United Electronics Co.(EXTRA)

Investment Update

aljazira capital

Regulatory headwinds create near-term earnings pressure, but valuation and dividends provide downside support

Intensifying competition and recent SAMA regulatory amendments are likely to weigh on Extra's financing business Tasheel's margins and asset quality, while higher competition in retail is pressuring core business, prompting us to cut Extra's 2026/2027/2028E earnings estimates by 11.3/11.4/13.3%, respectively. Nevertheless, we expect the core electronics business to be supported by the ramp-up of the Clix format through the Panda partnership, continued store expansion and a leading e-commerce platform. We forecast 2025-28E revenue and net income CAGRs of 5.6% and 2.5%, respectively, while the stock's 11.4x 2026E P/E is well below its five-year historical average of 15.3x. In addition, a 6.7% 2026E dividend yield, low capex intensity and strong cash generation provide meaningful downside support. Following the stock's 21.1% YTD decline, we believe a significant portion of the regulatory concerns is already more than fully reflected in the valuation; therefore, we maintain our "Overweight" rating with revised TP of SAR 85 per share.

Q2-26 earnings miss estimates, with weak Tasheel performance offsetting resilient electronics business: Extra recorded net income of SAR 102.5mn in Q2-26, down 3.8% Y/Y and up 8.1% Q/Q. The result was 11.1% and 7.4% below AJBC Research and consensus estimates of SAR 115mn and SAR 111mn, respectively. The decline in earnings is mainly owed to dismal performance of its consumer finance arm Tasheel, which experienced a 20.3% Y/Y decline in bottom line. Revenues grew by 5.5% Y/Y (+22.6% Q/Q) +0.5% above our estimate. The electronics segment recorded a 5.4% increase in revenues, supported by higher average basket size and strong performance in the B2B segment. The consumer finance segment reported 6.5% Y/Y revenue growth, driven by a 13.6% Y/Y increase in the loan book. The electronics segment saw a 7.3% Y/Y increase in net profit during Q2-26, supported by continued revenue growth and improved operating performance. Gross profit increased by 3.9% Y/Y (+5.1% Q/Q) to SAR 473mn, 3.8% below our estimate. The smaller increase in gross profit (as compared to revenues) is owed to 31bps Y/Y reduction in gross margins. Operating profit declined by 4.8% Y/Y to SAR 142mn due to a 63bps decline in operating margins.

Electronics to remain a steady growth engine, with Clix, store expansion and e-commerce supporting 4.2% earnings CAGR; we cut estimates on higher competition: We expect Extra's core electronics segment to deliver a 4.8% revenue and 4.2% earnings CAGR over 2025-28E (previously 5.7% and 6.6%), despite persistent inflationary pressures and intensifying competition. The estimate revision primarily reflects increased competition in online business, where we saw revenues decline by 8.7% Y/Y. Growth should be supported by the continued ramping up of the Clix format through the Panda partnership, with the concept now reaching ~58 hypermarkets and 150 supermarkets and management targeting SAR 1bn in sales. Continued store expansion, at roughly one new brick-and-mortar outlet annually, should further support market penetration, while Extra's established e-commerce platform positions it to capture the ongoing shift towards online retail. We forecast normalized electronics revenue and earnings growth of 4.6% and 2.7%, respectively, in 2026, underpinning a resilient medium-term growth trajectory.

Competition to intensify and regulatory changes to weigh on Tasheel's profitability; earnings estimates revised down: We expect competitive pressures in Saudi Arabia's consumer finance market to intensify as established players such as Bank Albilad, through its wholly owned subsidiary Dufaa Finance Company, and Jarir, through its partnership with Aman Egypt, expand into the sector, while BNPL platforms including Tabby and Tamara increasingly move beyond point-of-sale financing into cash lending. This convergence of traditional lenders, fintechs and BNPL providers is likely to drive further pricing pressure and margin compression, with Tasheel's NIMs already declining by 602bps since 2021 to 24.6% in 2025. Against this backdrop, we have revised down our earnings estimates to reflect a stronger-than-previously

Recommendation	Overweight
Target Price (SAR)	85.0
Upside / (Downside)*	27.4%

Source: Tadawul *prices as of 27th of August 2026

Key Financials

SAR mn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	6,781	7,446	7,829	8,304
Growth %	9.4%	9.8%	5.1%	6.1%
Gross profit	1,559	1,791	1,895	2,061
EBIT	639	671	639	706
Net Income	534	576	547	600
Growth %	37.2%	7.8%	-5.0%	9.7%
Net Income after minority	528	497	467	506
Growth %	35.5%	-5.9%	-6.1%	8.5%
EPS	6.60	6.21	5.8	6.3
DPS	10.00	5.00	4.50	4.75

Source: Company reports, Aljazira Capital Research,

Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	23.0%	24.0%	24.2%	24.8%
EBIT margin	9.4%	9.0%	8.2%	8.5%
Net Margin	7.8%	6.7%	6.0%	6.1%
ROA	10.7%	8.8%	7.5%	7.4%
ROE	35.3%	29.7%	27.7%	28.2%
P/E (x)	13.7	13.6	11.4	10.5
P/B (x)	4.2	4.1	3.1	2.9
EV/EBITDA (x)	11.4	11.1	10.1	9.7
DY	11.1%	5.9%	6.7%	7.1%

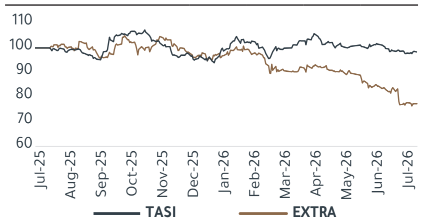
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	5.3
YTD%	-21.1%
52 week (High)/(Low)	93.5/62.5
Share Outstanding (mn)	80.0

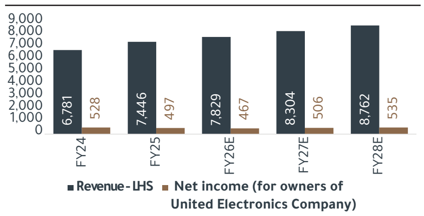
Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

Fig 1: Revenue and Net income (SAR mn)



Source: Company reports, Aljazira Capital Research

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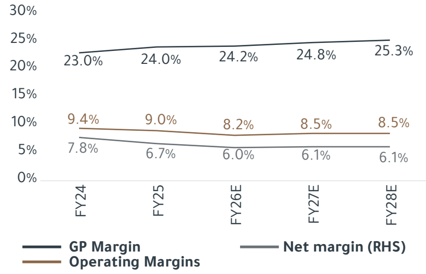
anticipated impact from recent SAMA regulatory changes, including higher permitted leverage, tighter administrative fee caps and the discontinuation of promissory notes. We believe these changes could structurally reduce fee income, intensify pricing competition and potentially weaken underwriting discipline, leading to higher delinquencies and CoR. Accordingly, we raise our Stage 3 ratio assumption to an average of 11.0% over 2026-30 from 10.5% previously, while increasing our average CoR forecast to 5.5% from 5.0% and lowering average NIM to 21.7% from 22.9%, with NIM expected to decline from 24.6% in 2025 to 20.7% by 2030. Despite the downward revisions to profitability, we remain constructive on loan growth, forecasting a 13.7% CAGR over 2026-30; however, lower margins and higher credit costs result in net income CAGR of 9.9% versus 10.7% earlier.

Estimates cut for Extra following downward revisions to consumer finance business, however yield is attractive; robust cash generation provides downside support: Following the incorporation of our revised estimates for Tasheel, we cut our 2026/27/28 net income forecasts for Extra by 11.3/11.4/13.3%, respectively, to SAR 467/506/535mn. The earnings revisions primarily reflect lower expectations for the consumer finance business, which more than offset our underlying assumptions for the core retail operations. Our estimates imply a 6.1% Y/Y decline in net income in 2026. We also trim our revenue forecasts by 1.4/2.2/3.5% for 2026/27/28 to SAR 7.8/8.3/8.7bn, respectively. Following these revisions, we now forecast FY25-28E revenue and net income CAGRs of 5.6% and 2.5%, respectively, versus our previous estimates of 6.8% and 7.5%. In line with the lower earnings outlook, we reduce our DPS estimates by 5.3/9.5/8.7% to SAR 4.50/4.75/5.25 over the same period. Extra's strong cash-generative, asset-light model underpins an attractive 6.7% 2026E dividend yield, among the highest in our coverage universe. Low capex intensity of just 0.7% of revenues, modest leverage and resilient cash generation from its consumer finance business support a healthy ~80% payout ratio. We also forecast the core electronics business to generate SAR 4.9/share in operating cash flow in 2026E. With strong free cash flow generation and attractive shareholder returns, we see the dividend as a key valuation support and a meaningful source of downside protection.

Investment thesis: Recent SAMA regulatory amendments have weighed heavily on investor sentiment toward Tasheel and Extra, with the two stocks declining 38.2% and 21.1% YTD, respectively. While we acknowledge the potential near-term impact of the regulatory changes on Tasheel's growth and profitability, we believe the market reaction has been overly punitive, with Extra now trading at 11.4x 2026E P/E, well below its five-year historical average of 15.3x. We maintain our constructive view on the stock, supported by the ramp-up of the Panda partnership, continued store expansion, and Extra's leading e-commerce platform, which should support sustainable medium-term growth. We forecast revenue and net income CAGRs of 5.6% and 2.5%, respectively, over FY25-28E, providing a solid foundation for earnings growth and supporting our positive stance on the stock.

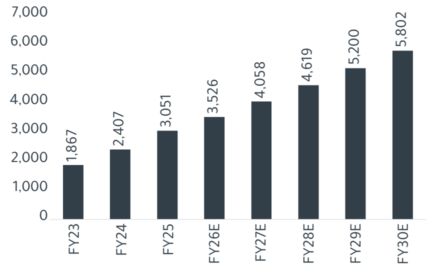
Valuation: We value Extra using a sum-of-the-parts (SOTP) approach, where we value core electronics business using a DCF (2.5% terminal growth and 9.9% COE) to reach value of SAR 62.2/sh, and we value Extra's share in Tasheel at SAR 22.8/sh after applying a 10% conglomerate discount to our fair value of SAR 41.0/sh. We value Tasheel by assigning a 50% weight to Dividend Discount Model (20% retention ratio and 10.5% cost of equity) and a 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 85.0/share.**

Fig 2: Margin performance



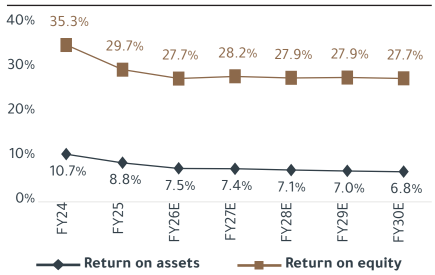
Source: Company accounts, Aljazira Capital Research

Fig 3: Tasheel's Loan book (SAR mn)



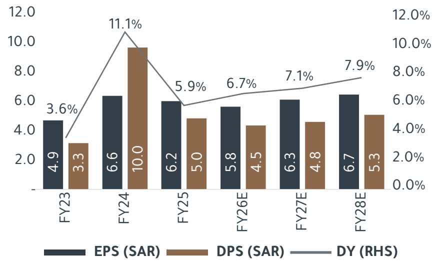
Source: Company accounts, Aljazira Capital Research

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)	**62.2**
Extra's share in Tasheel (SAR mn)	2,031
Conglomerate discount (10%)	1,828
Tasheel value (B)	**22.8**
Extra's recommended Target Price (SAR/share) A + B	**85.0**
Up/Downside (%)	**27.4%**

Source: Company's report, AlJazira Capital Research, price as of 27th August 2026

United Electronics Co.(EXTRA)

Investment Update

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Key Financial Data

Amount in SARmn, unless otherwise specified	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement								
Revenues	6,200	6,781	7,446	7,829	8,304	8,762	9,235	9,662
Y/Y	**2.8%**	**9.4%**	**9.8%**	**5.1%**	**6.1%**	**5.5%**	**5.4%**	**4.6%**
Cost of Sales	(4,839)	(5,222)	(5,656)	(5,935)	(6,243)	(6,548)	(6,862)	(7,137)
Gross profit	**1,361**	**1,559**	**1,791**	**1,895**	**2,061**	**2,213**	**2,373**	**2,524**
GPM	**21.95%**	**22.99%**	**24.05%**	**24.20%**	**24.82%**	**25.26%**	**25.69%**	**26.13%**
Selling, marketing and distribution expenses	(557)	(635)	(726)	(786)	(827)	(878)	(927)	(973)
Administrative expenses	(254)	(222)	(270)	(307)	(324)	(349)	(373)	(396)
Net impairment losses on financial expenses	(70)	(93)	(125)	(165)	(203)	(241)	(273)	(306)
Other expenses	(6)	(3)	(4)	(3)	(7)	(8)	(8)	(8)
Other income	6	33	6	6	6	7	7	7
EBITDA	**595**	**758**	**795**	**768**	**843**	**886**	**948**	**1,008**
EBITDA margin	**9.60%**	**11.17%**	**10.68%**	**9.80%**	**10.15%**	**10.11%**	**10.27%**	**10.44%**
Operating profit	**480**	**639**	**671**	**639**	**706**	**745**	**798**	**849**
Y/Y	**-8.0%**	**33.1%**	**5.0%**	**-4.7%**	**10.4%**	**5.6%**	**7.1%**	**6.4%**
Operating Margins	**7.75%**	**9.43%**	**9.01%**	**8.17%**	**8.50%**	**8.51%**	**8.64%**	**8.79%**
Finance charges	(62)	(60)	(46)	(44)	(45)	(46)	(47)	(47)
Profit before zakat	**418**	**579**	**625**	**596**	**661**	**699**	**751**	**802**
Zakat	(29)	(45)	(49)	(49)	(60)	(65)	(70)	(75)
Net income (for owners of United Electronics Company)	**389**	**528**	**497**	**467**	**506**	**535**	**572**	**608**
Y/Y	**-11.5%**	**35.5%**	**-5.9%**	**-6.1%**	**8.5%**	**5.7%**	**7.0%**	**6.3%**
EPS (SAR)	**4.87**	**6.60**	**6.21**	**5.83**	**6.33**	**6.69**	**7.15**	**7.61**
DPS (SAR)	**3.25**	**10.00**	**5.00**	**4.50**	**4.75**	**5.25**	**5.50**	**5.75**
Balance sheet								
Assets								
Cash & bank balance	158	476	231	205	240	271	314	371
Other current assets	2,204	2,653	3,222	3,224	3,549	3,902	4,264	4,624
Property & Equipment	486	486	497	512	512	513	513	513
ROU assets	451	463	458	466	472	480	487	492
Other non-current assets	1,142	1,324	1,516	2,076	2,375	2,690	3,016	3,353
Total Assets	**4,442**	**5,402**	**5,924**	**6,482**	**7,148**	**7,855**	**8,594**	**9,352**
Liabilities & owners' equity								
Total current liabilities	1,679	1,662	1,894	2,163	2,384	2,632	2,882	3,127
Total non-current liabilities	1,478	1,697	1,952	2,114	2,390	2,695	3,008	3,325
Paid -up capital	800	800	800	800	800	800	800	800
Total owners' equity	1,284	2,043	2,078	2,206	2,374	2,529	2,704	2,900
Total equity & liabilities	**4,442**	**5,402**	**5,924**	**6,482**	**7,148**	**7,855**	**8,594**	**9,352**
Cashflow statement*								
Operating activities	300	601	227	396	516	551	588	628
Investing activities	(59)	(56)	65	(83)	(72)	(76)	(80)	(84)
Financing activities	(232)	(226)	(439)	(411)	(432)	(468)	(490)	(514)
Change in cash	8	319	(147)	(98)	11	6	18	30
Ending cash balance	**136**	**455**	**152**	**54**	**65**	**71**	**89**	**119**
Key fundamental ratios								
Liquidity ratios								
Current ratio (x)	1.4	1.9	1.8	1.6	1.6	1.6	1.6	1.6
Quick ratio (x)	0.7	1.1	1.1	0.9	0.9	1.0	1.0	1.0
Profitability ratios								
GP Margin	22.0%	23.0%	24.0%	24.2%	24.8%	25.3%	25.7%	26.1%
Operating Margins	7.7%	9.4%	9.0%	8.2%	8.5%	8.5%	8.6%	8.8%
EBITDA Margin	9.6%	11.2%	10.7%	9.8%	10.1%	10.1%	10.3%	10.4%
Net Margins	6.3%	7.8%	6.7%	6.0%	6.1%	6.1%	6.2%	6.3%
Return on assets	9.3%	10.7%	8.8%	7.5%	7.4%	7.1%	7.0%	6.8%
Return on equity	32.1%	35.3%	29.7%	27.7%	28.2%	27.9%	27.9%	27.7%
Market/valuation ratios								
EV/sales (x)	1.5	1.3	1.2	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	15.1	11.4	11.1	10.1	9.7	9.7	9.5	9.4
BVPS (SAR)	16.1	21.4	20.4	21.6	23.3	24.7	26.5	28.4
Market price (SAR)*	89.7	90.2	84.5	66.7	66.7	66.7	66.7	66.7
Market-Cap (SAR mn)	7,176	7,216	6,760	5,336	5,336	5,336	5,336	5,336
Dividend yield	3.6%	11.1%	5.9%	6.7%	7.1%	7.9%	8.2%	8.6%
P/E ratio (x)	18.4	13.7	13.6	11.4	10.5	10.0	9.3	8.8
P/BV ratio (x)	5.6	4.2	4.1	3.1	2.9	2.7	2.5	2.4

Source: Company accounts, Aljazira Capital Research, *Dated 27th August 2026, Unconsolidated

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RESEARCH DIVISION

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RATING TERMINOLOGY

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

Disclaimer