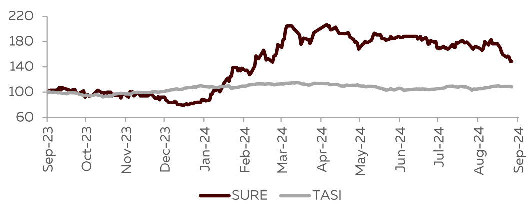
Sure Global Tech Co. (SURE)

Target Price: SAR 109.9/share
Upside: 57.0%

Recommendation	**Buy**
Current Market Price (SAR)	70.0
52wk High / Low (SAR)	101.8/36.9
Mkt. Cap. (USD/SAR Mn)	144/539
Shares Outstanding (mn)	7.7
Free Float (%)	41.1%
3m Average Vol. (000)	5.1
3m Avg Daily Turnover (SAR'000)	411.3
Dividend Yield '24e (%)	2.7%
P/E'24e (x)	14.9
EV/EBITDA'24e (x)	10.9

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	194	225	248	273
Gross profit	56	68	76	86
Gross margin (%)	29%	30%	31%	31%
EBIT	31	40	46	54
EBIT margin (%)	16%	18%	19%	20%
EBITDA	33	42	49	56
EBITDA margin (%)	17%	19%	20%	21%
Net Income	29	36	42	49
Net margin (%)	15%	16%	17%	18%
EPS (SAR)	3.73	4.70	5.49	6.36
RoE (%)	27%	27%	29%	28%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Arabian Knowledge Trading Company	57.77%
Mohammed Abdulrahman Abdullah Al Shaalan	5.28%

Source: Bloomberg, Yaqeen Capital

Earnings improved driven by revenue growth

- SURE's net income increased by 1.6% YoY to SAR 16mn in 1H2024, driven by higher operating income, despite a loss from investment in an associate company. However, the net income margin dropped by 3.5ppts YoY to 15.8%.
- Revenue grew by 23.9% YoY to SAR 102mn in 1H2024, primarily due to the acquisition of new projects.
- Gross profit reached SAR 32mn in 1H2024, an increase of 11.0% YoY, supported by higher revenue. Nevertheless, the gross margin declined by 3.6ppts YoY to 31.3%, as the cost of revenue grew at a faster pace than revenue.
- Operating income rose by 8.4% YoY to SAR 19mn in 1H2024, reflecting higher gross profit despite increased SG&A expenses and reduced other income. The operating margin dropped by 2.7ppts YoY to 18.7%.
- In 2Q2024, net income increased by 3.3% YoY (+0.5% QoQ) to SAR 8mn, while the corresponding margin declined by 5.3ppts YoY and 6.2ppts QoQ to 13.3%

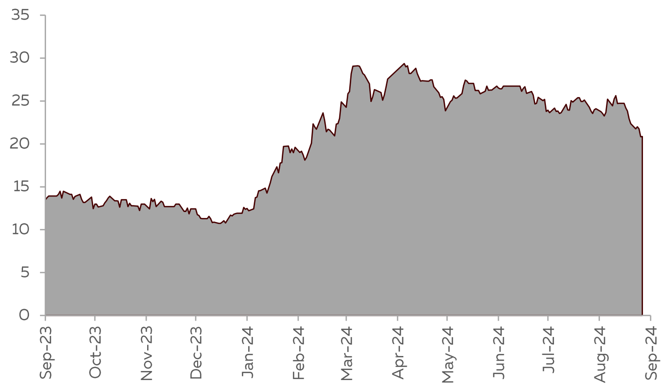
Outlook & Valuation: The positive momentum in Saudi Arabia's economy, particularly in the ICT sector, creates an ideal environment for SURE's future growth. With its broad range of solutions, including software development, infrastructure, and FinTech, SURE is well-aligned with the nation's digital transformation initiatives, positioning itself as a key player in this expanding market. By leveraging its strong client base, the company is well positioned for healthy margins and profitability. We anticipate an upturn in revenue owing to substantial order acquisitions in its pipeline. Based on the DCF valuation, we determine a fair value of SAR 109.9 per share, indicating an upside of 57.0% from the present value. Consequently, we suggest a Buy rating for the stock.

Financial Summary

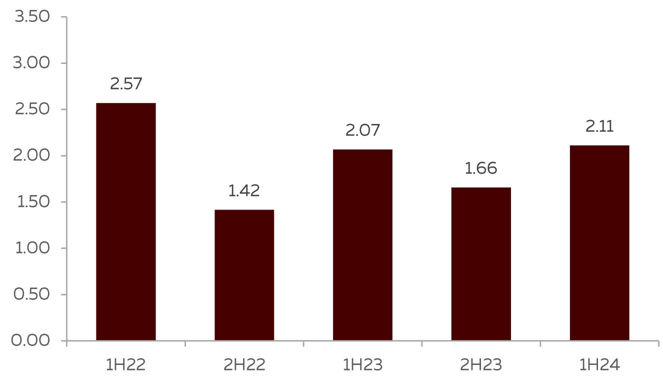
SAR (mn)	1H2024	1H2023	YoY
Revenue	102	83	24%
Gross profit	32	29	11%
Gross margin (%)	31%	35%	
EBIT	19	18	8%
EBIT margin (%)	19%	21%	
Net Income	16	16	2%
Net margin (%)	16%	19%	
EPS (SAR)	2.11	2.07	2%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by ≥ 10%

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by ≥ 10%

Disclaimer