

## Jarir Marketing Co. (Jarir) - 1Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

**Hold**

Target Price (SAR):

**187.00**

Previous Reco. & Date:

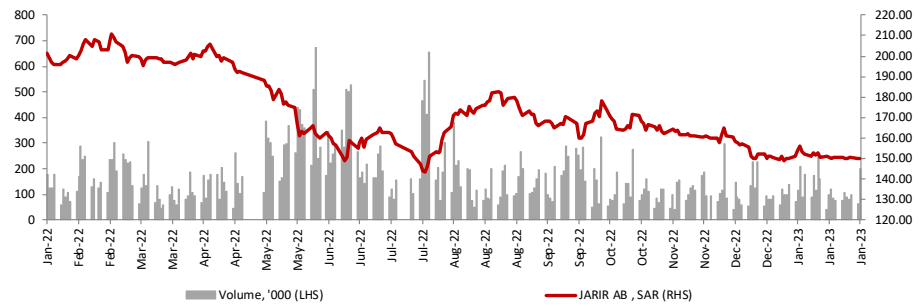
TP: SAR 187 per share; Hold on 31-Jan-2023

Upside / (Downside):

25%

Date: 5/10/2023

|                             |              |
|-----------------------------|--------------|
| Bloomberg Ticker            | JARIR AB     |
| Current Market Price (SAR)  | 150.00       |
| 52wk High / Low (SAR)       | 211/141.6    |
| 12m Average Vol. (000)      | 169.1        |
| Mkt. Cap. (USD/SAR mn)      | 4,854/18,216 |
| Shares Outstanding (mn)     | 120.0        |
| Free Float (%)              | 73%          |
| 3m Avg Daily Turnover (000) | 17,505.2     |
| 6m Avg Daily Turnover (000) | 21,674.9     |
| P/E'23e (x)                 | 18.3         |
| P/Bv'23e (x)                | 9.7          |
| Dividend Yield '23e (%)     | 5.2%         |
| Price Perf. (1m/3m) (%)     | 1.2/-7.4     |



### The top line rises at a more than estimated pace driven by electronic goods

Jarir's top line grew 19% YoY in 1Q 2023 to c. SAR 2.7bn, coming in 16% more than our estimate. Almost all the segments contributed to the revenue growth, especially electronic goods like smartphones and video games. The company closed a showroom in Feb'23 but opened another showroom at a different location on the same day. Thus, we believe overall sales on a net basis to not have been impacted much.

### Gross and operating profit remains largely flat, missing our estimate

Despite healthy revenue growth, gross and operating profit came in largely flat YoY in 1Q 2023, missing our estimate slightly by 6%, each. The decline in the gross and operating profit resulted from lower school supplies which are likely better-margin products. In addition, profitability was also impacted due to a reduction in the profit margins of some other products. Consequently, net profit also stood roughly flat (SAR 247.8mn; -1% YoY), missing our estimate by 6%.

### Maintain target price

Primary and kindergarten classes operated in physical mode fully for the first time in 1Q 2023 after COVID. Thus, we opine sales of school and related supplies might not be comparable and the performance in subsequent quarters could give a clearer picture. Hence, we would like to maintain our SAR 187 target price on the stock as of now. Jarir announced SAR 2.05 per share dividend for 1Q 2023, matching our estimate. Considering the TTM dividend, the dividend yield at the current market price comes to ~5%.

### Income Statement

| (SAR mn)                                     | 1Q22         | 2Q22         | 3Q22         | 4Q22         | 1Q23         | 1Q23e        | YoY (%)    | QoQ (%)    | Var (%)    | FY21         | FY22         | YoY (%)      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|--------------|--------------|--------------|
| Sales/Revenue                                | 2,286.9      | 2,010.5      | 2,517.0      | 2,577.3      | 2,717.6      | 2,345.6      | 19%        | 5%         | 16%        | 9,088.3      | 9,391.7      | 3.3%         |
| Gross Profit (Loss)                          | 325.1        | 248.6        | 372.3        | 341.5        | 323.7        | 346.1        | 0%         | -5%        | -6%        | 1,229.3      | 1,287.4      | 4.7%         |
| Operating Profit (Loss)                      | 267.9        | 191.8        | 291.3        | 267.5        | 264.5        | 282.8        | -1%        | -1%        | -6%        | 1,061.4      | 1,018.5      | -4.0%        |
| <b>Net Profit (Loss) after Zakat and tax</b> | <b>251.3</b> | <b>177.2</b> | <b>273.7</b> | <b>267.6</b> | <b>247.8</b> | <b>263.9</b> | <b>-1%</b> | <b>-7%</b> | <b>-6%</b> | <b>991.9</b> | <b>969.8</b> | <b>-2.2%</b> |

### Balance Sheet

| (SAR mn)             | 1Q22    | 2Q22    | 3Q22    | 4Q22    | 1Q23    | 1Q23e   | YoY (%) | QoQ (%) | Var (%) |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Shareholders' Equity | 1,775.7 | 1,704.6 | 1,801.5 | 1,801.5 | 1,775.3 | 1,819.4 | 0%      | -1%     | -2%     |

### Key Ratios

|                         | 1Q22  | 2Q22  | 3Q22  | 4Q22  | 1Q23  | 1Q23e |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Gross Profit Margin     | 14.2% | 12.4% | 14.8% | 13.2% | 11.9% | 14.8% |
| Operating Profit Margin | 11.7% | 9.5%  | 11.6% | 10.4% | 9.7%  | 12.1% |
| Net Profit Margin       | 11.0% | 8.8%  | 10.9% | 10.4% | 9.1%  | 11.3% |
| Return on Equity (RoE)  | 56.6% | 41.6% | 60.8% | 59.4% | 55.8% | 58.0% |
| Annualized EPS (SAR)    | 8.38  | 5.91  | 9.12  | 8.92  | 8.26  | 8.80  |
| BVPS (SAR)              |       |       |       |       | 14.79 | 15.16 |
| TTM P/E (x)             |       |       |       |       | 18.6  |       |
| Current P/BV (x)        |       |       |       |       | 10.1  |       |

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

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

## 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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