

Jarir posted an exceptional set of Q1-2017 results, significantly higher than AJC estimates and consensus. Net income came at SAR 221.4mn (SAR2.46 EPS) against our estimates of SAR 179mn, deviation was due to higher than expected top line growth owed mostly to market share gains in the electronics segment driven by smart phone sales. The results of Jarir's store rollout plans are evident in this quarter's top line growth. Market share gains are reflected in LFL growth YoY. Market share tailwinds are expected to carry on throughout FY2017. We remain Neutral on the company with a revised PT of 137.1 SAR per share.

- Jarir reported higher than expected net income for the quarter. Net income came at SAR 221.4mn (EPS SAR 2.46), posting 26.5% growth YoY and 3.0% QoQ. The result beat was supported by market share gains on the back of growing smart phone sales along with lower selling and distribution expenses.
- Revenue for the quarter stood at SAR 1,705mn; an increase of 20.3%YoY and a 4.9% QoQ decline. The YoY growth was mainly due to the quarterly revenue mix along with market share gains. Revenues are estimated to continue the current trajectory for the following quarters, albeit at a decelerating pace. We revised our top line growth figures to stand at SAR 6613.8mn for FY2017 (8.02% YoY). The reversal of allowance cut for public employees (Announced on April 2017) along with market share gains support our revised view on top line growth.
- Gross profit for the quarter stood at SAR 247.4mn depicting a 15.18% growth YoY and 0.86%QoQ. Gross margins for the quarter stood at 14.5% compared to 15.15% for the same quarter last year (down 64Bps YoY) and 13.65% last quarter. Gross margins are estimated to stabilize around current levels (14.21% for CY2017). Declining Opex contributed significantly to the quarterly beat, Opex declined 28.7% YoY (SAR 13.6mn), continuing the course of declining Opex from the past quarter (Part of the decline posted last quarter was due to rebates). Operating margins showed significant expansion as a result, at 12.49% for the quarter, up from 11.76% for the same quarter last year (up 73bps YoY). Operating profit ended the quarter at SAR 212.9mn, posting 27.7% growth YoY.

**AJC view:** We revised our FY2017 outlook for the company on the back of the earnings beat. Market share gains and the reversal of public employees allowance cuts (announced on April 2017) tailwinds are estimated carry on throughout FY2017. Visibility on the level and magnitude of H2-2017 impact of higher utility costs is low. However, VAT is estimated to slightly soften the positive trajectory in FY2018. Upside and downside risks rest mainly on macro and industry wide conditions. Revised EPS is estimated to stand at SAR 9.10 per share (11.0% YoY). FY2017 estimated DPS stands at SAR 8.0 per share. The company currently trades at TTM PE of 16.2x and an estimated forward PE multiple of 15.5x compared to a sector TTM PE of 20.5x. We remain "Neutral" on Jarir with a revised PT of SAR 137.1 per share from our previous PT of SAR 117.3 per share.

### Results Summary

SARmn (unless specified)	Q1-2016	Q4-2016	Q1-2017	Change YoY	Change QoQ	Deviation from AJC Estimates
Sales	1417.4	1793.5	1705.0	20.2%	-5.0%	-
Gross Profit	214.8	244.8	247.4	15.1%	1.0%	-
Gross Margin	15.1%	13.6%	14.5%	-	-	-
EBIT	166.7	210.1	212.9	27.7%	1.3%	-
Net Profit	175.0	215.3	221.4	26.5%	2.8%	23.6%
EPS	1.94	2.39	2.46	-	-	-

Source: Company reports, Aljazira Capital

Recommendation	'Neutral'
Current Price* (SAR)	141.2
Target Price (SAR)	137.1
Upside / (Downside)	2.94%

\*prices as of 9<sup>th</sup> of May 2017

### Key Financials

SARmn (unless specified)	FY15	FY16	FY17E
Revenue	6,375.4	6,122.6	6613.8
Gross Profit	972.0	875.0	939.2
Net Profit	828.5	737.9	819.8
EPS	9.21	8.20	9.10

Source: Company reports, Aljazira Capital

### Key Market Data

Market Cap (mn)	12,712
YTD %	22.35%
Shares Outstanding (mn)	90.0
52 Week (High)	141.0
52 Week (Low)	81.0

Source: Company reports, Aljazira Capital

### Key Ratios

SARmn (unless specified)	FY15	FY16	FY17E
Gross Margin	15.2%	14.3%	14.2%
Net Margin	13.0%	12.0%	12.4%
P/E	17.4x	14.0x	15.5x
P/B	9.6x	6.8x	7.0x
Dividend Yield	4.8%	6.3%	5.6%

Source: Company reports, Aljazira Capital

### Price Performance



Source: Bloomberg, Aljazira Capital

Analyst

Sultan Al Kadi

+966 11 2256374

s.alkadi@aljaziracapital.com.sa

RESEARCH DIVISION

Acting Head of Research  
**Talha Nazar**  
+966 11 2256250  
t.nazar@aljaziracapital.com.sa

Analyst  
**Waleed Al-jubayr**  
+966 11 2256146  
W.aljubayr@aljaziracapital.com.sa

Analyst  
**Sultan Al Kadi**  
+966 11 2256374  
s.alkadi@aljaziracapital.com.sa

Analyst  
**Muhanad Al-Odan**  
+966 11 2256115  
M.alodan@aljaziracapital.com.sa

Analyst  
**Jassim Al-Jubran**  
+966 11 2256248  
j.aljabran@aljaziracapital.com.sa

BROKERAGE AND INVESTMENT CENTERS DIVISION

General Manager – Brokerage Services & sales  
**Alaa Al-Yousef**  
+966 11 2256060  
a.yousef@aljaziracapital.com.sa

AGM-Head of Sales And Investment Centers  
Central Region  
**Sultan Ibrahim AL-Mutawa**  
+966 11 2256364  
s.almutawa@aljaziracapital.com.sa

AGM-Head of international and institutional brokerage  
**Luay Jawad Al-Motawa**  
+966 11 2256277  
lalmutawa@aljaziracapital.com.sa

AGM-Head of Qassim & Eastern Province  
**Abdullah Al-Rahit**  
+966 16 3617547  
aalrahit@aljaziracapital.com.sa

AGM- Head of Western and Southern Region Investment Centers  
**Mansour Hamad Al-shuaibi**  
+966 12 6618443  
m.alshuaibi@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

- Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
- Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
- Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
- Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

**Disclaimer**

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Aljazira Capital from sources believed to be reliable, but Aljazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Aljazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Aljazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Aljazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Aljazira Capital. Funds managed by Aljazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Aljazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Aljazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Aljazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Aljazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Corporate Finance | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia. Tel: 011 2256000 - Fax: 011 2256068