

1Q22 Results Update

June 24, 2022

Recommendation	Overweight
Previous Recommendation	Overweight
Current Price (SAR)	159.6
Target Price (SAR)	210.0
Upside/Downside (%)	31.6%
<i>As of June 23, 2022</i>	
Key Data (Source: Bloomberg)	

Market Cap (SAR bn)	19.2
52-wk High (SAR)	224.8
52-wk Low (SAR)	145.4
Total Outstanding shares (in mn)	120.0
Free Float (%)	100.0%

JARIR vs. TASI (Rebased)

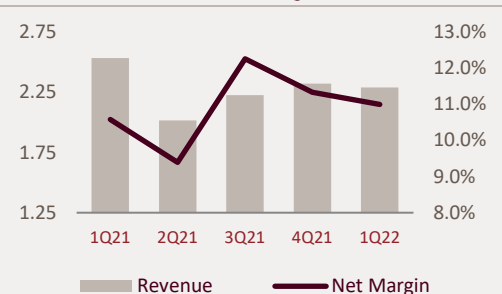


Price Performance (%)	Absolute	Relative
1m	(4.4%)	3.1%
6m	(19.0%)	(19.3%)
12m	(29.1%)	(32.9%)

Major Shareholders (%)

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



Source: Bloomberg, Company Financials, Yaqaen Capital;
Data as of June 23, 2022

Topline pressure resulted in lower profitability

Jarir Marketing Co. (Jarir)'s revenue declined 9.6% YoY to SAR 2.3bn in 1Q22, primarily due to a fall in sales in certain sections, especially smartphones and accessories, computers and related supplies, and video games. Despite the cost of sales lowering 10.5% YoY, gross profit dropped 3.7% YoY to SAR 325.1mn. However, gross margin improved 87 bps YoY to 14.2% in 1Q22. Increase in selling and marketing expenses offset higher other income and led to a 6.2% YoY decline in operating income to SAR 267.9mn in 1Q22. Operating margin expanded 43 bps YoY to 11.7%. Decline in the topline counterbalanced the drop in financial charges and zakat expenses as net profit was down 6.1% YoY to SAR 251.3mn. However, net margin expanded 41 bps YoY to 11.0% in 1Q22.

Jarir reported weak performance in 1Q22, as the topline and net income dropped during the quarter. Lower contribution from the Retail (down 11.6% YoY to SAR 2.0bn) and E-commerce (down 6.2% YoY to SAR 181mn) segments offset higher contribution from the Wholesale (up 72.5% YoY to SAR 69.0mn) and other (up 19.0% YoY to SAR 25mn) segments during the quarter. Despite higher sales of school and office supplies following the resumption of study in full attendance for all stages, the company's topline dropped owing to lower sales of certain sections, especially smartphones and accessories, computers and related supplies, and video games. Jarir's margins improved during the quarter due to the favorable change in the sales mix in favor of sections involving relatively high profit margins. In 1Q22, Jarir opened a new showroom in Jeddah. However, on May 12, the company announced the closure on one of its showrooms. Jarir is expected to increase its market share in the space by continue to strengthen its presence in the Retail and E-commerce segments. With offline education resuming in full capacity across levels and improvement in economic activities, Jarir's topline is expected to improve. Moreover, a favorable sales mix will improve the company's margins. In view of the factors mentioned above, we maintain our "Overweight" rating on the stock.

- Revenue decreased 9.6% YoY to SAR 2.3bn in 1Q22 owing to a fall in the sales of smartphones and accessories, computers and related supplies, and video games.
- Domestic sales dropped 10.1% YoY to SAR 2.2bn and accounted for 94.6% of the total sales during the quarter, while international sales rose a marginal 0.8% YoY to SAR 123mn and represented 5.4% of the total 1Q22 sales.
- The company's gross profit declined 3.7% YoY to SAR 325.1mn in 1Q22. However, gross margin expanded to 14.2% from 13.3% in 1Q21.
- Operating profit declined 6.2% YoY to SAR 267.9mn, owing to higher selling and administrative expenses, slightly offset by higher other income. EBIT margin improved to 11.7% in 1Q22 from 11.3% in 1Q21.
- The company's net profit fell 6.1% YoY to SAR 251.3mn in 1Q22. However, net margin advanced to 11.0% from 10.6% in 1Q21.
- EPS for 1Q22 stood at SAR 2.09 as against SAR 2.23 in 1Q21.
- Jarir Marketing Co.'s board of directors declared a 20.5% cash dividend for 1Q22 at SAR 2.05 per share, amounting to SAR 246mn.

Valuation: We revise our target price to SAR 210.0 per share but maintain our "Overweight" rating on this stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR mn)	2,287	2,530	(9.6%)	9,725	9,088	7.0%
Gross Profit (SAR mn)	325	338	(3.7%)	1,369	1,229	11.3%
EBITDA (SAR mn)	309	324	(4.6%)	1,315	1,217	8.1%
Net Profit (SAR mn)	251	268	(6.1%)	1,074	992	8.3%
EPS Basic (SAR)	2.09	2.23	(6.1%)	8.95	8.27	8.3%
Gross Margin (%)	14.2%	13.3%	0.9%	14.1%	13.5%	0.5%
EBITDA Margin (%)	13.5%	12.8%	0.7%	13.5%	13.4%	0.1%

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Net Profit Margin (%)	11.0%	10.6%	0.4%	11.0%	10.9%	0.1%
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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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Yaqeen Capital acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.