Equity Research report
UIHC AB Equity
19 July 2026

GIB CAPITAL جي آي بي كابيتال

Target Price: SAR36.0/share
Current Price: SAR29.74/share
Upside: 21%
Rating: Overweight

United International Holding Co. (Tas'heel)

Weak 2Q; Regulatory resets to impact near-term earnings

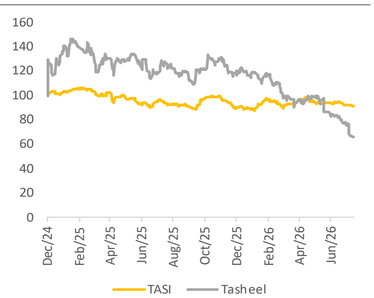
- 2Q top-line growth slows down on muted lending growth due to the recent regulatory changes, while earnings declined ~20% on higher OPEX and likely provisioning.
- We expect earnings to decline by 18% y/y in 2026e before improving thereafter, due to slower lending growth, margin compression, higher OPEX, and elevated provisions.
- We value Tas'heel at SAR36.0/share using equal weightage of residual income method and relative valuation (1.6x P/B), implying a 21% upside and an Overweight rating.

Stock data

TASI ticker	4083
Mcap (SARmn)	2,231
Trd. Val (3m) (SARmn)	16.4
Free float	35.0%
QFI holding	3.0%
TASI FF weight	0.03%

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

2Q26 results – Weak quarter, rising costs: Tas'heel posted a weaker set of 2Q26 results with revenue (finance income) rising just 6.5% y/y (flat q/q) to ~SAR205mn. The slowdown was driven by muted lending growth following unfavorable regulatory changes by SAMA, with the financing portfolio expanding only 13.6% y/y (flat q/q; +21.3% in 1Q26). Further, net financing margin could have narrowed by ~2.2ppts y/y to 23.3%, on the back of a likely 2.7ppts y/y drop in asset yield. Moreover, the company witnessed a rise in OPEX, largely due to i) continued investment in operational capabilities and ii) relatively high provisioning amid weak operating conditions. Consequently, net income fell 20.3% y/y (-25.1% q/q) to ~SAR48mn, with net profit margin compressing to 23.5% versus 31.4% in 2Q25.

Regulatory reset slows Tas'heel's lending momentum: Tas'heel's loan growth is decelerating this year, with net financing growth slowing to 1.7% YTD as of June 2026, sharply lower than over 25% y/y in 2025 as the recent SAMA changes impact. The most notable changes include i) a 50% cut in the non-real estate admin fee (capped at 0.5% of finance amount or SAR2,500), ii) the removal of promissory notes for credit cards, thereby making the company more cautious, and iii) a new 24-hour credit card approval time (vs. instant previously), reducing Basita's competitiveness versus instant BNPL offerings. Further, the company's operations were temporarily disrupted due to damage to AWS in Bahrain in April amid the regional conflict, impacting 2Q results further. As regulation resets sector volumes, we revise our 2026e annual lending growth forecast to 5.9% vs. 17.6% previously, and the 2025-29e CAGR to ~8% vs. ~13% earlier. We note that despite near-term operational and regulatory headwinds, the medium-term growth outlook looks healthy, supported by new products and technology initiatives.

Figure 1: Key financial metrics

SARmn	2024	2025	2026e	2027e	2028e
Net income from IFC	544	673	725	766	821
NIM	25.4%	24.6%	23.0%	22.7%	22.5%
Cost to income ratio	36.8%	35.9%	42.1%	41.8%	41.6%
Net impairment losses	95	125	164	168	176
COR (bps)	430	443	506	482	465
Profit for the year	222	274	225	245	265
Net margin	40.9%	40.7%	31.1%	31.9%	32.3%
Net loans	2,407	3,046	3,227	3,490	3,796
y/y	28.9%	26.5%	5.9%	8.2%	8.8%
Borrowings	1,276	1,652	1,797	1,996	2,228
P/E	10.0x	8.2x	10.0x	9.2x	8.4x

Source: Company data, GIB Capital

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NIM compression partially offset by favorable mix shift: Tas'heel's NIM eased from 24.6% in 2025 to 23.4% in 1Q26 and 23.3% (estimated) in 2Q26 and is expected to decline further to 23.0% in 2026e (25.2% earlier) and 22.7% (24.8% previously) in 2027e as the fee cap and competitive repricing flow through. However, the rising share of higher-yield credit cards supports asset yields, with the portfolio expected to generate average yields of ~30% during 2026e-29e vs. 24-25% on the core Tawarruq cash loan book. As a result, spreads hold in a tight 19.5-20.5% band across our forecast horizon, suggesting the franchise retains reasonable pricing power. Accordingly, we forecast net financing income to grow at a CAGR of ~7% over 2025-29e, over 7 ppts lower than our previous estimate.

Near-term earnings to remain under pressure on lower NIMs, higher provisions and costs: Tas'heel's near-term outlook is shaped by a recent regulatory shift, with SAMA's removal of the promissory note requirement for credit cards acting as the key catalyst behind rising NPLs and cost of risk in 2026e. Accordingly, we expect NPL to rise from 9.9% in 2025 to ~12% in 2026-27e (10.9% in 1Q26), with the cost of risks rising from 443bps in 2025 to above 500bps in 2026e (~510bps likely in 2Q26) before slightly improving to above 480bps in 2027e. On the cost side, we expect the cost-to-income ratio to step up from ~36% to ~42% and remain structurally elevated thereafter, driven by deliberate investments in high-level talent, technology, and marketing rather than one-off slippage — already evident in higher 1H26 operating costs. With NIM compression, higher provisioning, and increased OPEX weighing simultaneously, we expect earnings to decline by 18% y/y in 2026e before resuming meaningful expansion thereafter.

Valuation and risks: Our residual income model yields a fair value of SAR36.1/share, based on a cost of equity of 11.2% and a terminal growth rate of 3.0%. Our relative valuation produces a comparable SAR35.9/share by applying a 1.6x P/B multiple on the average of 2026-27e BVPS. Assigning equal weights to both the valuation approaches, we derive a 12-month forward target price of SAR36.0/share, implying ~21% upside from current levels. The company's share price has corrected by over 42% since the end of December 2025 and is currently trading at an attractive P/E of 10.0x-9.2x and P/B of 1.4x-1.3x for 2026e and 2027e, both lower than its historical averages, while offering a healthy RoAE of ~15%. We therefore reiterate our Overweight rating on Tas'heel.

Key downside risks include adverse regulatory developments, greater-than-expected pressure on loan yields, rising funding costs, faster deterioration in asset quality, weaker consumer demand, and heightened geopolitical uncertainty.

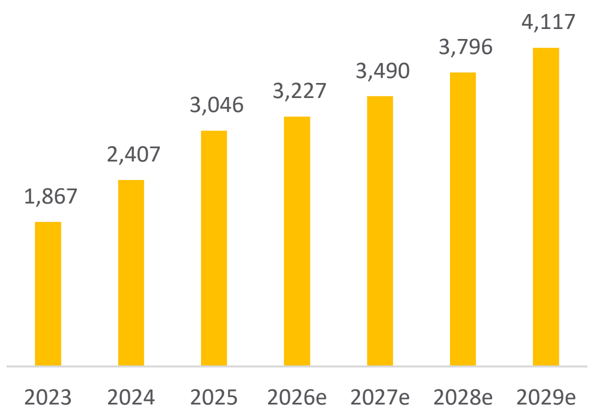
Figure 2: 2Q26 results review

SAR mn	2Q26	2Q25	y/y %	1Q26	q/q %
Revenue	**205**	**192**	**6.5%**	**205**	**-0.1%**
Cost of sales	25	24	2.7%	25	0.4%
Gross profit	**180**	**168**	**7.1%**	**181**	**-0.2%**
Opex	125	101	24.1%	109	14.7%
Operating profit	**55**	**68**	**-18.3%**	**72**	**-22.9%**
Net profit attributable	**48**	**60**	**-20.3%**	**64**	**-25.1%**
Margins					
Gross margin	*87.9%*	*87.5%*	*0.5%*	*88.0%*	*-0.1%*
Operating margin	*26.9%*	*35.1%*	*-8.2%*	*34.8%*	*-7.9%*
Net margin	*23.5%*	*31.4%*	*-7.9%*	*31.4%*	*-7.8%*

Source: Company data, GIB Capital

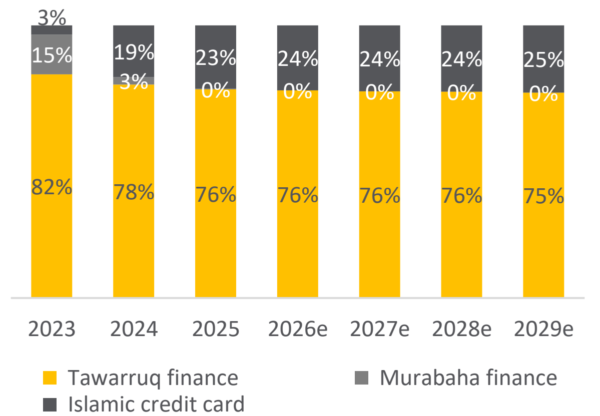
Financial analysis in charts

Figure 3: Net loans (SAR mn)



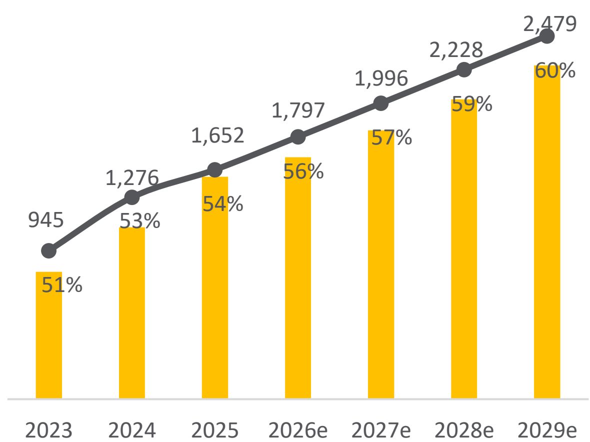
Source: Company data, GIB Capital

Figure 4: Loan mix



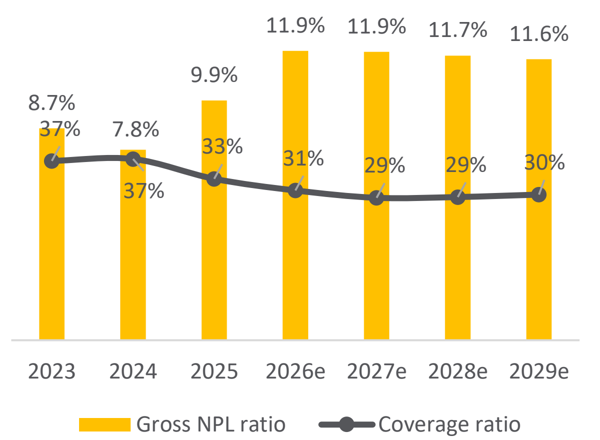
Source: Company data, GIB Capital

Figure 5: Borrowings (SARmn) and Borrowings to net loans



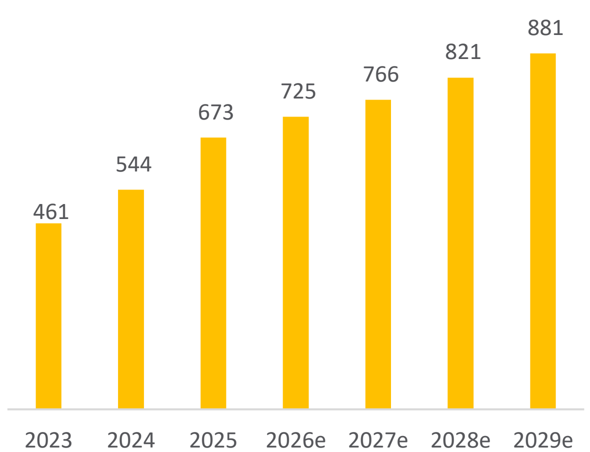
Source: Company data, GIB Capital

Figure 6: Gross NPL ratio and Coverage ratio



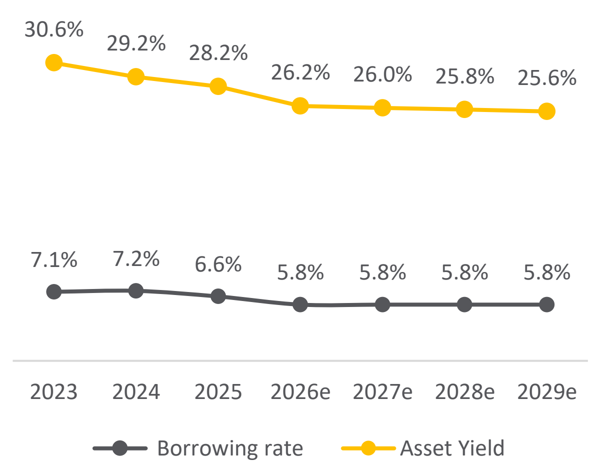
Source: Company data, GIB Capital

Figure 7: Net income from Islamic financing activities (SARmn)



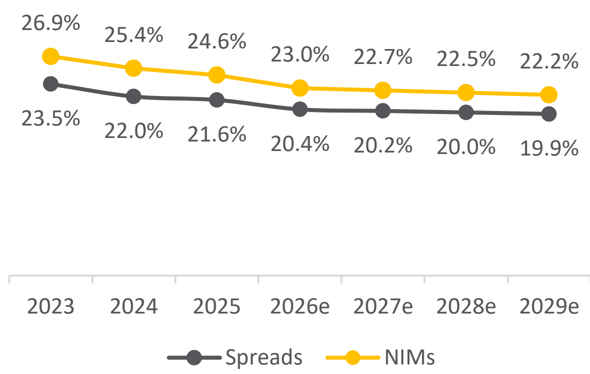
Source: Company data, GIB Capital

Figure 8: Asset yield and cost of funds



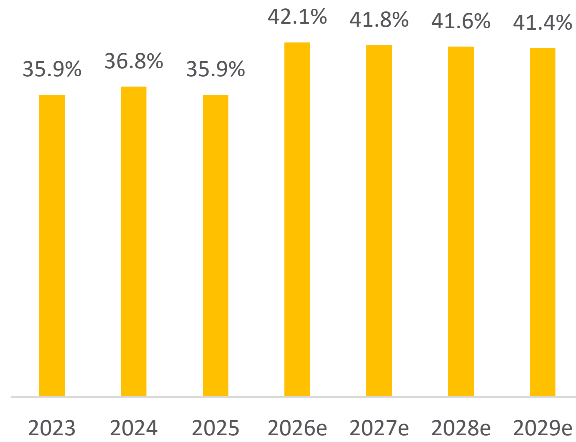
Source: Company data, GIB Capital

Figure 9: NIMs and Spreads



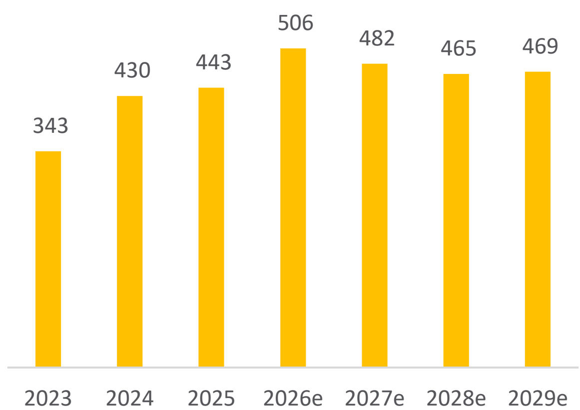
Source: Company data, GIB Capital

Figure 10: Cost to income ratio



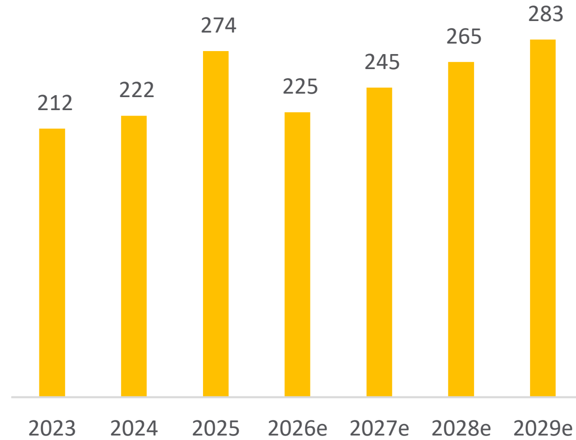
Source: Company data, GIB Capital

Figure 11: Cost of risk (bps)



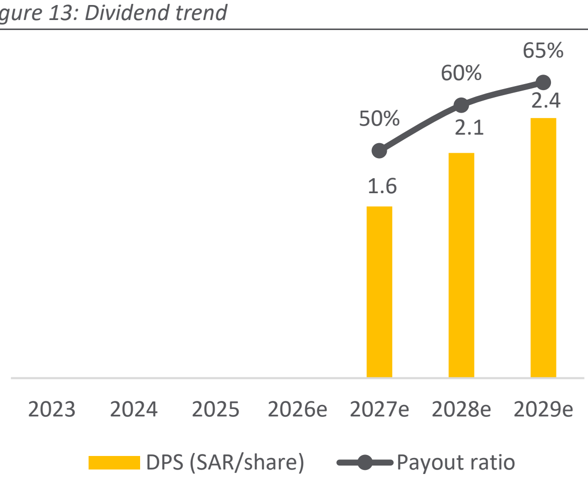
Source: Company data, GIB Capital

Figure 12: Profit for the year (SARmn)



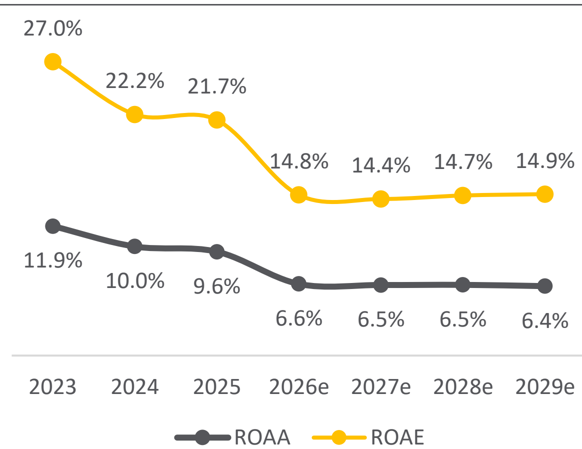
Source: Company data, GIB Capital

Figure 13: Dividend trend



Source: Company data, GIB Capital

Figure 14: RoAA and RoAE



Source: Company data, GIB Capital

Financials

Figure 15: Summarized basic financial statements (SARmn)

Income statement	2024	2025	2026e	2027e	2028e	2029e
Income from Islamic financing contracts	**624**	**768**	**821**	**873**	**940**	**1,014**
Finance costs	80	97	100	110	122	136
Net income from Islamic financing contracts & payroll advances	**544**	**673**	**725**	**766**	**821**	**881**
Salaries and other benefits	96	118	145	152	163	175
Other operating expenses and D&A	105	123	160	168	179	190
Net impairment losses on financial assets	95	125	164	168	176	192
Finance costs on lease liabilities	0	0	0	0	0	0
Other income/expenses - net	(0)	(0)	(0)	(0)	(0)	(0)
Profit before zakat	**248**	**307**	**256**	**278**	**304**	**324**
Zakat expense	26	35	33	36	39	41
Profit for the year	**222**	**274**	**225**	**245**	**265**	**283**
EPS	**3**	**4**	**3**	**3**	**4**	**4**
DPS	0	0	0	2	2	2
Payout	0%	0%	0%	50%	60%	65%

Balance Sheet	2024	2025	2026e	2027e	2028e	2029e
Cash and cash equivalents	24	49	240	301	338	371
Prepayments and other receivables	37	53	56	57	59	60
Investment in Islamic financing contracts	2,407	3,046	3,227	3,490	3,796	4,117
Right-of-use assets	2	6	5	5	4	4
Property and equipment	4	5	5	5	4	4
Intangible assets	18	39	39	40	40	41
Goodwill	1	1	1	1	1	1
Total assets	**2,493**	**3,198**	**3,572**	**3,898**	**4,242**	**4,598**
IEA	**2,431**	**3,096**	**3,467**	**3,791**	**4,134**	**4,489**
Trade and other payables	67	91	96	101	106	112
Zakat payable	26	35	35	35	35	35
Lease liabilities	2	6	5	5	4	4
Borrowings	1,276	1,652	1,797	1,996	2,228	2,479
Employee benefit obligations	9	12	13	14	15	17
Total liabilities	**1,380**	**1,795**	**1,946**	**2,151**	**2,389**	**2,645**
IBL	**1,276**	**1,652**	**1,797**	**1,996**	**2,228**	**2,479**
Total equity	**1,113**	**1,403**	**1,626**	**1,747**	**1,853**	**1,952**
Total Equity and Liabilities	**2,493**	**3,198**	**3,572**	**3,898**	**4,242**	**4,598**
BVPS	15	19	22	23	25	26
Tangible Equity	1,094	1,364	1,586	1,707	1,813	1,911

Cashflow	2024	2025	2026e	2027e	2028e	2029e
Cashflow from Operations	(323)	(306)	55	(6)	(24)	(21)
Cashflow from Investing	(5)	(37)	(10)	(10)	(11)	(12)
Cashflow from Financing	328	369	145	77	72	66
Total Cashflows	**(1)**	**26**	**190**	**61**	**37**	**33**

Source: Company data, GIB Capital

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Figure 16: Key ratios

Key ratios	2024	2025	2026e	2027e	2028e	2029e
Income Analysis						
Asset Yield	29.2%	28.2%	26.2%	26.0%	25.8%	25.6%
Cost of Funds	7.2%	6.6%	5.8%	5.8%	5.8%	5.8%
Spread	22.0%	21.6%	20.4%	20.2%	20.0%	19.9%
NIM	25.4%	24.6%	23.0%	22.7%	22.5%	22.2%
Asset Quality						
Gross NPL Ratio	7.8%	9.9%	11.9%	11.9%	11.7%	11.6%
Coverage ratio	37.3%	33.2%	30.8%	29.3%	29.5%	30.0%
COR (bps)	430	443	506	482	465	469
Write off ratio	66.3%	73.7%	70.4%	62.1%	60.5%	60.5%
Net loans/Total assets	62.4%	58.4%	67.4%	78.1%	76.1%	75.9%
Profitability ratios						
Cost to income ratio	36.8%	35.9%	42.1%	41.8%	41.6%	41.4%
Net margin	40.9%	40.7%	31.1%	31.9%	32.3%	32.1%
ROAA	10.0%	9.6%	6.6%	6.5%	6.5%	6.4%
ROAE	22.2%	21.7%	14.8%	14.4%	14.7%	14.9%
ROATE	22.6%	22.1%	15.1%	14.7%	15.1%	15.2%
Leverage ratios						
Net loans/Shareholder's Equity	2.2	2.2	2.0	2.0	2.1	2.1
Borrowings/Net loans	53.0%	54.2%	55.7%	57.2%	58.7%	60.2%
Borrowings/Shareholder's Equity	1.1	1.2	1.1	1.1	1.2	1.3
Borrowings/Total Assets	51.2%	51.7%	50.3%	51.2%	52.5%	53.9%
Net loans/Total Assets	96.6%	95.3%	90.3%	89.5%	89.5%	89.6%
Valuation ratios						
P/E	10.0x	8.2x	10.0x	9.2x	8.4x	7.9x
P/B	2.0x	1.6x	1.4x	1.3x	1.2x	1.1x
Dividend Yield	0.0%	0.0%	0.0%	5.4%	7.1%	8.2%

Source: Company data, GIB Capital

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