

## Jarir Marketing Co. (Jarir) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

**Accumulate**

Target Price (SAR):

**19.20**

Previous TP & Date:

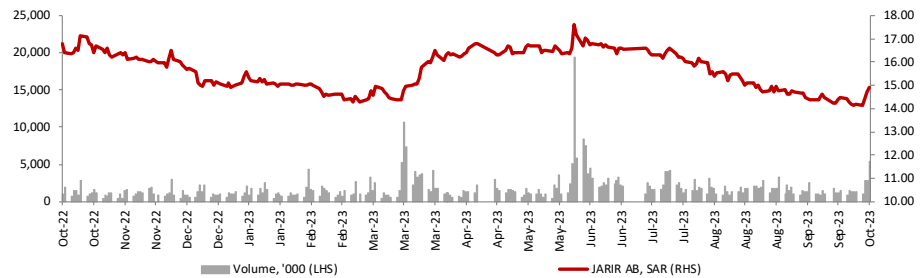
TP: SAR 192 per share on 16-Jul-2023

Upside / (Downside):

29%

Date: 10/12/2023

Bloomberg Ticker	JARIR AB
Current Market Price (SAR)	14.92
52wk High / Low (SAR)	17.62/14
12m Average Vol. (000)	1,786.3
Mkt. Cap. (USD/SAR mn)	4,799/18,000
Shares Outstanding (mn)	1,200.0
Free Float (%)	73%
3m Avg Daily Turnover (000)	27,446.6
6m Avg Daily Turnover (000)	34,058.2
P/E '23e (x)	18.9
P/BV'23e (x)	10.5
Dividend Yield '23e (%)	5.3%
Price Perf. (1m/3m) (%)	3.4/-9.2



### The top line edges up ~5% YoY, largely in line with our estimate

Jarir's revenue in 3Q 2023 grew 4.8% YoY (largely in-line: -3.8% variance), primarily driven by higher sales of computers and video games, among other products. During the quarter, the company opened one store in the Asala district in the Jeddah governorate, matching our expectations, and taking its total store count to 71, according to our calculations.

### Higher sales and lower marketing spend boost operating and net profit, largely matching our expectations

While direct costs outpaced the increase in revenue, leading to a relatively slower gross profit growth (+3.3% YoY), reduced spending on ads and promotions helped to lower overall sales & marketing expense, which boosted operating profit by 8.5% YoY to SAR 316.1mn, coming in line with our estimate of SAR 310.6mn. This translated into a similar performance at the bottom line level as it expanded 8.2% YoY, largely matching our expectations (+3.5% variance).

### Maintain target price

Considering the largely in-line 3Q 2023 financial performance, we stick with our SAR 19.2 target price on Jarir as of now.

### Valuation

At the current market price, the stock is trading at 18.9x P/E and 15.2x EV/EBITDA, based on our FY'23 estimates, similar to its 3-year daily average forward P/E of 18.9x, and forward EV/EBITDA of 15.9x.

Income Statement												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	2,517.0	2,577.3	2,717.6	2,435.7	2,639.0	2,743.4	4.8%	8.3%	-3.8%	6,814.4	7,792.4	14.4%
Gross Profit (Loss)	372.3	341.5	323.7	239.6	384.4	398.5	3.3%	60.5%	-3.5%	945.9	947.7	0.2%
Operating Profit (Loss)	291.3	267.5	264.5	174.8	316.1	310.6	8.5%	80.8%	1.8%	751.0	755.4	0.6%
<b>Net Profit (Loss) after Zakat and tax</b>	<b>273.7</b>	<b>267.6</b>	<b>247.8</b>	<b>155.8</b>	<b>296.3</b>	<b>286.4</b>	<b>8.2%</b>	<b>90.2%</b>	<b>3.5%</b>	<b>702.2</b>	<b>699.9</b>	<b>-0.3%</b>
Balance Sheet												
(SAR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,801.5	1,801.5	1,775.3	1,684.7	1,799.8	1,701.1	-0.1%	6.8%	5.8%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	14.8%	13.2%	11.9%	9.8%	14.6%	14.5%						
Operating Profit Margin	11.6%	10.4%	9.7%	7.2%	12.0%	11.3%						
Net Profit Margin	10.9%	10.4%	9.1%	6.4%	11.2%	10.4%						
Return on Equity (RoE)	60.8%	59.4%	55.8%	37.0%	65.9%	67.3%						
Annualized EPS (SAR)	0.91	0.89	0.83	0.52	0.99	0.95						
BVPS (SAR)					1.50	1.42						
TTM P/E (x)					18.5							
Current P/BV (x)					9.9							

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


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

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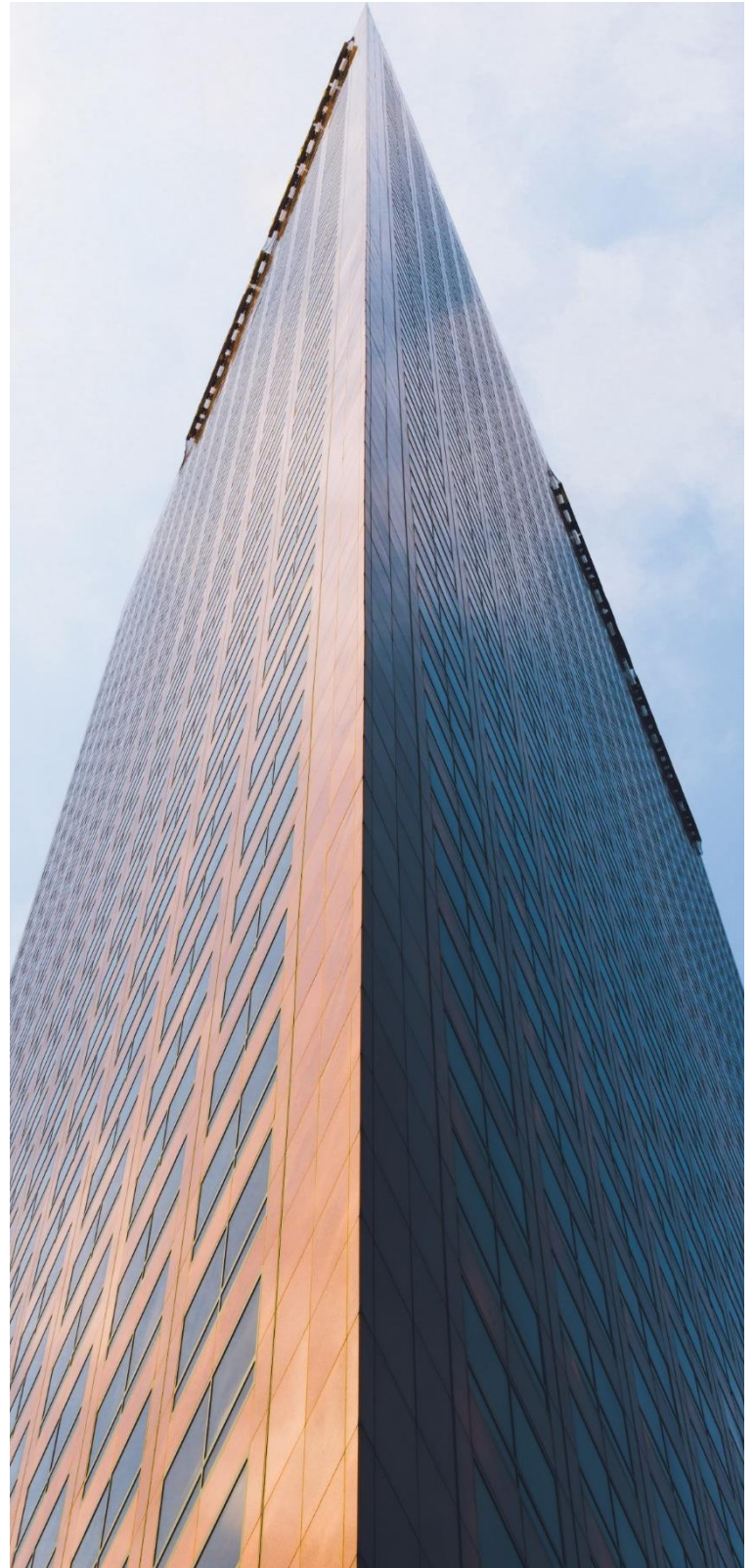
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## Disclaimer

### Recommendation

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

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