Rasan Information Technology Co

INITIATION OF COVERAGE

We initiate coverage on Rasan Information Technology Co (Rasan) with an Overweight rating and a target price of SR 105/share. Rasan is Saudi Arabia's first and largest insurance aggregator, and it is disrupting the traditional insurance distribution channel through its digital proposition. The company has established a firm foothold with significant market share gains leveraging tailwinds of growing demand for digitalization and the technologically savvy young population in the country. Rasan has a track record of successful expansion execution and exceptionally strong market penetration. The company is driving growth by strengthening its existing portfolio, expanding current offerings, and entering new service verticals. It is also pursuing an M&A strategy to target growth. We estimate earnings to grow at a 2024-29e CAGR of 40%, driven by strong revenue generation amid growing contributions from the company's existing as well as upcoming products in addition to margin expansion. The stock trades at a 2025e PER of 39.7x and PBV of 11.2x with a medium-term average RoAE of 30%.

A strong market position: A pioneer in digital insurance distribution in Saudi Arabia, Rasan has a very strong market position, particularly within the motor retail and leasing segment, through its two core products, Tameeni Motor and Treza. The company also dominates in the medical segment among the aggregators through its platform, Tameeni Health, although the overall presence of aggregators in the segment remains limited, presenting significant market opportunity.

Strategy centered around growth: Rasan is driving growth through both organic and inorganic strategies. Organically, the company plans to strengthen its existing portfolio further and expand its service offerings. The latter involves enhancing the total addressable market by tapping into newer segments and diversifying into adjacent market opportunities by leveraging its existing digital stacks and infrastructure. The company is also pursuing an M&A strategy aimed at the expansion of its product portfolio and market outreach. As the company's addressable market grows and the new products see an accelerated pick-up in revenue generation, we expect Rasan to deliver a 31% revenue CAGR over the next five years.

A 40% net income CAGR over 2024-29e: Apart from topline expansion, we think Rasan is also positioned to increase its take rates supported by an improved product mix, opportunities for cross-selling, and change in Treza's business model with lucrative pricing. Beyond the impact of the latter, we think margin expansion would likely be gradual. We forecast net income to grow at a CAGR of 40% over the next five years, with EBITDA margins likely to expand by 13ppt.

Valuation: Rasan trades at a 2025e PER of 39.7x and PBV of 11.2x. We continue to see room for valuation re-rating despite a rally of 2.2x since its IPO in Jun'24 as we believe valuations are still compelling with a robust earnings outlook backed by growth in its existing and upcoming business lines and a medium-term average RoAE of over 30%.

Risks: Key downside risks include: i) Delay in execution of product pipeline due to regulatory approvals, ii) Increase in competition in the insurance sector, specifically the motor segment, and iii) Increase in competition from other aggregators or direct distribution channels of insurers.

RATING SUMMARY	Overweight
Target Price (SR)	105.0
Upside/Downside	25.0%
Div. Yield (%)	-
Total Exp. Return	25.0%

ISSUER INFORMATION	
Bloomberg Code	RASAN AB
Last Price (SR)	84.0
No. of Shares (mn)	78
Market Cap bn (SR/USD)	6.5/1.7
52-week High / Low (SR)	96.0/39.81
12-month ADTV (mn) (SR/USD)	89.2/23.8
Free Float (%)	62
Foreign Holdings (%)	17

Last price as of April 15th

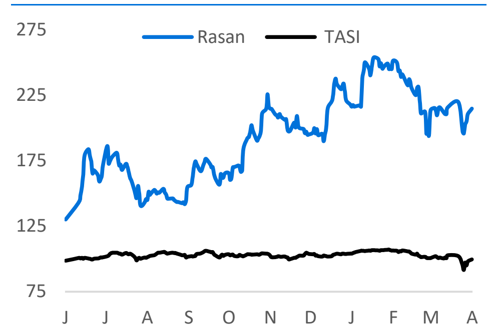
VALUATIONS

	2023	2024	2025F	2026F
EPS (SR)	0.6	1.2	2.1	2.6
PER (x)	-	68.7	39.7	31.8
PBV (x)	-	15.7	11.2	8.3
DPS (SR)	-	-	-	-
Div. Yield (%)	-	-	-	-
RoAE (%)	47.5	35.4	33.0	30.1
RoAA (%)	20.6	15.2	18.3	21.2

FINANCIALS (SRmn)

	2023	2024	2025F	2026F
GWP	256	358	561	705
Insurance result	148	238	373	475
Investment Income	51	99	178	230
Net Income	64	114	191	247
Investments	46	95	164	205
Insurance cont. liab.	57.9	66.5	66.5	67.5
Combined ratio (%)	19.7	27.6	31.7	32.7
Invest. Yield (%)	24.8	31.7	34.0	35.1
Net Ins. Serv. Mrg.(%)	18.1	26.4	29.2	29.1

RELATIVE PRICE PERFORMANCE



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Financial Summary:

SR mn									
Income Statement	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**CAGR 2024-2029e**
Revenues	162	256	358	561	705	891	1,125	1,387	**31%**
Direct Costs	(61)	(108)	(120)	(188)	(229)	(281)	(332)	(382)	26%
Gross Profit	**102**	**148**	**238**	**373**	**475**	**610**	**793**	**1,005**	**33%**
General and administrative	(48)	(80)	(92)	(142)	(175)	(216)	(262)	(309)	27%
Selling and marketing	(12)	(18)	(47)	(53)	(70)	(89)	(101)	(111)	19%
Income from operations	**42**	**51**	**99**	**178**	**230**	**305**	**430**	**585**	**43%**
Other operating (expenses)/income	(2)	1	12	14	9	9	12	16	5%
Financial (charges)/ income	(2)	(0)	(1)	(1)	(1)	(1)	(2)	(2)	31%
Zakat provision	(3)	(5)	(16)	(27)	(34)	(44)	(63)	(85)	40%
Net Income	**34**	**46**	**95**	**164**	**205**	**268**	**378**	**514**	**40%**
EPS	0.4	0.6	1.2	2.1	2.6	3.5	4.9	6.6	
DPS	-	-	-	-	-	-	-	-	
Balance Sheet									
Cash and cash equivalents	77	151	474	412	584	831	1,049	1,569	27%
Trade and other receivables, Net	15	37	351	308	290	244	308	285	-4%
Total current assets	**92**	**255**	**851**	**746**	**900**	**1,101**	**1,384**	**1,881**	**17%**
Property, plant and equipment	9	17	16	22	28	33	37	40	20%
Intangible Assets	29	41	60	93	129	167	207	244	32%
Right-of-use assets	4	5	4	5	7	10	13	17	32%
Total assets	**134**	**317**	**932**	**866**	**1,064**	**1,312**	**1,641**	**2,182**	**19%**
Trade and other liabilities	42	177	484	258	251	231	182	209	-15%
Other labilities	18	19	32	29	29	29	29	29	-2%
Total liabilities	**59**	**196**	**517**	**287**	**280**	**260**	**211**	**238**	**-14%**
Total Shareholder's equity	**74**	**121**	**415**	**579**	**784**	**1,052**	**1,430**	**1,944**	**36%**

Growth (Y/Y)								
Sales	87%	58%	40%	57%	26%	26%	26%	23%
Gross profit	67%	46%	60%	57%	27%	28%	30%	27%
EBITDA	31%	24%	78%	68%	29%	32%	40%	35%
EBIT	26%	21%	96%	80%	30%	32%	41%	36%
Net profit	-2%	35%	104%	73%	25%	31%	41%	36%
Ratios								
Gross Profit	63%	58%	66%	66%	67%	68%	70%	72%
EBITDA	31%	25%	32%	34%	35%	37%	41%	45%
EBIT	26%	20%	28%	32%	33%	34%	38%	42%
Net Profit	21%	18%	26%	29%	29%	30%	34%	37%
ROAE	60%	47%	35%	33%	30%	29%	30%	30%
ROAA	31%	21%	15%	18%	21%	22%	26%	27%
Valuation								
P/E	-	-	68.7	39.7	31.8	24.3	17.2	12.7
EV/EBITDA	-	-	61.5	36.3	28.7	22.5	16.5	13.0
EV/Sales	-	-	19.5	12.3	10.1	8.2	6.7	5.8
P/S	-	-	18.2	11.6	9.2	7.3	5.8	4.7
P/B	-	-	15.7	11.2	8.3	6.2	4.6	3.3
Dividend yield (%)	-	-	-	-	-	-	-	-

Source: Company financials and anbc research

Investment Thesis

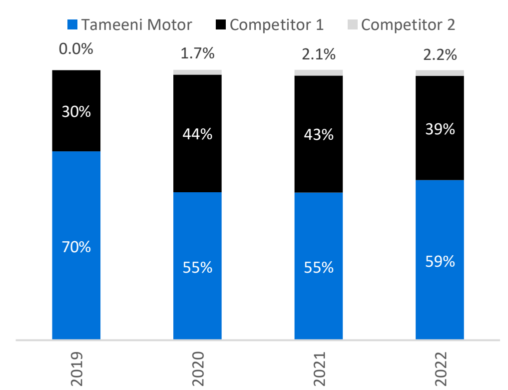
Dominating the insurance distribution market in Saudi Arabia

Rasan Information Technology Co. (Rasan) established itself as the first and largest insurance aggregator within the Saudi insurance market. The company had disrupted the traditional insurance distribution channel through its digital and online proposition. Established in 2016, Rasan launched its first product, Tameeni Motor, a digital platform for motor insurance, in 2017.

While the company had been in the market, the real disruption only happened in years after COVID-19, when accelerated digital adoption allowed Rasan to leverage its already established position and seize the opportunity to not only become the largest insurance aggregator but, in some segments, even surpass the long-established position of brokers and agent in the market. Rasan, in a nutshell, changed the market structure of insurance with the distribution channels by digitalizing underwriting activities.

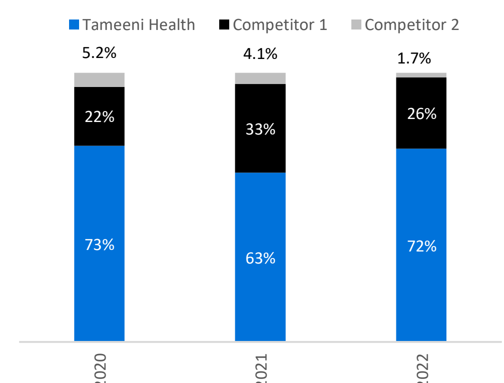
Through its flagship product, Rasan quickly leveraged its first-mover advantage to capture a sizable portion of the market in a short span of time, becoming one of the leading motor distributors in the country and anchoring itself as the largest aggregator. In 2019, the company had a market share of nearly 70% in the motor retail segment within the aggregator channel, and despite the increasing pressure from competition, even by 2022, Rasan still controlled the bulk of the market with nearly 60% market share. Similarly, it has established a firm foothold in the medical segment (in the retail and SME segment alone), with over 70% market share among the aggregators.

Chart 93: Tameeni Motor remains dominant within the aggregator channel (motor retail)



Source: Company prospectus and anbc research

Chart 94: Tameeni is also the leading in the aggregator channel for Health (retail/SME)

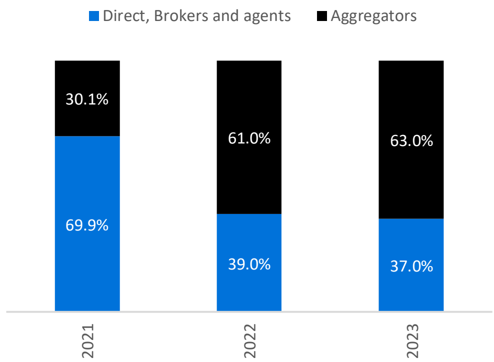


Source: Company prospectus and anbc research

In another segment, Rasan not only successfully executed and expanded its footprint but very quickly disrupted the market to take a large chunk of it. This has been the case with insurance for the leased vehicle market. It started in 2020 after a regulation change opened up market opportunities for brokers and aggregators to distribute insurance products for leased vehicles.

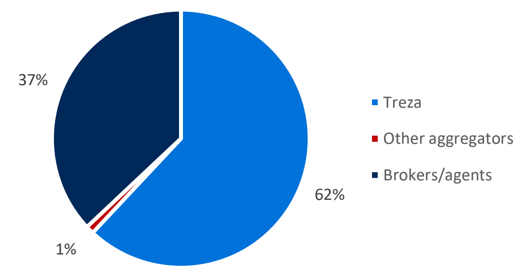
However, while initially the market had been dominated by brokers, it quickly changed with Rasan's product Treza, which rapidly became a preferred distribution channel for leasing insurance vs. the traditional channels. Treza is estimated to have a market share of 62% by 2023, placing it ahead of the competition and alternative brokers/agents.

Chart 95: Aggregators quickly controlled nearly 63% of the overall leasing market



Source: Company prospectus and anbc research

Chart 96: But that reflected the dominant position of Treza alone



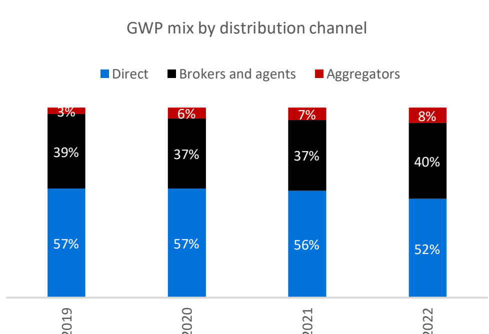
Source: Company prospectus and anbc research

Rasan has a proven track record of successful execution and exceptionally strong market penetration. We note that Treza had been a complete exception where, within only three years, it became the largest insurance distributor for leased vehicles. It is a very short time before any new entrant could capture such a significant market share where an already traditional distribution channel with all the necessary infrastructure already existed.

From 2020 to 2023, Treza's market share increased from less than 1% to over 62%. It not only penetrated the market but also nearly replaced the traditional distribution channel. While Treza's business model initially relied upon the broker channel itself, where Rasan contracted with brokers to serve its customers, including banks and leasing companies, this allowed it to garner business volume on its own platforms.

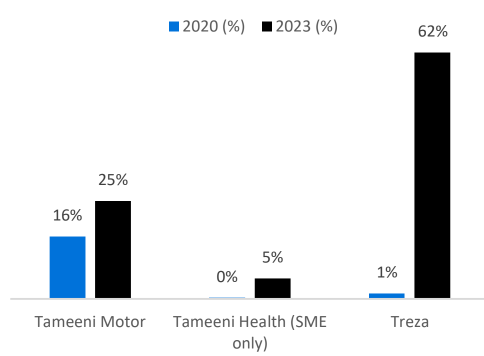
While Treza had been a later addition to Rasan's portfolio, its initial flagship product, Tameeni, more particularly the Tameeni Motor, had one of the strongest market penetrations. To put it into perspective, if we take the entire motor segment GWP (though Tameeni is more focused on retail motor insurance policies), nearly one-fourth of the market underwriting is processed on the Tameeni platform. If we take only the retail motor insurance policies, over 60% of the underwriting is processed through the platform alone. That is a significant volume being handled by a single distributor, especially if we consider that the largest insurer in the segment has nearly 20-21% market share, which implies that Rasan processes more motor insurance policies than the largest insurer in the market.

Chart 97: The share of aggregators has increased from 3% to nearly 8% in 2022



Source: Company prospectus and anbc research

Chart 98: Rasan holds dominant positioning across key segments



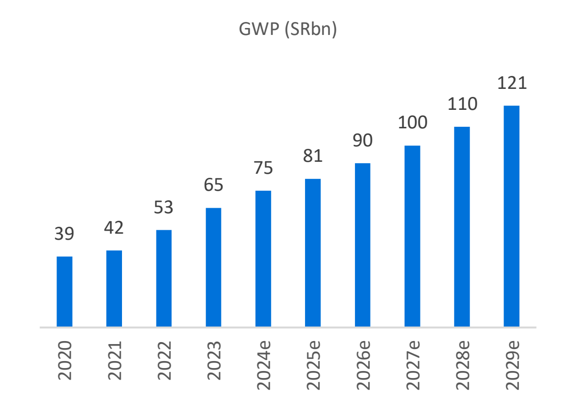
Source: Company prospectus and anbc research

We think the market opportunity for Rasan is still quite vast. Many segments have not yet been tapped (though they are in the pipeline), and Saudi Arabia's insurance market is the largest and one of the fastest-growing markets in the region. We estimate that the Rasan platforms process only 8-9% of the total GWP across all market segments, leaving a vast runway for market penetration and growth. We forecast the total addressable market, which in our view is the total insurance market GWP, to grow at a CAGR of 10% over the next five years. However, opportunities for Rasan are far bigger from new segment penetration and from increasing its market share in the already-established segments.

Moreover, we think Rasan's would continue to benefit from tailwinds of favorable operating dynamics supported by growing employment, demographic trends, and a tech-savvy population. Internet penetration in Saudi Arabia's population stands at 99%, whereas a recent survey indicated that over 60% of users' activities are dedicated to purchasing goods and services.

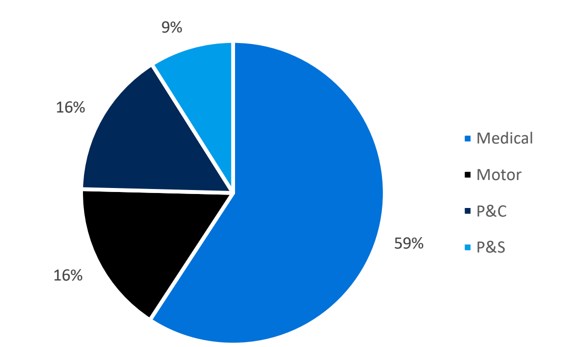
Saudi Arabia is rapidly embracing digital transformation, driven by government initiatives and increasing technology adoption under its Vision 2030. There are significant investments being made in digital infrastructure driven by i) an accelerated demand for digital connectivity, ii) smart infrastructure city projects (i.e., NEOM, Red Sea, Qiddiya, etc.), iii) enhanced public sector spending on E-government transformation initiatives and iv) rapid adoption of emerging technologies.

Chart 99: Total addressable market to grow at a CAGR of 10% over 2024-2029



Source: Company financials and anbc research

Chart 100: The medical segment remains the largest market, accounting for 59% of the total



Source: Company financials and anbc research

While we remain optimistic about Rasan's growth prospectus and the opportunities, we highlight that the competitive landscape has also changed markedly in recent years. With the success of Rasan's products, competition has significantly increased by some of the other brokers, other insurtech companies, and even directly from insurance companies as well.

However, one key downside risk is the competition from insurance companies, which have increasingly embraced digitalization and are expanding their digital footprints. Some insurers have progressed quickly on value chain integration and their own digital stakes to improve their product proposition markedly.

While we note Rasan still has some levers that insurers would continue to lack, especially price transparency and bulk underwriting capabilities, because of its relationship with multiple insurers at a time, we think more competition means sharp market penetration, as seen in the case of Treza would be slightly more challenging to achieve.

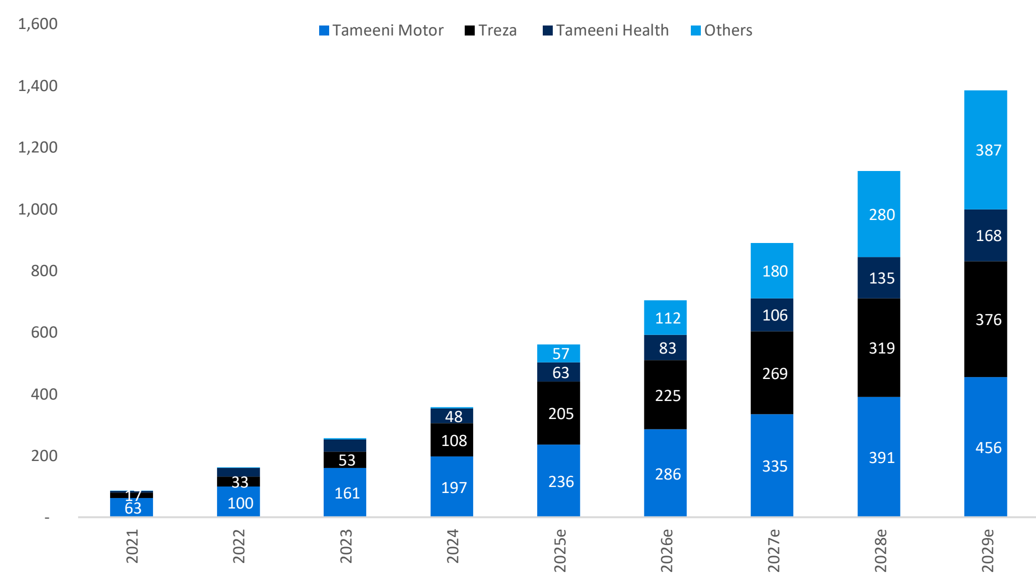
Growth across existing products and new offerings

Rasan is on track to record strong topline growth in the coming years. We think topline growth will be achieved through a combination of strengthening the existing product portfolio and launching new product offerings. The latter is supported by a strong pipeline that would drive growth by leveraging its already strong positioning in the market and its relationships with insurers and customers.

The growth strategy for existing products encompasses increasing business volumes through better market penetration and achieving better take rates. In this regard, Rasan is heavily investing in advertising campaigns and various promotions to stay ahead of the competition curve. Increasing the take rates has also been a key focus recently, supported by improved product mix, some regulation changes (in the case of Treza), cross-selling, and value chain enhancement.

Overall, we forecast revenue to grow by 31% CAGR between 2024-2029e. We think the two core products, Tameeni (including both motor and health) and Treza, would deliver a 28% revenue CAGR while we pencil revenue growth from all the other products at 155%, coming from a low base.

Chart 101: Revenue to grow at a CAGR of 31% between 2024-2029e



Source: Company financials and anbc research

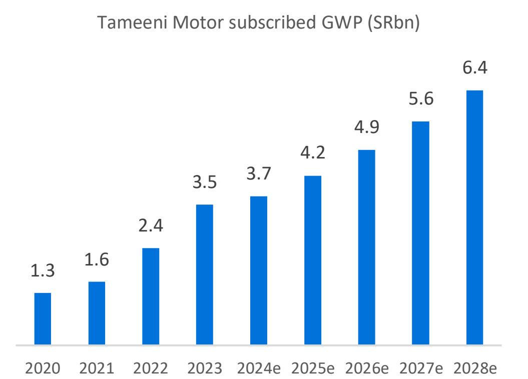
We expect revenue contribution from new products to reach SR500mn by 2030e, accounting for nearly 30% of the total, while the contribution from the existing portfolio is expected to cross SR1.2bn during the same period. Tameeni Motor is expected to remain the largest contributing product, accounting for 35% of revenue by 2028, followed by Treza with a 28% contribution and Tameeni Health with a 12% contribution.

Tameeni Motor was established in 2017 as an online motor insurance aggregator. One of its key competitive advantages over the legacy traditional distribution channel was price transparency and the ability to make real-time motor retail insurance price comparisons. It also offered customers a quick way to purchase motor insurance policies, making it convenient through its automated process. According to management, Tameeni Motor reduced the time to buy and activate an insurance policy from two days to ninety minutes with only thirteen clicks. Moreover, the platform has been linked with nearly all 24 insurance companies and integrated with payment gateways, data providers, and centralized government databases.

We expect revenues from Tameeni Motor to grow at a 18% CAGR over the next five years. This growth would be delivered as a combination of increased business volumes and improved commission rates. We expect subscribed GWP on the platforms to grow at a CAGR of 14% to cross SR6bn by 2028e. We expect further market share gains in the retail motor segment, though we don't see a similar pace and magnitude of penetration.

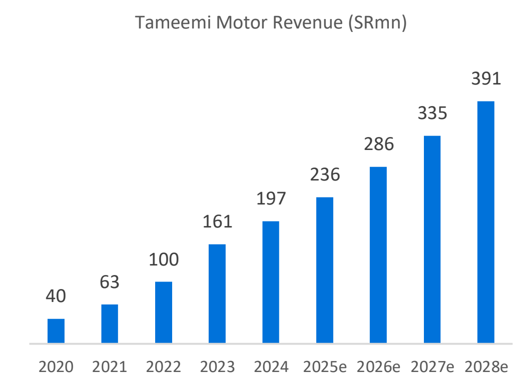
In addition to the volume growth, the take rate is also expected to increase over time, mainly on the back of an improved product mix. Rasan currently charges a 2% commission on the value of each TPL policy sold and 10-15% on each comprehensive motor insurance policy. That said, efforts are increasingly being made to convert TPL to comprehensive policies with improved renewal rates. This, too, is being delivered through collaboration with the insurance partners, and the results of this are evident in higher take rates in the past few years – we estimate the take rate has increased from 3.1% in 2020 to close to 4.5% in 2023.

Chart 102: Subscribed GWP for Tameeni Motor to reach SR6.4bn by 2028e



Source: Company financials and anbc research

Chart 103: Revenue for Tameeni Motor to grow at a CAGR of 18% over 2024-2028



Source: Company financials and anbc research

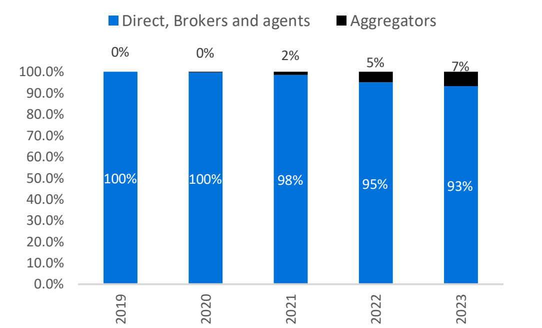
Tameeni Health, perhaps, offers the most runway for growth, considering health is the largest insurance market, and it has been a relatively newer penetration for Rasan. Tameeni Heath was launched in 2019 as an online B2B medical insurance aggregator. In its first phase, the platform targeted the SME, retail, and micro-enterprise segments only, with the target of expanding into corporate over time.

Tameeni Health, similar to the motor platform, allows businesses to generate and compare quotes instantly from insurers. It started with a small partner network initially, but over the years, more insurers have been integrated into the platform. As a leading platform for insurance distribution within the SME sector, Monsha'at, the country's SME General Authority, has also encouraged and supported such digital initiatives.

There is vast room for expansion in Tameeni Health. Aggregators are estimated to have a market share of less than 7%, though this has increased markedly in the past few years. Digital penetration could grow even further. Interestingly, of the total share of the aggregators, Tameeni holds over 70%, making it the leading platform within the health sector.

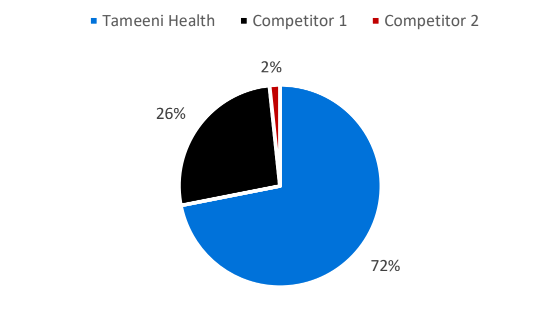
The health segment was slightly more complicated than the motor due to the regulations and necessary documentation required before underwriting an insurance policy. Despite that, Rasan's success in delivering and executing has been remarkable, not only in penetrating the market but also in tackling the regulatory headwind and operational challenges.

Chart 104: Aggregators' market share in the health retail and SME insurance segment



Source: Company financials and anbc research

Chart 105: Tameeni had over 70% market share among aggregators in 2022

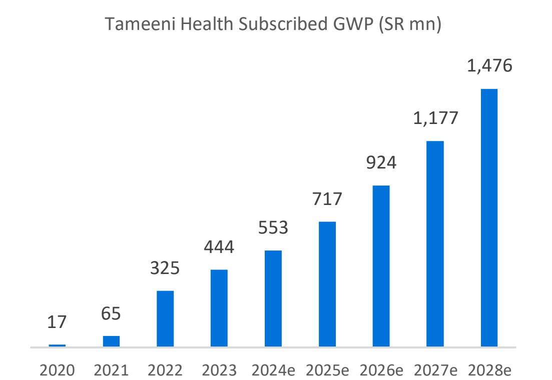


Source: Company financials and anbc research

The total addressable market in Health insurance is growing rapidly. It is the largest insurance segment, accounting for nearly 60% of the total GWP generated (estimated to be nearly SR45bn in 2024e). That is a vast opportunity for penetration, and even a 10% market share would imply a GWP generation of nearly SR4.5bn, more than the size of GWP subscribed through Tameeni Motor. Moreover, Rasan has yet to penetrate the medium and large corporate sub-segments of the health insurance market, which generates the bulk of health insurance GWP.

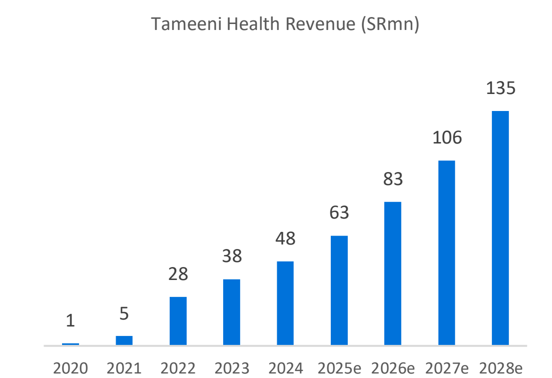
Considering the sector's positive outlook, market opportunity, and Rasan's execution, especially in the case of SMEs, we expect Tameeni Health to deliver the fastest-paced revenue growth as Rasan aggressively increases its market share and expands into other verticals, including corporates. For our modeling, we have only assumed a 3ppt increase in market share over the next five years from the estimated 1% at present. This would imply a revenue CAGR of 29% over 2024-28e.

Chart 106: Subscribed GWP for Tameeni Health to reach SR1.5bn by 2028



Source: Company financials and anbc research

Chart 107: Revenue for Tameeni Health to grow at a CAGR of 29% over 2024-2028



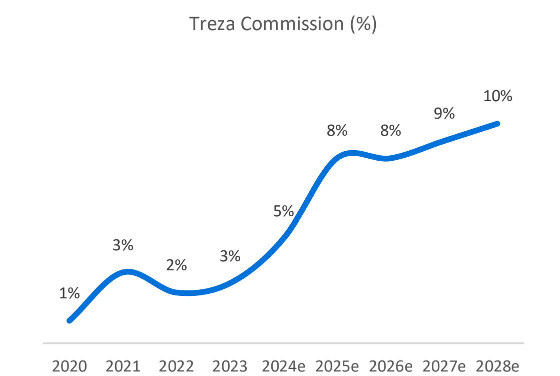
Source: Company financials and anbc research

Treza Leasing is an online SaaS motor leasing insurance platform that operates on a B2B2C business model. The platform connects banks and leasing companies with motor insurers. Banks and leasing companies on the platform can electronically generate and compare motor insurance quotations on behalf of customers.

This platform was launched in 2020 to provide bulk motor insurance for banks and leasing companies after the introduction of the regulation that required banks and leasing companies to obtain at least three insurance policy quotes for each of the financed leased vehicles. This regulatory change was implemented in Nov'2020, requiring lessors to offer their customers at least three insurance policy options and allow them to choose the policy of their choice. This prompted the launch of Treza by Rasan in 2020, where the platform managed to onboard Saudi National Bank (SNB) as its first client through its direct channel leasing distribution in 2020 and Al Rajhi Bank in 2021, two of the largest banks in the country and anchoring its position within the market with a market share of over 60%.

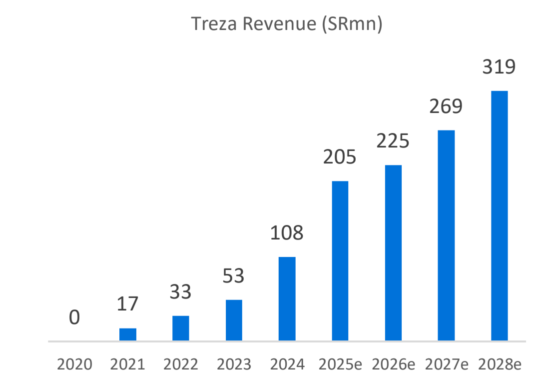
From a revenue perspective, another very important development took place last year: approval from regulatory authorities to distribute motor leasing insurance directly without needing a broker channel. This led to Rasan completely dismantling its broker channels (through which most revenue was generated) and moving towards a direct intermediation model with the banks, offering significantly higher take rates. While we still think that direct SaaS distribution for a fixed fee would also continue, as more businesses shift towards the higher commission model, we expect commission rates to more than double in the next three years. This, coupled with the volume uptick, should deliver a 31% revenue CAGR over 2024-28e from Treza.

Chart 108: Treza Commission rates to markedly improve post-regulatory change



Source: Company financials and anbc research

Chart 109: Treza's revenue to grow at a CAGR of 31% over 2024-2028

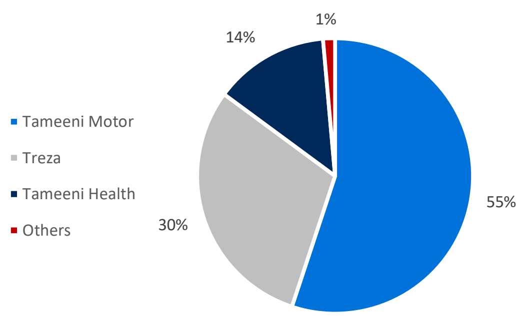


Source: Company financials and anbc research

While Rasan has already positioned itself as a market leader in some key segments, the target is to replicate similar success in other products. The company aggregator platform can be deployed into different market segments, and the company has already initiated a solid product pipeline targeting to enter other insurance lines and other services as well.

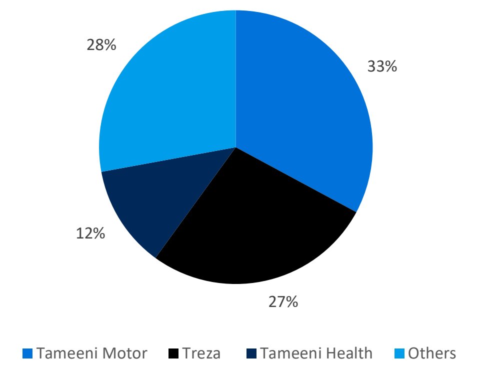
Through the launch of its product pipeline, Rasan is targeting the provision of comprehensive end-to-end services to customers. Launching these products will complement the existing product portfolio and provide potential buyers and service providers with a single platform for several insurtech and complementary products (i.e., auto leases). This is in addition to benefits from increased scale of business such as efficiency in operating expenses.

Chart 110: Tameeni Motor was the highest revenue contributor in 2024, followed by Treza



Source: Company financials and anbc research

Chart 111: New products are expected to account for 28% of revenue by 2029



Source: Company financials and anbc research

Of the 15 products in the pipeline, Rasan launched one new product in 2023 and five in 2024. Nearly all new products are generating revenue, and by 2029e, we expect the revenue contribution from all these products to reach 28%. The launch of these products will increase Rasan's total addressable market.

We briefly discuss some of these products below:

- **R Solutions:** R Solutions was launched in 2023 as a platform that allows customers to perform data analytics, portfolio performance monitoring, and predictive pricing modeling. R Solutions offers its services through two key products: i) R2: software that serves insurers and offers data analytics, data, and portfolio performance monitoring, and ii) R3: software that provides data analysis, business intelligence, and predictive pricing modeling to banks and financial institutions. Like Awal Mazad, R Solutions aims to expand Rasan's presence beyond distribution and as a value chain integration that leverages a vast data set.
- **Value-Added Services (VAS)** was launched in 3Q24. It is a marketplace offering products and services from different suppliers and is automatically linked to Rasan platforms. The goal of VAS is to increase the take rate per customer through add-on services and cross-selling propositions. Rasan is currently targeting the expansion of the product range of VAS from 10 to 100 in the medium term.
- **Warshati**: This product was also launched in 3Q24. It is a vehicle repair price comparison portal that enables customers to generate multiple repair quotations from various workshops online. Warshati currently operates only in Riyadh, although Rasan aims to expand its reach countrywide.
- **Medical malpractice**: This platform was launched in 1Q24 and provides coverage against any injuries, illnesses, or deaths of any patient caused by any negligent act, error, or omission committed by the healthcare professional. The coverage limit ranges from SR100k to SR1mn for any single claim or annual aggregate, depending on the chosen coverage.
- **Life insurance**: Rasan received a license for life insurance in 4Q24, and the company aims to introduce an electronic platform to distribute protection and savings products to retail customers, including retirement pensions.
- **Marine insurance**: Rasan received the license for this product in 4Q24 and the green light to start distributing marine insurance policies. The Central Bank, in collaboration with the Transport General Authority, launched marine insurance coverage in October '23. Marine insurance covers the liability to

the third party for costs, losses, and damages sustained by the insured due to operating the insured marine unit.

- **Domestic helpers' general and medical insurance**: Rasan launched this distribution of domestic helpers' insurance products as regulatory changes opened up a market opportunity. In Feb'24, mandatory coverage of newly employed domestic helpers' work contracts during the first two years of employment was enacted in the country. The insurance covers domestic workers against total or partial permanent disability or if the sponsor fails to pay their compensation.
- **SME general insurance**: Rasan expects to receive the license for SME general insurance by the end of 2025. The company plans to develop a core minimum P&C bundle to target SMEs. The bundle will combine a general protection package (with fundamental coverages) with a variety of modules. The management is confident that SMEs will demand the product strongly and is working with insurers to build an aggregated P&C insurance pack.
- **Travel insurance**: Rasan launched travel insurance for outbound travelers in 2024. The company is also working on obtaining approvals to sell travel insurance for inbound travelers into the country. Travel insurance typically includes protection against medical emergencies or personal accidents, flight cancellations/delays, and lost/stolen luggage. Saudi Arabia is expected to host a number of global events, including the 2029 Asian Winter Games, the 2030 Expo, and the 2034 World Cup, which is expected to drive tourism and a strong sector tailwinds of business expansion.
- **Financial service distribution:** This product is expected to launch in 2H26. The plan is to launch online distribution solutions for consumer lending, which management has also indicated as a key area of focus. Under the platform, the company targets all retail lending avenues, such as auto loans, personal loans, credit cards, and mortgages. Rasan is already well positioned in the motor ecosystem with a solid network, including banks. The company plans to use these relationships to launch auto-loan distribution, a new online solution that allows customers, showroom sales agents, and banking sales agents to submit auto-leasing requests and receive approvals for loans to be disbursed digitally.

We highlight another key catalyst for driving growth: an inorganic strategy involving potential M&A activities. At the time of its IPO, the company disclosed plans to allocate 35%-45% of the IPO proceeds to finance potential merger and acquisition opportunities. Rasan already has a net cash position of SR470mn, which is 51% of its total assets, 1.1x the size of its total shareholder equity, and nearly 8% of its current market capitalization. The focus of this M&A strategy is to deliver growth through the expansion of service verticals, diversification of product portfolio, and geographical expansion.

In this regard, the company has been actively pursuing such opportunities within the financial services distribution industry. In February '25, Rasan signed an MoU with Holoul Financing for Financial Technology to acquire a 55% stake in the company. Holoul Financing for Financial Technology is an early-stage real estate financing distributor that is working on preparing product offerings for the distribution of real estate financing.

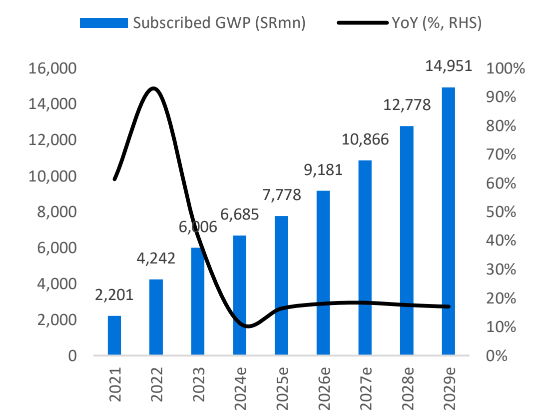
Net income to grow at a five-year CAGR of 40%

Rasan has an attractive growth profile marked by robust revenue growth across all segments. Revenue is expected to reach SR1.4bn by 2029, growing at a CAGR of 31% over 2024-2029e. The company's existing portfolio is set to headline this growth (in value terms) led by the company's core products, Tameeni and Treza. Revenue from existing business is expected to grow by 23% CAGR over 2024-2029e to reach SR1.0bn, while the company's product pipeline is expected to gain momentum post-2025, growing at a 230% CAGR over 2024-2029e.

New and upcoming products are expected to account for 28% of total revenue, whereas Warshti, general insurance, financial service distribution, and claims management, together accounting for 24% of total revenue by 2029e, are expected to be the top three contributing segments.

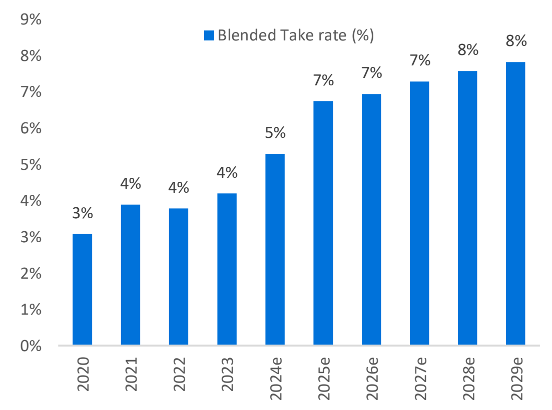
From the company's existing business, Tameeni Motor is expected to lead as the largest contributing product, accounting for 33% of revenue by 2029e, followed by Treza with a 28% contribution and Tameeni Health with a 12% contribution.

Chart 112: Subscribed GWP on Rasan platforms to reach nearly SR17bn by 2029e



Source: Company financials and anbc research

Chart 113: With blended take rate to gradually improve

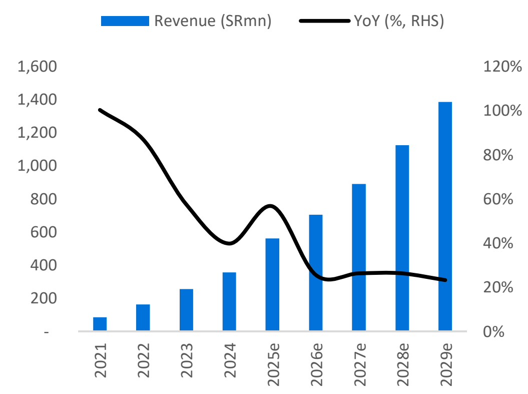


Source: Company financials and anbc research

Moreover, we estimate that the subscribed GWP on the company's platform (only for products related to insurance underwriting) would grow at a five-year CAGR of 17.4%, mainly as the company expands its market share in some of the new products while strengthening its position in the existing portfolio. Moreover, as the company expands into newer segments, its runway in terms of addressable market would become quite substantial.

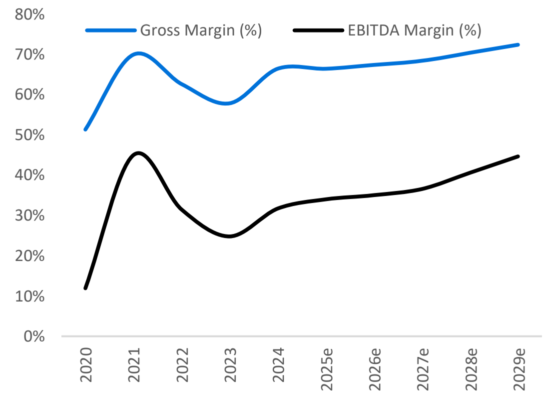
Alongside this, we also expect Rasan to continue to deliver on improved commission rates. Improved take rates in 2025e would predominantly be driven by a change in the Treza business model, which allows significantly higher rates. However, we are also likely to see a gradual improvement in blended take rates in the case of other verticals, which is supported by an improved product mix, opportunities for cross-selling, and vertical expansion. For instance, within the largest revenue-contributing segment, Tameeni Motor Rasan has a chance to up-sell comprehensive motor insurance policies against simple TPL (a key theme that we think is likely to play out in the coming years) and offers better pricing through a change in product mix.

Chart 114: Revenue to grow at a 31% CAGR over 2024-29e



Source: Company financials and anbc research

Chart 115: Room for further expansion in gross margins

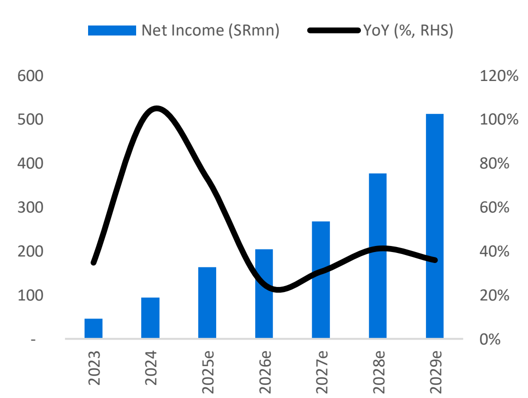


Source: Company financials and anbc research

With improved commission rates, margins will likely gradually uplift over the next five years. The impact of the change in Treza's business model is already evident in 4Q24 financial results, where we calculate that gross margin sharply expanded to 79% from an average of 60% in 9M24 and 58% in 2023. While this would keep margin expansion slightly more prominent in 2025, beyond that, we think expansion would only be gradual as take rates improve and scale benefits filter down as investments in the newer products mature with a pickup in revenue generation.

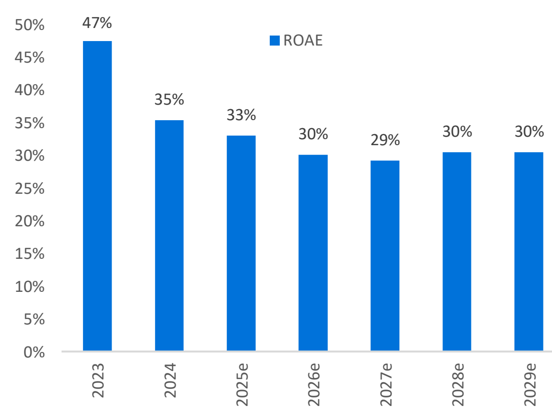
We project net income to grow at a CAGR of 40% over 2024-2029e, slightly outpacing the growth on the gross level with 43% CAGR in operating profits as the company benefits from economies of scale in operating expenses along with normalized marketing expenses following the execution of its product pipeline. Net income margin will likely increase to 37% in 2029e. However, with growth mainly normalizing, we don't see RoAEs expanding from these levels but are likely to sustain around current levels. We don't expect the company to pay dividends anytime soon, as the core focus is growth.

Chart 116: Net profit to reach SR514mn by 2029



Source: Company financials and anbc research

Chart 117: However, ROAE expansion is unlikely



Source: Company financials and anbc research

Valuation:

We have used the DCF method with a cost of equity of 10.5% to value Rasan at a target price of SR105/share. We like the stock given its strong earnings trajectory (40% CAGR over 2024-2029e) driven by Rasan's strong market positioning along with its aggressive product diversification drive, which we think justifies the stock trading at a high multiple. Rasan trades at a 2025e PER of 39.7x and PBV of 11.2x.

Valuation Table:

SRmn	2026e	2027e	2028e	2029e	Terminal
EBIT (1-z)	212	280	392	532	681
Dep and amort	17	22	27	34	42
CAPX	(61)	(68)	(74)	(78)	(80)
WC	11	25	(113)	50	(11)
FCFF	179	259	232	538	633

NPV of cash flows	1,426
NPV of terminal value	6,274
Value of the firm	7,700
Add: net cash	412
Value of equity	8,112
Number of shares (mn)	78
Target Price	**105**

Earnings Sensitivity:

		Growth rate				
		2%	**3%**	**4%**	**5%**	**6%**
CoE	**9%**	110	125	146	178	232
	10%	96	107	122	143	174
	11%	85	94	105	119	139
	12%	77	83	92	102	116
	13%	70	75	82	89	100

Source: Company financials and anbc research

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