

Jarir Marketing Co. (Jarir) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Accumulate**

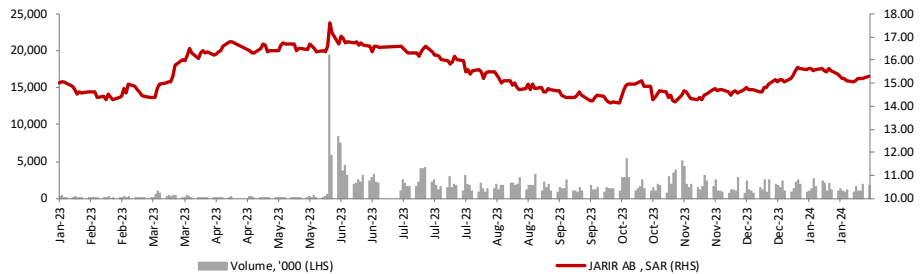
Target Price (SAR): **19.20**

Previous TP & Date: TP: SAR 192 per share on 15-Oct-2023

Upside / (Downside): **25%**

Date: 30-Jan-2024

Bloomberg Ticker	JARIR AB
Current Market Price (SAR)	15.32
52wk High / Low (SAR)	17.62/14
12m Average Vol. (000)	1,953.3
Mkt. Cap. (USD/SAR mn)	4,902/18,384
Shares Outstanding (mn)	1,200.0
Free Float (%)	73%
3m Avg Daily Turnover (000)	25,337.6
6m Avg Daily Turnover (000)	24,968.3
P/E'24e (x)	17.5
P/Bv'24e (x)	9.9
Dividend Yield '24e (%)	5.5%
Price Perf. (1m/3m) (%)	-2/6.4



Jarir's revenue growth in 4Q 2023 comes as per our expectations

Jarir's revenue climbed 8.7% YoY in 4Q 2023 to SAR 2.80bn, mainly supported by increased sales of smartphones, computers & peripherals, and video games, matching our estimate (+2.8% variance). During the quarter, the company closed one showroom in Abu Dhabi, in contrast to our expectations to add one new showroom. Hence, we estimate Jarir's total showrooms as of the end of 2023 stood at 70 (our estimate: 72 showrooms).

Gross profit comes in line, though operating profit beats our estimate, indicating lower-than-estimated operating costs

Despite registering a healthy revenue growth, Jarir's gross profit decreased 3.9% YoY to SAR 328mn (in line: -1.8% variance), due to the tilting of the sales mix towards less profitable segments, as well as a reduction in the margins of some products like smartphone. However, the company contained its operating costs well, both YoY and vs. our estimates. As a result, operating profit jumped 8.3% YoY, beating our estimate by about 12%. This also helped lift net profit by 2.1% YoY, exceeding our estimate by about 12%.

Maintain target price

With in-line top-line performance and better-than-estimated operating and net income growth, we maintain our SAR 19.2 target price on Jarir.

Valuation

At the current market price, the stock is trading at 17.5x P/E and 14.2x EV/EBITDA, based on our FY'24 estimates, below its 3-year daily average forward P/E of 18.7x, and forward EV/EBITDA of 15.7x.

Income Statement												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	2,577.3	2,717.6	2,435.7	2,639.0	2,802.5	2,725.1	8.7%	6.2%	2.8%	9,391.7	10,594.9	12.8%
Gross Profit (Loss)	341.5	323.7	239.6	384.4	328.2	334.1	-3.9%	-14.6%	-1.8%	1,287.4	1,275.9	-0.9%
Operating Profit (Loss)	267.5	264.5	174.8	316.1	289.7	258.7	8.3%	-8.3%	12.0%	1,018.5	1,045.1	2.6%
Net Profit (Loss) after Zakat and tax	267.6	247.8	155.8	296.3	273.1	242.9	2.1%	-7.8%	12.4%	969.8	973.0	0.3%
Balance Sheet												
(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,801.5	1,775.3	1,684.7	1,799.8	1,771.6	1,808.7	-1.7%	-1.6%	-2.1%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	13.2%	11.9%	9.8%	14.6%	11.7%	12.3%						
Operating Profit Margin	10.4%	9.7%	7.2%	12.0%	10.3%	9.5%						
Net Profit Margin	10.4%	9.1%	6.4%	11.2%	9.7%	8.9%						
Return on Equity (RoE)	59.4%	55.8%	37.0%	65.9%	61.7%	53.7%						
Annualized EPS (SAR)	0.89	0.83	0.52	0.99	0.91	0.81						
BVPS (SAR)					1.48	1.51						
TTM P/E (x)					18.9							
Current P/BV (x)					10.4							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report on the company, please [click here](#).


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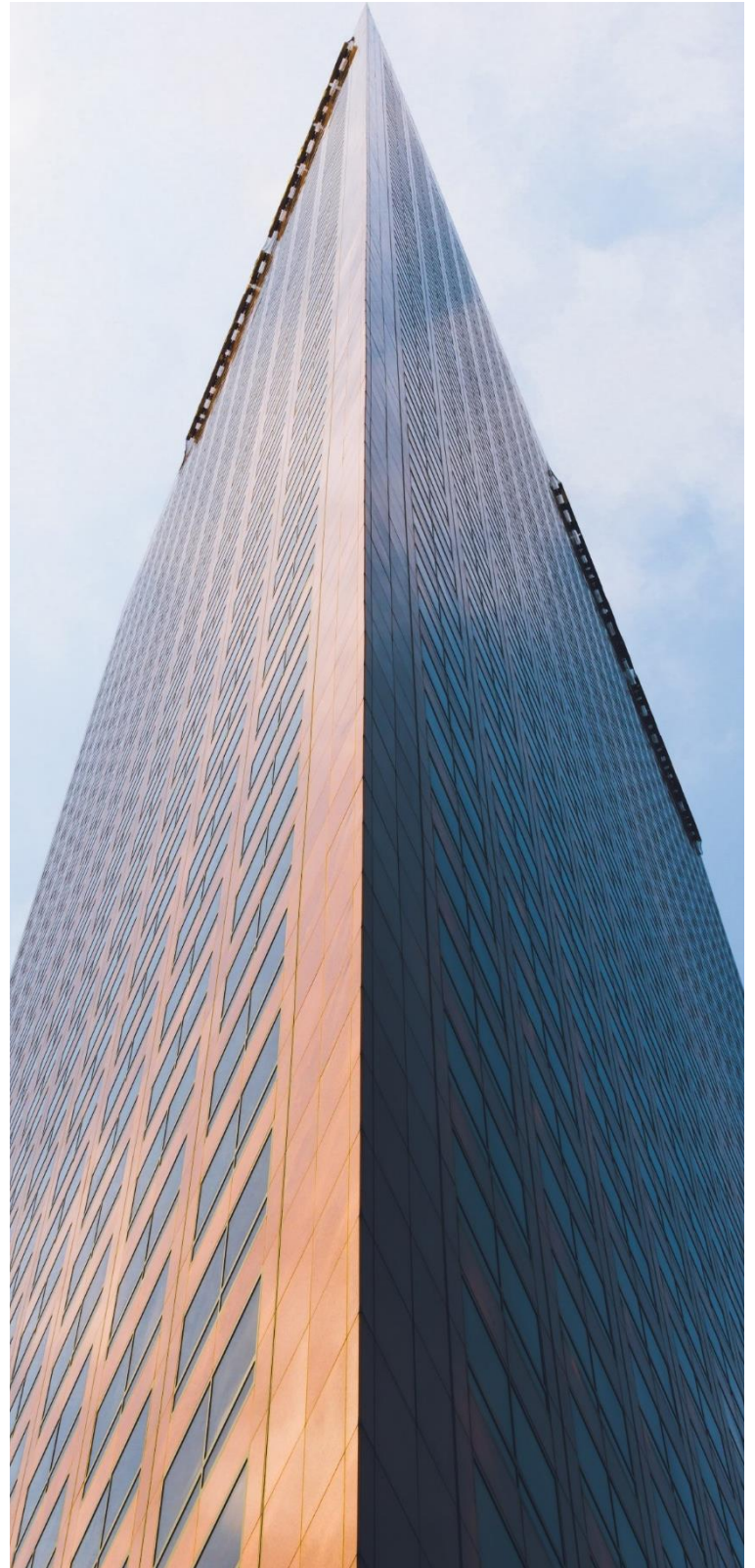
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Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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