

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

## JARIR MARKETING COMPANY (JARIR)

3Q2017 Preview

### Expected Total Return

Price as on Sep-27, 2017	SAR 153.22
Upside to Target Price	-8.6%
Expected Dividend Yield	5.2%
Expected Total Return	-3.4%

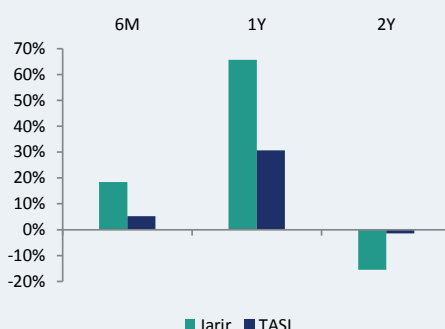
### Market Data

52 Week H/L (SAR)	158.8/81.0
Market Capitalization	SAR 13,790 million
Shares Outstanding	90 million
Free Float	95.7%
12-Month ADTV ('000's)	108,606
Bloomberg Code	JARIR AB

### 1-Year Price Performance



Source: Bloomberg



3Q2017E	SAR mln
Revenue	1,764
Gross Margin	16.6%
Operating income	231
Net Income	247
EPS (SAR)	2.75

## Back to School Season

Highlight for Jarir in 3Q is expected to be the back-to-school season, which has historically boosted revenues and profitability. 2017 has been good for Jarir, recording double digit topline growth as consumer confidence returned and allowances were restored. We anticipate revenues to grow +16% Y/Y in 3Q to SAR 1.76 billion. Although smartphones and electronics sales are likely to have been strong, the stationary and books segment would also show an upsurge. Two new stores have opened in the quarter, one inside the Kingdom and one internationally. We forecast a +13% Y/Y rise in net income to SAR 247 million (EPS SAR 2.75). Stock price has stabilized at the Tadawul but still trades at a 2017E P/E of 16.9x, premium to TASI's 14.4x. However, this is in line with growth prospects and a premium enjoyed by retail focused companies. We maintain our Neutral rating.

### Revenue to grow +16% Y/Y

We anticipate revenues of SAR 1.76 billion for the quarter, a +16% Y/Y jump on the back of continued higher sales in the smartphones and electronic segments as high street shops have closed and more established retailers are being preferred by consumers. In addition, 3Q is traditionally the back-to-school season when Jarir records its highest quarterly sales. As schools have started in September, we believe sales of stationary, books and other school supplies would be lifted. With the restoration of allowances for government employees, we have already witnessed a +14% Y/Y growth in topline in 2Q following from a +20% Y/Y rise in 1Q.

### Gross margins at 16.6%

We are expecting a gross profit of SAR 293 million, a significant jump over SAR 253 million last year. However, gross margins will likely be stable Y/Y at 16.6%, which is at elevated levels. Jarir generally accrues a higher margin on office and school supplies than it does on electronics.

### Store expansion

We are positively surprised to see 4 new store openings in 2017 to date. Of the two new stores opened in this quarter, one is inside the Kingdom and the other in GCC. Two more additions before year-end could make 2017 a stellar year in terms of brick-and-mortar growth.

### Target price intact

Our net income forecast stands at SAR 247 million (EPS SAR 2.75), an increase of +13% Y/Y. Net margins would be decent at 14.0% but slightly lower than last year as costs have gone up from the previous year. While the stock price has stabilized in the market, we do not expect a major upside with our target price intact at SAR 140.00. We expect a 3Q DPS in the vicinity of SAR 2.45.

### Key Financial Figures

FY Dec31 (SAR mln)	2016A	2017E	2018E
Revenue	6,123	6,735	7,072
EBITDA	743	800	879
Net Profit	738	814	861
EPS (SAR)	8.20	9.05	9.57
DPS (SAR)	7.30	8.00	8.45

### Key Financial Ratios

FY Dec31	2016A	2017E	2018E
BVPS (SAR)	17.66	18.90	20.27
ROAE	47.7%	49.5%	48.9%
ROAA	29.0%	29.4%	29.3%
EV/EBITDA	18.4x	17.1x	15.6x
P/E	18.7x	16.9x	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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إدارة الثروات - إدارة الأصول - الوساطة - المصرفية الاستثمارية

920012299  
riyadcapital.com

شركة الرياض المالية تعمل بموجب ترخيص من هيئة السوق المالية برقم 07070-37 وسجل تجاري رقم 1010239234  
الإدارة العامة: 6775 شارع التخصصي - العليا، الرياض 12331 - 3712