Rasan Information Technology Co.
Insurance: IT
RASAN AB: Saudi Arabia
20 April 2025

US$1.77bn	79.54%	US$28.43mn
Market Cap.	Free Float	Avg. Daily Value traded

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Rasan Information Technology Co.

Raised target price on solid FY24 and multiple growth levers

Overweight

Price Target (SAR): 96.0

Current (20th April 2025): 85.5
Upside/Downside: 12.0% above current

Valuation Multiples	24A	25E	26E
P/E (x)	66.4	50.5	35.4
P/B (x)	16.0	9.6	7.9

Major Shareholders	% Ownership
No substantial shareholders (over 5%)	

Price Performance	1M	3M	YTD
Absolute	7.0%	6.7%	-1.0%
Relative to TASI	8.1%	12.8%	2.4%

Earnings

(SAR mn)	2024	2025E	2026E	2027E
Revenue	358	516	687	871
y-o-y growth	*39.8%*	*43.9%*	*33.3%*	*26.7%*
Gross Profit	238	340	447	570
GM Margin	*66.5%*	*66.0%*	*65.0%*	*65.5%*
y-o-y growth	*60.5%*	*42.9%*	*31.3%*	*27.7%*
EBITDA	114	166	235	333
EBITDA Margin	*31.7%*	*32.3%*	*34.2%*	*38.3%*
Net Income (NI)	95	131	187	272
NI Margin	*26.4%*	*25.4%*	*27.2%*	*31.2%*
y-o-y growth	*106.1%*	*38.4%*	*42.6%*	*45.3%*
EPS*	1.29	1.69	2.41	3.50
ROE	35.4%	23.7%	24.4%	29.7%

Source: Company data, Al Rajhi Capital. Note: 2024 EPS number is calculated using weighted average shares (73.5mn). This might differ from the current outstanding shares of 77.5mn.

Rasan wrapped up FY24 with a stellar performance in 4Q24, reporting a 69% y-o-y surge in revenue to SAR 118mn, driven by robust product expansion and a notable uptick in Treza (leasing portfolio). 4Q24 net income quadrupled to SAR 40mn, supported by margin expansion (gross margin at ~79% vs. ~56% in 4Q23) and improved other income. For the full year 2024, revenue grew 40% y-oy to SAR 358mn, with earnings doubling to SAR 95mn. This performance was underpinned by strong growth across the top three segments—particularly in Treza (leased vehicles: revenues up over 100%) and medical insurance (+26%), along with Tameeni (retail motor insurance: +23%). Management remains optimistic on the broader KSA insurance landscape and anticipates a bottoming of the cyclical downturn in motor pricing, supported by observed price improvements in 4Q24. On Treza, the company remains optimistic on gaining more traction on volumes and also expects the shift from fixed price per volume to commission based on GWP to notably drive revenues in 2025. At the same time, the company expects further growth in SME health in 2025 and also focuses on initiating pilot programs across the health corporate segment, with full implementation expected by end-2025 or early 2026. In our view, any meaningful traction on corporate segment could be the game changer given its predominant share in the overall health insurance market. Another growth driver is the launch of providing insurance platform for corporate vehicle fleets, expected to be launched in 2Q25.

Moreover, from a medium- and long-term point of view, the life & general insurance, in which it holds a first-mover advantage in online pension and savings distribution, could be a major business moat and revenue driver. At the same time, the company is also exploring to venture into financial services space to tap the huge demand for digital banking. While competition is expected to increase in most verticals, Rasan believes its early mover advantage, tech-driven solutions, and continued M&A and product development focus will support future scalability. Post the strong FY24 numbers and multiple growth catalysts in place, we raise our earnings estimates for 2025 as well as for 2026 and 2027. We estimate a topline CAGR of almost 35% CAGR over 2025-2027 led by the growth drivers mentioned above. The management plans to provide updated guidance in 2Q25 and we acknowledge that growth could surprise us on the upside if the company targets faster penetration in the medical insurance space, especially in the large corporate space. However, we would prefer to wait for trends that indicate the company is gaining solid traction before we further increase our estimates.

On the back of revised earnings estimates, we raise our target price for the stock to SAR 96/share from SAR 45/share. Despite the rise in the stock price since its IPO, and expansion in the valuations (trailing P/E of 66x), we remain Overweight on the stock. In our view, the earnings growth (42% CAGR) is high enough to normalize the multiple as well as generate attractive returns for the investors. By the end of 2027, our target price implies P/E of just about 27x. Moreover, even beyond 2027, the earnings growth could remain elevated as the company would continue to focus on product innovations and entering new markets.

1Q25 estimates: As per management guidance due to the nature of business, around 40% of the policies are booked in the first half and the remaining 60% is booked in the second half, as a result on a sequential basis there is an expected decline in revenue. Apart from seasonality in revenue, expectation of normalized gross margins in 1Q25 is expected to result in a sequential decline in earnings. Due to the cost controls and improvement in gross margins driven by new products, the company's bottom-line is expected to grow to SAR 27mn from SAR 9mn in 1Q24. This 180% y-o-y growth in bottom-line during 1Q25 can be attributed to the above-mentioned factors and a low base effect in 1Q24.

Figure 1 **Summary of Earnings and 1Q25 estimates**

(SAR mn)	*2024*	*2023*	*y-o-y*	*1Q25*	*1Q24*	*y-o-y*
Revenue	**358**	**256**	***40%***	**102**	**67**	***53%***
Gross Profit	238	148	*60%*			
G. margin	*66.5%*	*57.9%*				
Op. profit	99	51	*96%*			
Op. margin	*27.6%*	*19.7%*				
Net profit	**95**	**46**	***106%***	**27**	**9**	***180%***
Net margin	*26.4%*	*17.9%*		*26.0%*	*14.2%*	

Source: Company Data, Al Rajhi Capital

Valuations: In our view, the next three years should be a very high growth phase for the company beyond which we are expecting the growth to narrow down but remain high. Thus, we value Rasan using a P/E-based methodology, applying a target multiple of 35x to the estimated 2027E EPS of SAR 3.50/share. Post discounting the fair value at the end of 2027E to present value at a cost of equity of 9.6%, we arrive at our target price of SAR 96/share, implying an upside of another 11%. We believe the multiple to contract from 66x (trailing) to 27x based on our target price and 2027E EPS over the next three and still offer notable gains to the shareholders supported by the earnings growth. Thus, we maintain our Overweight recommendation on the stock.

Figure 2 **Valuation**

Valuation	Values/Multiples
2027E EPS	3.50
Target P/E (trailing)	35.0x
Fair Value at the end of 2027	**123**
Fair Value today	**96**
Current Price	85.5
Upside/Downside	*12.0%*

Source: Company Data, Al Rajhi Capital

Risks: Key downside risks include i) lower than expected gross margins if Treza disappoints and the bulk of the growth comes from the health segment and competition increases in Treza. ii) company's inability to gain traction in corporate medical space which is currently undertaken through direct channels majorly and iii) insurance companies focusing on building their own capabilities to capture market share.

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