

Rating **Neutral**
12- Month Target Price **SAR 181.00**

JARIR MARKETING COMPANY (JARIR)
3Q2018 First Look

Expected Total Return

Price as on Oct-10, 2018	SAR 184.40
Upside to Target Price	(1.8%)
Expected Dividend Yield	4.9%
Expected Total Return	3.1%

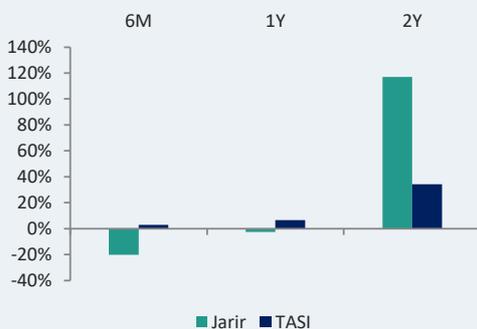
Market Data

52 Week H/L	SAR 193.00/138.00
Market Capitalization	SAR 16,595 mln
Shares Outstanding	90 mln
Free Float	75%
12-Month ADTV	56,636
Bloomberg Code	JARIR AB

1-Year Price Performance



Source: Bloomberg



Robust Revenues

Jarir reported an impressive +17% Y/Y jump in net income to SAR 288 million, beating our forecast of SAR 253 million and market expectations of SAR 258 million. Revenues have come in strong at SAR 1.93 billion, +17% Y/Y and almost touching the quarterly high of SAR 1.97 billion in 4Q2017. Gross margins are almost similar to last year at 17.5% while net margins are also flat. Rising sales of smartphones has been the primary driver of revenues, as per management, along with an increase in the number of stores. Smartphone sales may even accelerate in 4Q with the launch of new phone models and is a continuation of the emerging trend whereby consumers are shifting to established retailers as opposed to the high street. 3Q was also back-to-school season, which helped boost sales of higher margin school supplies. We maintain our SAR 181.00 target price and a Neutral rating.

Topline rises +17% Y/Y

Jarir's revenues reached SAR 1.93 billion, up +17% Y/Y and +14% Q/Q as a result of higher sales from the electronics division, supported by smartphone sales and video games. In addition back-to-school season falling in 3Q also supported the topline, which is near to the quarterly high of SAR 1.97 billion in 4Q2017. Revenue growth has generally been better than expected across all quarters this year.

Gross margins stable Y/Y

Gross margins have come in at 17.5% as compared to 17.6% last year as the Company was able to preserve margins in a tough environment. Gross profit of SAR 339 million is up +16% Y/Y. We are pleasantly surprised with operating expenses of SAR 54 million, a drop over SAR 56 million recorded in the previous quarter despite rising costs. This shows management is working towards greater efficiencies.

Store tally grows to 53

The opening of new stores has helped spur organic growth. Jarir was able to open one new store this quarter, taking the total number of stores to 53. This also marks the third new store this year. With just one quarter left until year end, it appears difficult that the Company will be able to achieve a new store count of 6 for 2018.

Raising 2018 EPS forecast

We are raising our 2018 net income forecast to SAR 941 million from SAR 916 million previously on the back of better than expected margins. However, we maintain our full year revenue forecast at SAR 7.4 billion. Net income has come in at SAR 288 million (+17% Y/Y, +77% Q/Q), beat both our forecast of SAR 253 million and market consensus of SAR 258 million. Net margins are the same as last year at 14.9%. Overall, the third quarter has proved to be decent with significant revenue growth and profitability above consensus. With the launch of the new iPhone, revenues for 4Q may experience a fresh boost. We maintain our SAR 181.00 target price and a Neutral rating.

Fig in SAR mln	RC Est.	Actuals
Sales	1,718	1,932
Gross Profit	321	339
Net Income	253	288
EPS (SAR)	2.82	3.20

Key Financial Figures

FY Dec31 (SAR mln)	2017A	2018E	2019E
Revenue	6,915	7,399	7,917
EBITDA	876	965	1,019
Net Profit	868	941	995
EPS (SAR)	9.64	10.46	11.06
DPS (SAR)	8.30	9.10	9.95

Key Financial Ratios

FY Dec31	2017A	2018E	2019E
BVPS (SAR)	18.60	20.05	21.63
ROAE	53.2%	54.1%	53.6%
ROAA	31.7%	32.4%	32.3%
EV/EBITDA	18.8x	17.1x	16.0x
P/E	21.8x	17.7x	16.4x

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

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