

Jarir Marketing Company

Growth in after-sales service margins and other income boosted profitability

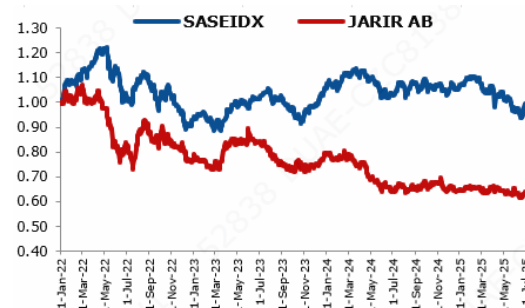
Current Price
SAR 12.74

Target Price
SAR 14.50

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- Revenue fell marginally 0.1% YOY to SAR 2,648 Mn in 2Q25 due to a decline in sales of video games.
- Gross profit increased 4.5% YOY to SAR 274 Mn, which contributed to a rise in sales of after-sales service margins.
- Operating profit rose 14.8% YOY to SAR 217 Mn in 2Q25, while operating margins grew 106 bps YOY to 8.2%.
- The Company launched a new store in Onaizah, replacing the old one in the same city.
- Jarir Bookstore formed a strategic partnership with Lightning Source Sharjah, a print-on-demand facility, to improve regional book availability and speed up delivery times.



2Q25 Net Profit is higher than our estimate

Jarir Marketing Co ("JARIR", "The Company") reported a 15.3% YOY increase in net profit to SAR 197 Mn in 2Q25, higher than our estimates of SAR 175 Mn. The rise in net profit is primarily attributable to a decrease in cost of sales, partially offset by a marginal decline in revenue.

P&L Highlights

The Company's revenue fell marginally 0.1% YOY to SAR 2,648 Mn in 2Q25, mainly due to a decrease in sales of the video games segment, partially offset by a rise in after-sales services. The Company's 27% of total sales is generated from e-commerce, while 73% was generated from its stores. The cost of sales decreased marginally 0.6% YOY to SAR 2,374 Mn in 2Q25. As a result, the gross profit increased 4.5% YOY to SAR 274 Mn in 2Q25 while gross profit margin expanded 46 bps YOY to 10.4% in 2Q25. Gross profit increased mainly driven by relatively higher margins in after-sale services. JARIR's operating profit rose 14.8% YOY to SAR 217 Mn in 2Q25. The operating profit margin increased from 7.1% in 2Q24 to 8.2% in 2Q25. Jarir's net profit margin improved from 6.5% in 2Q24 to 7.4% in 2Q25.

Target Price and Rating

We revise our rating on Jarir from BUY to ACCUMULATE with an unchanged target price of SAR 14.50. Jarir reported bottom line growth of 15.3% YOY in 2Q25, with an expansion in net profit margin by 99 bps YOY, predominately due to an increase in sales of after-sales service, higher other income, and improved operating efficiency. The Company improved delivery time in 2Q25 with 50% of orders fulfilled within an hour. Meanwhile, Jarir expects its top line to grow by 3% - 5% in 2025.

Stock Information

Market Cap (SAR, Mn)	15,312.00
Paid Up Capital (Mn)	1,200.00
52 Week High	13.72
52 Week Low	12.00
3M Avg. daily value (SAR)	16,310,830

2Q25 Result Review (SAR, Mn)

Sales	2,648
Gross profit	274
Operating profit	217
Net Profit	197

Financial Ratios

Dividend Yield (12m)	6.50
Dividend Pay-out (%)	102.26
Price-Earnings Ratio(x)	15.83
Price-to-Book Ratio (x)	9.08
Book Value (SAR)	1.41
Return-on Equity (%)	57.24

Stock Performance

5 Days	1.03%
1 Months	5.80%
3 Months	-0.78%
6 Months	-0.31%
1 Year	-0.93%
Month to Date (MTD%)	1.75%
Quarter to Date (QTD%)	1.75%
Year to Date (YTD%)	0.79%
	6.50

The Company is expected to maintain its demand trajectory in 2025 due to elevated demand for smartphones and the evolution of AI-enabled services. Despite fierce competition, Jarir maintained its expansion plan with the opening of new showrooms. The expansion plan will include new stores in new areas of KSA, Kuwait, UAE and Bahrain. The Company opened a new store in Onaizah during June 2025, replacing the previous one in the same city, while two more branches are estimated to open in 2025. Jarir Bookstore entered into a strategic partnership with Lightning Source Sharjah, a print-on-demand facility operated by Ingram Content Group and the Sharjah Book Authority, to enhance regional book availability for customers both locally and internationally. The partnership will allow Jarir to print and ship books locally, directly from Sharjah, speeding up delivery times and enhancing access to a wide range of books. The partnership strengthens Jarir's distribution capabilities, reinforcing its position as a leading bookseller in the region. However, the opening of Apple stores in the KSA is expected to weigh on the Company's margins. Additionally, Jarir expects to distribute more than 90% of profits as dividends in 2025. Jarir maintains a strong financial position, with minimal reliance on debt and funding its expansion primarily through internal cash flows. Based on this, we assign an ACCUMULATE rating on the stock.

Jarir - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	15.2	15.4	15.8	15.7	15.7	15.4
PB	8.9	8.6	8.5	8.6	9.3	8.7
EV/EBITDA	12.2	12.2	12.5	12.4	12.5	12.2
EPS	0.836	0.827	0.808	0.811	0.812	0.825
BVPS	1.438	1.474	1.501	1.476	1.376	1.464
DPS	0.785	0.750	0.795	0.835	0.830	0.829
Dividend yield	6.2%	5.9%	6.2%	6.6%	6.5%	6.5%

FABS Estimates & Co Data

Jarir - P&L

SAR Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	2,650	2,720	2,648	2,709	-2.2%	-0.1%	-2.6%	10,831	11,224	3.6%
Cost of Sales	-2,387	-2,418	-2,374	-2,446	-2.9%	-0.6%	-1.8%	-9,506	-9,877	3.9%
Gross profit	262	303	274	263	4.4%	4.5%	-9.3%	1,324	1,347	1.7%
Operating profit	189	236	217	192	12.8%	14.8%	-8.0%	1,053	1,071	1.8%
Profit attributable	171	217	197	175	12.7%	15.3%	-9.2%	974	990	1.6%

FABS estimate & Co Data

Jarir - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	9.9%	11.1%	10.4%	46	-77	12.2%	12.0%	-23
Operating Profit	7.1%	8.7%	8.2%	106	-48	9.7%	9.5%	-18
Net Profit	6.5%	8.0%	7.4%	99	-54	9.0%	8.8%	-17

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash flow (DCF), Dividend Discount (DDM) and Relative Valuation (RV) to value Jarir. We have assigned 50% weight to DCF, and 25% weight to DDM and RV valuation method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	14.79	50.0%	7.39
Dividend Discount Model (DDM)	14.85	25.0%	3.71
Relative Valuation (RV)	13.59	25.0%	3.40
Weighted Average Valuation (SAR)			14.50
Current market price (SAR)			12.74
Upside/Downside (%)			+14%

1) DCF Method:

Jarir is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 8.2%. The cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 0.70 and an equity risk premium of 4.4%. Government bond yield is calculated after adding KSA 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	3,855
Terminal value (SAR, Mn)	13,892
FV to Common shareholders (SAR, Mn)	17,747
No. of share (Mn)	1,200
Current Market Price (SAR)	12.74
Fair Value per share (SAR)	14.79

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net income	990	1,066	1,089	1,108	1,134
D&A	182	182	183	184	186
Changes in working capital	24	-19	-21	-23	-22
Payment of lease liabilities	-114	-115	-116	-117	-118
(-) Capex	-68	-69	-71	-73	-75
Free Cash Flow to Equity (FCFE)	1,014	1,045	1,064	1,080	1,105
Discounting Factor	0.96	0.89	0.82	0.76	0.70
Discounted FCFE¹	451	931	876	821	776

Source: FAB Securities, ¹ Adjusted FCFE for partial year

2) DDM Method:

Jarir's dividend grew in line with profit, and the Company also pays regular dividends to its shareholders. Thus, we have valued Jarir using the DDM valuation method. The dividend is discounted at the cost of equity of 8.2%.

Sum of PV (SAR, Mn)	4,270
Terminal value (SAR, Mn)	13,546
FV to Common shareholders (SAR, Mn)	17,816
No. of share (Mn)	1,200
Current Market Price (SAR)	12.74
Fair Value per share (SAR)	14.85

DDM Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
1Q	228	253	259	263	269
2Q	191	189	194	198	205
3Q	283	292	301	308	314
4Q	293	278	281	283	290
Total Dividend	995	1,013	1,034	1,052	1,077
Discounting Factor	0.96	0.89	0.82	0.76	0.70
Present Value of Dividend	959	902	851	800	757

Source: FAB Securities

3) Relative Valuation:

We have used local peers to value Jarir, and it is valued using the PE multiple. The Company is valued at a PE multiple of 16.5x, in line peer median multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Extra	1,834	10.4	9.4	13.8	12.1
ABDULLAH AL-OTHAİM MARKETS COMPANY	1,869	10.1	9.3	18.0	17.1
SAVOLA GROUP COMPANY	2,142	5.4	5.1	15.4	12.5
BinDawood Holding	1,883	10.3	9.6	24.2	22.3
Al Dawaa Medical Services Company	1,797	9.2	8.6	16.5	14.7
Average		9.1x	8.4x	17.6x	15.8x
Median		10.1x	9.3x	16.5x	14.7x
Max		10.3x	9.4x	18.0x	17.1x
Min		9.2x	8.6x	15.4x	12.5x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
 +971-2-6161777
 Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.