

Rating **Neutral**
 12- Month Target Price **SAR 140.00**

JARIR MARKETING COMPANY (JARIR)

3Q2017 First Look

Expected Total Return

Price as on Oct-08, 2017	SAR 149.61
Upside to Target Price	-6.4%
Expected Dividend Yield	5.1%
Expected Total Return	-1.3%

Market Data

52 Week H/L	SAR 158.80/81.75
Market Capitalization	SAR 13,465 mln
Shares Outstanding	90 mln
Free Float	95.6%
12-Month ADTV	98,586
Bloomberg Code	JARIR AB

1-Year Price Performance



Source: Bloomberg

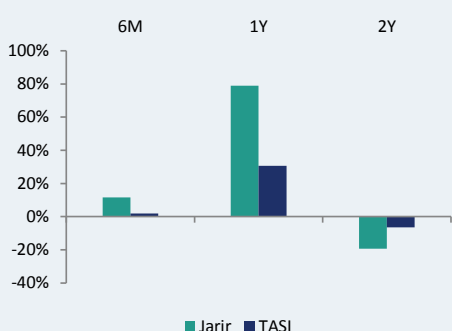


Fig in SAR mln	RC Est.	Actuals
Sales	1,764	1,652
Gross Profit	293	291
Net Income	247	247
EPS (SAR)	2.75	2.74

Bottomline Bang on Target

Jarir reported an impressive +12% Y/Y jump in net income to SAR 247 million, meeting our forecast of the same number as revenues increased +9% Y/Y and margins expanded top to bottom. Gross margins have widened considerably in 3Q to 17.6% as compared to 16.6% last year. Management points to further gains in market share in the retail electronics and smartphone segments as well as the opening of two new stores this quarter. Back-to-school season has also aided in boosting sales. Stock has experienced much more stability at the Tadawul in 3Q although it still trades at a 2017E P/E of 17.2x, premium to TASI's 14.2x. We maintain our target price of SAR 140.00 and Neutral rating.

Topline rises +9% Y/Y

On the back of market share gains in retail electronics and smartphones segment coupled with organic growth in terms of store additions, Jarir has managed to augment revenues by +9% Y/Y to SAR 1.65 billion. Although this falls short of our SAR 1.76 billion estimate, this growth in a soft economic environment is decent. The Company has been further helped by the full back-to-school season falling in 3Q this year whereas it fell partly in 4Q in 2016. Going forward, new smart phone launches by both Apple and Samsung (in a segment where Jarir is gaining market share) should provide an uptick to sales Y/Y in the final quarter of the year.

Gross margins swell to 17.6%

We are pleasantly surprised to note gross margin have expanded to 17.6% in 3Q versus 16.6% last year and 12.2% in 2Q. We believe a better sales mix towards school supplies and office stationery has helped, where margins are higher. Gross profit has jumped to SAR 291 million (+15% Y/Y) and in line with our SAR 293 million forecast. While operating expenses are up Y/Y to SAR 48 million, they are better than SAR 60 million in 2Q. Non-operating income is low at SAR 4 million as compared to SAR 16 million in the preceding quarter. We expect a 3Q DPS in the vicinity of SAR 2.45.

Stellar year for brick-and-mortar growth

Net income has come in at SAR 247 million (+12% Y/Y, +67% Q/Q) and matched our SAR 247 million forecast. Net margins have also widened to 14.9% versus 14.5% last year. Two new stores in the quarter, one inside and one outside the Kingdom raises hopes for meeting 6 new stores target for 2017. While soft economic conditions impacts Jarir too, the Company has managed to keep topline growth steady for the past 4 quarters, aided partly by the restoration of allowances for government employees. The stock trades at a 2017E P/E of 17.2x, a premium to the market P/E of 14.2x, but this is inline with historical trends. We maintain our SAR 140.00 target price and a Neutral rating.

Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Revenue	6,123	6,735	7,072
EBITDA	743	786	872
Net Profit	738	787	845
EPS (SAR)	8.20	8.74	9.38
DPS (SAR)	7.30	7.70	8.25

Key Financial Ratios

FY Dec31	2016A	2017E	2018E
BVPS (SAR)	17.66	18.90	20.18
ROAE	47.7%	47.8%	48.0%
ROAA	29.1%	28.5%	28.8%
EV/EBITDA	18.1x	17.1x	15.4x
P/E	18.4x	17.2x	16.0x

Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than 15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

* The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors

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