



Stronger revenues and lower operating expenses offset the decline in gross margins

Jarir posted a net income of SAR 273.1mn in Q4-23, down 7.8% Q/Q while up 2.1% Y/Y, respectively. The net profit was inline with our expectation of SAR 266mn (deviation of +2.1%). Revenues totaled SAR 2,802.5mn in Q4-23, up 8.7% Y/Y (+6.2% Q/Q), this was 1.6% above our estimate of SAR 2,757.3mn. The Y/Y growth in revenue can be attributed to increase in sales of smartphones, computers and video games. The GP margin came-in at 11.7% in Q4-23 from 13.2% in Q4-22 and 14.6% in Q3-23. The company experienced a decline in margins in several sections especially smartphones. On a full year 2023 basis, despite increase in operating profits by 2.6%, the company reported a miniscule 0.3% Y/Y increase in net income to SAR 973mn, due to increase finance expense & zakat expense. Our view on Jarir is supported by its expansion plans, healthy return profile & strong dividend yields. At a 2024E P/E of 17.8x we retain our **“Overweight”** recommendation with a TP of SAR 17.9/share.

- Jarir posted a net income of SAR 273.1mn in Q4-23, down 7.8% Q/Q while up 2.1% Y/Y, respectively. The net profit was inline with our expectation of SAR 266mn (deviation of +2.1%). On an Y/Y basis lower gross profits (due to change in sales mix towards lower margin sections) were offset by a decline in operating expenditures. On a full year 2023 basis, despite increase in operating profits by 2.6%, the company reported a miniscule 0.3% Y/Y increase in net income to SAR 973mn, due to increase finance expense and zakat expense (in 2022 there was a SAR 17mn reversal in Zakat provision).
- The company's revenue totaled SAR 2,802.5mn in Q4-23, up 8.7% Y/Y (+6.2% Q/Q), this was 1.6% above our estimate of SAR 2,757.3mn. The Y/Y rise in revenue can be mainly attributed to increase in sales of smartphones, computers and video games. On a full year basis revenues grew by 12.8% Y/Y in 2023, we expect Jarir's revenue to increase by 7.0% Y/Y in FY24E, mainly driven by the expansion of new stores. Jarir opened three new showrooms in 2023, one in Sharjah, one in Kuwait and one in Jeddah. Showroom in Al-Rashid mall in Al-khobar, that was closed in Q1-23, was reopened in a bigger facility in the same mall in Q2-23. Whereas the company closed its showroom located in Dalma Mall in Abu Dhabi.
- Gross profits declined 3.9% Y/Y to SAR 328.2mn (-14.6% Q/Q); The GP margin came-in at 11.7% in Q4-23 from 13.2% in Q4-22 and 14.6% in Q3-23. The company experienced a decline in margins in several sections especially smartphones, moreover there was a change in sales mix towards less profitable sections. Also some part of the decline in margins can be attributed to discounts and promotions given on smartphones and computers to boost revenues. Overall, on an Y/Y basis gross margin declined by 167bps to 12.0% in 2023.
- Operating profit was recorded at SAR 289.7mn (-8.3% Q/Q and +8.3% Y/Y), 1.8% above our estimate of SAR 284.7mn. Consequently, the OPEX-to-sales ratio declined to 1.4% in Q4-23, as compared to 2.9% in Q4-22 (2.6% in Q3-23).

AJC view and valuation: Jarir's net profit was 2.1% above our estimate in Q4-23. The higher than expected sales were offset by lower gross profit, however lower opex supported income. We expect 2024 earnings for the company to grow by 5.7% Y/Y to SAR 1,028mn. Our view on Jarir is supported by the company's expansion plans, healthy return profile and strong dividend yields, despite the current competitive market. The stock is currently trading at a P/E of 17.8x based on our FY24 EPS estimate. We retain our **“Overweight”** recommendation on the stock with a TP of **SAR 17.9/share**.

Results Summary

SARmn (unless specified)	Q4-22	Q3-23	Q4-23	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,577.3	2,639.0	2,802.4	8.7%	6.2%	1.6%
Gross Profit	341.5	384.4	328.2	-3.9%	-14.6%	-9.0%
<i>Gross Margin</i>	<i>13.2%</i>	<i>14.6%</i>	<i>11.7%</i>	-	-	-
EBIT	267.5	316.1	289.7	8.3%	-8.3%	1.8%
Net Profit	267.6	296.3	273.1	2.1%	-7.8%	2.7%
EPS	0.22	0.25	0.23	-	-	-

Source: Company Reports, Aljazira Capital

Recommendation **Overweight**

Target Price (SAR) 17.9

Upside / (Downside)* 18.3%

Source: Tadawul *prices as of 29th of Jan 2024

Key Financials

SARmn (unless specified)	FY21	FY22	FY23E	FY24E
Revenues	9,088	9,392	10,594	10,769
Growth %	-2.3%	3.3%	12.8%	1.7%
Net Income	992	970	973	1,028
Growth %	-1.1%	-2.2%	0.3%	5.7%
EPS	8.3	0.81*	0.81*	0.86*

Source: Company reports, Aljazira Capital, *- adjusted for stock split

Key Ratios

	FY21	FY22	FY23E	FY24E
Gross Margin	13.5%	13.7%	12.0%	12.6%
Net Margin	10.9%	10.3%	9.2%	9.5%
P/E (x)	23.8	20.5	18.7	17.8
P/B (x)	13.3	11.1	9.6	9.1
EV/EBITDA (x)	19.6	17.0	15.0	14.0
Dividend Yield	4.0%	4.6%	4.8%	5.1%

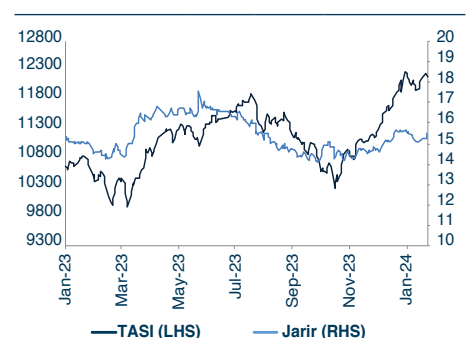
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap(bn)	18.5
YTD%	1.3%
52 week (High)/(Low)	17.6/14.0
Share Outstanding (bn)	1.2

Source: Company reports, Aljazira Capital

Price Performance



Source: Bloomberg, Aljazira Capital

Senior Equity Analyst
Fahad Qureshi, CFA
+966 11 2256315
f.iran@aljaziracapital.com.sa





RESEARCH DIVISION

Head of Sell-Side Research - AGM
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH
DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING
TERMINOLOGY

1. **Overweight:** This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. **Underweight:** This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. **Neutral:** The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. **Suspension of rating or rating on hold (SR/RH):** This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer

The purpose of producing this report is to present a general view on the company/economic sector/economic subject under research, and not to recommend a buy/sell/hold for any security or any other assets. Based on that, this report does not take into consideration the specific financial position of every investor and/or his/her risk appetite in relation to investing in the security or any other assets, and hence, may not be suitable for all clients depending on their financial position and their ability and willingness to undertake risks. It is advised that every potential investor seek professional advice from several sources concerning investment decision and should study the impact of such decisions on his/her financial/legal/tax position and other concerns before getting into such investments or liquidate them partially or fully. The market of stocks, bonds, macroeconomic or microeconomic variables are of a volatile nature and could witness sudden changes without any prior warning, therefore, the investor in securities or other assets might face some unexpected risks and fluctuations. All the information, views and expectations and fair values or target prices contained in this report have been compiled or arrived at by Al-Jazira Capital from sources believed to be reliable, but Al-Jazira Capital has not independently verified the contents obtained from these sources and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. Al-Jazira Capital shall not be liable for any loss as that may arise from the use of this report or its contents or otherwise arising in connection therewith. The past performance of any investment is not an indicator of future performance. Any financial projections, fair value estimates or price targets and statements regarding future prospects contained in this document may not be realized. The value of the security or any other assets or the return from them might increase or decrease. Any change in currency rates may have a positive or negative impact on the value/return on the stock or securities mentioned in the report. The investor might get an amount less than the amount invested in some cases. Some stocks or securities maybe, by nature, of low volume/trades or may become like that unexpectedly in special circumstances and this might increase the risk on the investor. Some fees might be levied on some investments in securities. This report has been written by professional employees in Al-Jazira Capital, and they undertake that neither them, nor their wives or children hold positions directly in any listed shares or securities contained in this report during the time of publication of this report, however, The authors and/or their wives/children of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. This report has been produced independently and separately by the Research Division at Al-Jazira Capital and no party (in-house or outside) who might have interest whether direct or indirect have seen the contents of this report before its publishing, except for those whom corporate positions allow them to do so, and/or third-party persons/institutions who signed a non-disclosure agreement with Al-Jazira Capital. Funds managed by Al-Jazira Capital and its subsidiaries for third parties may own the securities that are the subject of this document. Al-Jazira Capital or its subsidiaries may own securities in one or more of the aforementioned companies, and/or indirectly through funds managed by third parties. The Investment Banking division of Al-Jazira Capital maybe in the process of soliciting or executing fee earning mandates for companies that is either the subject of this document or is mentioned in this document. One or more of Al-Jazira Capital board members or executive managers could be also a board member or member of the executive management at the company or companies mentioned in this report, or their associated companies. No part of this report may be reproduced whether inside or outside the Kingdom of Saudi Arabia without the written permission of Al-Jazira Capital. Persons who receive this report should make themselves aware, of and adhere to, any such restrictions. By accepting this report, the recipient agrees to be bound by the foregoing limitations.

Asset Management | Brokerage | Investment Banking | Custody | Advisory

Head Office: King Fahad Road, P.O. Box: 20438, Riyadh 11455, Saudi Arabia, Tel: 011 2256000 - Fax: 011 2256068