

## JARIR

NEUTRAL

CURRENT PRICE SAR179.2

DOWNSIDE -11.9%

TARGET PRICE SAR 157.8

EVENT FLASH

## Higher opex offsets strong top-line growth

Jarir announced a broadly in-line set of Q1 19 results, with net income increasing 6.7% yoy to SAR234mn. This compares to the NCBC estimates of SAR249mn. We believe the yoy growth in earnings is mainly driven by a strong top-line growth of 18% yoy, due to store expansion and LFL growth. This offset the impact of higher opex and other expenses.

- **NCBC view on the results:** Jarir announced a broadly in-line set of Q1 19 results, with net income increasing 6.7% yoy to SAR234mn. This compares to the NCBC and consensus estimates of SAR249mn and SAR235mn, respectively. We believe the yoy growth in earnings is mainly driven by a strong top-line growth of 18% yoy, due to store expansion and LFL growth. This offset the impact of higher opex and other expenses.
- Sales increased +18% yoy to SAR1.9bn, coming broadly in-line with our estimates. We believe the growth was mainly driven by store expansions and a strong LFL growth of c11%, as a result of the sector consolidation trends upon the implementation of Saudization measures in the retail sector. Total store count stood at 56 stores in Q1 19 vs 52 stores in Q1 18. This growth comes despite the general trend of rationalisation in consumer spending and expat exodus, which is a key positive. We believe the qoq decline came as a result of the early iPhone launch, which impacted the Q4 18 sales.
- Gross margins expanded 84bps yoy to 16.0% in Q1 19. This compares to our estimates and Q1 18 levels of 15.2%. We believe the yoy margin expansion and variance from our estimates is mainly due to a favourable shift in the product mix away from relatively lower margin electronics segment.
- Opex (incl. other income) significantly increased by 119% yoy to SAR48mn vs SAR22mn in Q1 18. This is also higher than our estimates of SAR39mn. Despite Q1 18 opex levels being lower than usual, we believe the higher than expected opex is a key concern. Other expenses stood at SAR20.2mn vs our estimates SAR7.5mn and Q1 18 levels of SAR1.6mn, which we believe were mainly due to higher than expected financing and zakat expenses.
- We are Neutral on Jarir, with a PT of SAR157.8. We expected consolidation trends to continue to support LFL growth levels and complement growth coming from store expansions. Jarir trades at a 2019f PE of 20.0x vs the average PE of covered stocks at 17.8x.

## Q1 19 Results Summary

| SAR mn           | Q1 19a | Q1 18a | % yoy    | Q1 19f | %Var <sup>^</sup> | % qoc    |
|------------------|--------|--------|----------|--------|-------------------|----------|
| Revenues         | 1,887  | 1,599  | 18.0%    | 1,839  | 2.6%              | (11.7)%  |
| Gross income     | 302    | 243    | 24.5%    | 280    | 8.1%              | (5.6)%   |
| Gross margin (%) | 16.0%  | 15.2%  | 84bps    | 15.2%  | 81bps             | 103bps   |
| EBIT             | 254    | 221    | 15.0%    | 242    | 5.0%              | (3.1)%   |
| EBIT Margin (%)  | 13.5%  | 13.8%  | (34)bps  | 13.2%  | 31bps             | 120bps   |
| Net income       | 234    | 219    | 6.7%     | 249    | (6.2)%            | (19.5)%  |
| Net margin (%)   | 12.4%  | 13.7%  | (131)bps | 13.5%  | (116)bps          | (120)bps |
| EPS (SAR)        | 1.95   | 1.83   | 6.7%     | 2.08   | (6.2)%            | (47.2)%  |

Source: Company, NCBC Research, ^ % Var indicates variance from NCBC forecasts

الأهلي كابيتال  
NCB Capital

## STOCK DETAILS

|                          |         |
|--------------------------|---------|
| M52-week range H/L (SAR) | 179/126 |
| Market cap (\$mn)        | 5,742   |
| Shares outstanding (mn)  | 120     |
| Listed on exchanges      | TADAWUL |

| Price perform (%) | 1M   | 3M   | 12M  |
|-------------------|------|------|------|
| Absolute          | 14.3 | 16.4 | 39.1 |
| Rel. to market    | 8.0  | 7.5  | 26.2 |

| Avg daily turnover (mn) | SAR  | US\$ |
|-------------------------|------|------|
| 3M                      | 22.4 | 6.0  |
| 12M                     | 17.6 | 4.7  |

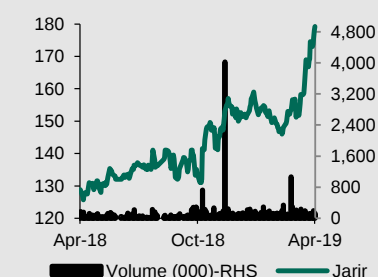
|                |                        |
|----------------|------------------------|
| Reuters code   | 4190.SE                |
| Bloomberg code | JARIR AB               |
|                | www.jarirbookstore.com |

## VALUATION MULTIPLES

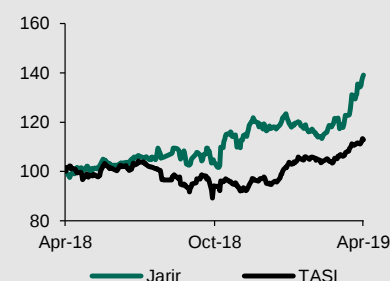
|               | 18a  | 19f  | 20f  |
|---------------|------|------|------|
| PE (x)        | 22.4 | 20.0 | 18.1 |
| PB (x)        | 12.7 | 12.1 | 11.5 |
| EV/EBITDA (x) | 22.0 | 19.1 | 17.2 |
| Div Yield (%) | 4.1  | 4.6  | 5.1  |

Source: NCBC Research estimates

## SHARE PRICE PERFORMANCE



## RELATIVE PERFORMANCE



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|               |                                                                                                                                                                                                                                                                                                                 |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| OVERWEIGHT:   | Target price represents an increase in the share price in excess of 15% in the next 12 months                                                                                                                                                                                                                   |
| NEUTRAL:      | Target price represents a change in the share price between -10% and +15% in the next 12 months                                                                                                                                                                                                                 |
| UNDERWEIGHT:  | Target price represents a fall in share price exceeding 10% in the next 12 months                                                                                                                                                                                                                               |
| PRICE TARGET: | Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon |

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