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أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

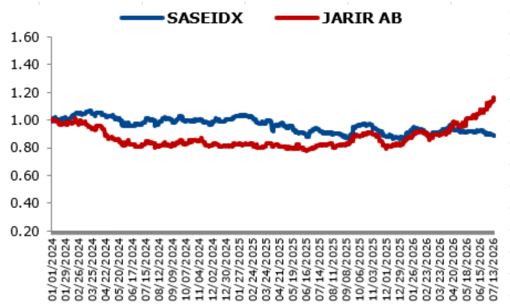
Saudi Equity Research | Sector: Consumer Discretionary | Market: Tadawul

Jarir Marketing Company

Broad-Based Revenue Growth and a Favourable Sales Mix Boosted Profitability

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 17.92	SAR 17.50	-2.3%	HOLD

- Revenue grew 7.2% YOY to SAR 2,774 Mn in 2Q26, driven by higher revenue across most segments, particularly smartphones.
- Gross margin expanded 167 bps YOY to 12.3% supported by favourable product mix and reduced promotional activities.
- JARIR distributed a cash dividend of SAR 252 Mn for 1Q26, equivalent to SAR 0.21 per share.
- Opened a new showroom in Granada Mall while replacing one showroom each in Kuwait and Saudi Arabia in 2Q26, taking the total showroom count to 67 in Saudi Arabia (78 overall).
- Digital channel maintained healthy momentum, with online sales growing 11% YOY and accounting for c. 32% of total sales in 2Q26.



Stock Information	
Market Cap (SAR, Mn)	21,720.00
Paid Up Capital (Mn)	1,200.00
52 Week High	18.38
52 Week Low	12.26
3M Avg. daily value (SAR)	2,639,112

2Q26 Result Review (SAR, Mn)	
Sales	2,774
Gross profit	340
Operating profit	253
Net Profit	236

Financial Ratios	
Dividend Yield (12m)	5.40
Dividend Pay-out (%)	101.80
Price-Earnings Ratio(x)	14.62
Price-to-Book Ratio (x)	8.70
Book Value (SAR)	1.47
Return-on Equity (%)	59.84

Stock Performance	
5 Days	2.78%
1 Months	10.77%
3 Months	25.26%
6 Months	33.09%
1 Year	41.41%
Month to Date (MTD%)	8.00%
Quarter to Date (QTD%)	8.00%
Year to Date (YTD%)	41.63%

2Q26 Net Profit in line with our estimate

Jarir Marketing Co ("JARIR", "The Company") reported a 19.5% YOY increase in net profit to SAR 236 Mn in 2Q26, in line with our estimate of SAR 229 Mn. The increase in net profit is largely driven by higher revenue from smartphones segment, partially offset by higher cost of sales, an increase in selling & marketing and G&A expenses and decline in other income.

P&L Highlights

The Company's revenue increased 7.2% YOY to SAR 2,774 Mn in 2Q26, primarily driven by higher revenue across most of the product categories especially in the smartphone segment. Furthermore, the revenue was supported by solid performance of GCC subsidiaries supported by previous quarter's inventory built up and efficient distribution network. However, on a sequentially basis, JARIR's revenue declined 8.7% in 2Q26, due to lower sales in certain product segments, particularly smartphones with revenue declining from a higher base in 1Q26. The Company's cost of sales rose 5.2% YOY to SAR 2,434 Mn in 2Q26. Consequently, gross profit increased 24.0% YOY to SAR 340 Mn in 2Q26, with the gross margins expanding by 167 bps YOY to 12.3% in 2Q26. The gross margin expansion was mainly driven by favourable product mix as the high margin stationary items and books witness an increase in sales alongside reduction in discount amid supply constraints in 2Q26, thereby enhancing profitability. On a QOQ basis the gross profit decreased marginally by 0.4% to SAR 340 Mn, while the gross profit margin increased from

11.2% in 1Q26 to 12.3% in 2Q26. Furthermore, operating profit increased by 16.4% YOY to SAR 253 Mn, with the operating margin rising from 8.4% in 2Q25 to 9.1% in 2Q26. Net profit increased 19.5% YOY to SAR 236 Mn, with the net profit margin expanding by 88 bps YOY to 8.5% in 2Q26.

Target Price and Rating

We maintain our HOLD rating on JARIR with a revised target price of SAR 17.50. JARIR delivered a solid set of results, with net profit increasing by 19.5% YOY to SAR 236 Mn in 2Q26, supported by broad-based revenue growth across its key product categories and an improvement in gross profitability. The Company continued to demonstrate operational resilience despite ongoing disruptions to major shipping routes by effectively diversifying logistics channels and maintaining efficient inventory management, thereby minimizing the impact on product availability and sales. JARIR's digital channel maintained healthy momentum, with online sales growing 11% YOY and accounting for c. 32% of total sales in 2Q26, supported by improvements in customer experience, new product offering and enhancement of digital platforms. Demand within the smartphone segment remained robust, with subscription and bundled programs gaining traction, accounting for 30% of segment sales in 2Q26. Gross margin also improved during the quarter, benefiting from a more favourable product mix, as higher-margin categories, including school supplies and books, recorded stronger sales. In 2Q26, Jarir continued to expand its retail footprint by opening a new showroom at Granada Mall in Riyadh spanning over 2,937 SQM of area, taking the total store count to 67 in Saudi Arabia and 78 overall, with an investment of SAR 24 Mn. Furthermore, JARIR also opened a new showroom at The Gate Mall in Kuwait with 2,310 SQM of area, replacing its Sama Mall location, with an investment of SAR 15 Mn. Also, the Company replaced the King Abdulaziz Road showroom with opening of a new showroom at Al-Madinah Road in Jeddah spanning 4,090 SQM, with an investment of SAR 32 Mn. The Company further plans to expand its retail footprint through selective store openings and relocations, with the expected addition of 2-3 showrooms in 2H26 to improve operational efficiency and customer accessibility. Looking ahead, we expect JARIR to continue benefiting from favorable consumer spending trends, supported by ongoing digital transformation initiatives, an expanding customer loyalty ecosystem, selective showroom additions and a continued focus on operational efficiency. These factors are expected to support sustainable revenue growth while preserving profitability over the medium term. Furthermore, JARIR continues to benefit from an asset-light operating model with low capital expenditure requirements and a debt-free balance sheet, supporting sustainable cash generation and financial flexibility. JARIR also distributed a cash dividend of SAR 252 Mn for 1Q26, equivalent to SAR 0.21 per share, reflecting its commitment towards shareholder returns. With JARIR focusing on expansion of its footprint, strengthening the omnichannel network and maintaining competitive pricing, we expect sustainable earnings growth in 2026. Accordingly, we revised our target price to SAR 17.50 to reflect improved earnings expectations and stronger operational execution; however, we maintain our HOLD rating as the current share price largely factors in these positives, leaving limited upside from current levels.

Jarir - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	21.60	22.09	22.01	21.99	20.42	18.41
PB	12.11	11.89	12.09	12.28	12.16	12.25
EV/EBITDA	17.25	17.62	17.41	17.37	16.12	15.02
BVPS	1.474	1.501	1.476	1.454	1.468	1.457
EPS	0.827	0.808	0.811	0.812	0.874	0.969
DPS	0.750	0.795	0.835	0.830	0.890	0.969
Dividend yield	4.2%	4.4%	4.7%	4.6%	5.0%	5.4%

FABS Estimates & Co Data

Jarir – P&L

SAR Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	2,589	3,038	2,774	2,937	-5.5%	7.2%	-8.7%	11,365	12,366	8.8%
Cost of Sales	-2,314	-2,697	-2,434	-2,614	-6.9%	5.2%	-9.8%	-9,949	-10,819	8.7%
Gross profit	**274**	**342**	**340**	**323**	**5.3%**	**24.0%**	**-0.4%**	**1,416**	**1,547**	**9.2%**
Operating profit	**217**	**269**	**253**	**250**	**1.1%**	**16.4%**	**-6.0%**	**1,125**	**1,247**	**10.9%**
Profit attributable	**197**	**253**	**236**	**229**	**3.1%**	**19.5%**	**-7.1%**	**1,049**	**1,163**	**10.9%**

FABS estimate & Co Data

Jarir - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	10.6%	11.2%	12.3%	167	102	12.5%	12.5%	5
Operating Profit	8.4%	8.8%	9.1%	72	26	9.9%	10.1%	19
Net Profit	7.6%	8.3%	8.5%	88	15	9.2%	9.4%	18

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 each to DDM and the RV valuation method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	18.40	50.0%	9.20
Dividend Discount Model (DDM)	20.26	25.0%	5.07
Relative Valuation (RV)	12.94	25.0%	3.23
Weighted Average Valuation (SAR)			**17.50**
Current market price (SAR)			17.92
Upside/Downside (%)			-2.3%

1) DCF Method:

Jarir is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 8.3%. The cost of equity is calculated by using a 10-year government bond yield of 5.4%, a beta of 0.70 and an equity risk premium of 4.1%. 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)	4,664
Terminal value (SAR, Mn)	17,414
FV to Common shareholders (SAR, Mn)	**22,078**
No. of share (Mn)	1,200
Current Market Price (SAR)	17.92
Fair Value per share (SAR)	**18.40**

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net income	1,163	1,255	1,341	1,424	1,517
D&A	184	186	190	194	199
Changes in working capital	-342	-72	-62	-282	-77
Payment of lease liabilities	-108	-110	-113	-116	-119
(-) Capex	-91	-98	-104	-110	-116
Free Cash Flow to Equity (FCFE)	**805**	**1,160**	**1,252**	**1,110**	**1,403**
Discounting Factor	0.96	0.89	0.82	0.76	0.70
Discounted FCFE	**776**	**1,033**	**1,029**	**843**	**983**

Source: FAB Securities

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 8.3%.

Sum of PV (SAR, Mn)	5,485
Terminal value (SAR, Mn)	18,828
FV to Common shareholders (SAR, Mn)	**24,313**
No. of shares (Mn)	1,200
Current Market Price (SAR)	17.92
Fair Value per share (SAR)	**20.26**

DDM Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
1Q	312	314	335	356	379
2Q	218	235	252	270	288
3Q	335	365	392	415	442
4Q	299	341	361	383	408
Total Dividend	**1,163**	**1,255**	**1,341**	**1,424**	**1,517**
Discounting Factor	0.96	0.89	0.82	0.76	0.70
Present Value of Dividend	**1,121**	**1,117**	**1,102**	**1,081**	**1,063**

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 2026 PE multiple of 13.3x, in line with the peer median multiple.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Extra	1,337	9.0	8.2	10.5	9.4
ABDULLAH AL-OTHAIM Markets Company	1,289	9.9	9.0	22.0	17.3
Savola Group Company	2,113	5.6	5.3	11.7	11.1
BinDawood Holding	1,434	8.9	8.2	22.8	20.5
Al Dawaa Medical Services Company	982	7.2	6.9	13.3	12.4
Average		**8.1x**	**7.5x**	**16.1x**	**14.1x**
Median		**8.9x**	**8.2x**	**13.3x**	**12.4x**
Max		**9.0x**	**8.2x**	**22.0x**	**17.3x**
Min		**7.2x**	**6.9x**	**11.7x**	**11.1x**

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%

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