

Jarir Marketing Company

Higher opex marginally impacted profit

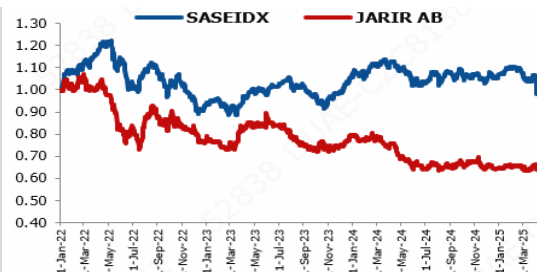
Current Price
SAR 12.56

Target Price
SAR 14.50

Upside/Downside (%)
+15.4%

Rating
BUY

- Revenue rose 2.7% YOY to SAR 2,720 Mn in 1Q25 due to growth in the smartphone and after-sales service segment.
- Gross margin remained flat at 11.1% in 1Q25 compared to 1Q24.
- Operating profit declined 0.8% YOY to SAR 236 Mn in 1Q25 due to a rise in selling and marketing expenses. Operating margins fell 30 bps YOY to 8.7% in 1Q25.
- The Company declared a cash dividend of SAR 0.23 per share, which is equivalent to SAR 276 Mn for 4Q24.
- Jarir opens new showroom at Red Sea Mall, Jeddah and another at Al-Fanateer District, Jubail Industrial City, replacing Al-Huwailat location, bringing the total number of showrooms to 74 across all regions.



1Q25 Net Profit is lower than our estimate

Jarir Marketing Co ("JARIR", "The Company") reported a 0.9% YOY decline in net profit to SAR 217 Mn in 1Q25, lower than our estimates of SAR 243 Mn. The decline in net profit was primarily attributable due to an increase in selling and marketing expenses, partially offset by an increase in other income.

P&L Highlights

The Company's revenue increased 2.7% YOY to SAR 2,720 Mn in 1Q25 mostly due to expansion in certain areas, namely smartphones and after sale services segment. However, the cost of sales grew almost in line with sales by 2.6% YOY to SAR 2,418 Mn in 1Q25. As a result, the gross profit increased by 2.7% YOY to SAR 303 Mn in 1Q25. Moreover, the gross profit margin remained flat at 11.1% in 1Q25 compared to 1Q24. JARIR's operating profit declined by 0.8% YOY to SAR 236 Mn in 1Q25 attributed to an increase in selling & marketing expenses partially offset by a growth in non-operating income. However, the operating profit margin contracted by 30 bps YOY to 8.7% in 1Q25.

Target Price and Rating

We maintain our BUY rating on Jarir with a revised target price of SAR 14.50. 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 and the replacement of existing stores with new ones. The expansion plan will include new stores in new areas of KSA, Kuwait, UAE and Bahrain. Jarir recorded a topline growth of 2.7% YOY in 1Q25 with a flat gross margin. However, net profit reduced by 0.9% YOY in 1Q25 to SAR 217 Mn, due to high marketing and selling expenses, partially offset by growth in non-operating income.

Stock Information

Market Cap (SAR, Mn)	15,168.00
Paid Up Capital (Mn)	1,200.00
52 Week High	14.10
52 Week Low	12.32
3M Avg. daily value (SAR)	20,897,010

1Q25 Result Review (SAR, Mn)

Sales	2,720
Gross profit	303
Operating profit	236
Net Profit	217

Financial Ratios

Dividend Yield (12m)	6.57
Dividend Pay-out (%)	102.26
Price-Earnings Ratio(x)	15.68
Price-to-Book Ratio (x)	8.69
Book Value (SAR)	1.45
Return-on Equity (%)	55.39

Stock Performance

5 Days	-1.86%
1 Months	0.80%
3 Months	-2.02%
6 Months	-4.24%
1 Year	-8.93%
Month to Date (MTD%)	-2.62%
Quarter to Date (QTD%)	-2.62%
Year to Date (YTD%)	-0.16%

Jarir, a leading provider of maintenance and warranty services for brands like Apple and Samsung, may see its growth impacted by the launch of official Apple online and flagship stores in KSA. To diversify, the Company expanded its product range, including over 500,000 English book titles, exclusive online products, and a musical instruments section aligned with education plans. It also plans to launch a dedicated section for gaming computers and accessories, which is expected to boost sales in the forthcoming period. The company invests heavily in marketing and partnerships with banks, offering exclusive promotions and discounts. Focuses on improving its user interface and technology, with a new version of its bookstore platform. Jarir has signed an MoU with Aman Non-Bank Financial Services to establish a consumer finance company. The establishment of a new entity might lead to capital investment, resulting in lower payouts in the future. It plans to open 4-5 new showrooms in 2025, increasing export sales and expanding sales to private schools. Based on this, we assign BUY rating on the stock.

Jarir - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	15.2	15.4	15.7	15.7	15.6	15.4
PB	8.8	8.6	8.5	8.6	9.2	8.6
EV/EBITDA	12.1	12.2	12.4	12.4	12.5	12.2
Dividend yield	6.2%	5.9%	6.3%	6.6%	6.6%	6.6%

FABS Estimates & Co Data

Jarir - P&L

SAR Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	2,650	2,864	2,720	2,741	-0.7%	2.7%	-4.3%	10,831	11,224	3.6%
Cost of Sales	-2,355	-2,512	-2,418	-2,412	0.2%	2.6%	-4.0%	-9,506	-9,877	3.9%
Gross profit	295	353	303	329	-8.0%	2.7%	-6.8%	1,324	1,347	1.7%
Operating profit	238	294	236	263	-10.4%	-0.8%	-10.6%	1,053	1,071	1.8%
Profit attributable	219	275	217	243	-10.5%	-0.9%	-11.8%	974	990	1.6%

FABS estimate & Co Data

Jarir - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	11.1%	12.3%	11.1%	1	-119	12.2%	12.0%	-23
Operating Profit	9.0%	10.3%	8.7%	-30	-161	9.7%	9.5%	-18
Net Profit	8.3%	9.6%	8.0%	-29	-162	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	14.92	50.0%	7.46
Dividend Discount Model (DDM)	14.60	25.0%	3.65
Relative Valuation (RV)	13.58	25.0%	3.39
Weighted Average Valuation (SAR)			14.50
Current market price (SAR)			12.56
Upside/Downside (%)			+15.4%

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 4.4%, 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)	4,148
Terminal value (SAR, Mn)	13,753
FV to Common shareholders (SAR, Mn)	17,901
No. of share (Mn)	1,200
Current Market Price (SAR)	12.56
Fair Value per share (SAR)	14.92

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net income	990	1,066	1,087	1,106	1,132
D&A	182	182	183	184	186
Changes in working capital	134	-17	-18	-20	-19
Payment of lease liabilities	-114	-115	-116	-117	-118
(-) Capex	-68	-69	-71	-73	-75
Free Cash Flow to Equity (FCFE)	1,124	1,047	1,064	1,081	1,106
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFE¹	798	917	861	808	764

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)	4,140
Terminal value (SAR, Mn)	13,374
FV to Common shareholders (SAR, Mn)	17,514
No. of share (Mn)	1,200
Current Market Price (SAR)	12.62
Fair Value per share (SAR)	14.60

DDM Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
1Q	235	253	258	263	269
2Q	181	189	193	198	204
3Q	268	292	300	307	313
4Q	257	278	281	283	289
Total Dividend	940	1,013	1,032	1,051	1,075
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Present Value of Dividend	891	886	835	786	743

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	1,864	10.7	9.4	13.9	11.9
ABDULLAH AL-OTHAIM MARKETS COMPANY	2,206	11.2	10.2	19.4	17.3
SAVOLA GROUP COMPANY	2,444	6.2	5.7	15.1	12.6
BinDawood Holding	1,893	9.7	9.2	22.9	20.9
Al Dawaa Medical Services Company	1,786	9.3	8.7	16.5	14.6
Average		9.4x	8.6x	17.5x	15.5x
Median		9.7x	9.2x	16.5x	14.6x
Max		10.7x	9.4x	19.4x	17.3x
Min		9.3x	8.7x	15.1x	12.6x

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

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