

Rating **Neutral**
 12- Month Target Price **SAR 140.00**

JARIR MARKETING COMPANY (JARIR)

2Q2017 Preview

Expected Total Return

Price as on July-09, 2017	SAR 142.00
Upside to Target Price	-1.4%
Expected Dividend Yield	5.7%
Expected Total Return	4.3%

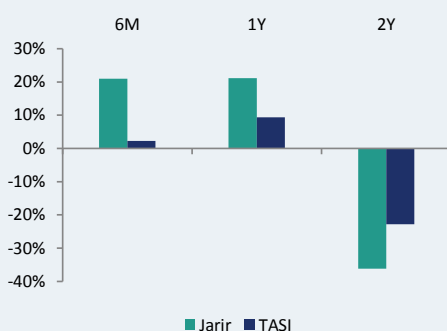
Market Data

52 Week H/L (SAR)	149.0/81.0
Market Capitalization	SAR 12,780 million
Shares Outstanding	90 million
Free Float	95.7%
12-Month ADTV (000's)	120,626
Bloomberg Code	JARIR AB

1-Year Price Performance



Source: Bloomberg



2Q2017E	SAR mln
Revenue	1,537
Gross Margin	12.7%
Operating income	158
Net Income	161
EPS (SAR)	1.79

Allowance Restoration to Benefit

Jarir is expected to benefit from the restoration of allowances for government employees, announced recently by the government. The sweetener of course was that this restoration is retrospective implying that previous dues would also be paid. For the second quarter, we anticipate revenues to grow +11% Y/Y, on a like for like basis, to SAR 1.54 billion. Higher smartphones and electronics sales as consumers move to the bigger retailers would now be further pushed forward by greater buying power. Costs are being managed effectively despite organic growth. We forecast a +25% Y/Y growth in net income to SAR 161 million (EPS SAR 1.79). We are raising our target price to SAR 140.00 from SAR 131.00 on better earnings outlook. The stock trades at a 2017E P/E of 16.2x, premium to TASI's 14.4x, but this is justified both historically and given a general premium for consumer focused retail companies. Maintain Neutral rating.

+11% Y/Y rise in revenues

Revenues are forecasted at SAR 1.54 billion for the quarter, a +11% Y/Y growth. Besides continued surge in electronics and smartphone sales, 2Q2016 topline at SAR 1.39 billion was modest on a slowdown in the economic environment. Proxy consumer spending numbers in terms of POS data and ATM withdrawals do show some uptick this year. Retail spending had taken a beating as allowances for government employees were curbed. However, now that they have been restored retrospectively, expect spending to increase. Having said that, some consumers may opt to increase their saving portions for rainy days ahead.

Gross profit expected at SAR 194 million

We expect gross profit to accrue at SAR 194 million, higher than SAR 163 million for the same quarter last year while gross margins are also likely to expand to 12.7% from 11.7% last year. Operating expenses are likely to be -22% lower Y/Y to SAR 36.2 million, slightly higher than SAR 35.5 million in 1Q.

No new store openings in 2Q

There have been no new store openings announced in the second quarter with total store strength currently at 47. 1Q dividend of SAR 2.20 per share was better than expectations and raises up hopes for 2Q.

Target price augmented to SAR 140

We forecast net income at SAR 161 million (EPS SAR 1.79), an increase of +25% Y/Y. Net margins at 10.5% are an improvement over 9.2% last year. We have raised our target price from SAR 131.00 to SAR 140.00 on a more optimistic earnings outlook. However, given the rally at the Tadawul, we maintain a Neutral stance as the stock trades close to target price.

Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Revenue	6,123	6,735	7,072
EBITDA	743	809	879
Net Profit	738	805	861
EPS (SAR)	8.20	8.95	9.57
DPS (SAR)	7.30	8.10	8.70

Key Financial Ratios

FY Dec31	2016A	2017E	2018E
BVPS (SAR)	17.66	18.90	20.28
ROAE	47.7%	49.0%	48.9%
ROAA	29.1%	29.1%	29.3%
EV/EBITDA	17.4x	16.0x	14.7x
P/E	17.7x	16.2x	15.1x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

For any feedback on our reports, please contact research@riyadcapital.com

Disclaimer

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report.

Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially.

The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount.

This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients.

This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.

الرياض المالية
riyad capital



إدارة الثروات - إدارة الأصول - الوساطة - المصرفية الاستثمارية

920012299
riyadcapital.com

شركة الرياض المالية تعمل بموجب ترخيص من هيئة السوق المالية برقم 07070-37 وسجل تجاري رقم 1010239234
الإدارة العامة: 6775 شارع التخصصي - العليا، الرياض 12331 - 3712