

Jarir Marketing Company

Seasonal demand supports earnings growth amid rising logistics costs

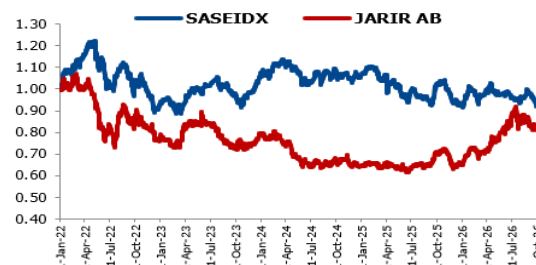
Current Price
SAR 17.13

Target Price
SAR 17.50

Upside/Downside (%)
+2.2%

Rating
HOLD

- Revenue grew 7.8% YOY to SAR 3,153 Mn in 3Q26, driven by higher revenue across most segments, particularly smartphones.
- Gross margin expanded 91 bps YOY to 15.8% in 3Q26, supported by seasonal demand and favourable product mix.
- Opened two new showrooms in Arar and King Fahd International Airport in Dammam during 3Q26, taking the total showroom count to 69 in Saudi Arabia and 80 overall.
- Digital channel maintained healthy momentum, with e-commerce sales accounted for 38% of total sales in 3Q26.
- Distributed SAR 240 Mn dividend, equivalent to SAR 0.20 per share in 2Q26.



Stock Information

Market Cap (SAR, Mn)	20,472.00
Paid Up Capital (Mn)	1,200.00
52 Week High	18.38
52 Week Low	12.26
3M Avg. daily value (SAR)	31,349,680

3Q26 Result Review (SAR, Mn)

Sales	3,153
Gross profit	499
Operating profit	396
Net Profit	374
Total Shareholder equity	1,819

Financial Ratios

Dividend Yield (12m)	5.57
Dividend Pay-out (%)	98.36
Price-Earnings Ratio(x)	18.35
Price-to-Book Ratio (x)	12.27
Book Value (SAR)	1.41
Return-on Equity (%)	67.25

Stock Performance

5 Days	6.49%
1 Months	3.77%
3 Months	-1.95%
6 Months	16.85%
1 Year	21.42%
Month to Date (MTD%)	7.09%
Quarter to Date (QTD%)	7.09%
Year to Date (YTD%)	33.49%

3Q26 Net Profit higher than our estimate

Jarir Marketing Co ("JARIR", "The Company") reported a 15.1% YOY increase in net profit attributable to equity shareholders to SAR 374 Mn in 3Q26, higher than our estimate of SAR 346 Mn. The increase in net profit is largely driven by higher sales across most product categories particularly smartphones which supported an increase in gross profit, higher other income coupled with decrease in net finance cost.

P&L Highlights

The Company's revenue increased 7.8% YOY to SAR 3,153 Mn in 3Q26, primarily driven by higher revenue across most of the product categories especially in the smartphone segment. On a QOQ basis, revenue increased 13.7% in 3Q26, driven by school and office supplies amid the back-to-school season, alongside continued growth in art materials and books. Sales was further supported by instalment payments and BNPL facilities. However, increases in prices of PC led to decline in PC sales partially offsetting the revenue. The Company's cost of sales rose 6.7% YOY to SAR 2,654 Mn in 3Q26. Consequently, gross profit increased 14.4% YOY to SAR 499 Mn in 3Q26, with the gross margins expanding by 91 bps YOY to 15.8% in 3Q26. The improvement in gross profitability reflects higher revenue alongside improved margins across several product categories. On a QOQ basis the gross profit surged 46.7% in 3Q26 with the gross profit margin increasing by 356 bps QOQ. This significant increase in gross profit was supported by seasonal demand during the back-to-school period, which drove sales of high margin school and office supplies. Operating

profit increased 14.8% YOY and 57.0% QOQ to SAR 396 Mn in 3Q26, with operating margin expanding 76 bps YOY and 347 QOQ in 3Q26. Net profit attributable to equity shareholders increased 15.1% YOY to SAR 374 Mn with margin increasing by 75 bps YOY to 11.9% in 3Q26.

Target Price and Rating

We maintain our HOLD rating on JARIR with a target price of SAR 17.50. JARIR delivered a solid set of results, with net profit attributable to equity shareholders increasing by 15.1% YOY to SAR 374 Mn in 3Q26, supported by seasonal demand during the back-to-school period and broad-based revenue growth across most of the product categories. The Company recorded a 6% increase in average basket value, alongside higher store footfall, supporting revenue growth despite a decline in conversion rates from 29% to 27%. Regional sales across GCC markets increased by c. 8% during the quarter. JARIR's profitability improved, with gross profit increasing 14.4% YOY to SAR 499 Mn in 3Q26, outpacing revenue growth and reflecting improved margins across most divisions. However, freight and insurance expenses remain a key pressure point on margins going forward. JARIR continues to strengthen the omnichannel distribution network, with physical showrooms accounting for 62% of total sales in 3Q26. The e-commerce and digital channels contributed 38% to the total sales in 3Q26, increase from 32% in 2Q26. On the retail front, JARIR opened two new showrooms in Saudi Arabia, a 4,432 SQM showroom on Prince Abdullah bin Abdulaziz bin Mosaed Road in Arar with an investment of SAR 48 Mn, making it 68th showroom in KSA and 79th overall. The Company also opened a 99 SQM outlet at King Fahd International Airport in Dammam, with an investment of SAR 2 Mn, making it 69th in Saudi Arabia and 80th overall. During 9M26, JARIR has opened five new showroom and replaced two across Saudi Arabia and Kuwait and is expected to open one more showroom by the end to the year, further expanding retail footprint and strengthening market presence thereby supporting revenue growth and improving customer accessibility. JARIR continues to maintain a quarterly dividend distribution policy, having distributed SAR 240 Mn during 2Q26, equivalent to SAR 0.20 per share. JARIR's 3Q26 performance demonstrates continued earnings resilience, supported by revenue growth, while the company's ability to manage supply-chain costs and preserve margins will remain important for the medium-term outlook. Looking ahead, we expect JARIR to sustain earnings growth, supported by seasonal demand continued traction in higher-margin product categories and the expansion of the omnichannel network. JARIR's strong market position and debt-free balance sheet should support resilient cash generation and profitability over the medium term. Accordingly, we maintain HOLD rating on the stock.

Jarir - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026
PE	19.38	19.82	19.76	19.74	18.32	16.52
PB	10.87	10.67	10.85	11.02	10.91	10.76
EV/EBITDA	15.45	15.77	15.62	15.59	14.45	13.46
BVPS	1.474	1.501	1.476	1.454	1.468	1.489
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	4.3%	4.6%	4.8%	4.8%	5.2%	5.6%

FABS Estimates & Co Data

Jarir - P&L

SAR Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Sales	2,925	2,774	3,153	3,087	2.1%	7.8%	13.7%	11,365	12,366	8.8%
Cost of Sales	-2,488	-2,434	-2,654	-2,624	1.1%	6.7%	9.1%	-9,949	-10,819	8.7%
Gross profit	436	340	499	463	7.8%	14.4%	46.7%	1,416	1,547	9.2%
Operating profit	345	253	396	367	7.9%	14.8%	57.0%	1,125	1,247	10.9%
Profit attributable	325	236	374	346	8.0%	15.1%	58.8%	1,049	1,163	10.9%

FABS estimate & Co Data

Jarir - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	14.9%	12.3%	15.8%	91	356	12.5%	12.5%	5
Operating Profit	11.8%	9.1%	12.6%	76	347	9.9%	10.1%	19
Net Profit	11.1%	8.5%	11.9%	75	337	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	16.98	50.0%	8.49
Dividend Discount Model (DDM)	20.79	25.0%	5.20
Relative Valuation (RV)	15.23	25.0%	3.81
Weighted Average Valuation (SAR)			17.50
Current market price (SAR)			17.13
Upside/Downside (%)			+2.2%

1) DCF Method:

Jarir is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 8.4%. The cost of equity is calculated by using a 10-year government bond yield of 5.7%, a beta of 0.70 and an equity risk premium of 3.9%. 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)	5,035
Terminal value (SAR, Mn)	15,340
FV to Common shareholders (SAR, Mn)	20,376
No. of share (Mn)	1,200
Current Market Price (SAR)	17.13
Fair Value per share (SAR)	16.98

DCF Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net income	1,163	1,255	1,340	1,423	1,513	1,610
D&A	184	186	190	194	199	197
Changes in working capital	-342	-72	-62	-281	-77	-213
Payment of lease liabilities	-108	-110	-113	-116	-119	-122
(-) Capex	-91	-98	-104	-110	-116	-123
Free Cash Flow to Equity (FCFE)	805	1,160	1,250	1,110	1,400	1,349
Discounting Factor	0.98	0.91	0.84	0.77	0.71	0.66
Discounted FCFE	198¹	1,052	1,046	857	997	886

Source: FAB Securities, ¹Adjusted 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 value JARIR using the DDM valuation method. The dividend is discounted at the cost of equity of 8.4%.

Sum of PV (SAR, Mn)	6,636
Terminal value (SAR, Mn)	18,315
FV to Common shareholders (SAR, Mn)	24,951
No. of shares (Mn)	1,200
Current Market Price (SAR)	17.13
Fair Value per share (SAR)	20.79

DDM Method

(All Figures in SAR Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
1Q	252	314	335	356	378	403
2Q	240	235	252	270	287	306
3Q	335	365	392	415	441	469
4Q	336	341	361	383	407	433
Total Dividend	1,163	1,255	1,340	1,423	1,513	1,610
Discounting Factor	0.98	0.91	0.84	0.77	0.71	0.66
Present Value of Dividend	1,143	1,138	1,121	1,098	1,077	1,058

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 2027 PE multiple of 14.6x, in line with the peer median multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2027F	2028F	2027F	2028F
Extra	1,179	6.5	6.0	8.6	8.0
ABDULLAH AL-OTHAIM Markets Company	973	9.6	8.7	18.4	14.0
Savola Group Company	1,896	5.3	5.1	10.1	9.0
BinDawood Holding	1,342	8.0	7.5	18.1	17.4
Al Dawaa Medical Services Company	797	6.9	6.6	14.6	13.1
Average		7.2x	6.8x	14.0x	12.3x
Median		6.9x	6.6x	14.6x	13.1x
Max		8.0x	7.5x	18.1x	14.0x
Min		6.5x	6.0x	10.1x	9.0x

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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