



Revenues impacted by lower video game sales, while GP margin improved on more after-sales services; other income is the likely cause of deviation

Jarir posted a net income of SAR 197.2mn in Q2-25, up 15.3% Y/Y while down 9.2% Q/Q, respectively. The net profit was largely inline with our expectation of SAR 185.4mn (deviation of +6.4%). The deviation to our estimate is most likely due to higher other income. Revenue totaled at SAR 2,648.3mn in Q2-25, down 0.1% Y/Y (-2.6% Q/Q), this was inline with our estimate of SAR 2,723.3mn. Gross profits increased by 4.5% Y/Y to SAR 274.4mn (-9.3% on a sequential basis). Operating profit was recorded at SAR 216.9mn (+14.8% Y/Y and -8.0% Y/Y), 6.6% above our estimate of SAR 204mn. The OPEX-to-sales ratio declined to 2.2% in Q2-25, as compared to 2.5% in Q1-25 (2.8% in Q2-24), note that our opex calculation includes other income, which might be the key contributor to the decline in opex to sales ratio. Change in consumer preferences towards HORECA & other entertainment avenues, rising number of physical & online stores, and launch of Apple stores dampen Jarir's investment case. We retain our "Neutral" recommendation on the stock with a TP of SAR 14.5/share.

- Jarir posted a net income of SAR 197.2mn in Q2-25, up 15.3% Y/Y while down 9.2% Q/Q, respectively. The net profit was largely inline with our expectation of SAR 185.4mn (deviation of +6.4%), while it was 10.8% above consensus estimate of SAR 178.1mn. The deviation to our estimate is most likely due to higher other income. Other comprehensive income was lower than net profit due to exchange losses related to the subsidiary in Egypt, as authorities decided to devalue Egyptian pound.
- The company's revenue totaled at SAR 2,648.3mn in Q2-25, down 0.1% Y/Y (-2.6% Q/Q), this was inline with our estimate of SAR 2,723.3mn (deviation -2.8%). The Y/Y decline in topline is mainly owed to lower sales of the video game segment. The company opened one new showroom in Jeddah and two replacement showrooms in Jubail industrial city and Onaizah city.
- Gross profits increased by 4.5% Y/Y to SAR 274.4mn (-9.3% on a sequential basis); The GP margin came-in at 10.4% in Q2-25 from 11.1% in Q1-25 and 9.9% in Q2-24. The Y/Y improvement in gross margins is owed to higher after sales services that are relatively more profitable.
- Operating profit was recorded at SAR 216.9mn (+14.8% Y/Y and -8.0% Y/Y), 6.6% above our estimate of SAR 204mn. Operating margins improved by 106bps Y/Y to 8.2%, the OPEX-to-sales ratio declined to 2.2% in Q2-25, as compared to 2.5% in Q1-25 (2.8% in Q2-24), note that our opex calculation includes other income, which might be the key contributor to the decline in opex to sales ratio.

AJC view and valuation: Jarir is expected to continue to be adversely impacted by (1) change in consumer preferences towards HORECA and other entertainment avenues, (2) rising number of physical and online stores that are intensifying competition, (3) launch of Apple stores - Apple products constitute 20-25% of sales. In this back drop we see revenue and bottom-line growth to remain in low single digits and margins to undergo a nominal expansion in the medium term. New store launches, strong dividend yield of 6.3% and plans to enter into consumer finance business are key positive triggers for the company. We retain our "Neutral" recommendation on the stock with a TP of SAR 14.5/share.

Results Summary

SAR mn	Q2-24	Q1-25	Q2-25	Change Y/Y	Change Q/Q	Deviation from AJC Estimates
Revenue	2,650.0	2,720.2	2,648.3	-0.1%	-2.6%	-2.8%
Gross Profit	262.5	302.7	274.4	4.5%	-9.3%	0.8%
Gross Margin	9.9%	11.1%	10.4%	0.46%	-0.77%	0.37%
EBIT	189.0	235.7	216.9	14.8%	-8.0%	6.6%
Net Profit	171.1	217.3	197.2	15.3%	-9.2%	6.4%
EPS	0.14	0.18	0.16			

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	14.5
Upside / (Downside)*	14.0

Source: Tadawul *prices as of 13th of July 2025

Key Financials

SARmn (unless specified)	FY23	FY24	FY25E	FY26E
Revenues	10,595	10,831	11,294	11,896
Growth %	12.8%	2.2%	4.3%	5.3%
Net Income	973	974	993	1,071
Growth %	0.3%	0.1%	1.9%	7.9%
EPS	0.81	0.81	0.83	0.89
DPS	0.80	0.80	0.80	0.80

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25E	FY26E
Gross Margin	12.0%	12.2%	12.1%	12.3%
Oper. Margin	9.9%	9.7%	9.5%	9.7%
Net Margin	9.2%	9.0%	8.8%	9.0%
ROA	23.3%	23.2%	23.1%	24.4%
ROE	54.0%	56.9%	55.6%	58.8%
P/E	19.21	15.65	15.37	14.25
P/B	10.6	8.5	8.3	8.1
Dividend Yield	5.1%	6.5%	6.3%	6.3%

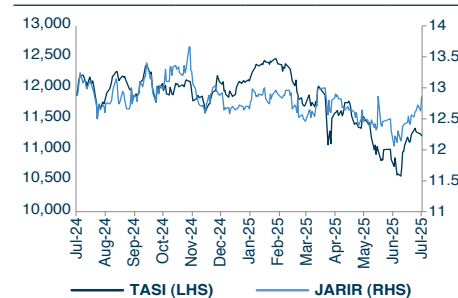
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	15.2
YTD%	-0.2%
52 week (High)/(Low)	13.7/12.0
Share Outstanding (bn)	1.2

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
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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.

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