

Jarir reported an in-line set of Q3-2017 results. Net income came at SAR 246.5mn (SAR2.73 EPS) against our estimates of SAR 237.5mn. We reiterate our view on the company; market share tailwinds in electronics segment are expected to carry on throughout FY2017. The reversal of public employees allowance cuts has yet to fully play out. We expect a minor bump in sales of large ticket items on Q4 on the back of pre VAT purchases. We remain **Neutral** on the company with a revised PT of SAR 144.5 per share.

- Jarir reported marginally higher than expected net income for the quarter. Net income came at SAR 246.5mn (EPS SAR 2.73), posting 13.3% growth YoY. Growth was supported by higher number of showrooms (from 44 to 49 YoY) along with margin expansion in certain segments.
- Revenue for the quarter stood at SAR 1,651mn; an increase of 8.6%YoY and a 4.2% QoQ growth. The YoY growth was mainly on all product segments, partially due to Jarir's expansion in showrooms. Showroom rollout is expected to maintain pace in FY2018, currently standing at 49 showrooms (of which 2 were opened during the quarter). Revenues are estimated to continue the current trajectory for the following quarters, we expect a marginal bump in sales of large ticket items going into Q4-2017 on the back of pre VAT purchases. Revised top line figures stand at SAR 6,883.2mn for FY2017 (c.3.6%) growing 12.3% YoY. The reversal of allowance cut for public employees (Announced on April 2017) along with market share gains support our top line outlook. Jarir estimates online sales to stand at SAR 100mn by the end of FY2017, making 1.4% of our estimate sales for the year. We estimates online sales to stand below 2.5% for FY2018.
- Gross profit for the quarter stood at SAR 290.7mn depicting a 14.9% growth YoY. Gross margins for the quarter stood at 17.6% compared to 16.6% for the same quarter last year (up 97Bps YoY). Growth in market share is translating to improved margins and higher rebates. Gross margins are estimated to stabilize around current levels (at 14.37% for FY2017). Operating margins showed expansion, at 14.67% for the quarter, up from 14.14% for the same quarter last year (up 53bps YoY). Operating profit ended the quarter at SAR 242.4mn, posting 12.7% growth YoY.

**AJC view:** We reiterate our FY2017 outlook for the company. Market share gains and the reversal of public employees' allowance cuts (announced on April 2017) tailwinds are estimated carry on throughout FY2017. We believe the full effect of the reversal has yet to fully play out. A minor bump in sales of large ticket items is estimated to take place in Q4 on the back of pre VAT purchases. Visibility on the level and magnitude of FY2018 impact of expat fees and higher utility and transportation costs is low. However, VAT is estimated to slightly soften the positive trajectory in FY2018. Upside and downside risks rest mainly on macro and industry wide conditions. Higher than estimated growth in online sales going forward could play out as an upside risk to valuation. Revised EPS is estimated to stand at SAR 9.51 per share (16.0% growth YoY). The company currently trades at TTM PE of 16.2x and an estimated forward PE multiple of 15.75x (FY2017) and 15.9x for FY2018. We remain **"Neutral"** on Jarir with a revised PT of SAR 144.5 per share.

### Results Summary

SARmn (unless specified)	Q3-2016	Q2-2017	Q3-2017	Change YoY	Change QoQ	Deviation from AJC Estimates
Sales	1,520.9	1,584.8	1,651.8	8.6%	4.2%	3.7%
Gross Profit	252.9	192.7	290.7	14.9%	50.8%	-
<b>Gross Margin</b>	<b>16.6%</b>	<b>12.1%</b>	<b>17.6%</b>	-	-	-
EBIT	215.0	133.2	242.4	12.7%	81.9%	-
Net Profit	217.9	147.8	246.5	13.3%	66.7%	-
<b>EPS</b>	<b>2.42</b>	<b>1.64</b>	<b>2.73</b>	-	-	-

Source: Company reports, Aljazira Capital

Recommendation	<b>Neutral</b>
Current Price* (SAR)	149.8
Target Price (SAR)	<b>144.5</b>
Upside / (Downside)	<b>3.5%</b>

Source: Tadawul \*prices as of 9<sup>th</sup> of October 2017

### Key Financials

SARmn (unless specified)	FY15	FY16	FY17E
Revenue	6375.4	6,122.6	6,883.2
Gross Profit	972.0	875.0	989.4
Net Profit	828.5	737.9	855.6
EPS	9.21	8.20	9.51

Source: Company reports, Aljazira Capital

### Key Market Data

Market Cap (mn)	13,482
YTD %	<b>29.7%</b>
Shares Outstanding (mn)	90.0
52 Week (High )	158.8
52 Week (Low)	81.7

Source: Company reports, Aljazira Capital

### Key Ratios

SARmn (unless specified)	FY15	FY16	FY17E
Gross Margin	15.2%	14.3%	14.4%
Net Margin	13.0%	12.0%	12.4%
P/E	17.4x	14.0x	15.7x
P/BV	9.6x	6.8x	7.4x
Dividend Yield	4.8%	5.7%	5.7%

Source: Company reports, Aljazira Capital, Bloomberg

### Price Performance



Source: Bloomberg, Aljazira Capital

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2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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