

## Jarir Marketing Co. (Jarir) - 2Q23 Result Review

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**Previous Recommendation:** Accumulate

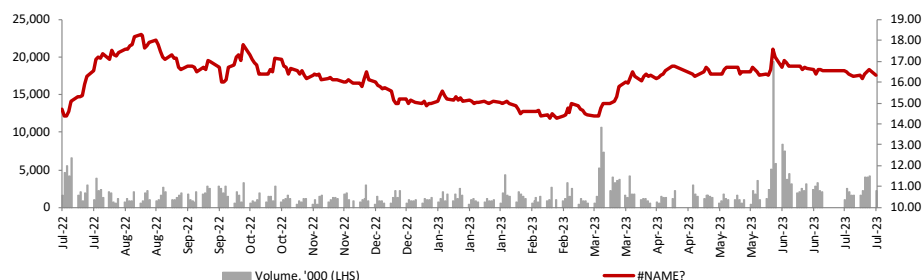
**Previous Reco. & Date:** TP: SAR 192 per share; Hold on 28-May-2023

**Target Price (SAR):** 19.20

**Upside / (Downside):** 18%

**Date:** 7/16/2023

Bloomberg Ticker	JARIR AB
Current Market Price (SAR)	16.34
52wk High / Low (SAR)	18.4/14.16
12m Average Vol. (000)	1,820.3
Mkt. Cap. (USD/SAR mn)	5,226/19,608
Shares Outstanding (mn)	1,200.0
Free Float (%)	73%
3m Avg Daily Turnover (000)	44,010.0
6m Avg Daily Turnover (000)	34,752.5
P/E '23e (x)	19.9
P/Bv '23e (x)	10.9
Dividend Yield '23e (%)	4.9%
Price Perf. (1m/3m) (%)	-1.9/-2.7



### Revenue registers healthy YoY growth to beat our estimate by 15%...

Jarir posted a 21% YoY growth in revenue during 2Q 2023, driven by an across-the-board increase in sales, particularly of mobile phones, related accessories, computers, and other IT products. As compared to our estimate, the top line came in 15% higher at c. SAR 2.4bn.

### ...yet operating and net profit falter, missing our expectations

The strong revenue growth failed to translate into a similar gross and operating profit expansion as they fell 4% and 9% YoY, missing our estimate by 5% and 10%, respectively. Promotional expenses in the form of discounts on products and a shift in sales mix in favor of less profitable segments weighed on the profitability. In addition, other income also decreased as Jarir had booked ~SAR 10mn as gains from property sales in 2Q 2022 vs. none in 2Q 2023. Consequently, net profit decreased 12% YoY to SAR 155.8mn (12% miss).

### Maintain target price

Despite the weaker-than-expected earnings, we remain optimistic about Jarir's prospects and expect traction in sales will more than offset the discounts and offers. Accordingly, we would like to maintain our SAR 19.2 target price on the stock as of now.

### Valuation

At the current market price, the stock is trading at 19.9x P/E and 16.3x EV/EBITDA, based on our FY'23 estimates, close to its 3-year daily average TTM P/E of c. 20.0x, and TTM EV/EBITDA of c. 16.0x.

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H22	1H23	YoY (%)
Sales/Revenue	2,010.5	2,517.0	2,577.3	2,717.6	2,435.7	2,118.1	21%	-10%	15%	4,297.4	5,153.4	19.9%
Gross Profit (Loss)	248.6	372.3	341.5	323.7	239.6	253.5	-4%	-26%	-5%	573.6	563.3	-1.8%
Operating Profit (Loss)	191.8	291.3	267.5	264.5	174.8	194.4	-9%	-34%	-10%	459.7	439.3	-4.4%
Net Profit (Loss) after Zakat and tax	177.2	273.7	267.6	247.8	155.8	177.7	-12%	-37%	-12%	428.5	403.5	-5.8%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,704.6	1,801.5	1,801.5	1,775.3	1,684.7	1,779.0	-1%	-5%	-5%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	12.4%	14.8%	13.2%	11.9%	9.8%	12.0%						
Operating Profit Margin	9.5%	11.6%	10.4%	9.7%	7.2%	9.2%						
Net Profit Margin	8.8%	10.9%	10.4%	9.1%	6.4%	8.4%						
Return on Equity (RoE)	41.6%	60.8%	59.4%	55.8%	37.0%	40.0%						
Annualized EPS (SAR)	0.59	0.91	0.89	0.83	0.52	0.59						
BVPS (SAR)					1.40	1.48						
TTM P/E (x)					20.8							
Current P/BV (x)					11.6							

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

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

## Recommendation

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