

US\$4.10bn Market Cap. 72.58% Free Float US\$5.55mn Avg. Daily Value traded

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Jarir Marketing Co.

Neutral

Price Target (SAR): 12.0

Current (20 April 2025): 12.82
Upside/Downside: 6.4% below current

Valuation Multiples	24A	25E	26E
P/E (x)	15.8	15.6	16.5
EV/EBITDA (x)	13.1	12.8	13.4

Major Shareholders	% Ownership
Jarir Commercial Investments Company	21.84%

Price Performance	1M	3M	YTD
Absolute	1.6%	-0.5%	1.3%
Relative to TASI	2.7%	5.5%	4.7%

Earnings

(SAR Mn)	2024	2025E	2026E
Revenue	10,831	10,813	10,660
Revenue growth	2.2%	-0.2%	-1.4%
Gross profit	1,324	1,326	1,279
Gross margin	12.2%	12.3%	12.0%
EBITDA	1,234	1,255	1,200
EBITDA margin	11.4%	11.6%	11.3%
Net profit	974	988	933
Net margin	9.0%	9.1%	8.8%
EPS	0.81	0.82	0.78
DPS	0.83	0.81	0.78
Payout ratio	102.3%	98.4%	100.3%
P/E	15.8x	15.6x	16.5x
ROE	55.4%	57.3%	54.9%

Source: Company data, Al Rajhi Capital.

Absence of major positive triggers - Neutral rating with a fair value of SAR 12.0/sh

We update our investment case for Jarir with a fair value of SAR 12.0/sh, having a downside of 6.4% to the current market price. Hence, we turn Neutral on the stock. Our investment thesis is premised on company's near/medium-term earnings remaining lackluster due to the combined impact of 1) absence of any major trigger in the high margin segment of books, school/office supplies, and 2) opening of Apple stores in the Kingdom. Furthermore, we highlight that the company's planned acquisition of a consumer finance company (if financed completely or partially through cash) can be expected to negatively impact its dividend paying ability in the near-term. However, if the management internalizes its extended warranty business (currently being done through a 3rd part insurance company) this can give a boost to its profitability and would prompt us to review our investment case. We value the company using discounted cashflow method, using a cost of equity of 10% and a terminal growth rate of 2.5% to arrive at our fair value of SAR 12.0/sh.

Investment Thesis: Our Neutral rating on Jarir is based on the following:

- High margin segment of books, school/office supplies is expected to remain stagnant amid continues transition towards a paperless environment
- Opening of Apple stores in the Kingdom (online store is expected to open in summer of 2025 and flagship stores are expected to open starting from 2026) is likely to negatively impact the company's topline. As per our understanding, Apple products account for ~30% of the company topline and Apple's own stores usually are able to capture ~7%-8% of the market. Hence, opening of Apple stores can be expected to have negative impact on the company's topline in the near/medium-term
- While the company plans to increase the number of SKUs being offered in the high growth segment of gaming consoles/PCs, this in our opinion would not be sufficient in netting off the impact of opening of Apple store
- Furthermore, the company's planned acquisition of a consumer finance company (if financed completely or partially through cash) can be expected to negatively impact its dividend paying ability in the near-term
- However, if the management internalizes its extended warranty business (currently being done through a 3rd part insurance company) this can give a boost to its profitability and would prompt us to review our investment case.

2025/2026 Expectations & Assumptions: Jarir's earnings is expected to remain lacklustre in the near/medium-term due to the combined impact of 1) absence of any major trigger in the high margin segment of books, school/office supplies, and 2) opening of Apple stores in the Kingdom. As a result, we expect company's topline and gross margins to remain relatively flat in 2025/2026. Other major assumptions include:

- Operating expense as a percentage of revenue to remain at around 3% (in-line with the company's history)
- Other income to come under pressure, as commission income earned from consumer finance companies can reduce as Apple flagship stores gains market share

- Company’s cash payout expected to remain near 100%; however, this would need to be revised down if company acquires consumer finance company either partially or completely through cash

Recommendation and Valuation:

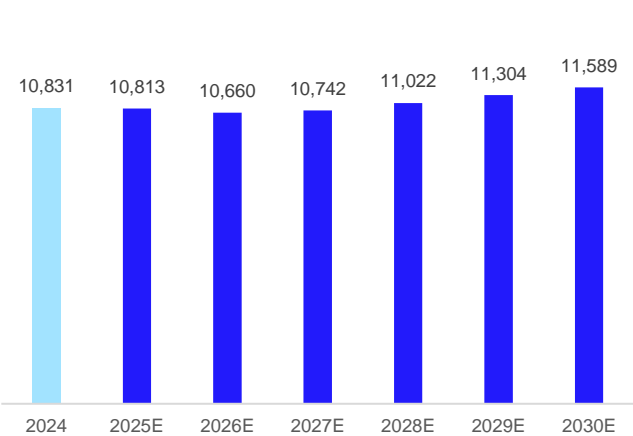
Amid expectation of company’s earnings likely remaining lackluster in the near/medium-term, we have a Neutral rating on the stock. We value the company using the discounted cashflow method, using a cost of equity of 10% and a terminal growth rate of 2.5% to arrive at our fair value of SAR 12.0/sh.

Figure 1 Valuation

DCF Valuation		
DCF Valuation	SAR/sh	12.0
CMP	SAR/sh	12.8
Upside/(Downside)	%	-6.4%
Dividend yield	%	6.3%
Total returns	%	-0.1%

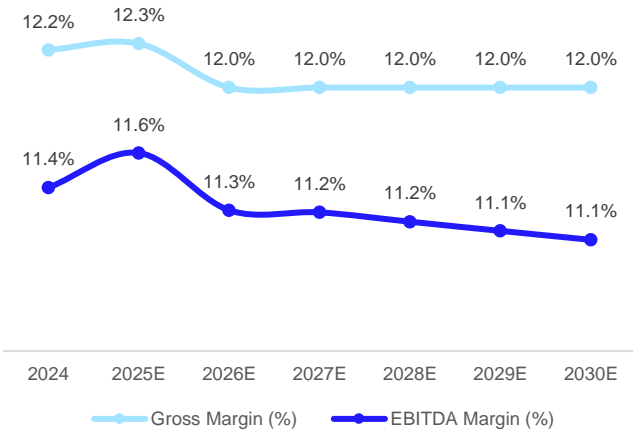
Source: Company Data, Al Rajhi Capital estimates

Figure 2 Total Revenue (SAR Mn)

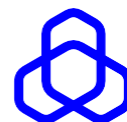


Source: Company data, Al Rajhi Capital.

Figure 3 Gross and EBITDA Margin



Source: Company data, Al Rajhi Capital.



Financials

Figure 4 **Income Statement**

SAR Mn	2024	2025E	2026E
Revenue	10,831	10,813	10,660
<i>y-o-y growth</i>	2.2%	-0.2%	-1.4%
Cost of Sales	9,506	9,486	9,381
Gross Profit	1,324	1,326	1,279
<i>y-o-y growth</i>	3.8%	0.1%	-3.6%
<i>margins</i>	12.2%	12.3%	12.0%
Operating Profit	1,053	1,068	1,013
<i>y-o-y growth</i>	0.7%	1.4%	-5.1%
<i>margins</i>	9.7%	9.9%	9.5%
Net Income	974	988	933
<i>y-o-y growth</i>	0.1%	1.4%	-5.5%
<i>margins</i>	9.0%	9.1%	8.8%
EPS	0.81	0.82	0.78

Source: Company Data, Al Rajhi Capital estimates

Figure 6 **Ratios and Multiples**

	2024	2025E	2026E
ROE	55.4%	57.3%	54.9%
Debt/EBITDA (x)	0.6	0.6	0.7
P/E (x)	15.8	15.6	16.5
D/Y	6.5%	6.3%	6.1%
EV/EBITDA (x)	13.1	12.8	13.4

Source: Company Data, Al Rajhi Capital estimates

Figure 5 **Balance Sheet**

SAR Mn	2024	2025E	2026E
Cash	33	57	112
A/c Receivables	174	168	161
Inventory	1,817	1,745	1,671
Others	326	326	326
Current Assets	2,349	2,296	2,269
PPE	995	995	990
RoU Assets	627	627	627
Investment property	261	253	245
Others	40	40	40
Total Assets	4,273	4,211	4,171
A/c payable	1,204	1,208	1,157
Lease	149	154	157
Borrowing	40	-	-
Others	342	342	342
Current Liability	1,736	1,705	1,656
Lease	603	616	628
Others	190	190	190
Total Liability	2,528	2,511	2,473
Share Capital	1,200	1,200	1,200
Retained Earnings	657	613	611
Reserves	(113)	(113)	(113)
Total Equity	1,745	1,701	1,698
Total Liabilities & Equity	4,273	4,211	4,171

Source: Company Data, Al Rajhi Capital estimates

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