EXTRA

EVENT FLASH

Better than expected 4Q12 results

Extra announced its preliminary 4Q12 results on 6 January 2013. Revenues were strong with a YoY growth of 33%, this combined with better rebates leading to EBIT and Net Profit growth of 41-44%. Five additional stores YoY supported the growth, although we believe organic growth was also strong. 2013E guidance for profit growth is 20%, 4% higher than our current estimate.

- In summary, Extra reported a strong set of 4Q12 results, significantly above our estimates. The top line grew by 33% YoY, with this combining with lower costs resulting in 39-41% YoY growth across all profit lines. Margins increased by 32-66bps across all profit lines, 69-107bps higher that what we had been expecting.
- Revenue increased by 33% YoY to SR964mn driven by growth at existing stores as well as opening five new stores to 29 at the end of 2012 from 24 stores last year. On a QoQ basis revenue was up 38% with all profit lines higher by 38-105% due largely to the Mega sales event during 4Q12
- Margins across all lines grew YoY vs. our expectation of contraction. Gross margins increased by 66bps YoY to 17.3% in 4Q12 with Ebit margins higher by 45bps. Due to this, net margin grew by 32bps YoY to 6.0% during the quarter. We believe better rebates are helping Extra in supporting gross margins, with some of these gains being lost in the OpEx line.
- The CMA has approved the 25% bonus share issue for Extra which will increase the share count from 24mn to 30mn. This will be a key positive as it will increase liquidity in the trading of the company.
- The company has guided to 2013E sales and profit growth of 20%, 2% and 4% higher than our estimate. However, the net profit guidance is 11% below consensus estimate.
- We are currently Overweight on Extra with a PT of SR108 and it is one of our top picks in the Saudi market. The stock currently trades on 14.7x 2013 P/E. We believe continued consolidation of a fragmented market will lead to increasing market share for Extra. This, combined with focus on its private label brand, sourcing products directly from the manufacturer and increased rebates from suppliers due to higher volume purchases should support net profit growth.

4Q12 Result Summary

SR mn	4Q12A	4Q11A	% Y o Y	4Q12E	% Var^
Sales	964	724	33.2	874	10.3
Gross income	166.5	120.2	38.5	141.6	17.6
Operating income	60.2	41.9	43.6	47.7	26.3
Net income	58.0	41.2	40.7	46.5	24.6
EPS (SR)	2.42	1.72	40.7	1.94	24.6

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

OVERWEIGHT

Target price (SR)	**108**
Current price (SR)	**105**

STOCK DETAILS

M52-week range H/L (SR)	105/79
Market cap ($mn)	673
Shares outstanding (mn)	24
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	6.3	14.1	32.5
Rel. to market	3.0	12.1	23.9

Avg daily turnover (mn)	SR	US$
3M	4.3	1.1
12M	11.2	3.0

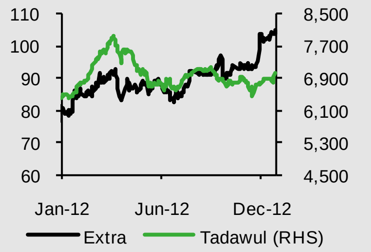
Reuters code	4003.SE
Bloomberg code	EXTRA AB
	www.extrastores.com

VALUATION MULTIPLES

	11A	12E	13E
P/E (x)	19.1	17.1	14.7
P/B (x)	6.7	5.7	5.0
EV/EBITDA (x)	15.5	14.1	12.2
Div Yield (%)	2.4	3.3	4.3

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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JARIR MARKETING CO.

EVENT FLASH

Reasonable numbers, but below expected

Jarir announced its preliminary 4Q12 results on 7 January 2013. Revenue growth was reasonable at 15%, leading to 9-11% growth in all profit lines. However, the results came in 3-8% below our estimate. We await full details before updating our model.

- In summary, Jarir reported a good set of 4Q12 results but weaker than expected. The top line grew by 15% YoY with this leading to 9-11% YoY growth across all profit lines. However, the result came in below our estimate; while revenues were 3% below our estimate, all profit lines came in 5-8% below what we had been expecting. All margin lines were also lower than our expected levels; gross margin was lower by 37bps, with net margins coming in 70bps lower than expected.
- Sales growth was reasonable at 15% but came in lower than we anticipated due to the delay in the launch of Iphone 5 in 4Q12.
- Management cited the following reasons for the sales growth: 1) Increase in sales across all product categories, particularly Smart phones and 2) Increased store count to 32 from 30 a year ago.
- Gross margins declined by 88bps to 14.6% in 4Q12 with Net margins down by 52bps YoY to 11.7%; we believe this will have been due to the ongoing shift in the sales mix towards the lower margin electronic items, as well as aggressive pricing by Jarir.
- An increasing number of days of the important high margin 'back to school' season falling in third quarter of this year versus the fourth quarter last year also led to YoY decline in margins, we believe.
- Management stated its intentions of opening 4-5 stores per year with the aim to reach a total store count of 55 by 2017 (we conservatively estimate 45). If executed, this would lead to strong top-line growth and serve as a key catalyst for the stock. This, alongside increased Iphone 5 sales in 1Q13 we believe will support revenue growth for Jarir in 2013E
- We are currently Neutral on Jarir with a PT of SR155. We believe Jarir is a strong company but the majority of positives are priced in at current levels. The stock trades at 14.6x 2013e P/E.

4Q12 Result Summary

SR mn	4Q12A	4Q11A	% Y o Y	4Q12E	% Var^
Sales	1,182	1,025	15.4	1,216	(2.8)
Gross income	173	159	8.8	183	(5.2)
Operating income	135	123	9.9	147	(7.8)
Net income	138	125	10.5	150	(8.3)
EPS (SR)	2.30	2.08	10.5	2.51	(8.3)

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

NEUTRAL

Target price (SR)	**155**
Current price (SR)	**160.5**

STOCK DETAILS

M52-week range H/L (SR)	165/136
Market cap ($mn)	2,571
Shares outstanding (mn)	60
Listed on exchanges	TADAWUL

Price perform (%)	**1M**	**3M**	**12M**
Absolute	4.4	3.0	13.8
Rel. to market	1.0	1.0	5.3

Avg daily turnover (mn)	**SR**	**US$**
3M	2.9	0.8
12M	6.1	1.6

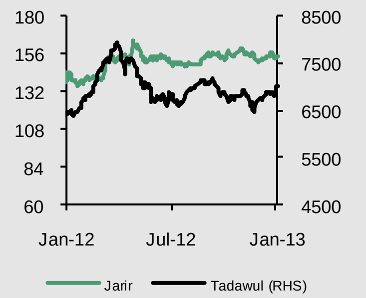
Reuters code	4190.SE
Bloomberg code	JARIR AB
	www.jarirbookstore.com

VALUATION MULTIPLES

	11A	**12E**	**13E**
P/E (x)	18.8	16.5	14.6
P/B (x)	10.6	9.4	8.3
EV/EBITDA (x)	13.0	16.4	14.4
Div Yield (%)	4.4	4.8	5.5

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Reuters

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OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns 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

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