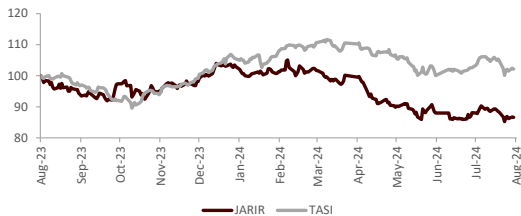


Jarir Marketing Co. (JARIR)

Recommendation	Buy
Current Market Price (SAR)	12.6
52wk High / Low (SAR)	16.0/12.4
Mkt. Cap. (USD/SAR Mn)	4,029/15,120
Shares Outstanding (mn)	1,200.0
Free Float (%)	94.4%
3m Average Vol. (000)	1,878.1
3m Avg Daily Turnover (SAR'000)	24,330
Dividend Yield '24e (%)	4.5%
P/E'24e (x)	22.2
EV/EBITDA'24e (x)	18.1

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	9,392	10,595	10,883	11,611
Gross profit	1,287	1,276	1,273	1,364
Gross margin (%)	14%	12%	12%	12%
EBIT	1,019	1,045	963	1,045
EBIT margin (%)	11%	10%	9%	9%
EBITDA	1,186	1,228	1,148	1,233
EBITDA margin (%)	13%	12%	11%	11%
Net Income	970	973	935	1,015
Net margin (%)	10%	9%	9%	9%
EPS (SAR)	0.81	0.81	0.78	0.85
RoE (%)	54%	55%	50%	0%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Jarir Investment Trading Co.	21.84%
Abdulkarim Bin Abdulrahman Nasar Algil	3.20%
Muhammad Bin Abdulrahman Nasar Alagil	2.20%

Source: Bloomberg, Yaqeen Capital

Earnings up YoY but down QoQ due to rising costs

- JARIR's net income grew by 9.8% YoY to SAR 171mn in 2Q2024, driven by higher sales, increased gross profit, and other income, despite rising selling, marketing, and administrative expenses. However, QoQ, net income fell by 22.0% due to lower profitability in some sections, a shift towards less profitable sales, higher expenses, and reduced other income. The net income margin rose by 0.1ppts YoY but decreased by 1.8ppts QoQ to 6.5%.
- Revenue increased by 8.8% YoY to SAR 2,650mn in 2Q2024, primarily due to strong sales in the smartphones, computers, and video game sections. QoQ, sales slightly exceeded those of the previous quarter, mainly driven by an increase in video games and smartphone accessories.
- Gross profit rose by 9.6% YoY to SAR 262mn in 2Q2024 due to higher sales but dropped by 10.9% QoQ due to a higher rise in the cost of sales relative to sales. The gross profit margin improved by 0.1ppts YoY but fell by 1.2ppts QoQ to 9.9%.
- Operating income increased by 8.1% YoY to SAR 189mn in 2Q2024, supported by higher gross profit and other income, despite a rise in selling, marketing, and administrative expenses. On a QoQ basis, operating income declined by 20.4% due to lower gross profit, higher general and administrative expenses, and reduced other income. The operating profit margin dropped by 0.1ppts YoY and 1.8ppts QoQ to 7.1%.
- In 1H2024, net income fell by 3.3% YoY to SAR 390mn, despite higher sales, as it was offset by a drop in gross profit from a less profitable sales mix and increased operating expenses. The net income margin declined by 0.5ppts to 7.4%.
- In 1H2024, revenue rose by 2.8% YoY to SAR 5,300mn, driven by increased sales in the smartphones, video games, and computers sections.

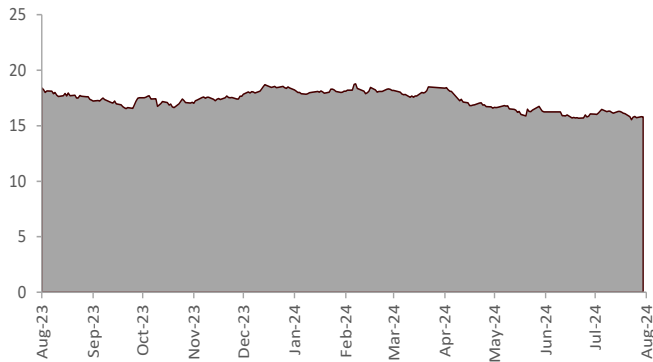
Outlook & Valuation: Saudi Arabia's favorable demographic landscape, marked by a young and growing population, coupled with rising income levels driven by Saudization efforts and increased female workforce participation, creates a strong foundation for the demand for electronic products and stationery. This positive demographic trend, combined with Jarir's ongoing store expansion, positions the company well for sustained growth in the medium to long term. Despite potential challenges like increased competition and the impact of digitalization on stationery demand, we anticipate growth in the company's revenues and net income. Based on DCF valuation (100% weight), we arrive at a fair value of SAR 16.0/share, offering an upside of 27.5% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

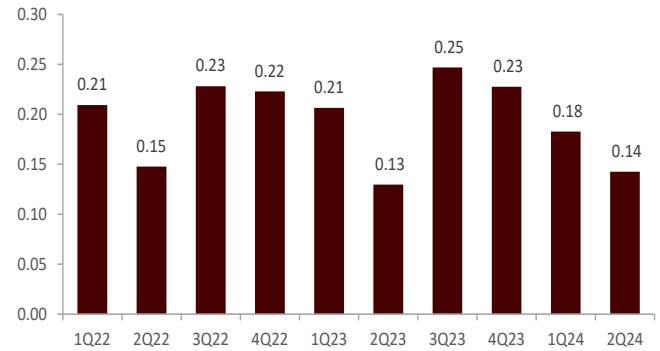
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	2,650	2,436	9%	2,650	0%
Gross profit	262	240	10%	295	-11%
Gross margin (%)	10%	10%		11%	
EBIT	189	175	8%	238	-20%
EBIT margin (%)	7%	7%		9%	
EBITDA	231	223	3%	281	-18%
EBITDA margin (%)	9%	9%		11%	
Net Income	171	156	10%	219	-22%
Net margin (%)	6%	6%		8%	
EPS (SAR)	0.14	0.13	10%	0.18	-22%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

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

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

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