

## JARIR MARKETING CO.

الأهلي كابيتال  
NCB Capital

## EVENT FLASH

## Strong results on high sales and lower Opex

Jarir reported a strong set of 1Q17 results, with net income increasing +26.5% YoY and +3.0% QoQ to SR221.4mn. This is significantly higher than the NCBC estimates of SR179.5mn. We believe strong revenues growth, specifically from smart phones, was the main reason for this growth along with lower Opex.

- NCBC view on the results:** Jarir reported a better than expected set of 1Q17 results, with net income increasing +26.5% YoY (+3.0% QoQ) to SR221.4mn. This is the highest net income since 1Q15 and exceeds NCBC and consensus estimates of SR180mn. We believe the variance is mainly due to the strong revenue growth on 1) higher sales of the low-margin electronic products, supported by the launch of new Apple products and Ministry of Labor changes in the phone retail market, 2) increased sales of stationery and 3) new store openings. Moreover, a decline in Opex despite new store openings is a key positive.
- Sales increased +20.3% YoY to SR1,705mn in 1Q17, significantly higher than the NCBC estimates of SR1,446mn. We believe this deviation is due to 1) a higher than expected sale of smartphones and 2) higher stationary sales as schools second semester started in 1Q17. Moreover, the opening of six new stores YoY (39 Saudi, 47 total) and LFL growth of c. +3% supported the overall revenue growth.
- Gross margins contracted 64bps YoY to 14.5%. This is the lowest 1Q margin on record and below our estimates of 15.3%. We believe the deviation came mainly from a change in sales mix towards the low-margin electronic products. Gross profits grew at a relatively slower pace of 15.2% YoY to SR247mn, higher than our estimates of SR221mn.
- Despite the opening of seven new stores, Opex declined -28.3% YoY to SR34.5mn vs. our estimates of SR52.0mn. We believe the higher costs associated with the store openings were mitigated by lower selling and distributing expenses.
- We remain Overweight on Jarir, with a PT of SR142.6. Jarir announced a DPS of SR2.2, implying an annualized dividend of SR8.8 per share and yield of 6.6%, which is amongst the highest in the sector and offers downside-risk protection to investors. Moreover, we believe the recent announcement of the reinstating of government employees' allowances will support discretionary spending, benefitting companies like Jarir. The stock is trading at 2017E P/E of 16.3x compared to peers of 15.0x.

## 1Q17 Results Summary

SR mn	1Q17A	1Q16A	% YoY	1Q17E	%Var^	% QoQ
Revenues	1,705	1,417	20.3%	1,446	17.9%	(4.9)%
Gross income	247	215**	15.2%	221	11.8%	0.9%**
Gross margin (%)	14.5%	15.2%	(0.64)%	15.3%	(0.79)%	0.83%
EBIT	213	167**	27.7%	169	25.9%	0.2%**
EBIT Margin (%)	12.5%	11.76%	0.73%	11.7%	0.79%	0.64%
Net income	221	175**	26.5%	180	23.4%	3.0%**
Net Margin (%)	13.0%	12.3%	0.64%	12.4%	0.57%	1.00%
EPS (SR)	2.46	1.94	26.5%	1.99	23.4%	3.0%

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts; \*\*Restated

## OVERWEIGHT

Target price (SR) 142.6

Current price (SR) 133.1

Upside/Downside (%) 7.1

## STOCK DETAILS

M52-week range H/L (SR)	138/82
Market cap (\$mn)	3,199
Shares outstanding (mn)	90
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.0)	5.0	11.8
Rel. to market	2.0	6.5	8.9

Avg daily turnover (mn)	SR	US\$
3M	10.5	2.8
12M	13.7	3.7

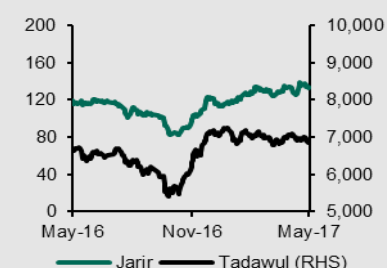
Reuters code	4190.SE
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## VALUATION MULTIPLES

	16A	17E	18E
P/E (x)	16.2	16.3	15.3
P/B (x)	7.8	6.8	6.3
EV/EBITDA (x)	15.8	15.8	14.6
Div Yield (%)	5.3	5.1	5.4

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

**Other Definitions**

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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