

Jarir Marketing Co. (Jarir) - 1Q22 Result Review

Analyst: Ayisha Zia

Previous Recommendation: **Accumulate**

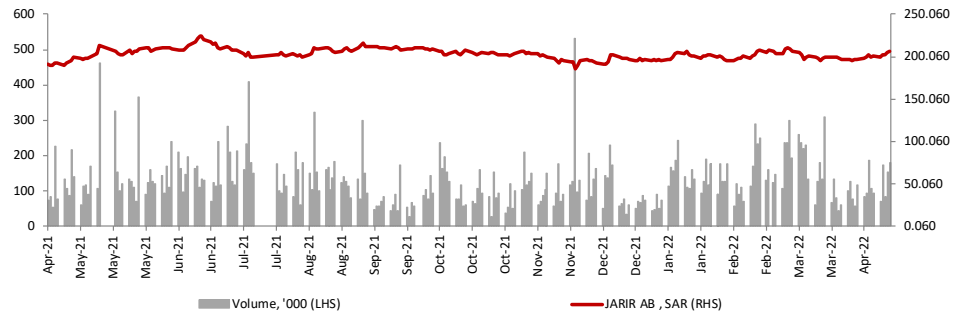
Target Price (SAR): **233.00**

Previous Reco. & Date: TP: SAR 233 per share; Accumulate on 27-Dec-2021

Upside / (Downside): 15%

Date: **17-04-22**

Bloomberg Ticker	JARIR AB
Current Market Price (SAR)	206.000
52wk High / Low (SAR)	225/185.4
12m Average Vol. ('000)	131.8
Mkt. Cap. (USD/SAR mn)	6,592/24,720
Shares Outstanding (mn)	120.0
Free Float (%)	100%
3m Avg Daily Turnover ('000)	28,926.4
6m Avg Daily Turnover ('000)	25,324.0
P/E'22e (x)	20.1
P/Bv'22e (x)	12.7
Dividend Yield '21e (%)	3.8%
Price Perf. (1m/3m) (%)	3.3/-0.1



Reduced sales of smartphones, IT products hit top-line

Jarir Marketing's top-line in 1Q22 decreased 10% YoY to SAR 2,286.9mn, missing our estimate by 15%. On QoQ basis, it inched down 1%. Lower sales of smartphones, computers, video games and related accessories more than offset an increase in sales of school and office supplies, thereby leading to a decline in overall revenue.

Gross profit falls at a relatively lower pace, aided by favorable sales mix

Gross profit slipped c.4% YoY, slightly missing our estimate, supported by a favorable change in sales mix which was tilted towards higher margin products. However, due to an increase in S&D expenses, operating profit fell at a relatively higher pace (-6% YoY), missing our estimate by 8%.

Net profit dips 6% YoY; ~8% miss

Overall, net profit decreased 6% YoY and 4% QoQ to SAR 251.3mn in 1Q22, below our estimate of SAR 273.2mn.

Maintain rating

Considering the slight miss in 1Q22 earnings and a better-than-expected profitability, we maintain our Accumulate rating and SAR 233 target price on the stock. We expect earnings performance to improve in the coming quarters amid a consistent improvement in the economy.

Income Statement												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales/Revenue	2,530.4	2,015.3	2,224.5	2,318.1	2,286.9	2,705.4	-10%	-1%	-15%	9,305.8	9,088.3	-2.3%
Gross Profit (Loss)	337.6	262.0	344.1	285.6	325.1	344.5	-4%	14%	-6%	1,328.6	1,229.3	-7.5%
Operating Profit (Loss)	285.5	205.6	292.6	277.7	267.9	291.4	-6%	-4%	-8%	1,100.9	1,061.4	-3.6%
Net Profit (Loss) after Zakat and tax	267.6	189.2	272.5	262.5	251.3	273.2	-6%	-4%	-8%	1,003.0	991.9	-1.1%
Balance Sheet												
(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	1,710.6	1,648.0	1,752.2	1,769.0	1,775.7	1,752.4	4%	0%	1%			
Key Ratios												
	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e						
Gross Profit Margin	13.3%	13.0%	15.5%	12.3%	14.2%	12.7%						
Operating Profit Margin	11.3%	10.2%	13.2%	12.0%	11.7%	10.8%						
Net Profit Margin	10.6%	9.4%	12.2%	11.3%	11.0%	10.1%						
Return on Equity (RoE)	62.6%	45.9%	62.2%	59.4%	56.6%	62.4%						
Annualized EPS (SAR)	9.59	8.92	6.31	9.08	8.377	8.75						
BVPS (SAR)					14.798	14.604						
TTM P/E (x)					25.3							
Current P/BV (x)					13.9							

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%

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.