

Q3 2017

Jarir Marketing Company

Recommendation Neutral

Fair Value (SAR) 147.00

Price as of October 9, 2017	148.76
Expected Return	-1.2%

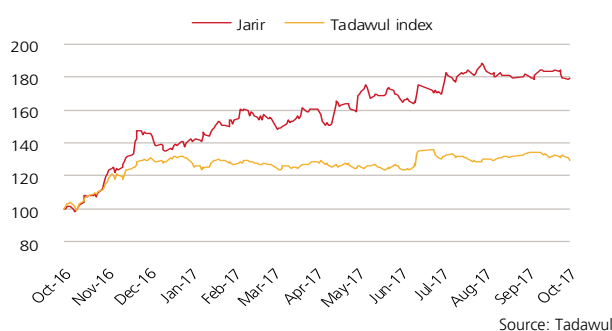
Company Data

Tadawul Symbol	4190.SE
52 Week High (SAR)	158.80
52 Week Low (SAR)	81.75
YTD Change	27.4%
3-Month Average Volume (Thousand Shares)	48
Market Cap. (SAR Million)	13,388
Market Cap. (USD Million)	3,570
Outstanding Shares (Million Shares)	90

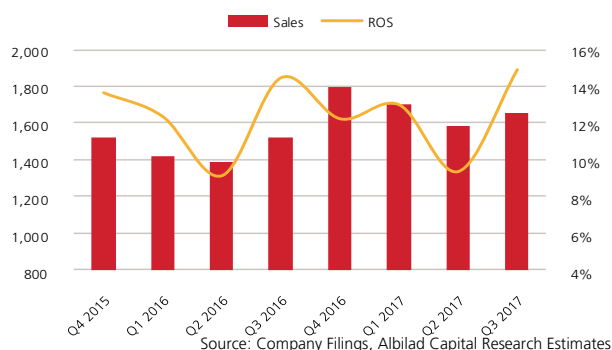
Major Shareholders (> 5%)

Mohammed Abdulrahman Nasser Alaql	8.84%
Abdullah Abdulrahman Nasser Alaql	8.61%
Abdulasalam Abdulrahman Nasser Alaql	8.60%
Abdulkareem Abdulrahman Nasser Alaql	8.60%
Nasser Abdulrahman Nasser Alaql	8.60%

52-week Stock Price Movement



Quarterly Sales (SAR mn) and ROS



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Jarir Marketing Company (Jarir) posted net profit of SAR 246.5 million in Q3 2017, surging 13.1% YoY and 67% QoQ. The nine-month bottom line, thus, hit SAR 616 million leaping 18.5% from SAR 519 million in 9M 2016.

Jarir attributed the YoY growth in profits in Q3 2017 to the following factors:

- Increased sales of most sections coupled with the expansion in the number of showrooms from 44 to 49 outlets.
- Higher profit margin for some sections.
- The discounts from some suppliers after achieving some sales targets.

Compared with Q2 2017, the second quarter is normally associated with slump in sales due to the lack of catalysts especially as the second quarter coincided with the full month of Ramadan this year. On the other hand, the third quarter coincides with the onset of the new academic year, accordingly Jarir capitalized on the robust demand for high-margin school supplies. Furthermore, the retailer inaugurated a showroom on August 25, 2017 in Riyadh as well as another outlet in Kuwait on September 12, 2017.

As for top line, Jarir reported sales of SAR 1,625 million in Q3 2017, up 8.6% from SAR 1,521 million in Q3 2016. Compared with Q2 2017, the top line edged up 4.2% from SAR 1,585 million. In spite of the limited QoQ top line growth, the bottom line growth was higher by almost 16x compared to sales growth fueled by the change in sales mix as mentioned above. On a nine-month basis, the company's sales were estimated at SAR 4,942 million compared to SAR 4,329 million for 9M 2016, an increase of 14.1%.

Gross profit for the third quarter expanded by 15% to SAR 291 million compared to SAR 253 million in Q3 2016 and soared 51% from SAR 193 million in Q2 2017. The gross profit margin hit 17.6% versus 16.6% in Q3 2016 and 12.2% in Q2 2017. Likewise, operating profit came in at SAR 242 million compared to SAR 215 million in Q2 2016 up 12.7% YoY, and 82% QoQ, thus resulting in an operating margin of 14.7% versus 14.1% and 8.4% in Q3 2016 and Q2 2017, respectively.

The third quarter profit matched our estimate of SAR 240 million and analysts' average forecast of SAR 241 million. The robust performance of the company, in spite of enormous economic challenges, was underpinned by expansions in branches network and higher market share in the electronics sector. Factoring in Q3 KPIs, our valuation is maintained at SAR 147 per share.

FY - Ending December	2014A	2015A	2016A	2017E
EV/EBITDA	17.6	15.8	17.7	15.2
EV/Sales	2.3	2.1	2.2	1.9
P/E	18.0	16.2	18.0	15.7
Dividend Yield	4.5%	5.2%	4.9%	5.7%
P/BV	9.8	8.9	8.8	8.1
P/Revenue	2.3	2.1	2.2	2.0
Current Ratio	1.5	1.6	1.4	1.5
Revenue Growth	8.7%	11.9%	-4.0%	11.8%
EPS (SAR)	8.28	9.21	8.24	9.48

Source: Company Filings, Albilad Capital Research Estimates

Income Statement (SAR mn)	2013A	2014A	2015A	2016A	2017E*
Sales	5,243	5,699	6,375	6,123	6,843
COGS	4,430	4,785	5,372	5,209	5,805
SG&A	143	156	162	166	175
EBITDA	669	758	841	748	863
EBITA Margin	12.8%	13.3%	13.2%	12.2%	12.6%
Depreciation and amortization	21	31	33	43	47
EBIT	648	727	809	705	816
Net interest income	(7)	(5)	(2)	(0)	0
Others	33	44	46	50	47
Pre-Tax and Zakat Income	675	766	852	755	863
Tax and Zakat	21	20	23	13	10
Net Income	653	745	829	742	853
ROS	12.5%	13.1%	13.0%	12.1%	12.5%

Balance Sheet (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash and Marketable securities	86	128	110	158	238
Inventory	771	817	793	883	942
Others	316	337	317	300	330
Total ST Assets	1,174	1,282	1,219	1,340	1,510
Net Fixed Assets	994	1,019	1,131	1,228	1,009
Others	33	63	61	68	291
Total LT Assets	1,027	1,081	1,192	1,297	1,301
Total Assets	2,201	2,364	2,411	2,637	2,810

Short Term Debt and CPLTD	125	100	25	0	0
Accounts Payable	527	613	584	794	825
Accrued Expenses	84	86	112	122	128
Others	46	48	55	67	71
Total ST Liabilities	783	846	776	982	1,024

Total Long Term Debt	125	25	0	0	0
Other Non-Current Liabilities	120	133	131	125	139
Equity	1,173	1,360	1,504	1,530	1,647
Total Liabilities and Equity	2,201	2,364	2,411	2,637	2,810

Cash Flow (SAR mn)	2013A	2014A	2015A	2016A	2017E
Cash flow from Operations	591	809	910	938	864
Cash flow from Financing	(474)	(683)	(785)	(664)	(733)
Cash flow from Investing	(143)	(84)	(143)	(217)	(51)
Change in Cash	(25)	42	(18)	57	80

Source: Company Filings, Albilad Capital Research Estimates

Presentation of financial statements may differ from the company's presentation. However, there is no impact on the final results.

*All the historical financial statements were prepared in accordance with SOCPA standards until releasing (IFRS) financial statements.

Albilad Capital Rating Methodology

Al-Bilad Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by $< 10\%$.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: waiting for more analysis, waiting for detailed financials, waiting for more data to be updated, major change in company's performance, change in market conditions or any other reason from Albilad Capital Research.

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