

FY21 Results Update

April 6, 2022

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	198.8
Target Price (SAR)	222.0
Upside/Downside (%)	11.7%
As of April 6, 2022	

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	23.9
52-wk High (SAR)	225.0
52-wk Low (SAR)	182.6
Total Outstanding shares (in mn)	120.0
Free Float (%)	100.0%

JARIR vs. TASI (Rebased)

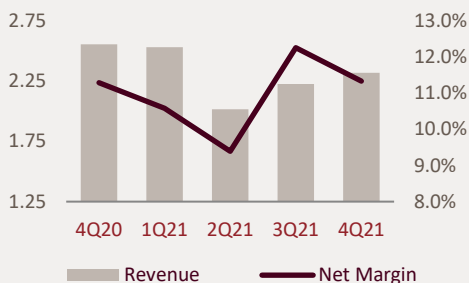


Price Performance (%)	Absolute	Relative
1m	(3.0%)	(6.6%)
6m	(1.6%)	(16.1%)
12m	6.3%	(26.4%)

Major Shareholders (%)

Jarir Investment Trading Company.	21.83%
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Revenue (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of April 6, 2022

Lack of supply impacts topline in FY21

Jarir Marketing Co. (Jarir)'s revenue decreased by 2.3% YoY to SAR 9.1bn in FY21, owing to lower sales in certain sections, especially video games and computer supplies, caused by a lower supply. Despite 1.5% YoY fall in cost of sales, gross profit declined 7.5% YoY to SAR 1.2bn. Consequently, gross margin dropped 75 bps YoY to 13.5% in FY21. The lower revenue, coupled with increase in selling and marketing expenses, led to 3.6% YoY decline in operating income to SAR 1.1bn in FY21. Operating margin narrowed 15 bps YoY to 11.7%. Consequently, the net profit declined 1.15% YoY to SAR 991.9mn. However, the net margin expanded 13 bps YoY to 10.9% in FY21.

Jarir reported a slightly weak performance in FY21, as topline slipped 2.3% YoY on supply chain disruption. Higher revenue from the Retail segment (up 3.2% YoY to SAR 8.0bn) was offset by lower contribution from Wholesale (down 14.7% YoY to SAR 192mn), E-commerce (down 35.1% YoY to 790mn) and Other (down 5.8% to SAR 113mn) segments during the year. The topline was also impacted by the delay in return to offline education. Despite higher contribution from Smartphone, Electronic, and Accessories segments during the year, the top line was negatively impacted due to lower contribution from books; office, school, and arts supplies; and other IT, digital products and services. Jarir's margins were also impacted during the year, mainly due to increased showroom operation cost and higher international shipping. The company opened six showrooms during the year but shut down two showrooms. Jarir is expected to continue to strengthen its presence in the Retail and E-commerce segments and increase its market share in the space. On February 21, the company opened a new showroom in Jeddah. Its financial impact will be reflected on 1Q22 results. Jarir's topline is expected to grow further going forward, driven by resumption in offline education, pickup in economic activities and rising e-commerce sales. Moreover, gross margins are expected to improve, led by a favorable sales mix. In view of the factors mentioned above, we maintain our "Overweight" rating on the stock.

- Revenue dropped 2.3% YoY to SAR 9.1bn in FY21, owing to a fall in sales of computers, computer supplies, and video games, caused by supply shortage.
- Domestic sales declined 2.5% YoY to SAR 8.6bn and accounted for 94.6% of the total sales in FY21, while international sales increased 1.0% YoY to SAR 492mn and represented 5.4% of the total FY21 sales.
- The company's gross profit declined 7.5% YoY to SAR 1.2bn in FY21. Subsequently, gross margin contracted to 13.5% from 14.3% in FY20.
- Operating profit declined 3.6% YoY to SAR 1.1bn, owing to higher selling and administrative expenses and lower topline. EBIT margin inched down to 11.7% in FY21 from 11.8% in FY20.
- The company reported a 1.15% YoY fall in net income to SAR 991.9mn in FY21. However, the net margin marginally improved to 10.9% from 10.8% in FY21.
- EPS for FY21 stood at SAR 8.27 as against SAR 8.36 in FY20.
- Jarir Marketing Co.'s board of directors declared a 19.5% cash dividend for 4Q21 at SAR 1.95 per share, amounting to SAR 234mn.

Valuation: We revise our target price to SAR 222.0 per share but maintain our "Overweight" rating on this stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	2,318	2,554	(9.2%)	10,138	9,088	11.5%
Gross Profit (SAR mn)	286	363	(21.3%)	1,407	1,229	14.4%
EBITDA (SAR mn)	316	369	(14.2%)	1,410	1,217	15.9%
Net Profit (SAR mn)	262	288	(8.9%)	1,176	992	18.6%
EPS Basic (SAR)	2.19	2.40	(8.9%)	9.80	8.27	18.6%
Gross Margin (%)	12.3%	14.2%	(1.9%)	13.9%	13.5%	0.3%
EBITDA Margin (%)	13.7%	14.4%	(0.8%)	13.9%	13.4%	0.5%
Net Profit Margin (%)	11.3%	11.3%	0.04%	11.6%	10.9%	0.7%

Source: Company Financials, Yaqeen Capital

## Yaqeen Capital Rating Methodology

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by 10%.

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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