

## Jarir Marketing Co. (JARIR)

Target Price: SAR 19.0/share

Upside: 25.0%

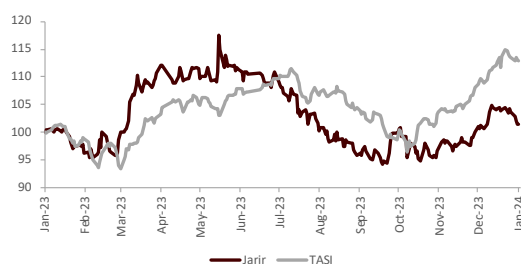
## Recommendation

Buy

Current Market Price (SAR)	15.2
52wk High / Low (SAR)	17.6/14.0
Mkt. Cap. (USD/SAR Mn)	4,861/18,240
Shares Outstanding (mn)	1,200.0
Free Float (%)	94.4%
3m Average Vol. (000)	1,730.6
3m Avg Daily Turnover (SAR'000)	25,727
Dividend Yield '24e (%)	5.3%
P/E'24e (x)	18.9
EV/EBITDA'24e (x)	15.5

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	9,088	9,392	10,472	11,273
Gross profit	1,229	1,287	1,299	1,432
GPM (%)	14%	14%	12%	13%
EBIT	1,061	1,019	1,032	1,156
EBIT margin (%)	12%	11%	10%	10%
EBITDA	1,217	1,186	1,214	1,340
EBITDA margin (%)	13%	13%	12%	12%
Net Income	992	970	976	1,099
Net margin (%)	11%	10%	9%	10%
EPS (SAR)	0.83	0.81	0.81	0.92
RoE	56%	54%	51%	55%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

Jarir Investment Trading Co.	21.84%
Abdulkarim Bin Abdulrahman Nasar Algil	3.20%
Muhammad Bin Abdulrahman Nasar Alagil	2.20%

Source: Bloomberg, Yaqeen Capital

## Earnings grew on higher revenues and better margins

- JARIR net income was up by 8.3% YoY (+90.2% QoQ) to SAR 296mn in 3Q2023 driven by higher revenues and supported by enhanced margins at both the operating and bottom-line levels. For 3Q2023, net margin rose by 35bps YoY and 483bps QoQ, reaching 11.2%.
- Revenue surged by 4.8% YoY (+8.3% QoQ) to SAR 2,639mn in 3Q2023. This growth was underpinned by expansion across various categories, notably in computers and video games. On a sequential basis, the top-line was driven by increased sales of school & office supplies and computers.
- Gross profit came higher by 3.3% YoY to SAR 384mn (+60.5% QoQ) in 3Q2023, and the corresponding margin stood at 14.6%, compared to 14.8% in 3Q2022.
- Operating income increased by 8.5% YoY (+80.8% QoQ) in 3Q2023 on account of higher other income (SAR 15mn vs. SAR 8mn in 3Q2022 and decreased selling & marketing expenses (-12.9% YoY).
- Notably, the operating margin for 3Q2023 improved to 12.0% (+40bps YoY, +480bps QoQ). The positive shift in the sales mix towards higher-margin products contributed to a solid uptick in margins on a sequential basis.
- For 9M2023, net income remained broadly flat at SAR 700mn (-0.3% YoY), despite robust revenues (+14.4% YoY), as a notable decline in gross margin (-172bps YoY to 12.2%) offset the positive impact of the revenue growth during this period. As a result, the net margin also saw a decline, reaching 9.0% (-132bps YoY) in 9M2023.
- During 9M2023, the company opened three new showrooms. Additionally, the showroom in Al-Rashid Mall (Al-Khobar) was replaced by a larger showroom.

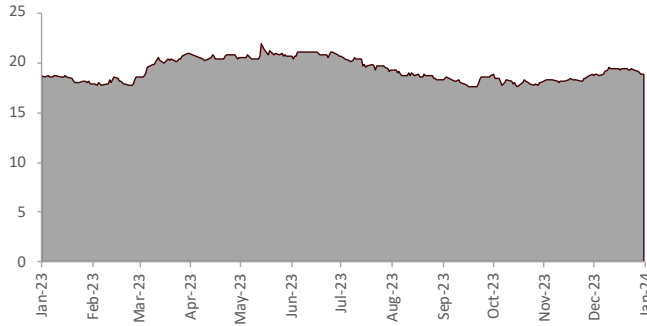
**Outlook & Valuation:** Saudi Arabia's favorable demographic profile, marked by a youthful and expanding population, coupled with increasing income levels among locals due to Saudization and a growing female participation rate in the labor force, presents a promising landscape for the demand for electronic products and stationary needs. The synergy of these favorable demographics, along with Jarir's ongoing store expansions (guidance of 4-5 new stores annually), uniquely positions the company for sustained growth in the medium to long term. Despite potential challenges such as higher competition and the impact of digitalization on stationary demand, we anticipate the company's revenues and net income to grow at a CAGR of ~7% and ~9% during FY2022-27. Moreover, the company's solid dividend yield (FY24e: 5.3%) and robust Return on Equity (ROE) (FY24e: 54.7%) reinforce our positive outlook. Based on DCF valuation (100% weight), we arrive at a fair value of SAR 19.0/share, offering an upside of 25.0% from the current level. Hence, we recommend a Buy rating on the stock.

## Financial Summary

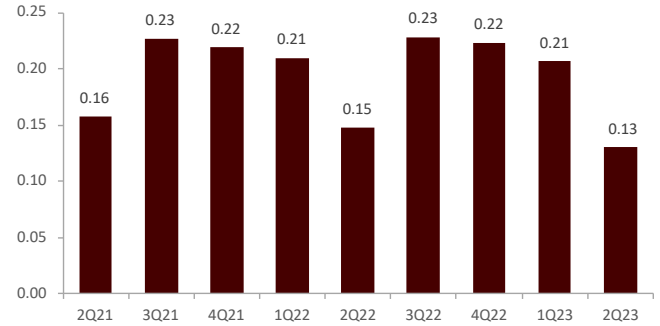
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	2,639	2,517	5%	2,436	8%
Gross profit	384	372	3%	240	60%
GPM (%)	15%	15%		10%	
EBIT	316	291	9%	175	81%
EBIT margin (%)	12%	12%		7%	
EBITDA	362	333	9%	223	62%
EBITDA margin (%)	14%	13%		9%	
Net Income	296	274	8%	156	90%
Net margin (%)	11%	11%		6%	
EPS (SAR)	0.25	0.23	8%	0.13	90%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



## Rating Methodology

**Buy:** The Target share price exceeds the current share price by  $\geq 10\%$

**Hold:** The Target share price is either more or less than the current share price by 10%

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

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