

## Strong earnings momentum, but structural headwinds and rich valuation keep us “Neutral”

Jarir’s share price has rallied 29% YTD, underpinned by a strong earnings outturn, with Q1-26 net profit rising 16.7% Y/Y to SAR 253.5mn on the back of an 11.7% Y/Y increase in revenues to SAR 3.04bn. The acceleration in growth was primarily driven by the company’s renewed focus on e-commerce, with online sales increasing 42.6% Y/Y during the quarter. While we acknowledge Jarir’s strong brand equity, attractive dividend yield, and improved earnings outlook, we remain cautious on the stock for three key reasons: (1) the increasing contribution of the highly competitive and structurally low-margin smartphones & electronic segment to the sales mix, (2) limited exposure to higher-margin categories such as white goods & home appliances, and (3) the ongoing digitalisation of offices & educational institutions, which pose a structural headwind to the traditional stationery business. Furthermore, we believe part of the recent earnings improvement is unlikely to be sustainable, as it was supported by inventory build-up ahead of supplier-led price increases, providing a temporary boost to margins. Overall, we revise up 2026/2027E earnings by 6.3/10.1% and forecast 2025-28 earnings CAGR of 7.7%. Trading at 2026E PE of 17.4x vs 5-year average of 17.9x, we maintain our “Neutral” rating on the stock with a price target of SAR 16.1/share.

**Exceeded market expectations in Q1-26 due to stronger sales across all segments and, lower selling and marketing cost intensity:** Jarir reported net income of SAR 253.5mn in Q1-26, up 16.7% Y/Y and down 18.2% Q/Q, respectively. The results were 3.2% and 8.5% above our and consensus estimates of SAR 245.6mn and SAR 233.7mn, respectively. The slight deviation is primarily attributable to higher-than-expected sales (+5.3% deviation); mainly from the online segment. Revenues posted a strong increase of 11.7% Y/Y while they were up 4.9% sequentially. The increase in topline was due to increased sales in most segments, especially the smartphone section. Overall, average revenue per store declined by 2.1% Y/Y to SAR 26.9mn in Q1-26. Segment wise smartphones & electronics segment saw 18.3% Y/Y increase in revenues, Other IT products segment saw a 6.4% Y/Y increase in sales, and Books & office segment experienced a 9.9% Y/Y growth in topline. Channel wise retail/wholesale/e-comm sales grew by 4.2/15.2/42.6% Y/Y, respectively. Gross profit was up 12.9% Y/Y (down 15.2% Q/Q) to SAR 341.7mn (-12bps deviation to AJBC estimate); gross margins expanded 12bps Y/Y to 11.9% (-60bps deviation to AJBC estimate). Operating profit grew by 14% Y/Y (-17.8% Q/Q) to SAR 268.6mn (+2.3% deviation to AJBC estimate); operating margin expanded 17bps Y/Y, (-25bps deviation to AJBC estimate). Expansion in operating margins was on account of 38bps decrease in selling & marketing costs intensity to 1.6% of revenue. The company opened two new showrooms in Q1-26, one is Madinah and one in Al-Baha. Overall, the company plans on adding seven new stores in 2026.

**Renewed focus on E-commerce has helped its share in sales grow to ~33%, but the quality of growth is debatable, as pre-zakat/tax margins in e-commerce were 6.2% vs 8.6% for retail in Q1-26:** After delivering low single-digit revenue growth over the past two years (+2.2/4.9% Y/Y in 2024/25, respectively), Jarir witnessed a notable acceleration in topline momentum in Q1-26, with revenues increasing 11.7% Y/Y to SAR3.04bn. The resurgence in growth was primarily driven by the e-commerce channel, where sales rose 42.6% Y/Y to SAR1.0bn during the quarter and have more than doubled (+113%) compared to Q1-24. As a result, e-commerce has become an increasingly important contributor to the business, accounting for 26.0% of total revenues in Q1-26, compared with 26.0% in Q1-25 & 17.7% in Q1-24. While we acknowledge the success of the company’s digital strategy and its ability to capture shifting consumer preferences, we remain cautious for several reasons, (1) the online channel operates in an intensely competitive environment characterized by limited pricing power. The segment competes directly with specialized electronics retailers, telecom operators, domestic marketplaces, and international e-commerce platforms, all of which compete aggressively on pricing, promotions, and delivery. We highlight that in Q1-26 pre-zakat/tax margin of e-commerce channel stood at 6.2% vs 8.6% for retail outlets, (2) We believe a meaningful portion of online growth reflects channel migration rather than incremental demand creation. On a trailing twelve-month basis, store sales have declined by approximately 5% (SAR 427mn), while online revenues have increased by 44% (SAR 1,210mn), indicating a considerable degree of cannibalization of brick-and-mortar sales.

<b>Recommendation</b>	<b>Neutral</b>
<b>Target Price (SAR)</b>	<b>16.1</b>
<b>Upside / (Downside)*</b>	<b>-2.3%</b>

Source: Tadawul \*prices as of 22<sup>nd</sup> of June, 2026

### Key Financials

SARmn (unless specified)	FY24	FY25	FY26E	FY27E
Revenues	10,831	11,365	12,224	13,033
Growth %	2.2%	4.9%	7.6%	6.6%
Gross profit	1,324	1,416	1,516	1,637
EBIT	1,053	1,125	1,217	1,321
Net Income	974	1,049	1,139	1,237
Growth %	0.1%	7.7%	8.5%	8.6%
EPS	0.81	0.87	0.95	1.03
DPS	0.80	0.90	0.90	1.00

Source: Company reports, Aljazira Capital Research

### Key Ratios

	FY24	FY25	FY26E	FY27E
Gross Margin	12.2%	12.5%	12.4%	12.6%
EBIT margin	9.7%	9.9%	10.0%	10.1%
Net Margin	9.0%	9.2%	9.3%	9.5%
P/E (x)	15.8	14.8	17.4	16.0
P/B (x)	8.8	8.6	10.8	10.4
EV/EBITDA (x)	13.1	11.9	14.8	13.8
Dividend Yield	6.6%	6.6%	5.5%	5.9%

Source: Company reports, Aljazira Capital Research

### Key Market Data

Market Cap(bn)	19.7
YTD%	<b>29.03%</b>
52 week (High)/(Low)	16.9/12.2
Share Outstanding (mn)	1200.0

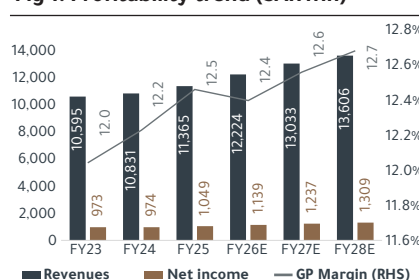
Source: Tadawul, Aljazira Capital Research

### Price Performance (Indexed)



Source: Tadawul, Aljazira Capital Research

### Fig 1: Profitability trend (SAR mn)



Source: Company Reports, Aljazira Capital

### Senior Equity Analyst

Fahad Qureshi, CFA

+966 11 2256315

f.irfan@aljaziracapital.com.sa

Hence, a shift towards digital channels does not necessarily represent entirely new revenue generation and therefore provides a less meaningful uplift to the company's overall earnings profile than headline e-commerce growth figures may suggest. (3) We believe the pace of e-commerce growth is likely to moderate from current levels. Online sales have averaged SAR 1.05bn per quarter over the last three quarters, suggesting that the business is approaching a significantly higher base. As the revenue base expands, maintaining high growth rates becomes increasingly challenging, implying a normalization in growth trajectories over the medium term.

**Changing consumer trends, adoption of digital tools, and launch of apple stores are key medium term headwinds; venture into consumer finance can be a long term trigger:** We highlight (1) change in consumer spending preferences - consumers are spending more on HORECA and other entertainment avenues (concerts, sport events) and less on electronics, (2) accelerated adoption of digital tools (digital note pads, smart pens, interactive white boards, cloud services and Artificial intelligence) in schools and offices and (3) launch of Apple store as key headwinds for Jarir in the medium term. On the flipside, Jarir signed a non-binding memorandum of understanding (MoU) with Aman Non-Bank Financial Services and Electronic Payments Co. (Egypt) to establish a consumer finance company, with an initial capital of SAR 100mn. The aforementioned can act as a positive trigger for the stock, however, we await more details before incorporating it in our working.

**Earnings forecasts revised upward; strong cash generation supports attractive dividend yield:** Incorporating the stronger-than-expected operating performance and recent business developments, we revise up our 2026/2027E revenue forecasts by 2.8% and 5.8%, respectively, and our net income estimates by 6.3% and 10.1%. We now expect Jarir to deliver revenue growth of 7.6% and net profit growth of 8.5% in 2026. Over the medium term (2025-28), we forecast revenue and net income CAGR of 6.2% and 7.7%, respectively. The company also exceeded our margin expectations in 2025. Reflecting the improved profitability profile, we raise our 2026/2027E gross margin assumptions by 14bps and 19bps to 12.4% and 12.6%, respectively. The margin expansion is expected to support earnings growth despite a more competitive operating environment. We forecast dividends per share of SAR 0.90 and SAR 1.00 in 2026E and 2027E, implying attractive dividend yields of 5.5% and 5.9%, respectively. The company's ability to sustain an elevated payout profile is underpinned by its exceptionally strong financial position. Jarir maintains a debt-free balance sheet, operates a low capital-intensive business model—with capex averaging just 0.6% of sales over the past five years—and generates robust free cash flow, with operating cash flow per share expected to reach SAR0.94 in 2026E.

**Investment thesis:** E-commerce is driving topline momentum for Jarir, but incremental profitability & the quality of growth are debatable, as pre-zakat/tax margins in e-commerce were 6.2% vs 8.6% for retail in Q1-26. While we acknowledge Jarir's strong brand equity, attractive dividend yield, and improved earnings outlook, we remain cautious on the stock for three key reasons: (1) the increasing contribution of the highly competitive and structurally low-margin smartphones & electronics segment to the sales mix, (2) limited exposure to higher-margin categories such as white goods & home appliances, and (3) the ongoing digitalization of offices & educational institutions, which pose a structural headwind to the traditional stationery business. After rallying 29% YTD Jarir trades at 2026E PE of 17.4x vs last 5-year average of 17.9x.

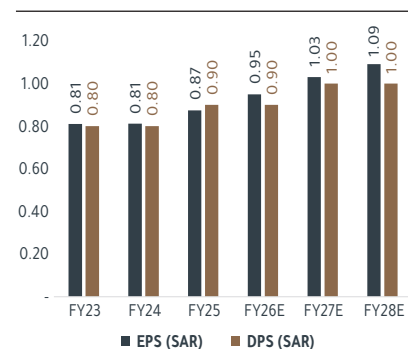
**Valuation:** We value Jarir assigning 50% weight to DCF (2.5% terminal growth and 9.9% WACC), while we assign 50% weight to PE (17.0x based on FY27E EPS). We maintain our "Neutral" recommendation to on Jarir, with a revised-up TP of **SAR 16.1/share**.

### Valuation Methodology

	TP (SAR)	Weight	Weighted TP
DCF	16.2	50%	8.1
P/E (for 2026E, 17x)	15.9	50%	8.0
<b>Recommended Target Price (SAR/share)</b>			<b>16.1</b>
<b>Up/Downside (%)</b>			<b>-2.4%</b>

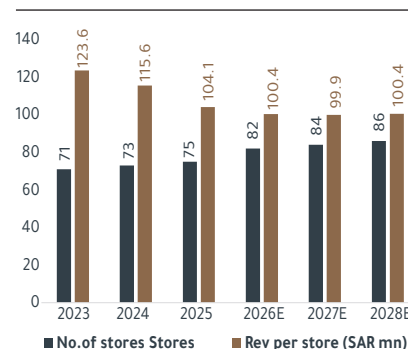
Source: Aljazira Capital research, prices as of 22<sup>nd</sup> June, 2026

Fig 2: EPS and DPS



Source: Company reports, Aljazira Capital Research

Fig 3: No. of stores and Rev per store



Source: Company reports, Aljazira Capital Research

## Key Financial Data

Amount in SARmn, unless otherwise specified	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
<b>Income statement</b>							
Revenues	10,831	11,365	12,224	13,033	13,606	14,103	14,563
Y/Y	2.2%	4.9%	7.6%	6.6%	4.4%	3.7%	3.3%
Cost of Sales	(9,506)	(9,949)	(10,709)	(11,396)	(11,881)	(12,299)	(12,684)
<b>Gross profit</b>	<b>1,324</b>	<b>1,416</b>	<b>1,516</b>	<b>1,637</b>	<b>1,725</b>	<b>1,804</b>	<b>1,879</b>
<b>GPM</b>	<b>12.23%</b>	<b>12.46%</b>	<b>12.40%</b>	<b>12.56%</b>	<b>12.68%</b>	<b>12.79%</b>	<b>12.90%</b>
General and Administrative exp	(144)	(154)	(161)	(172)	(180)	(186)	(192)
Selling and marketing expenses	(203)	(222)	(214)	(226)	(235)	(242)	(248)
Other income	76	85	77	82	86	89	92
<b>Operating profit</b>	<b>1,053</b>	<b>1,125</b>	<b>1,217</b>	<b>1,321</b>	<b>1,397</b>	<b>1,465</b>	<b>1,530</b>
<b>OPM</b>	<b>9.72%</b>	<b>9.90%</b>	<b>9.96%</b>	<b>10.13%</b>	<b>10.26%</b>	<b>10.39%</b>	<b>10.51%</b>
Financial charges	(48)	(48)	(48)	(49)	(51)	(53)	(55)
<b>Profit before zakat</b>	<b>1,005</b>	<b>1,077</b>	<b>1,170</b>	<b>1,271</b>	<b>1,345</b>	<b>1,412</b>	<b>1,475</b>
Zakat	(31)	(28)	(31)	(34)	(36)	(38)	(40)
<b>Net income</b>	<b>974</b>	<b>1,049</b>	<b>1,139</b>	<b>1,237</b>	<b>1,309</b>	<b>1,374</b>	<b>1,435</b>
<b>Net Margins</b>	<b>8.99%</b>	<b>9.23%</b>	<b>9.32%</b>	<b>9.49%</b>	<b>9.62%</b>	<b>9.74%</b>	<b>9.85%</b>
Y/Y	0.1%	7.7%	8.5%	8.6%	5.8%	4.9%	4.5%
<b>EPS (SAR)</b>	<b>0.81</b>	<b>0.87</b>	<b>0.95</b>	<b>1.03</b>	<b>1.09</b>	<b>1.14</b>	<b>1.20</b>
<b>DPS (SAR)</b>	<b>0.80</b>	<b>0.90</b>	<b>0.90</b>	<b>1.00</b>	<b>1.00</b>	<b>1.10</b>	<b>1.10</b>
<b>Balance sheet</b>							
<b>Assets</b>							
Cash & bank balance	33	271	105	76	88	107	132
Other current assets	2,316	2,252	2,517	2,680	2,795	2,894	2,985
Property & Equipment	995	997	1,060	1,089	1,092	1,095	1,098
Other non-current assets	929	896	913	943	974	1,005	1,037
<b>Total assets</b>	<b>4,273</b>	<b>4,416</b>	<b>4,595</b>	<b>4,787</b>	<b>4,948</b>	<b>5,102</b>	<b>5,252</b>
<b>Liabilities &amp; owners' equity</b>							
Total current liabilities	1,736	1,837	1,925	2,031	2,102	2,161	2,213
Total non-current liabilities	792	817	829	853	878	904	931
Paid -up capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Retained earnings	657	673	711	740	774	818	867
Total owners' equity	1,745	1,762	1,841	1,903	1,968	2,037	2,108
<b>Total equity &amp; liabilities</b>	<b>4,273</b>	<b>4,416</b>	<b>4,595</b>	<b>4,787</b>	<b>4,948</b>	<b>5,102</b>	<b>5,252</b>
<b>Cashflow statement</b>							
Operating activities	1,114	1,458	1,126	1,338	1,429	1,505	1,575
Investing activities	(63)	(38)	(122)	(91)	(68)	(71)	(73)
Financing activities	(1,069)	(1,181)	(1,191)	(1,276)	(1,349)	(1,415)	(1,478)
Change in cash	(18)	238	(187)	(29)	12	19	24
<b>Ending cash balance</b>	<b>33</b>	<b>271</b>	<b>105</b>	<b>76</b>	<b>88</b>	<b>107</b>	<b>132</b>
<b>Key fundamental ratios</b>							
<b>Liquidity ratios</b>							
Current ratio (x)	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Quick ratio (x)	0.3	0.4	0.4	0.3	0.4	0.4	0.4
<b>Profitability ratios</b>							
GP Margin	12.2%	12.5%	12.4%	12.6%	12.7%	12.8%	12.9%
Operating Margins	9.7%	9.9%	10.0%	10.1%	10.3%	10.4%	10.5%
EBITDA margin	11.4%	11.5%	11.3%	11.4%	11.5%	11.6%	11.8%
Net Margins	9.0%	9.2%	9.3%	9.5%	9.6%	9.7%	9.9%
Return on assets	23.2%	24.2%	25.3%	26.4%	26.9%	27.3%	27.7%
Return on equity	56.9%	60.5%	63.1%	66.3%	67.6%	68.5%	69.0%
<b>Market/valuation ratios</b>							
EV/sales (x)	1.5	1.4	1.7	1.6	1.5	1.5	1.4
EV/EBITDA (x)	13.1	11.9	14.8	13.8	13.1	12.5	12.0
EPS (SAR)	0.8	0.9	0.9	1.0	1.1	1.1	1.2
BVPS (SAR)	1.5	1.5	1.5	1.6	1.6	1.7	1.8
Market price (SAR)	12.6	13.0	16.5	16.5	16.5	16.5	16.5
Market-Cap (SAR mn)	15,432	15,192	19,788	19,788	19,788	19,788	19,788
Dividend yield	6.6%	6.6%	5.5%	5.9%	6.3%	6.6%	6.9%
P/E ratio (x)	15.8	14.5	17.4	16.0	15.1	14.4	13.8
P/BV ratio (x)	8.8	8.6	10.8	10.4	10.1	9.7	9.4

Source: Company reports, Aljazira capital Research, prices as of 22<sup>nd</sup> June, 2026

Head of Sell-Side Research - Director

**Jassim Al-Jubran**

+966 11 2256248

j.aljabran@aljazaracapital.com.sa

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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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