

H1 2026 Report

eXtra Company

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FUNDAMENTAL ANALYSIS · H1 26 RESULTS

United Electronics Company (eXtra)

A dual business model: low-margin electronics retail operating alongside a consumer finance book that represents half of total assets

Revenue SAR mn	Gross profit SAR mn	Operating profit SAR mn	Net profit to owners SAR mn	Financing book % of total assets
4,069.1 +5.3%	923.4 +7.8%	278.9 +2.2%	197.2 +2.4%	49.8% 2025: 49.1%

Investment thesis

eXtra is classified as a consumer discretionary retailer, yet its H1 2026 financial statements describe a business of a different character. Close to half of group assets are now held in a consumer finance book, and financing income accounts for **44.5%** of gross profit while representing only **10.1%** of revenue. This disparity between the contribution an activity makes to revenue and the contribution it makes to profit is the central theme of this report.

First · Profitability depends on the finance business far more than its revenue share suggests

Financing income is recognised without a corresponding cost of sales and therefore accounts for **44.5%** of gross profit, or **36.0%** after deducting the credit loss charge in full. The implied retail margin was broadly unchanged at **14.01%** against **13.98%**, indicating that the improvement in blended gross margin derives entirely from revenue mix rather than from operating efficiency.

Second · Growth trails both the market and the closest listed peer

Group revenue increased **5.3%** and retail revenue **4.6%**, compared with revenue growth of **10.8%** and net profit growth of **18.0%** at Jarir Marketing over the same period. The divergence in earnings growth is approximately three times the divergence in revenue growth.

Third · Operating leverage turned negative, and earnings quality weakened alongside it

Operating expenses rose to **15.84%** of revenue from **15.10%**, absorbing **SAR 61.0mn** of the **SAR 67.1mn** increase in gross profit. Excluding movements in the finance book, adjusted operating cash flow fell by more than half to **SAR 150.7mn**, while the cash conversion cycle lengthened by **11.7** days.

Fourth · The principal opportunity and the principal risk arise from the same source

Expanding the finance book raises both margin and the value realised from each customer. It also concentrates credit exposure on the same consumer on whom retail demand depends, and increases reliance on external funding. The second quarter of 2026 provided an early illustration: net profit in the consumer finance segment declined **19.4%** while retail segment profit rose **7.3%**.

Company profile

Founded in 2003, eXtra retails consumer electronics and home appliances through its store network and e-commerce platform, with after-sales service and a consumer finance operation conducted through Tasheel Finance.

Tadawul code	4003
Incorporated	2003
Segments	Retail · Finance
Period under review	H1 2026

INDUSTRY STRUCTURE · PART ONE

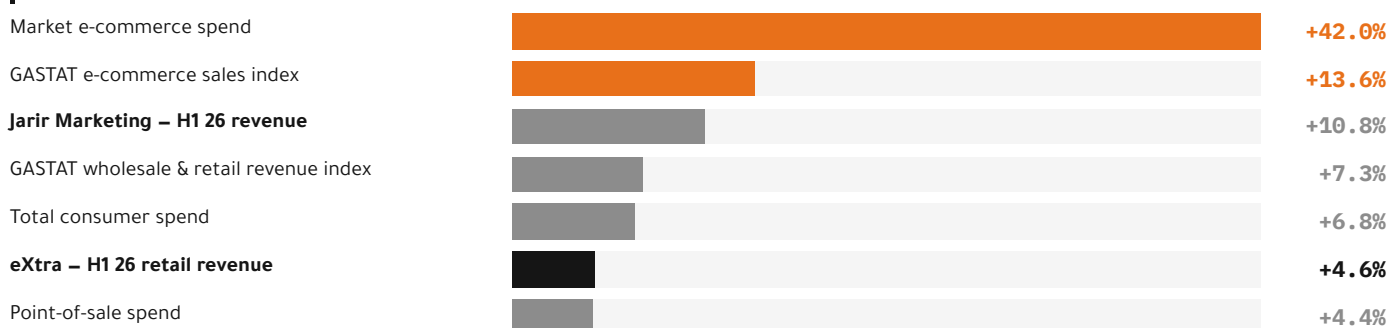
Saudi consumer electronics retail: resilient demand, shifting channels

Demand in the category remains sound. What is changing is the channel through which it is met, together with sustained pressure on the margin earned on the product itself.

First · Consumer spending is growing, but the channel mix is shifting

Consumer spending reached **SAR 425bn** in the first quarter of 2026, an increase of **6.8%** year on year, though unevenly composed. E-commerce spending rose **42%** to **SAR 98.4bn**, whereas point-of-sale spending advanced only **4.4%** (Knight Frank). GASTAT indices confirm the pattern, with e-commerce sales up **13.6%** against **7.3%** for wholesale and retail trade revenue.

Figure 1 – eXtra revenue growth against channel benchmarks and the listed comparable



Market data are Q1 2026 year on year; eXtra and Jarir figures are H1 2026. Periods and measurement bases differ, so the exhibit indicates relative scale rather than serving as a like-for-like benchmark.

Second · The structure of the category constrains the retail margin

Consumer electronics is a standardised, high-turnover and low-margin category. Specifications and prices are widely published, allowing consumers to compare vendors immediately and leaving retailers limited scope to differentiate on price. It is also the category most exposed to the digital channel, at approximately **27%** of Saudi business-to-consumer e-commerce (Mordor Intelligence). eXtra's implied retail margin of **14.01%** is consistent with that structure.

Economic value consequently migrates from the product margin towards adjacent activities: extended warranty and after-sales service, the financing spread, exclusive ranges and the corporate channel. The first-half figures bear this out, with deferred warranty revenue rising **13.4%** and financing income **11.9%**, against **4.6%** for retail.

Third · Comparison with the closest listed peer

eXtra versus Jarir Marketing – H1 26

Metric	eXtra	Jarir	Gap, pp
Revenue growth, yoy	+5.3%	+10.8%	-5.5
Net profit growth, yoy	+2.4%	+18.0%	-15.6
Net margin to shareholders	4.85%	8.41%	-3.57

Not a like-for-like comparison: Jarir includes non-electronics divisions and GCC operations and carries no consumer finance book, while eXtra's margin is further diluted by the **14.74%** minority interest.

The gap in earnings growth, at **15.6** percentage points, is approximately three times the gap in revenue growth. The shortfall therefore does not stem principally from weak category demand, but from eXtra's cost structure and from a cost of credit risk that the peer does not carry.

INDUSTRY STRUCTURE · PART TWO

Non-bank consumer finance and Tasheel's position in it

Close to 50% of eXtra's assets are held in a financing operation that is governed by a regulatory framework and exposed to a risk cycle entirely distinct from those of retail. Assessing that operation is therefore essential to any judgement on the durability of group earnings.

First · A comparatively small sector growing rapidly

Outstanding credit extended by licensed finance companies stood at SAR 99.37bn at the end of the second quarter of 2025, an increase of 10.2% year on year and equivalent to only 3.12% of bank financing. The sector is therefore still expanding from a small base. The number of licensed companies reached 78 in July 2026 (Saudi Central Bank).

Finance company credit end-Q2 25 99.37 SAR bn, compounding at 10.2% and equal to 3.12% of bank financing.	Sector returns RoE, FY2024 9.58% On an RoA of 4.13%, after sector net income grew 72% in FY2024.	eXtra's book share of sector credit ≈ 2.8% Based on eXtra's book of SAR 2,774.0mn at 30 June 2025 against sector credit at the same date.
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Second · Regulation simultaneously expands the market and constrains it

The Saudi Central Bank raised the buy-now-pay-later financing ceiling to SAR 10,000 under a circular dated 24 December 2025. That threshold falls directly within eXtra's price range, covering large-format screens, flagship handsets and major domestic appliances, and therefore widens the proportion of the product range that can be financed at the point of sale.

The sector nonetheless operates under capital adequacy and liquidity requirements, provisioning rules and risk governance standards, alongside responsible-lending limits on borrower debt-burden ratios. Because a higher instalment ceiling increases the exposure carried on each customer, it also raises the portfolio's sensitivity to any deterioration in household repayment capacity. Regulation therefore works in both directions simultaneously.

Third · Tasheel's position within the sector

The financing operation is conducted through Tasheel Finance, a subsidiary of United International Holding, a stake in which was offered publicly. According to the holding company's prospectus, Tasheel ranked second among non-bank consumer finance providers, with a market share of 8.1% in 2023.

The portfolio has two offsetting characteristics. It is originated from the same customer flow that passes through the showrooms, which lowers the cost of customer acquisition relative to a standalone lender. It is also concentrated in a single spending category and a single customer group, which ties its asset quality more closely to the device-purchasing cycle than to the broader consumer credit cycle.

Implications for reading the consolidated accounts

Combining two businesses with different risk cycles within a single set of financial statements reduces the information value of consolidated measures. Group gross margin blends a product margin with a lending spread; operating cash flow blends a trading working capital cycle with growth in a loan portfolio; and return on assets measures retail assets and lending assets together. This report separates the two businesses wherever the disclosures permit, and states explicitly where they do not, given the absence of segment notes in the condensed interim accounts.

FINANCIALS · REVENUE AND MARGIN

Decomposing the top line and the source of margin

Revenue growth during the first half was driven principally by the consumer finance business, while the improvement in gross margin reflects a change in revenue mix rather than any gain in operating efficiency. Separating the two shows where group profitability is actually generated.

Condensed consolidated income statement – SAR mn

SAR mn	H1 25	H1 26	yoy
Retail sales and services	3,498.3	3,658.3	+4.6%
Islamic financing and salary-advance income	367.1	410.7	+11.9%
Revenue	3,865.4	4,069.1	+5.3%
Gross profit	856.3	923.4	+7.8%
Selling and distribution	(378.0)	(406.1)	+7.5%
General and administrative	(140.0)	(160.0)	+14.3%
Expected credit loss charge	(65.5)	(78.3)	+19.5%
Total operating expenses	(583.5)	(644.5)	+10.5%
Operating profit	272.8	278.9	+2.2%
Finance cost	(22.0)	(26.0)	+18.5%
Net profit after zakat and tax (group)	227.9	231.3	+1.5%
Attributable to owners of the parent	192.6	197.2	+2.4%
Attributable to non-controlling interests	35.3	34.1	-3.4%

A disproportionate contribution from consumer finance

Of the SAR 203.7mn increase in revenue, consumer finance and salary advances accounted for 21.4%, despite representing a combined 10.1% of revenue. More significantly, this income is recognised without an offsetting cost of sales and therefore equates to 44.5% of gross profit, compared with 42.9% a year earlier.

Gross profit by source – analyst decomposition, SAR mn

SAR mn	H1 25	H1 26	yoy
Reported gross profit	856.3	923.4	+7.8%
o/w financing and salary-advance income	367.1	410.7	+11.9%
o/w financing income net of the credit charge	301.5	332.4	+10.2%
Residual attributable to retail	489.2	512.6	+4.8%
Implied retail gross margin	13.98%	14.01%	+0.03
Financing income net of charge, % of gross profit	35.2%	36.0%	+0.8

We calculate the implied retail margin as gross profit less financing and salary-advance income, divided by retail revenue. It is not a disclosed figure and assumes cost of sales carries no funding cost for the finance book. The difference between finance cost of SAR 26.0mn in the income statement and the SAR 75.4mn added back in the cash flow statement weakens that assumption.

Blended gross margin therefore widened 54 basis points while the retail margin was effectively unchanged. The group is improving profitability by re-weighting its revenue mix rather than by improving the underlying business, and that mechanism holds only while the finance book grows without deterioration in asset quality.

FINANCIALS · COST BASE AND QUARTERLY SPLIT

Where the increase in gross profit was absorbed

Gross profit increased by SAR 67.1mn, of which SAR 3.4mn reached net profit. Performance was also uneven between the two quarters, and the source of that variation lies in the consumer finance segment rather than in retail.

Net profit bridge, H1 25 to H1 26 – SAR mn

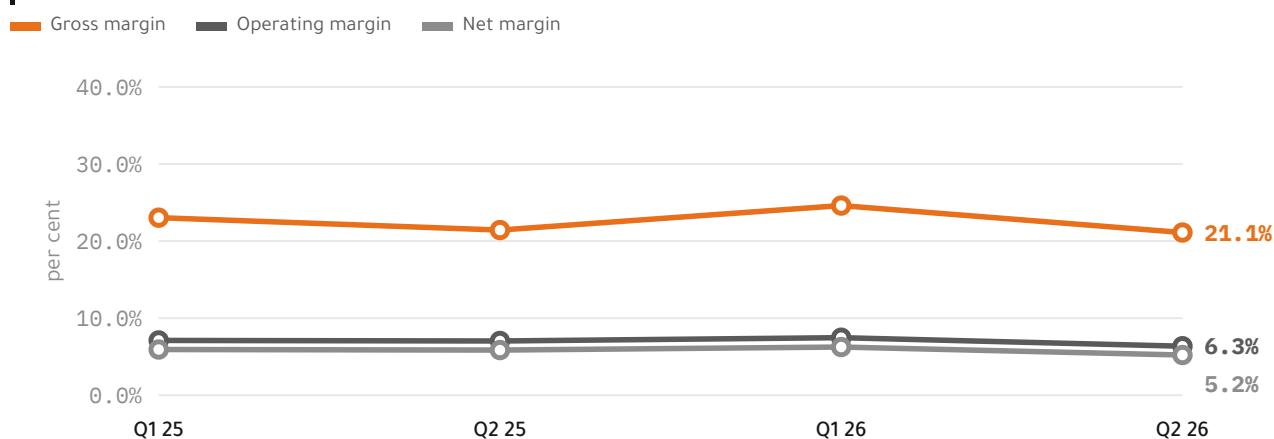
Movement	Effect	Running
Net profit, H1 25	–	227.9
Gross profit increase	+67.1	295.0
Selling and distribution	–28.2	266.8
General and administrative	–20.0	246.8
Expected credit losses	–12.8	234.0
Below the operating line, net	–2.7	231.3
Net profit, H1 26	+3.4	231.3

Each movement is the year-on-year change in that line; the movements sum to the change in net profit. Operating profit rose SAR 6.1mn, from 272.8 to 278.9.

Quarterly performance – SAR mn and margins

Item	Q1 25	Q2 25	Q1 26	Q2 26
Revenue	1,741	2,125	1,828	2,241
Net profit	103	124	114	117
Gross margin	23.0%	21.4%	24.6%	21.1%
Operating margin	7.1%	7.0%	7.5%	6.3%
Net margin	5.9%	5.9%	6.2%	5.2%
Net profit growth, yoy	–	–	+10.4%	–5.9%

Figure 2 – Quarterly margin trajectory



Values are tabulated above; the exhibit shows trajectory only. Q2 figures are disclosed directly and are not derived by subtraction.

Operating leverage turned negative

Operating expenses rose from **15.10%** to **15.84%** of revenue, an increase of **75** basis points. All three components grew faster than revenue: selling and distribution by **7.5%**, general and administrative by **14.3%**, and the credit loss charge by **19.5%**. The last of these is the most informative, since it is growing faster than the income it supports and therefore compresses the risk-adjusted return on the finance book.

The divergence between the two quarters

Group net profit rose **10.4%** year on year in the first quarter, then fell **5.9%** in the second quarter despite revenue growth of **5.5%**. According to management disclosure, retail segment net profit increased **7.3%** in the second quarter while consumer finance segment net profit declined **19.4%**. Profit attributable to minority interests, representing the outside stake in the holding company that owns Tasheel, fell **18.6%** over the same quarter, which is arithmetically consistent with the segment disclosure and supports this interpretation.

FINANCIALS · BALANCE SHEET AND FUNDING

Half of the asset base is a consumer finance book

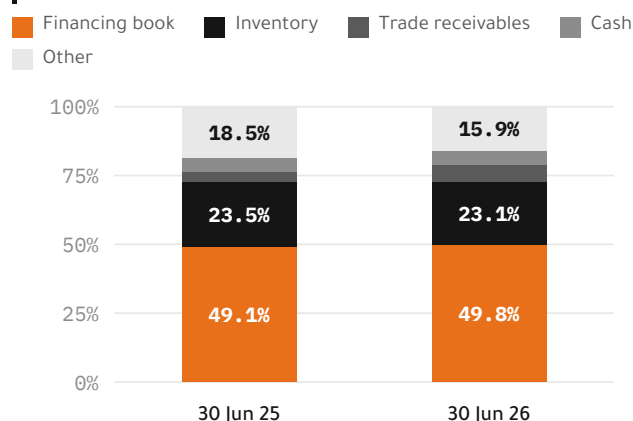
The finance book stood at SAR 3,147.7mn at 30 June 2026, equivalent to 49.8% of total assets. Given that composition, conventional retail metrics are no longer sufficient on their own to assess capital efficiency at group level.

Condensed balance sheet at 30 June – SAR mn

SAR mn	2025	2026	yoy
Cash and bank balances	283.8	340.9	+20.1%
Trade receivables	213.1	365.8	+71.6%
Inventory	1,328.4	1,460.5	+9.9%
Consumer finance book	2,774.0	3,147.7	+13.5%
Total assets	5,645.0	6,320.3	+12.0%
Trade payables	1,018.4	1,055.2	+3.6%
Murabaha – current	495.3	927.4	+87.2%
Murabaha – non-current	1,015.0	1,074.3	+5.8%
Deferred revenue – extended warranty	362.3	410.7	+13.4%
Total liabilities	3,653.9	4,192.0	+14.7%
Treasury shares (deducted from equity)	(98.5)	(296.7)	
Equity to owners of the parent	1,622.0	1,651.8	+1.8%
Non-controlling interests	369.1	476.5	+29.1%
Total equity	1,991.0	2,128.3	+6.9%

Abridged: smaller lines are omitted, so the components shown do not sum to the totals.
Treasury shares are deducted from equity.

Figure 3 – Asset composition



Three developments that define the risk profile

First · The asset base is shifting towards credit

The finance book grew 13.5% against revenue growth of 5.3%, raising total assets by 12.0% and reducing the return on assets from 8.08% to 7.32%. This does not necessarily represent deterioration, since a finance book is a yielding asset whose return is realised over subsequent periods. It does mean that the return on assets should be assessed in the context of asset mix rather than in isolation.

Second · Funding maturities are shortening

Murabaha borrowings rose 32.5% to SAR 2,001.7mn, with the current portion increasing 87.2% to SAR 927.4mn, and net debt to equity moving from 0.94x to 1.06x. Funding a relatively long-dated finance book from short-dated sources increases both refinancing risk and the sensitivity of funding costs to short-term interest rates.

Third · A growing share of earnings accrues to minority interests

Non-controlling interests rose 29.1% to reach 22.4% of total equity, while equity attributable to owners of the parent grew only 1.8% as a result of higher treasury shareholdings. In practice, every riyal generated by the finance business is shared with the minority shareholder, whereas a riyal generated by retail accrues in full to eXtra shareholders.

FINANCIALS · CASH FLOW AND EARNINGS QUALITY

Interpreting cash flow in a dual business model

Growth in the finance book is classified within operating working capital, which means reported operating cash flow conveys only part of the picture unless adjusted. Assessing earnings quality requires the two movements to be separated.

Condensed cash flow (restated) – SAR mn

SAR mn	H1 25	H1 26
Operating cash flow	(60.5)	21.7
Cash absorbed by finance book growth	(384.5)	(129.0)
Adjusted operating cash flow, ex-book	324.0	150.7
Capex – PP&E and intangibles	(44.8)	(33.6)
Free cash flow	(105.2)	(11.9)
Dividends paid	(229.4)	(223.4)
Net murabaha drawdown	230.7	344.5
Working capital cycle, days		
Inventory days	79.9	84.0
Receivable days	11.0	18.1
Payable days	61.3	60.7
Cash conversion cycle	29.7	41.4

The source data contained an error in the operating cash flow line, where the working capital movement was deducted twice in three of four columns. We have restated it by re-deriving operating cash flow from the identity: operating = net change in cash less investing less financing, which reconciles to zero in all four columns. Adjusted operating cash flow adds back cash absorbed by growth in Islamic financing contracts and salary advances, isolating trading performance from lending expansion.

Reference values

Metric	SAR mn
One inventory day	17.4
One receivable day	20.2
Each 10bp of cost of risk, annual	3.1

Ratio panel

Ratio	2025	2026	Δ
Gross margin	22.15%	22.69%	+0.54
RoE, group (annualised)	22.90%	21.74%	-1.16
RoA (annualised)	8.08%	7.32%	-0.76
Net debt / equity	0.94x	1.06x	+0.12
Financing book, % of assets	49.10%	49.80%	+0.70
Cost of risk (annualised)	4.72%	5.07%	+0.35
Credit charge / income	17.85%	19.07%	+1.22
Minority share of net profit	15.48%	14.74%	-0.74

Cost of risk is the expected credit loss charge for the half, doubled and divided by the period-end Islamic financing balance. Working capital days use period-end balances over a 181-day half. Returns are annualised by doubling the half-year result.

The reported improvement and its underlying cause

Operating cash flow improved from negative SAR 60.5mn to positive SAR 21.7mn. Cash absorbed by growth in the finance book, however, declined from SAR 384.5mn to SAR 129.0mn, which accounts for the entire improvement. Adjusting for that movement reverses the direction of travel: adjusted operating cash flow fell by more than half, from SAR 324.0mn to SAR 150.7mn, with inventory absorbing SAR 94.5mn and receivables SAR 179.0mn.

The cash conversion cycle lengthened accordingly, from 29.7 to 41.4 days. On our calculations, each additional day of inventory represents approximately SAR 17.4mn of working capital, and each additional day of receivables approximately SAR 20.2mn.

Uses of cash against cash generated

The company paid SAR 223.4mn in dividends during the half. On 2 August 2026 the board declared an H1 26 distribution of SAR 2.00 per share, totalling SAR 160mn or roughly 81% of profit attributable to owners, alongside a recommendation to repurchase up to 2,494,396 shares. Against that stands negative free cash flow of SAR 11.9mn and net murabaha drawdown of SAR 344.5mn. Expansion of the finance book, dividend distributions and the share repurchase together represent three claims on a single source of funding, which makes the funding mix a principal item to monitor in the second half.

ARTIFICIAL INTELLIGENCE · PART ONE

Artificial intelligence and the economics of operations

eXtra's implied retail margin stands at 14.01%. At that level, any investment in technology must be assessed against its measurable effect on three specific items: inventory, pricing, and the cost of credit risk. This page addresses the first two; the third is examined on the following page.

First · The current state of adoption

McKinsey & Company's 2025 State of AI survey found that approximately **88%** of the organisations surveyed use artificial intelligence in at least one function, while only around **18%** have extended it beyond a single use case. The gap between adoption and scaling is the more informative measure, since value is created by embedding these models in daily operations rather than by trialling them.

The same research estimates the annual value available from generative artificial intelligence in global retail at **USD 240bn** to **USD 390bn**, equivalent to **1.2** to **1.9** percentage points of sector margin. These are global estimates that relate to no individual company, and are cited here to indicate orders of magnitude rather than as a forecast for eXtra.

Second · Inventory and demand forecasting: the most readily measurable item

McKinsey estimates that demand forecasting based on machine learning reduces forecast error by **20%** to **50%** compared with conventional statistical methods, with a consequent effect on inventory levels and the depth of markdowns. At eXtra, this measure is currently moving in the opposite direction, with inventory days rising from **79.9** to **84.0** year on year.

Illustrative sensitivity – inventory efficiency and working capital, SAR mn

Scenario	Inventory days	Balance	Cash released
Current, 30 June 2026	84.0	1,460.5	–
Reversion to H1 25	79.9	1,388.7	71.7
A further five days	74.9	1,301.8	158.6
Per inventory day	1.0	–	17.4

Our sensitivity, computed on H1 26 cost of sales of SAR 3,145.7mn over a 181-day half. Not a forecast and not a disclosed company plan.

Third · Pricing and product bundling

McKinsey estimates the margin effect of model-driven dynamic pricing at **2%** to **5%**, and the revenue effect of personalised offers at **10%** to **15%**. For a retailer of eXtra's profile, however, the greater opportunity lies not in the shelf price of the device but in the design of the bundle, combining the product with finance, extended warranty and installation.

The reasoning is straightforward. Price competition on a standardised product is conducted over a margin of **14.01%**, whereas the bundled offering introduces financing income equivalent to **44.5%** of gross profit and warranty income growing at **13.4%**. On that basis, the application of artificial intelligence with the highest return in this business model is constructing the appropriate bundle for each customer, rather than discounting.

What the accounts show, and what they do not

Intangible assets rose **34.2%** to **SAR 74.8mn** and G&A grew **14.3%**. Both point to higher investment in operating and technical infrastructure, but neither isolates AI-related spend, which the condensed interim disclosures do not classify separately. Nothing in this report should be read as a claim that the company deploys any particular model.

ARTIFICIAL INTELLIGENCE · PART TWO

The discovery layer and credit underwriting

The change with the widest implications for retail takes place before the customer reaches the store, at the point where the purchase process begins. For eXtra, it is accompanied by a parallel shift in the way credit risk is priced.

First · Product discovery is migrating to AI assistants

Adobe Analytics data for the United States show that traffic reaching retail websites from artificial intelligence sources rose **393%** year on year in the first quarter of 2026, converting into purchases at a rate approximately **42%** higher than other traffic, having converted at a lower rate a year earlier. The channel remains below one per cent of total e-commerce traffic, so this growth is measured from a very small base.

McKinsey estimates the value of commerce mediated by artificial intelligence agents at **USD 3tn** to **USD 5tn** globally by 2030, while Morgan Stanley applies a narrower estimate to the United States alone. These are long-dated projections for more digitally mature markets that do not translate directly to Saudi Arabia, but they establish the direction of change.

Second · Why this matters at a 14% implied margin

Once comparison between vendors is performed by an automated system reading structured data, the retailer's conventional tools lose part of their effect, including shelf position, in-store display and the additional sale made at the point of payment. More significantly, the Agentic Commerce Protocol launched by OpenAI in partnership with Stripe charges merchants a transaction fee of approximately **4%** of the value of each completed order.

Analytical read · the weight of a channel fee on retail margin

A transaction fee of **4%** is equivalent to approximately **29%** of eXtra's **14.01%** implied retail margin. The point is not that this channel will reach scale imminently, since its share today is negligible, but that in a low-margin category any additional channel fee is disproportionately material. The more durable defence is therefore built on what an automated agent cannot readily compare, namely finance, warranty and bundled service, rather than on price. This is an indicative assessment rather than a forecast.

Third · Credit underwriting: the application with the greatest financial impact

With half of the balance sheet held in a finance book, the performance of these models affects the **SAR 78.3mn** credit loss charge more than any other item in the accounts. Zest AI, a credit-scoring provider, reports improvements in approval rates of around **25%** at unchanged loss levels, together with reductions in defaults of up to **20%**. Upstart reports improvements in approval rates of approximately **44%** at the same loss level. These results are published by the providers themselves rather than independently audited, and do not transfer automatically to a different portfolio or jurisdiction.

Illustrative sensitivity – cost of risk on the annualised result, SAR mn

Change in cost of risk	Resulting	Annual effect	% of op. profit
–35bp, reverting to the 2025 level	4.72%	+10.8	3.9%
+20bp	5.27%	–6.2	2.2%
Per 10bp	–	3.1	1.1%

Calculated on the Islamic financing balance of SAR 3,089.7mn at 30 June 2026. Our own sensitivity analysis; not a forecast and not a disclosed plan.

eXtra's structural advantage here is that it holds the purchase history of its own customers, a dataset unavailable to a standalone lender that could in principle improve scoring accuracy. Any resulting effect would reach the accounts only through the provision line and IFRS 9 stage migration, neither of which is disclosed in detail.

FORWARD ASSESSMENT · OPPORTUNITIES

Growth opportunities and the value attached to each

The opportunities available to eXtra fall into three categories: efficiency the business has already demonstrated and could recover, assets it already owns that are not fully monetised, and structural demand in the Saudi market that does not depend on a near-term recovery in the cycle.

First · Efficiency recoverable without any assumption about the market

Reversion to H1 25 metrics – SAR mn

Item	Current	2025	Effect
Opex-to-sales	15.84%	15.10%	+30.2
Cost of risk, half-year effect	5.07%	4.72%	+5.4
Effect on half-year operating profit (+12.8%)	–	–	+35.6
Cash in inventory at 84.0 days versus 79.9	1,460.5	1,388.7	71.7
Cash in receivables at 18.1 days versus 11.0	365.8	222.9	142.9
Total working capital release	–	–	214.6

Our illustration, assuming each measure returns to its H1 2025 level with no assumption regarding sales growth. Calculated on unrounded figures, so totals may not sum exactly. The working capital released would cover approximately 96% of the dividends paid during the half.

Second · Existing assets that are not fully monetised

Extending Tasheel's distribution beyond eXtra's own stores

The finance book is equivalent to **43.0%** of annualised retail sales, yet represents only **2.8%** of the **SAR 99.37bn** finance company credit market. Separating the growth of the book from footfall through eXtra's own showrooms is the widest avenue open to the group, since it allows the higher-margin asset to be expanded without additional selling space.

Monetising proprietary customer data

The group owns a large customer base, an e-commerce platform and a paid loyalty programme. On published industry estimates, retail media networks earn margins of **50% to 70%** globally, because they sell customer attention rather than goods. By way of illustration, advertising income equivalent to **1%** of annualised retail sales, converted at the **60%** mid-point of that range, would add approximately **SAR 43.9mn** of annual profit, or **7.9%** of estimated annualised operating profit. The company has disclosed no such initiative, and it is presented as a sector option rather than a plan in place.

Extended warranty penetration and certified refurbished units

The deferred revenue balance is equivalent to **5.6%** of annualised retail sales, and each additional percentage point represents approximately **SAR 73.2mn** collected in advance. Rising device prices are also directing a proportion of buyers towards refurbished and second-hand units, a higher-margin category for which the group already owns the necessary servicing infrastructure.

Third · Structural demand independent of the device replacement cycle

eXtra's revenue is driven by two distinct demand cycles. The first is the replacement of personal devices such as handsets and computers, a relatively short cycle that moves with new product launches and slows when prices rise or consumers hold their devices for longer. The second is household formation and the handover of residential units, which drives demand for major domestic appliances. Because the two cycles do not move at the same pace or for the same reasons, the second provides genuine diversification whenever the first weakens.

Structural indicators support the second cycle over the medium term. Home ownership rose from **47%** in 2016 to above **66%** in 2025, and published estimates place the requirement at approximately **115,000** units a year through to 2030. Since each handover entails a complete set of appliances, sustained housing delivery is a source of demand unconnected to the handset replacement cycle. The slowdown in the residential market in early 2026, when new mortgage contracts fell **-25%** and the value of lending declined **-34%** (Knight Frank), defers that contribution rather than eliminating it.

FORWARD ASSESSMENT · RISKS

The risks facing the company

Risk arises simultaneously on three fronts: competition to sell the device, a separate competition to finance it, and an external cost shock originating in the memory market. This page should be read together with the one that follows.

First · Intensifying competition in device retail

Competition arises simultaneously from four sources: a listed peer growing faster than the company, with Jarir recording revenue growth of **10.8%** and net profit growth of **18.0%** against **4.6%** and **2.4%** at eXtra; digital platforms expanding alongside a market growing **42%**; direct sales channels operated by the brands themselves; and telecommunications operators selling devices on instalment terms. All of this bears on an implied margin of **14.01%** in a category where prices are transparent, which structurally limits the company's ability to compete on price.

Second · Disintermediation of the financing layer at the point of sale

This is the most specific risk in the set, since it affects **44.5%** of gross profit. Buy-now-pay-later providers, principally Tamara and Tabby, compete for the same purchases that Tasheel finances. Tamara has obtained preliminary approval from the Saudi Central Bank for a consumer finance licence, which would allow it to move from short-term instalments into personal lending on the strength of its merchant relationships and customer data. The financial consequence is asymmetric: where a third party finances the purchase, eXtra retains the narrow retail margin and forgoes the wider financing spread.

Third · A memory cost shock affecting unit volumes

This risk originates outside the Saudi market, in global demand for memory to serve artificial intelligence data centres. Gartner estimates that combined memory and storage costs will rise approximately **130%** by the end of 2026, raising personal computer prices **17%** and smartphone prices **13%**, with global shipments falling **-10.4%** and **-8.4%** respectively during 2026. The effect is concentrated in entry-level products, which are the most price-sensitive and most widely stocked part of the range.

Additional risks under monitoring

Risk	Transmission to the accounts	Indicator
Residential market slowdown	Fewer handovers weaken demand for major appliances	Mortgage contracts -25%
Credit concentration on one consumer	A downturn in spending affects sales and provisions together	Cost of risk 5.07%
Distributions from the finance subsidiary	Finance company distributions require central bank non-objection	Payout 81% of earnings
Borrower debt-burden ceilings	Responsible-lending rules cap financing per customer	Book growth +13.5%
Short-dated refinancing	A finance book funded from short-term sources	Current murabaha 927.4
Earnings accruing to minorities	Outside interest in the finance business	14.74% of group profit

Early warning indicators

Indicator	What it would signal
Retail growth against point-of-sale and e-commerce growth	Share ceded to competitors and digital channels
Financing income growth against retail sales growth	A falling proportion of purchases financed in-house
Average basket value against transaction volumes	Distinguishing a price effect from a volume effect

Conclusion. The three principal risks need not materialise together, but they converge on a single point: a narrow retail margin with no capacity to absorb further pressure, and a finance book that compensates for it. The question worth monitoring is therefore not the rate of sales growth, but whether the financing of the purchase remains within the group, and at what cost of risk.

BALANCING THE TWO SIDES

Where the opportunity set meets the risk set

Two drivers appear on both sides of the assessment. This is an apparent contradiction rather than a genuine one, since each operates in opposite directions depending on the time horizon and the channel through which it takes effect.

First · Two drivers that operate in both directions

Driver	Near-term effect	Medium-term effect
Housing	Negative: mortgage contracts down -25%, deferring appliance demand	Positive: a requirement of roughly 115,000 units a year supports a demand cycle independent of personal devices
Memory prices	Negative on volume: global shipments forecast down -10.4% in PCs and -8.4% in handsets	Positive on mix: higher ASPs lift basket value and widen the financeable cohort

Gartner pairs a price increase with a volume decline, so the net effect on sales value is contained in either direction while the clearer impact falls on margin and buyer composition. What determines whether higher device prices are a gain or a burden is the retailer's ability to pass the increase through in full – and the same work notes that entry-level tiers, which account for the broadest part of the assortment, are hit hardest.

Second · Illustrative sensitivity analysis on annualised operating profit

Effect of the quantified drivers – SAR mn

Driver	Annual effect	% of op. profit
Opex-to-sales reverting to the 2025 level	+60.5	+10.8%
Cost of risk reverting to the 2025 level	+10.8	+1.9%
Advertising income at 1% of retail sales, 60% margin	+43.9	+7.9%
Upside aggregate	+115.2	+20.7%
Retail margin down 50bp on partial cost pass-through	-36.6	-6.6%
Cost of risk up 20bp	-6.2	-1.1%
Downside aggregate	-42.8	-7.7%

Our illustration, sizing orders of magnitude against annualised operating profit derived by doubling H1 2026 operating profit of SAR 278.9mn. Each driver is calculated on unrounded figures and totals may not sum exactly. The drivers are independent of one another and would not necessarily occur together. Not a forecast and not a disclosed company plan.

The asymmetry that matters here concerns control rather than magnitude. The favourable factors rest largely on decisions within the company's own control, namely cost discipline, underwriting quality and diversification of revenue. The unfavourable factors depend on external variables it does not control, namely device pricing and household repayment capacity. That distinction, more than the size of either total, should determine how performance is monitored from this point.

Limits of the external estimates. Sector indicators and AI benchmarks are drawn from named external sources, relate predominantly to global markets, and frame orders of magnitude rather than forecast eXtra's performance. Credit-scoring results are vendor-published and not independently audited. Sensitivities are our own illustrations. The Jarir comparison is not a matched-peer benchmark.

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