Elm Company: Can Saudi Arabia's Digital Champion Keep Its Edge as It Scales?

Elm has built one of the strongest digital businesses in the Middle East. The next test is whether Thiqah, international expansion and a broader service mix can add scale without eroding the economics that made the company exceptional.

Elm Company is easy to misunderstand from outside Saudi Arabia.

The stock sits within software and services. Elm describes itself as a digital-solutions provider. Both descriptions are accurate, but neither really captures the position the company has built.

Elm sits deep inside Saudi Arabia's digital infrastructure. It develops and operates products and platforms used across government, business and everyday transactions. Absher alone surpassed 32 million digital identities in 2025. Muqeem processed more than 21 million transactions, while Yakeen has become an important verification layer for institutions ranging from government entities to Saudi banks.

That position has taken years to build.

Revenue has compounded from a little over SAR1 billion in 2014 to almost SAR9.5 billion in 2025, equivalent to roughly 19% annual growth. Along the way, Elm developed the sort of characteristics investors usually pay heavily for: high margins, recurring transactions, entrenched customer relationships and a role in systems that are difficult to replace.

The complication is that Elm today is no longer quite the same business investors became accustomed to.

Its SAR3.4 billion acquisition of Thiqah Business Services has increased scale and widened the opportunity set, but it has also changed the revenue mix. Operating costs are moving faster. International expansion remains largely unproven. And after years in which the market was willing to attach a very high multiple to Elm's growth, the shares have undergone a substantial reset.

At SAR607.50 on 20 August, Elm had a market capitalisation of SAR48.6 billion, or about US$13.0 billion. The shares are down almost 19% this year and more than 30% over 12 months. They now trade at around 22 times trailing earnings.

That is a much more interesting starting point than the one investors faced when the stock carried a multiple above 40 times earnings.

For us, the key question is not whether Elm is a high-quality Saudi company. The evidence there is fairly convincing.

It is whether Elm can become a much larger regional technology business while keeping the economics that made it so attractive in the first place.

The moat is not the software

Technology is part of Elm's advantage, but I do not think it is the most important part.

Code can be reproduced. Trust, institutional knowledge and years of integration into mission-critical government systems are harder to replicate.

Absher is a good example. The platform belongs to the Ministry of Interior and is supervised in partnership with the Saudi Data and Artificial Intelligence Authority. Elm supports its development and operation. Over time, that relationship has embedded the company in how millions of people interact with government services.

Muqeem connects institutions with residency and passport services. Yakeen provides identity and information verification to public and private organisations. Other products operate across transport, pilgrimage, real estate, justice, logistics and business services.

The common thread is not simply software. It is Elm's understanding of how government processes work, the relationships behind those processes, and its record of operating systems at national scale.

That creates switching costs which are difficult to capture in a valuation model.

It also gives Elm somewhere to go next. In 2025, the company launched more than 14 new government products, delivered more than 127 new government services and entered four additional government sectors.

The financial attraction of the model is clearest in Digital Business. The division generated SAR6.73 billion of revenue in 2025, around 71% of group sales, at a gross margin of 47.1%.

Business Process Outsourcing looked very different. It generated SAR2.56 billion at a gross margin of 18.5%.

That gap goes a long way towards explaining why the current mix deserves attention. Digital products scale well. Outsourcing and project work tend to require more people and more operating effort for each additional riyal of revenue.

Thiqah makes that mix more complicated.

Thiqah is where the next few years get interesting

Elm completed the acquisition of Thiqah in April 2025 for SAR3.4 billion, or approximately US$907 million. The seller was the Public Investment Fund, which also owns 67% of Elm.

The strategic logic is understandable. Thiqah adds digital business services, customer relationships in areas such as justice, real estate and logistics, and a wider base from which Elm can cross-sell products. Management believes there are SAR70 million to SAR80 million of cost synergies available during 2026.

The historical numbers were less exciting.

Thiqah generated SAR1.65 billion of revenue and SAR112 million of net profit in 2024. On those figures, Elm paid roughly twice revenue and more than 30 times earnings.

By the first nine months of 2025, Thiqah had reported a SAR99 million loss, although comparisons were distorted by one-off revenue and accounting effects in the prior period. For the eight months in which it was consolidated during 2025, it contributed SAR1.09 billion of revenue and SAR240 million of gross profit. Gross margin was 21.7%, well below Elm's Digital Business margin, and the business contributed approximately SAR70 million of operating losses.

The first half of 2026 looked better. Thiqah contributed around SAR664 million of revenue and SAR155 million of gross profit, implying a gross margin a little above 23%. Management has also indicated that the business returned to profitability during the second quarter.

The acquisition still has work to do.

Elm was not buying a stream of cheap earnings. It was buying relationships, capabilities and reach, with the expectation that those assets could become more valuable inside the larger organisation.

From a minority shareholder's perspective, the capital-allocation test is straightforward: does the SAR3.4 billion purchase eventually earn a return comfortably above Elm's cost of capital?

The fact that the transaction took place between businesses ultimately controlled by the same shareholder makes that question more important, not less.

If integration goes well, Elm should be able to remove duplicated costs, cross-sell products, push more work onto technology platforms and widen its reach into new sectors. If that happens, Thiqah could look much better in three years than it did on acquisition.

If it mostly adds lower-margin revenue and operating complexity, the company will still be larger. That does not necessarily mean shareholders will be better off.

For now, I think the evidence is moving in the right direction, but there is not enough of it yet.

The first half was strong, although costs deserve attention

Elm's first-half result was still a good one.

Revenue increased 21.2% to SAR5.0 billion. Gross profit rose 23.1% to SAR2.08 billion, EBITDA increased 19.7% to SAR1.30 billion and operating profit was 15.5% higher at SAR1.14 billion. Net profit grew 7.7% to SAR1.17 billion.

Gross margin improved slightly to around 41.6%.

The main area I would watch sits below gross profit. Operating expenses increased 33.7%, materially faster than revenue. General and administrative expenses rose by SAR100 million, depreciation and amortisation by SAR61 million, selling and marketing by SAR49 million and expected credit losses by SAR34 million. Finance costs were SAR32 million higher.

Q2 made that pressure more visible. Revenue was still up 12.5% and Digital Business grew 17.4%, but operating profit increased only 2.5%. Net profit fell 13% to SAR513 million.

Some of that decline came from an unfavourable zakat comparison with the previous year, when Elm benefited from the reversal of prior-period provisions. Operating expenses also rose almost 25%.

There are reasonable explanations for some of this. Elm had already flagged Thiqah integration costs through the first half of 2026, and the company is investing in sales, capabilities and infrastructure as it grows.

I am less interested in whether one quarter looked untidy than in what the cost base looks like once those explanations fall away.

Management expects full-year revenue growth of 17% to 19% and an operating margin of 21% to 23%. On 2025 revenue, that points to roughly SAR11.1 billion to SAR11.3 billion of sales this year and, if the margin range is achieved, around SAR2.3 billion to SAR2.6 billion of operating profit.

After the first half, those targets look reasonable.

The bigger test comes later. By 2027 and 2028, Thiqah should be integrated, synergy programmes should be largely complete and the underlying economics of the combined group should be much easier to see.

International expansion should earn its place in the valuation

Elm increasingly talks about becoming a regional and international digital player.

There is good logic behind the ambition. Governments across the Gulf are addressing many of the same issues Saudi Arabia has already spent years working through: digital identity, government-service automation, verification, mobility, tourism, licensing and the use of artificial intelligence in public services.

Elm opened an office in Muscat in 2025, expanded activity into Jordan and continued building relationships in other regional markets.

The numbers, however, are still overwhelmingly Saudi.

Of Elm's SAR9.47 billion of revenue in 2025, all but SAR1 million was generated inside Saudi Arabia.

That tells us two things.

First, Elm still has a very large domestic opportunity. There is no urgency to invent an international growth story simply because the company now has the capability to pursue one.

Second, I would give almost no valuation credit today to international expansion.

Government technology does not export as easily as ordinary software. Procurement structures differ. Local relationships differ. Regulation, data sovereignty and existing incumbents differ as well.

Elm has a strong base from which to try, and success outside Saudi Arabia could materially widen the addressable market.

I would prefer to see contracts, revenue and returns before assuming that success in a valuation model.

PIF ownership changes the context

PIF owns 67% of Elm. Free float is approximately 30.3%, with the balance largely represented by treasury shares.

There are obvious advantages to having a patient, well-capitalised strategic shareholder when a business operates in national digital infrastructure. Elm works in areas where government relationships, long investment horizons and institutional trust are important.

That ownership structure also means minority investors own a controlled company.

Elm's IPO prospectus explicitly identified PIF's ability to influence board elections, major transactions, dividends and other shareholder decisions as a risk factor. That is standard disclosure for a company with a controlling shareholder, although it should still form part of the analysis.

For me, the more useful question is how the capital has been used.

Elm's underlying operating record has been strong. It has grown quickly, retained high margins and expanded into new areas without destroying the economics of the core business.

Thiqah is the largest recent test of that capital-allocation record.

If the acquisition produces the expected synergies and strengthens Elm's digital platform, PIF's long-term ownership could prove particularly helpful during the integration period. If returns disappoint, the strategic logic of the deal will not be enough to compensate minority shareholders.

The numbers will eventually answer that.

The valuation has become far more reasonable

The share-price reset is one reason Elm ranks highly for us today.

Elm closed at SAR607.50 on 20 August, giving it a market capitalisation of SAR48.6 billion. The stock has fallen almost 19% in 2026 and around 31% over the past year despite continuing to grow revenue and earnings.

Trailing EPS is approximately SAR28 per share, putting the stock on roughly 22 times trailing earnings.

That is not a bargain multiple. Nor should a company with Elm's record necessarily trade on one.

What has changed is the amount of optimism embedded in the price.

At more than 40 times earnings, investors were paying for continued high growth, strong margins and a fairly smooth execution path. At roughly half that multiple, there is more room for things to be merely good rather than perfect.

The downside is not difficult to identify. Core government products will mature over time. Government project awards can be uneven. Thiqah has lowered the group margin mix. Finance costs have risen following the acquisition. If sustainable earnings growth settles closer to high single digits, a low-20s multiple would look less compelling.

The upside case does not require something heroic.

Digital Business can remain the main profit engine. Thiqah can improve from its current margin base. Costs can normalise after integration. Private-sector platforms can grow. International markets may eventually contribute something meaningful.

If Elm can deliver most of that while maintaining strong returns on capital, today's valuation leaves room for shareholders to do well.

I would rather own the stock on that basis than rely on an assumption that the old premium multiple eventually returns.

Why we own Elm

Elm is not the largest position in the Evermore MENA Select Fund because Saudi digital transformation is an attractive theme.

The theme helped us find the company. The business economics are why we own it.

Elm has entrenched customer relationships, difficult-to-replicate institutional knowledge, high-margin digital products and a long record of converting demand into earnings. Its role inside Saudi Arabia's digital infrastructure gives it advantages that are hard to reproduce, even for technically capable competitors.

The areas we are watching are fairly clear.

Thiqah needs to become a better business inside Elm than it was outside it. Operating-cost growth should moderate. Cash conversion needs to recover after a softer first half. International expansion should be judged on revenue and returns rather than announcements.

None of those questions disappeared because the share price fell.

The difference is that investors are no longer paying a valuation that assumes they have already been answered.

Saudi Arabia has built one of the world's more advanced digital-government ecosystems, and Elm has played a significant role in that development. The company now has the chance to use that position as the base for something larger.

Whether it can do that without diluting the quality of the business is the question that will determine the next phase of the investment.

At today's valuation, I think it is a question worth pursuing.

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Data and source notes

Financial information is drawn primarily from Elm Company's FY2025 annual report, FY2025 investor presentation and interim results for the six months ended 30 June 2026 filed with the Saudi Exchange. Thiqah historical figures are from Elm's investor presentations and acquisition disclosures. Share price, market capitalisation and trading data are based on the Saudi Exchange close on 20 August 2026. PIF ownership and free-float data are from company and market disclosures.

Disclosure: Elm Company is a current holding of the Evermore MENA Select Fund. This research represents Evermore's assessment at the date of publication and is not personal financial advice. Evermore may buy or sell securities discussed in its research without notice.