(45)	(49)	(54)	(63)	(69)	(76)	(83)
<b>Net income (for owners of United Electronics Company)</b>	<b>528</b>	<b>497</b>	<b>526</b>	<b>571</b>	<b>617</b>	<b>668</b>	<b>720</b>
Y/Y	35.5%	-5.9%	5.8%	8.6%	8.0%	8.3%	7.6%
<b>EPS (SAR)</b>	<b>6.6</b>	<b>6.2</b>	<b>6.6</b>	<b>7.1</b>	<b>7.7</b>	<b>8.4</b>	<b>9.0</b>
<b>DPS (SAR)</b>	<b>10.0</b>	<b>5.0</b>	<b>4.8</b>	<b>5.3</b>	<b>5.8</b>	<b>6.3</b>	<b>6.8</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	476	231	501	546	594	644	696
Other current assets	2,653	3,222	3,131	3,511	3,929	4,379	4,849
Property & Equipment	486	497	510	512	514	517	520
ROU assets	463	458	465	471	482	492	500
Other non-current assets	1,324	1,516	2,105	2,455	2,840	3,260	3,712
<b>Total Assets</b>	<b>5,402</b>	<b>5,924</b>	<b>6,712</b>	<b>7,495</b>	<b>8,359</b>	<b>9,292</b>	<b>10,276</b>
<b>Liabilities &amp; owners' equity</b>							
Total current liabilities	1,662	1,894	2,195	2,460	2,760	3,079	3,409
Total non-current liabilities	1,697	1,952	2,058	2,373	2,729	3,117	3,530
Paid-up capital	800	800	800	800	800	800	800
Total owners' equity	2,043	2,078	2,458	2,662	2,870	3,096	3,338
<b>Total equity &amp; liabilities</b>	<b>5,402</b>	<b>5,924</b>	<b>6,712</b>	<b>7,495</b>	<b>8,359</b>	<b>9,292</b>	<b>10,276</b>
<b>Cashflow statement*</b>							
Operating activities	601	537	442	566	614	661	710
Investing activities	(56)	(70)	(77)	(74)	(78)	(83)	(87)
Financing activities	(226)	(447)	(433)	(463)	(506)	(547)	(591)
Change in cash	319	20	(68)	29	30	30	31
<b>Ending cash balance</b>	<b>455</b>	<b>476</b>	<b>407</b>	<b>437</b>	<b>466</b>	<b>497</b>	<b>528</b>
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	1.9	1.8	1.7	1.6	1.6	1.6	1.6
Quick ratio (x)	1.1	1.1	1.0	1.1	1.1	1.1	1.1
<b>Profitability ratios</b>							
GP Margin	23.0%	24.0%	24.9%	25.5%	26.1%	26.7%	27.3%
Operating Margins	9.4%	9.0%	9.2%	9.4%	9.5%	9.7%	9.8%
EBITDA Margin	11.2%	10.7%	10.8%	11.0%	11.0%	11.2%	11.4%
Net Margins	7.8%	6.7%	6.6%	6.7%	6.8%	6.9%	7.0%
Return on assets	10.9%	10.2%	10.0%	9.7%	9.4%	9.2%	9.0%
Return on equity	25.8%	23.9%	21.4%	21.5%	21.5%	21.6%	21.6%
<b>Market/valuation ratios</b>							
EV/sales (x)	1.3	1.2	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	11.4	11.1	9.5	9.2	9.0	8.9	8.7
BVPS (SAR)	25.5	26.0	30.7	33.3	35.9	38.7	41.7
Market price (SAR)*	90.2	84.5	74.8	74.8	74.8	74.8	74.8
Market-Cap (SAR mn)	7,216	6,760	5,984	5,984	5,984	5,984	5,984
Dividend yield	11.1%	5.9%	6.4%	7.0%	7.7%	8.4%	9.0%
P/E ratio (x)	13.7	13.6	11.4	10.5	9.7	9.0	8.3
P/BV ratio (x)	3.5	3.3	2.4	2.2	2.1	1.9	1.8

Source: Company accounts, Aljazira Capital Research, Dated 18<sup>th</sup> June 2026

Head of Sell-Side Research - Director

**Jassim Al-Jubran**

+966 11 2256248

j.aljabran@aljazaracapital.com.sa

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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