

Jarir Marketing Co. (Jarir) - 3Q22 Result Review

Analyst: Ayisha Zia

Previous Recommendation: **Hold**

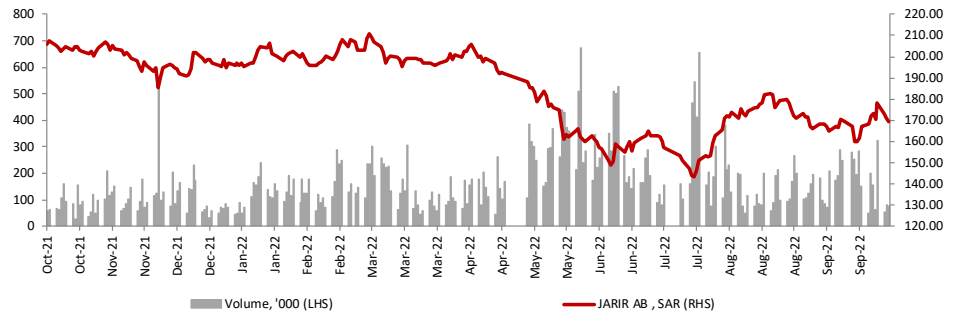
Target Price (SAR): **187.00**

Previous Reco. & Date: TP: SAR 187 per share; Hold on 22-Sep-2022

Upside / (Downside): **11%**

Date: **10/13/2022**

Bloomberg Ticker	JARIR AB
Current Market Price (SAR)	168.20
52wk High / Low (SAR)	211/141.6
12m Average Vol. (000)	168.0
Mkt. Cap. (USD/SAR mn)	5,281/19,848
Shares Outstanding (mn)	120.0
Free Float (%)	89%
3m Avg Daily Turnover (000)	29,707.0
6m Avg Daily Turnover (000)	35,581.1
P/E'22e (x)	20.3
P/BV'22e (x)	11.6
Dividend Yield '22e (%)	4.7%
Price Perf. (1m/3m) (%)	-1.5/8



Revenue increases at a more-than-expected rate

Jarir's revenue in 3Q 2022 increased 13% YoY to SAR 2.5bn, exceeding our estimate by 9%. Revenue growth was primarily driven by smartphone sales and demand emanating from the back-to-school season.

Gross profit beat our estimate but operating profit comes in line

Gross profit grew YoY, but at a slightly lower rate than top-line to reach SAR 372.3mn, beating our estimate of SAR 344.7mn. However, operating profit stood almost flat YoY, coming in line with our estimate. An increase in costs due to promotional offers and discounts carried out during the quarter to boost sales weighed on the gross and operating profit growth. Net profit also matched our expectations (-2% variance) as it remained nearly unchanged YoY.

Maintain target price

While the top line came in better than expected, it could not be translated into similar earnings growth as discounts and promotions weighed, which indicates demand is softening. This could put pressure on the company's profitability going forward, in our view. Hence, we maintain our SAR 187 target price on the stock.

Income Statement

(SAR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)	9M21	9M22	YoY (%)
Sales/Revenue	2,224.5	2,318.1	2,286.9	2,010.5	2,517.0	2,305.9	13%	25%	9%	6,770.2	6,814.4	0.7%
Gross Profit (Loss)	344.1	285.6	325.1	248.6	372.3	344.7	8%	50%	8%	943.7	945.9	0.2%
Operating Profit (Loss)	292.6	277.7	267.9	191.8	291.3	297.8	0%	52%	-2%	783.7	751.0	-4.2%
Net Profit (Loss) after Zakat and tax	272.5	262.5	251.3	177.2	273.7	278.9	0%	54%	-2%	729.4	702.2	-3.7%

Balance Sheet

(SAR mn)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	1,752.2	1,769.0	1,775.7	1,704.6	1,801.5	1,731.4	3%	6%	4%

Key Ratios

	3Q21	4Q21	1Q22	2Q22	3Q22	3Q22e
Gross Profit Margin	15.5%	12.3%	14.2%	12.4%	14.8%	15.0%
Operating Profit Margin	13.2%	12.0%	11.7%	9.5%	11.6%	12.9%
Net Profit Margin	12.2%	11.3%	11.0%	8.8%	10.9%	12.1%
Return on Equity (RoE)	62.2%	59.4%	56.6%	41.6%	60.8%	64.4%
Annualized EPS (SAR)	9.08	8.75	8.38	5.91	9.12	9.30
BVPS (SAR)					15.01	14.43
TTM P/E (x)					20.9	
Current P/BV (x)					11.2	

Source: Financials, Tadawul 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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