



Jarir posted net income of SAR 276.9mn (SAR 2.31 EPS), broadly in-line with our estimate of SAR 297.3mn. Overall sales increase was driven by the electronics section, specifically smart phones. Increase in the number of showrooms (55 in Q4-18 to 59 in Q4-19) also contributed to the rise in overall sales. Operating Margin declined due to higher selling and marketing expenses to support e-commerce growth. We expect margins to remain steady in FY-20. We maintain our **"Neutral"** rating on the stock with a TP of **SAR 168.00/share**.

- Jarir recorded a net income of SAR 276.9mn in Q4-19 (EPS of SAR 2.31), down 4.6% Y/Y and 9.2% Q/Q. Net profit for Q4-19 was broadly in-line with our and market estimate of SAR 297.3mn and 292.1mn respectively. The Y/Y decrease was mainly due to higher selling and marketing expenses partially offset by low double-digit increase in sales.
- The company's revenue totaled SAR 2,394.1mn in Q4-19, up 12.0% Y/Y and 6.3% Q/Q, in-line with our estimate of SAR 2,474.8mn. Most of the categories witnessed improved sales. The company registered strong sales in electronics products, led by smartphone, and a healthy traction in sales of computers. Higher number of showrooms in Q4-19 (59) over Q4-18 (55) also contributed to the overall growth in revenue. Jarir opened one showroom in Prince Muhammad bin Abdulaziz International Airport in Medina in Jan-20, taking the total showroom count to 60, which is expected to reflect positively in Q1-20 results.
- Gross profit stood at SAR 348.2mn (+8.8%Y/Y, -10.5%Q/Q), broadly in-line with our estimate of SAR 369.7mn. However, the GP margin declined slightly to 14.5% in Q4-19 from 15.0% in Q4-18, coming in close to our estimate of 14.9%.
- Operating profit stood at SAR 297.3mn, down 0.4% Y/Y and 9.7% Q/Q. Net OPEX rose 137.4% Y/Y to SAR 50.9mn from SAR 21.5mn in Q4-18, in-line our estimate of SAR 47.0mn. It increased due to higher selling & marketing expenses and lower other income.

AJC view: Jarir's overall results were broadly in-line with our expectations. We expect the sales momentum seen in FY-19 to continue in FY-20, driven by electronics. Considering Jarir's position, we believe its top-line would grow further as the company gains market share following expansion in store network and rise in online sales. We expect margins to remain under pressure due to higher costs resulting from the employment of Saudis, along with higher selling & marketing expenses, given the company's plan to increase market share. Upside and downside risks rest mainly on macro and sector-wide conditions. We have valued Jarir assigning 50% weightage to DCF (3.0% terminal growth and 7.9% average WACC), 25% weight each for P/E (17.8x FY20 EPS) and EV/EBITDA (13.6x FY20 EBITDA) based relative valuation; this yields a TP of SAR 168.0/ share, implying an upside of 4.3% from current levels. The stock is currently trading at a P/E of 19.0x based on our

Results Summary

SARmn	Q4-18	Q3-19	Q4-19	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,136.9	2,251.2	2,394.1	12.0%	6.3%	-3.3%
Gross Profit	320.1	389.1	348.2	8.8%	-10.5%	-5.8%
Gross Margin	15.0%	17.3%	14.5%	-	-	-
EBIT	298.6	329.3	297.3	-0.4%	-9.7%	-7.9%
Net Profit	290.3	305.0	276.9	-4.6%	-9.2%	-6.9%
EPS	2.42	2.54	2.31	-	-	-

Source: Company Reports, AlJazira Capital

Neutral

Target Price (SAR) **168.0**

Upside / (Downside)* **4.3%**

Source: Tadawul *prices as of 30th of January 2020

Key Financials

	FY18	FY19	FY20E
Revenues	7,361.7	8,424.5	8,892.8
Growth %	6.0%	14.4%	5.6%
Net Income	960.0	984.7	1018.0
Growth %	10.6%	2.6%	3.4%
EPS	8.00	8.21	8.48

Source: Company reports, AlJazira Capital

Key Ratios

	FY18	FY19	FY20E
Gross Margin	15.1%	15.1%	15.2%
Net Margin	13.0%	11.7%	11.4%
P/E	19.0x	20.2x	19.0x
P/B	10.7x	10.5x	9.2x
EV/EBITDA (x)	17.8x	16.4x	15.0x
Dividend Yield	4.9%	4.0%	4.2%

Source: Company reports, AlJazira Capital

Key Market Data

Market Cap (bn)	19.30
YTD %	-2.8%
52 week (High)/(Low)	179.6/144.6
Shares Outstanding (mn)	120.0

Source: Company reports, AlJazira Capital

Price Performance



Source: Tadawul, AlJazira Capital

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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