

3Q21 Results Update

Recommendation	Overweight
Previous Recommendation	Neutral
Current Price (SAR)	197.60
Target Price (SAR)	226.0
Upside/Downside (%)	13.6%

As of December 19, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	23.9
52-wk High (SAR)	225.0
52-wk Low (SAR)	169.6
Total Outstanding shares (in mn)	120.0
Free Float (%)	100.0%

JARIR vs. TASI (Rebased)



Price Performance (%)	Absolute	Relative
1m	(0.1%)	4.6%
6m	(8.5%)	(12.0%)
12m	11.8%	(16.7%)

Major Shareholders (%)

Jarir Investment Trading Company	21.83%
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Quarterly Sales (SAR bn) and Net Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of December 19, 2021

Higher demand for smartphones, stationaries boost topline in 3Q21

Jarir Marketing Co. (Jarir)'s revenue climbed 9.2% YoY to SAR 2.2bn in 3Q21, driven by an increase in sales from school and office supplies and smartphones during the quarter. Gross profit inched up 2.9% YoY to SAR 344.1mn. However, gross margin dropped 94 bps YoY to 15.5% in 3Q21. Increase in other income coupled with fall in general and administrative expense resulted in operating income rising 6.4% YoY to SAR 292.6bn in 3Q21. Operating margin narrowed 34 bps YoY to 13.2%. Consequently, net profit grew 6.8% YoY to SAR 272.5; however, net margin contracted 27 bps YoY to 12.2% in 3Q21.

Jarir reported healthy performance in 3Q21, supported by higher revenue contribution from the Retail (up 3.6% YoY to SAR 1.9bn), Wholesale (up 18.2% YoY to SAR 78mn), and E-commerce (up 74.7% YoY in 255mn) segments during the quarter. The rise in the topline was ascribed to increase in sales, especially school and office supplies and smartphones, as a result of the partial opening of schools during this quarter and launch of the new iPhone. Despite higher topline, margins of the company weakened during the quarter on YoY basis owing to change in sales mix. The company now has 66 showrooms as of September 2021 as against 62 last years and is expected to continue expanding its presence in the Retail and E-commerce segments and increase its market share in the space. On December 8, the company opened its 67th showroom in Najran. Its financial impact will be reflected on 4Q21 results. The company announced that it will open new branches in Bahrain and Sharjah by 2022, which will drive its topline going forward. With the academic year divided into three semesters, Jarir's sales are expected to grow in the fourth quarter. With the resumption of offline education, demand for stationery products is expected to increase. Moreover, gross margins are expected to improve, led by high margins of stationery products. In view of the factors mentioned above, we change our rating to "Overweight" on the stock.

- Revenue increased 9.2% YoY to SAR 2.2bn in 3Q21, following higher sales from school and office supplies and smartphones during the quarter. On QoQ basis, revenue rose 10.4% as sales performance was positively impacted by the partial back to school season.
- Domestic sales grew 11.4% YoY to SAR 2.1bn and accounted for 94.2% of the total sales in 3Q21, while international sales dropped 17.9% YoY to SAR 128mn and represented 5.8% of the total 3Q21 sales.
- The company's gross profit rose 2.9% YoY to SAR 344.1mn in 3Q21. However, gross margin contracted to 15.5% from 16.4% in 3Q20.
- Operating profit climbed 6.4% YoY to SAR 292.6mn, driven by higher other income and fall in general and administrative expense. However, EBIT margin inched down to 13.2% from 13.5% in 3Q20.
- The company reported a 6.8% YoY increase in net income to SAR 272.5mn in 3Q21, while net margin narrowed to 12.2% from 12.5% in 3Q20.
- EPS for 3Q21 stood at SAR 2.27 as against SAR 2.13 in 3Q20.
- Jarir Marketing Co.'s board of directors recommended a 20.5% cash dividend for 3Q21 at SAR 2.05 per share, amounting to SAR 246 million.

Valuation: We revise our target price to SAR 226.0 per share and change our rating to "Overweight" on this stock.

	3Q21	3Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR mn)	2,224	2,038	9.2%	9,317	9,306	0.1%
Gross Profit (SAR mn)	344	334	2.9%	1,351	1,329	1.7%
EBITDA (SAR mn)	293	314	(6.9%)	1,289	1,258	2.5%
Net Profit (SAR mn)	272	255	6.8%	1,072	1,003	6.9%
EPS basic (SAR)	2.27	2.13	6.8%	8.94	8.36	6.9%
Gross Margin (%)	15.5%	16.4%	(0.9%)	14.5%	14.3%	0.2%
EBITDA Margin (%)	13.2%	15.4%	(2.3%)	13.8%	13.5%	0.3%
Net Profit Margin (%)	12.2%	12.5%	(0.3%)	11.5%	10.8%	0.7%

Source: Company Financials, FALCOM Research

3Q21 Results Update
FALCOM Rating Methodology

December 20, 2021

FALCOM Financial Services 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 FALCOM Financial Services, FALCOM Research.

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